Annual Report 2021

BIL
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BANQUE INTERNATIONALE À LUXEMBOURG

Executive foreword

Fit for the future

After the pandemic-induced recession of 2020, 2021 saw the economy bounce back and return to pre-pandemic level, thanks to a powerful confluence of fiscal and monetary stimulus. This fast recovery came with new challenges which have become a marker of 2021: supply-chain bottlenecks, shortages of supplies and the first signs of the return of inflation. Notwithstanding massive vaccination campaigns started in early 2021 in Luxembourg, the EU and globally, the pandemic, which has impacted us during the past two years, lingers on and will most likely stay longer than expected.

In this context, agility and the capability to adapt are essential. This is true for our clients and also true for BIL. To be fit for the future and become the best bank for entrepreneurs in Luxembourg, BIL has embarked on a transformative 5-year strategic plan, "Create Together 2025". Rather than halt it, the pandemic showed us that our plan needed to be accelerated. The many initiatives it entails are key to build sustainable growth, to always improve our products and services and the client experience, and to make BIL an employer of choice in the many years to come. Launched during the second half of 2019, we adapted our strategic plan in 2021 to reflect this new environment and renamed it "Energise Create Together 2025".

Major milestones were reached in 2021. First of all, we adapted our governance to reflect our strategic priorities and ensure optimal execution. All our commercial activities in Luxembourg are now placed under one management. We created a Transformation Office, placing the development and delivery of our new core banking system as a top priority. Second of all, our Wealth Management activity has started its turn-around, and our business with China is picking up steam. We continued to adapt our international business network to be in line with our priorities: we developed our wealth management hubs in Luxembourg and Switzerland and expanded our activities in China (Beijing, Hong Kong and the Greater Bay Area) to serve our international clientele while closing other locations.

In addition, all our commercial activities are guided by our redefined risk management framework, which will support our future growth, both locally and internationally. Huge progress has also been made with regards to sustainable finance over the past year, to meet the growing demand from clients, and to offer new ESG products and services in line with the strategy in place.

Investing to ensure sustainable growth

The main lesson from BIL 2021 performances is that to ensure sustainable growth in the years to come, we must continue to invest in our Bank and to strive to deliver best-in-class products and services to our clients.

In 2021, net income after tax stood at 135 million euros, a 34% increase compared with 2020. This stems primarily from a strong comeback of the commercial activities, an improvement in the core cost of risk and a positive contribution from non-recurring items.

Commercial activities delivered a good performance during 2021, demonstrating a considerable recovery, in spite of the persistent negative interest rates environment. BIL continued its ongoing support to individual and business clients in their projects while emerging from the pandemic, leading to a growth of our loan activity. Loans and advances to customers amounted to EUR 16.3 billion, up by 6.1% compared with year-end 2020. Assets under management reached EUR 45.9 billion (+5%) and customer deposits reached EUR 20.7 billion (+4.6%). In addition, capital gains from the Bank's investment portfolio and a partial sale of BIL's stake in Bourse de Luxembourg S.A. contributed to the increase of revenues.

The strong post-pandemic recovery of the Luxembourg economy and the Bank's main foreign market economies has also led to a significant improvement in the quality of our assets, and, as a consequence, to a decrease of our core cost of risk by 40%.

Looking at expenses, the development of our new core banking system, fulfilling regulatory requirements and additional recruitment to boost our human capital are the main reasons behind the 6% increase observed in 2021. These are essential investments to build a stronger bank, fit for the future.

2022 promises to be challenging, with uncertainties surrounding the global economy remaining prevalent, the current international crisis and major projects ahead of us that will transform BIL. Challenges also mean opportunities: opportunities to bring new and better services to our clients, opportunities to support our employees in their professional development and opportunities to build a stronger bank.

Luc Frieden
Chairman of the Board

Marcel Leyers
Chief Executive Officer

Annual Report 2021

Consolidated management report

Corporate governance (as of December 31, 2021)

Board of Directors and Executive Committee

The Board of Directors (the "BOD") of Banque Internationale à Luxembourg ("BIL" or the "Bank") has the overall responsibility for BIL. It defines, monitors and bears the responsibility for the implementation of robust central administration, governance and internal control arrangements ensuring a sound and prudent management of the Bank. Among its missions, the BOD is responsible for setting and overseeing the overall business and risk strategy including the risk appetite statements and the risk management framework of BIL.

The BOD is assisted by four specialised committees: the Board Strategy Committee, the Board Risk Committee, the Board Audit and Compliance Committee and the Board Remuneration and Nominations Committee.

The BOD delegated the daily management of the Bank to the Management Board (the "MB") and the Chief Executive Officer (the "CEO").

The MB consists of the MB members authorised by the Supervisor (the "Authorised Managers"), including the CEO, who chairs the MB meetings.

The overall objective of the MB is to lead, direct and manage BIL, in order to achieve the strategy and the business objectives set by the BOD. The MB is collegially responsible for the effective day-to-day management of the Bank. It meets in principle on a weekly basis as an integral part of the Executive Committee and on an ad-hoc basis, as needed.

The Executive Committee (the "ExCo") consists of the Authorised Managers, including the CEO who chairs the ExCo meetings, as well as designated heads of support functions and business lines. The Chief Compliance Officer as well as the Chief Internal Auditor are permanent invitees to the ExCo, with direct reporting lines also to the BOD Chairman (amongst other Directors).

Board of Directors

Chairman

Luc Frieden	Independent Director

Vice-Chairman

Peng Li	Director, Chief Executive Officer of Legend Holdings Corporation

Members

Ashley Glover	Director, Staff Representative
Maurice Lam	Independent Director
Marcel Leyers	Director and Chief Executive Officer
Charles Q. Li	Independent Director (as from May 14, 2021)
Jing Li	Director, VP, Managing Director of Overseas Investment of Legend Holdings Corporation
Pierrot Rasqué	Director, Luxembourg State Representative
Christian Schaack	Independent Director (up to April 29, 2021)
Michel Scharff	Director, Staff Representative
Serge Schimoff	Director, Staff Representative (up to December 31, 2021)[1]
Marc Terzer	Director, Staff Representative
Vincent Thurmes	Director, Luxembourg State Representative
Chris Van Aeken	Independent Director

Board Strategy Committee

Chairman	*Members*
Jing Li	Luc Frieden
	Vincent Thurmes

Board Audit and Compliance Committee

Chairman	*Members*
Maurice Lam	Jing Li
	Pierrot Rasqué

Board Risk Committee

Chairman	*Vice-Chairman*	*Members*
Chris Van Aeken	Jing Li	Luc Frieden
		Vincent Thurmes
		Charles Q. Li (as from May 14, 2021)
		Christian Schaack (up to April 29, 2021)

[1] Claude Steffen has become a member of the Board of Directors representing staff as from March 7, 2022.

Board Remuneration and Nominations Committee

Chairman

Peng Li

Members

Jing Li
Serge Schimoff (Remuneration matters) (up to December 31, 2021)[1]
Vincent Thurmes

Executive Committee

Chairman

Marcel Leyers*	Chief Executive Officer

Members

Hans-Peter Borgh	Group Head International
Olivier Debehogne*	Chief Transformation Officer (up to October 6, 2021)
Olivier Gorin	Chief Transformation Officer (as from October 6, 2021)
Jeffrey Dentzer*	Chief of the Luxembourg Market and Corporate and Institutional Banking[2]
Helmut Glemser*	Chief Risk Officer
Emilie Hoël	Head of Wealth Management
Bernard Mommens*	Secretary General and General Counsel
Jérôme Nèble	Head of Strategy and Financial Markets (as from October 21, 2021)[3]
Nico Picard*	Chief Financial Officer
Karin Scholtes*	Global Head of People, Culture and Communication

Permanent Invitees

Marie Bourlond	Chief Compliance Officer
Olivier Gorin	Head of Strategy and Marketing (up to October 21, 2021)[4]
Pia Haas	Chief Internal Auditor

* Member of the Management Board (Authorised Management)

1 Michel Scharff has been appointed as member of the Board Remuneration and Nomination Committee (Remuneration matters) replacing Serge Schimoff as from January 1, 2022.

2 Jeffrey Dentzer was formerly Head of Corporate and Institutional Banking before he became as from January 1, 2021 Chief of the Luxembourg Market and Corporate and Institutional Banking (CIB), heading the Retail, Private Banking Luxembourg Business line and CIB, including the international dimension of the CIB business line.

3 Jérôme Nèble was formerly Head of Product and Markets and as from February 10, 2021 Head of Financial Markets, following the change of name of the Products and Markets business line, before he became Head of Strategy and Financial Markets as from October 21, 2021.

4 Olivier Gorin has become a member of the Executive Committee as from August 1, 2021 and has been appointed Chief Transformation Officer as from October 6, 2021.

Business Review and Results

1. Highlights of 2021 and early 2022

After the pandemic-induced recession of 2020, 2021 saw the economy bounce back and return to normality, thanks to a powerful confluence of fiscal and monetary stimulus. Vaccines gradually replaced the need for complete lockdowns, curfews and closed borders. However, events have shown that the COVID-19 pandemic will remain longer than expected. Uncertainty remains high as with each new variant a new wave of infections hits economies around the globe. New challenges arose for businesses, such as supply-chain issues. Economies show signs of inflation, although, key central banks are adamant that it will be transitory. For the banking sector, in addition to the pandemic and its consequences, persistently low interest rates, reinforced regulation, and increased competition from digital entrants remain its biggest challenges.

To tackle these challenges head-on and to be fit for the future, BIL has embarked on a transformative 5-year strategic plan, Create Together 2025. Launched during the second half of 2019, this plan was adapted in 2021 and renamed Energise Create Together 2025 to reflect the new environment. In 2021 and early 2022, BIL focused on:

- Accelerating the implementation of the initiatives of its updated strategic plan. This plan is laying the foundations for the BIL of tomorrow, stronger in the post-pandemic world with a future-proof business model.
- Supporting its customers. BIL strived to deliver its services as smoothly as possible by adapting its operations to the everchanging sanitary situation, by enhancing its digital services and expanding its products and services offering.

In support of this plan, BIL updated its risk appetite framework that will help protect its reputation and limit cost of risk, thus contributing to the solid foundations needed to grow nationally and internationally. BIL also created a new role in charge of Sustainable Development to lead the Bank's efforts to include Environmental, Social and Governance (ESG) principles into the different business activities and meet increasing client demand.

A MORE HUMAN AND MORE DIGITAL BANK

BIL's focus on efficiency and improved services is central to its distribution strategy. The massive development of digital and distant services, and their adoption by consumers, transformed the relationship between banks and clients. While clients favour flexibility and instant action for day-to-day operations, they demand added-value information and tailor-made solutions with regards to their major projects in life such as home buying or retirement planning or the development of their business such as investing in a new production line or treasury facilities.

In Luxembourg, BIL continued to roll out its omnichannel distribution combining an optimised branch network for in-person service, trained its client advisors for greater specialisation, strengthened its teams regarding call center services, and enhanced digital services available on its BILnet online banking platform. BIL continued to invest in its branch network to adapt its footprint and ensure the right balance between efficiency and proximity. During the first half of 2021, two new branches opened, BIL Shop Pétange in the south of Luxembourg and BIL Office – "Philharmonie" in the Kirchberg business district of Luxembourg city. To complete its physical branch network, BIL launched in January 2022 a 100% remote services branch to meet increasing demands from clients for both flexibility and support of experts. This branch, called "BILhome", relies on the Bank's digital platform BILnet and a team of experts, available by phone between 8am and 7pm.

Faced with in-person meeting restrictions, the use of digital banking services, already on the rise before the pandemic, skyrocketed in 2021. To assist less digitally savvy clients, and provide support with their day-to-day operations, BIL strengthened its Client Care Centre, the Bank's after sales call centre, and introduced "digital coaches" in selected branches. This allowed to improve services and keep up with the increasing volume of calls. In line with the Energise Create Together 2025 strategy, the Bank also continued to expand its digital service offering and transformed its working environment by creating effective and efficient internal processes and client journeys. In October, BIL launched a brand-new service called "Myvisit" to help first time home buyers make a fully informed choice when selecting a property. Developed in partnership with start-up Konkretly, this online service is a proper digital checklist to ensure nothing is forgotten when it comes to comparing and assessing houses and apartments.

As a result of reviewing and simplifying its service offering to prepare for the implementation of its new operating systems, BIL conducted a complete overhaul of its daily banking packages. Starting from January 2022, individual clients have the choice between four attractive packages, and professional clients have five different packages to choose from. With more services and competitive fees, clients will benefit from this simplified, easy-to-compare range of packages.

BIL'S INTERNATIONAL FOOTPRINT ON THE MOVE

Greater efficiency and focus are essential to prepare BIL Group for the future. These principles are central to the Bank's strategy and they will help strengthen its international wealth management business.

In 2021 and onwards, BIL continued to focus its commercial reach on markets where it has the knowledge and expertise to deliver added value to its clients, such as, Western Europe, Eastern Europe, the Middle East and China. To serve these clients, BIL is further developing its two main centres of excellence, Luxembourg and

Switzerland, and continued to build its knowledge and expertise in its two Chinese locations Beijing and Hong Kong.

On March 23, 2021, BIL announced the sale of its fund and corporate services subsidiary, BIL Fund & Corporate Services S.A. (BFCS) to ZEDRA, a leading fund formation and administration provider. The transaction closed on March 15, 2022. As the Bank pursued greater focus on selected countries, it also transferred its BIL Denmark branch business activity to Ringkjøbing Landbobank on July 1, 2021, and decided to centralise its Middle East market desk in Switzerland, closing its Dubai branch (effective in the second half of 2021).

AN ENHANCED INVESTMENT OFFERING

BIL, as a reference bank for entrepreneurs and private clients with an entrepreneurial mindset, further developed its services, at the crossroads of private and corporate banking. To this effect, the Bank significantly enhanced its investment products and services portfolio.

BIL S.A. and Leonteq AG entered into a cooperation (partnership) to distribute and co-create structured investment products. BIL has joined the pricing platform of Leonteq AG and as such BIL issued products are available for distribution in multiple jurisdictions. This new milestone will greatly enhance the Bank's structured product offering, capabilities, efficiency and its visibility across key international markets.

BIL's initiatives in terms of alternative investment, private equity and real estate, are bearing fruit. BIL PE I (private equity I), despite an unprecedented global crisis, recorded strong annual performance since its launch in 2019. With the experience and knowledge gathered during the past three years, the Bank launched BIL PE II in September 2021. BIL PE II is a Private Equity 10 year investment fund of funds whose objective is to provide clients with long-term capital appreciation by capturing all Legend Capital and Legend Star's private equity know-how.

In terms of Sustainable Finance, the Bank made significant progress in developing its ESG investment product offering. Four of the funds of the BIL Invest Patrimonial range obtained the LuxFLAG ESG label on October 1, 2021. The primary aim of the LuxFLAG ESG label is to reassure investors about the proper incorporation of ESG criteria at each stage of the fund's investment process.

Finally, to further simplify its services and increase efficiency, the Bank continues to digitally transform its working environment by creating effective and efficient internal processes. BIL introduced a new advisory tool which will help its private bankers to optimise their clients' advisory portfolios by taking into account the Bank's investment recommendations, client constraints and asset allocation, while guaranteeing to respect their preferences.

SUPPORTING ENTREPRENEURS DEVELOPING THEIR BUSINESS

Throughout 2021, BIL strengthened its entrepreneur offering and corporate finance services, bringing the best know-how of Luxembourg and Switzerland banking services to clients. The development of BIL Group's new corporate finance advisory platform, leveraging on the joint expertise of its Luxembourg and Switzerland teams, is one of the key levers defined in the Energise Create Together 2025 strategy. In September 2021, BIL Luxembourg and BIL Suisse jointly conducted the first corporate finance mandate successfully.

BIL is one of the few banks in Luxembourg to have developed the syndicated loan activity by positioning itself on the growing market niche of loans of less than EUR 200 million. BIL arranges about ten large syndicated lending facilities and other complex financial structuring operations per year.

A sign of a trend that is likely to grow in the future, BIL participated in the financing of a company specialised in industrial spraying indexed on Corporate Social Responsibility (CSR) criteria in December 2021. While this is still relatively unheard of today, it is likely to increase, and BIL will be there to seize these opportunities and support entrepreneurs in transitioning towards a more sustainable business model.

2. COVID-19

In the context of the uncertain evolution of the COVID-19 pandemic during 2021, the Bank continued to adapt its working environment by maintaining accessibility to remote working for employees and by continuing to broaden its digital offer to serve clients.

BIL'S PROTECTIVE MEASURES:

Throughout 2021, all BIL Group entities continued to take the necessary measures to protect the health and safety of employees and customers whilst ensuring business continuity. This included restricting face-to-face meetings, splitting teams between different buildings, additional hygiene measures and remote working.

These extensive protective measures contributed in keeping the number of infected employees low and all departments and Group entities remained fully operational.

Moreover, the Bank remained fully engaged in supporting its customers in their business activities. Since the beginning of the pandemic, a committee was created to assess the situation on a weekly basis, to apply measures in line with the instructions of the State of Luxembourg and to prepare for the post COVID-19 set-up.

In the second half of 2021, after many months spent working remotely, and with COVID-19 cases in decline, BIL planned a gradual return to the office. The plan, called "Good to see you again", began in June 2021 and employees started gradually coming back to the workplace.

In the last quarter of 2021 and early 2022, a resurgence of COVID-19 cases has led to an increase in remote working once again. As long as necessary, strict sanitary measures are maintained to protect staff, monitoring of contamination is still in place, self-tests provided by the government have been distributed to all staff and employees are encouraged to use them before coming to the office.

Going forward in 2022 and taking into account best practices and lessons learned during the pandemic, Hybrid Work, i.e., a combination of remote and on-site working, will be the "New Way of Working".

LUXEMBOURG GOVERNMENT MEASURES

At the height of the pandemic in April 2020, the Luxembourgish Government rolled out extensive financing and support measures to counteract the economic impact of the lockdown: in particular, an unprecedented economic stabilisation package of EUR 8.8 billion had been decided to help Luxembourg businesses cope with the impact of the COVID-19 crisis.

In response to the continued economic turbulence caused by a resurgence of the pandemic in late 2020 and early 2021, including a prolonged shutdown of non-essential activities, the Luxembourgish Government extended several business and employment support measures and widened the scope of vulnerable businesses able to benefit.

In April 2021, a gradual reopening and easing of restrictions began. As a continuation of the economic stabilisation programme, and post COVID-19 economic recovery strategy, the Luxembourgish Government further extended certain support schemes throughout 2021 and continued to offer relief for businesses in the hardest hit sectors.

In view of the gradual improvement of the economic situation, the State-backed guaranteed loan scheme introduced in April 2020 and twice extended came to an end on December 31, 2021. At its launch, EUR 2.5 billion were earmarked for the scheme, that foresaw a State guarantee for 85% and a guarantee by the participating banks of 15% of the credit line. BIL was a participating bank in this scheme with an envelope of EUR 470 million to be used for business loans. At the end of December 31, 2021, the total amount of loans granted under the scheme in Luxembourg[1] is equivalent to EUR 194 million in which BIL was a significant participating bank (25%) to support the Luxembourg economy.

In the last quarter of 2021, with an increase in cases, the occurrence of a new variant (Omicron), and renewed restrictions, the separate State support scheme set up for companies in the hospitality, events, culture and entertainment sectors, was extended until the end of the year 2021. However, companies belonging to crisis-stricken sectors, sectors impacted by the pandemic or encountering economic or structural difficulties will still be granted further relief throughout the first half of 2022.

BIL'S CLIENT MEASURES

Moratorium credits

As one of the major banks in Luxembourg, BIL strongly supported Government and Central Bank actions by making financing facilities available to clients affected by the crisis. In this context, moratoria granted in response to the pandemic peaked at over EUR 1 billion in June 2020. At the end of December 2021, the moratoria granted in response to the pandemic have all expired. With regard to expired moratoria, it should be noted that in the overwhelming majority of cases (98% of outstanding), clients were able to resume the normal course of their contractual payments and this shows no sign of weakening despite the end of most Government support measures in most sectors.

Loan guarantees

As part of the Luxembourgish Government stabilisation programme, State-backed guaranteed COVID-19 loans stood at EUR 40 million at the end of December 2021. The announcement of the end of the scheme has had no impact on customer demand, which was already low.

Major exposures

The Bank maintains strong vigilance on its main sectoral risk areas. No marked concentration has been noted in 2021, with the exception of the Luxembourg real estate market (mainly residential) which is closely monitored and to date shows no signs of slowing or weakness.

BIL is not significantly exposed to sensitive sectors such as airlines, oil and gas or the hotel industry, with the exception of very limited files which are very well collateralised. Its main risk sensitive sectors are the automotive sector (which covers a great diversity of players: manufacturers, equipment manufacturers and automobile dealerships) and the "HORECA" (Hotels, Restaurants and Cafés) sector in Luxembourg. Credit exposures in both of these sectors, are well-spread and together with the guarantees held, largely limit the final risks.

[1] The report as published by the Luxembourg Government is available on : Rapport sur l'application du régime de garantie en faveur de l'économie luxembourgeoise dans le cadre de la pandémie COVID-19

The Bank has endeavoured to strengthen its presence with its most potentially vulnerable clients by launching two outreach programmes designed to pre-empt any difficulties and, if necessary, take corrective measures as early as possible. In June 2021, BIL launched a questionnaire aimed at 435 customers in sectors of activity deemed to be heavily impacted by the pandemic. More recently, in December 2021, a second outreach programme was carried out, with 133 customers potentially impacted by the rise in energy and commodity prices.

MACROECONOMIC ENVIRONMENT

Advanced economies experienced their most severe business cycle contraction in 2020 due to the COVID-19 pandemic crisis, exceeding the impacts of the Great Recession a decade ago (e.g. -6.5% for the euro area real GDP growth, compared to -4.5% in 2009). Gladly, the global decline was ultimately less pronounced than expected: in June 2020, the ECB forecasts were ranged between -8.7% (central scenario) and -12.6% (severe scenario) for the eurozone growth – a result which is somewhat consistent given the exceptional support measures that were put in place by both the governments and the monetary authorities.

The situation for Luxembourg is even more striking since the economic activity only decreased by 1.8% while the ECB expected a 7.8% decline (June 2020 forecasts). Luxembourg has the particularity to be a small open economy and, in this regard, it was significantly less affected than other European countries thanks to the importance of its financial services sector (less affected than contact-based services due to the maintenance of a high level of teleworking) and to a lesser extent via the resilience of the information and communication exports. Another difference is that Luxembourg did not experience a double-dip recession with the second wave of infections and the reinforced social distancing measures which occurred at the end of 2020.

Almost 2 years after the beginning of the pandemic, it can be observed that the eurozone has only recovered to its pre-crisis situation. From the last available data on the quarterly national accounts (2021 third quarter), it appears that the euro area real GDP was almost equal to its 2019 fourth quarter level – in comparison, the real output in Luxembourg was 5.4% higher than its pre-crisis level. The 2021 economic rebound has been driven primarily by domestic demand, notably for consumer services, as a result of high vaccination rates, the associated reduced fear of infection and the easing of pandemic-related restrictions. It has also been boosted by a pick-up in real disposable income and a substantial decline in the saving ratio for households.

Overall, a strong economic rebound has materialised for advanced economies in 2021: according to the last ECB projections (December 2021), one may expect a 5.1% (resp. 6%) economic growth for the eurozone as a whole (resp. Luxembourg). This is a particularly appreciable performance and it holds despite some headwinds which materialised over the second half of the year, notably with the rising infection rates and the occurrence of a new variant (Omicron) in November 2021, or again with the supply bottlenecks (e.g. in sectors such as manufacturing and construction) that have triggered an upward pressure in energy and producer prices.

The previous downside risks should continue to weigh on the macroeconomic performance in the very short run. After that, growth is projected to pick up strongly from the second quarter of 2022 before decelerating in 2023-24 towards historical average rates. The expected rebound beyond the short term is based on the assumption of a gradual resolution of the COVID-19 pandemic and a decline in its economic impact which should reduce the related uncertainty and strengthen confidence amongst private economic agents. Moreover, it is based on a gradual unwinding of supply bottlenecks, continued favourable financing conditions, some unwinding of the high level of accumulated savings and the ongoing global recovery. In 2023-24 real GDP growth is expected to return to more moderate rates. Although the Next Generation EU (NGEU) programme is expected to boost investment in some countries, the contribution of other fiscal policies is projected to decline compared with 2021.

Finally, it remains that the macroeconomic outlook is still surrounded by a great uncertainty especially with the consideration of risks tilted to the downside. Without being exhaustive, the most important ones are the following:

- Factors such as the Russia-Ukraine conflict, geopolitical tensions, the increased threat of cyberattacks and some risks underlying to the climate transition;
- The development of the health situation and the emergence of new variants could severely dampen the economic recovery (e.g. due to increased corporate insolvencies or persistently high unemployment rates);
- Disputes over fiscal policy in the eurozone – considering an excessive slippage in terms of public debt and deficit – will remain muted this year but will likely re-emerge in coming years with an intensification of stress in sovereign debt markets;
- The tightening of the US monetary policy (i.e. the interest rates hikes and the tapering of asset purchases) could have a ripple effect around the globe: if the Federal Reserve moves faster or more aggressively to contain inflation, it could rattle financial markets and tighten financial conditions globally;
- More persistent inflation pressures in the eurozone and the resulting ECB trade-off between keeping or not a strongly accommodative monetary policy;
- Financial stability risks caused by the build-up of speculative bubbles in various asset classes (equities, bonds, real estate, crypto assets) and an excessive indebtedness of private economic agents that have been fuelled by a prolonged – and too long – period of extremely accommodative monetary policies.

In light of the great uncertainty surrounding the economic outlook, BIL considers several macroeconomic scenarios when carrying out sensitivity analyses of its cost of risk and more specifically for measuring the expected credit losses (ECL) in accordance with the IFRS 9 accounting framework (please refer to Note 12.2 for further details). For instance, the downside risks previously described are apprehended in a very prudent way comparatively to those assessed by the ECB: in December 2021, the BIL downside scenario led to anticipate a recession period for the eurozone in 2022 (-0.4% for the annual real GDP growth) while the ECB still projected a quite appreciable business cycle expansion (+1.5%) in its pessimistic (or severe) scenario.

2021 MAJOR FINANCIAL IMPACTS

Commercial activities

Commercial activities, although, somewhat impacted by the pandemic in early 2021 have since demonstrated a considerable recovery. At year-end 2021 commercial activities' loans increased by +6.1% compared to December 2020 and Assets under Management also increased by 5% thanks to a positive market effect EUR 2.26 billion and Net New Assets (NNA) of EUR 0.6 billion.

Expenses

During 2021, the Bank withstood the impact of COVID-19 with EUR 0.65 million (versus EUR 7 million in 2020) invested in the continuity of hygiene measures (cleaning and security, masks and hand sanitisers) to protect all employees.

Cost of Risk

BIL Group recorded net provisions on loans and advances and provisions for legal litigations of EUR 38 million in December 2021 compared with EUR 21 million in December 2020. Excluding the non-recurring items in 2020 related to the partial recovery on a legacy loan and impairment on right-of-use assets, the core cost of risk totalled EUR 38 million in 2021 versus EUR 64 million in 2020 largely influenced by the effects of the health crisis.

Please refer to part 6: Consolidated statement of income and consolidated balance sheet, section "analysis of the consolidated statement of income", for further information regarding the cost of risk and the reassessment of the ECL management overlays defined in 2020.

Asset Quality

In the Risk Management section, the Bank has published an overview of the asset quality by stage focused on loans and advances to customers.

Gross customer loans impairment decreases to 1.79% versus 1.86% compared with year-end 2020 due to the proactive management of the credit portfolios.

BIL's Stage 3 asset quality ratio[1] totalled 3.56% versus 4.69%. The favourable evolution of several credit files led to a return to the pre-pandemic level (stage 3 amounted to EUR 593 million at year-end 2021 versus EUR 736 million at year-end 2020).

The core cost of risk (excluding non-recurring items) reached 20 bps compared with 38 bps in 2020 and 11bps in 2019.

Liquidity and Funding

Given the ongoing great uncertainties surrounding the potential macroeconomic consequences of the pandemic, BIL decided to take a prudent approach by increasing its combined outstanding in TLTRO III from EUR 1.5 billion to EUR 2.2 billion over the course of 2021 with the objective of continuing to provide intermediated financing to customers. The Bank participated in the last tender of the year in December 2021, which was also the ultimate such operation on the ECB's calendar for the time being.

3. ESG (Environmental, Social and Governance)

As a major bank in Luxembourg and aware of its role in contributing to balanced economic growth and the construction of a more sustainable and ecological economy, in 2021, BIL defined its SustainaBILity Strategy, which is fully integrated in the Bank's Energise Create Together 2025 Strategy.

The SustainaBILity Strategy definition was based on an extensive engagement plan that has involved the Bank's key stakeholders, including its customers (retail, wealth and corporate), employees and shareholders.

Four pillars of commitment and responsibility underpin the SustainaBILity Strategy, which will progressively guide BIL's strategic decision-making and day-to-day management:

- **Sustainable governance and strategy**: BIL is committed to structure the organisation to address ESG challenges to support the Bank's long-term stability and growth.
- **Sustainable products & services**: BIL is committed to develop responsible products and services that create value

[1] Asset quality ratio: total Stage 3 outstanding divided by total gross loans and advances to customers.

for its clients whilst supporting the global ecological and social transition. BIL wants to play an active role in the integration of Environmental, Social and Governance (ESG) factors to catalyse the redirection of financial flows towards sustainable activities.
- **Responsible employer**: as a responsible employer, BIL is committed to offer a safe and healthy work environment to enable its employees to develop their potential.
- **Positive impact**: as a major financial actor in the Luxembourgish landscape, the Bank is committed to act for a positive impact on local economy and communities and prepare ground for future generations.

Following the approval of the new Sustainability Strategy, more than 40 initiatives were launched in line with the four pillars. To make sure public commitments are translated into a business strategy, embedded into business-as-usual processes, and then monitored and managed across a wide range of departments is a real transformation programme, known internally under the "Towards Sustainability Programme". The programme is led by the Head of Sustainable Development who reports, since March 2021, directly to the Executive Committee Member in charge of the Bank's Strategy, proof that the subject is an important axis in the development of the Bank. The programme brings together all the Bank's departments, which regularly share their experiences and progress with the Towards Sustainability Committee, whose status is in turn reported to the Executive Committee and Board of Directors.

BIL's priority in 2021 was of course to comply to new European ESG regulations starting with the European Regulation (EU) 2019/2088, the so-called Sustainable Finance Disclosure Regulation (SFDR). BIL disclosed on its website, on March 10, 2021 its Sustainable and Responsible Investment Statement, describing how sustainability risks are integrated into its investment decision processes via an exclusion list targeting individual companies and countries and by integrating Environmental, Social and Governance considerations into its investment products and services. BIL will now address the upcoming requirements of phase 2 of SDFR as well as the assessment of clients' ESG preferences as required by the Delegated Regulations amending organisational requirements (including suitability assessments) under the Markets in Financial Instruments Directive (MiFID II) and Insurance Distribution Directive (IDD) Delegated Regulations.

The sustainable investment framework also applies to the Bank's Investment Portfolio, where at the end of 2021, Green, Social and Sustainable bonds now account for 10.5% of the total Portfolio, for a total amount of EUR 800 million.

On the risk management side, the Bank has started to implement the EU recommendations on the handling of ESG risks. In 2021, the focus was on defining a robust risk cartography, which will form the basis for further progress, mainly the definition of the Bank's ESG risk governance, the revision of its risk management frameworks, including stress-testing exercises.

In parallel with these regulatory aspects and in line with the second pillar of the strategy, BIL continued to work on the development of its product offering, which is an essential lever for taking action and having a positive impact. At the end of 2021, four of the BIL Invest Patrimonial sub-funds, promote Environmental and/or Social characteristics within the meaning of Article 8 of the SFDR and have obtained the Luxembourg Finance Labelling Agency (LuxFLAG) ESG label for a period of one year. The improvement of BIL's products and services with a view to their eligibility under Article 8 will remain a priority for the Bank in the coming months. In this context, the Bank is also committed to carrying out an ESG impact analysis of its products, which will allow the progressive evolution of the Bank's strategy.

On the responsible employer side, the focus is on employee development. The year 2021 was the first milestone in the sustainable training pathway with more than 70 'priority' employees trained in ESG. BIL's ambition is to upskill the majority of BIL employees during 2022 by offering different ESG training formats. The ultimate goal is that all financial decisions at BIL should take into account climate change and that all BIL employees can develop their knowledge and understanding of climate change, green finance and sustainability as relevant to respective roles within the organisation. In line with this ultimate goal, BIL also regularly organises "Sustainability Days" to raise awareness of sustainability issues within the Bank. Following a "SustainaBILity Week" launched in November 2021, the Bank will organise monthly "SustainaBILilty Days" in 2022.

More globally, several initiatives were launched around health and well-being, with a focus on the management of the COVID-19 crisis with measures put in place at BIL to protect the Bank, its employees and its customers. In terms of social aspects, the Bank intends to be more ambitious on the theme of diversity and will define a dedicated action plan in 2022. Efforts will continue to raise awareness of the importance of these issues among all employees and to continue to train key people.

Finally, the Bank participated in a large number of local initiatives, mainly in the field of education and health.

Details of the Bank's commitments and the various initiatives undertaken to meet its engagements can be found in the Bank's Sustainability report available on www.bil.com. In line with its commitment to transparency, BIL has adopted the Global Reporting Initiative (GRI) standards for its sustainability report and is also a signatory to the United Nations (UN) Principles for Responsible Banking and the UN Global Compact since November 2021.

2021 marks a real turning point in BIL's sustainability transformation. But this is only the beginning of a long journey of implementing sustainability within the Bank. It will take some time to translate the public commitments into daily activities. In 2022, fulfilling regulatory requirements will remain a real priority. In addition and to be aligned with its commitment to have impact on top of regulatory requirements, BIL's ambition is to set clear quantitative targets for the implementation of this new strategy and its follow-up. The development of sustainable products and services to meet customer expectations will also be a strong focus in the coming years.

4. Key figures

COMMERCIAL FRANCHISES

The "Luxembourg Market & CIB and Wealth Management" business areas delivered a good performance during 2021 despite certain headwinds:

- Assets under Management (AuM) reached EUR 45.9 billion compared with EUR 43.7 billion at the end of 2020. The sale of the BIL Denmark franchise negatively affected total AuM by EUR 0.9 billion. Excluding BIL Denmark, Net New Assets (NNA) inflows and a positive market effect contribute by EUR 0.6 billion and EUR 2.6 billion respectively;
- Customer deposits increased by 4.6% to EUR 20.7 billion compared with EUR 19.8 billion at year-end 2020, mainly driven by an increase in current accounts;
- Customer loans increased by 6.1% to EUR 16.3 billion mainly due to the commercial activities' contribution which grew by EUR 0.9 billion, proof of BIL's ongoing support of the local economy while emerging from the pandemic.

PROFITABILITY

BIL Group reported a net income after tax of EUR 135 million in 2021, compared with EUR 101 million in 2020, up by 34%, driven by resilient revenue from commercial activities, significant improvement of the core cost of risk, and a partial sale of BIL's participation in Bourse de Luxembourg S.A. The increase in revenue was offset by an increase in expenses which is to support the Bank's strategic plan.

Non-recurring items before tax amounted to EUR 62 million in 2021, compared with EUR 45 million in 2020. In 2020, non-recurring items were mainly composed of a USD 58.7 million partial recovery on a legacy loan (on the cost of risk side) and capital gains from the Bank's Investment Portfolio of EUR 15 million, offset by costs related to COVID-19 and restructuring. In 2021, non-recurring items were mainly composed of capital gains from the Bank's Investment Portfolio of EUR 39 million and capital gains from the partial sale of BIL's participation in Bourse de Luxembourg S.A. for EUR 27 million offset by costs related to the closing of the BIL Denmark branch, regulation, and restructuring costs.

Core gross operating income (excluding non-recurring items) amounted to EUR 128 million in 2021 and remained stable compared with 2020.

Core operating net income before tax totalled EUR 92 million in 2021 compared with EUR 66 million in 2020, which represents an increase of EUR 26 million (39%). This evolution was marked by the core cost of risk decreasing by EUR 25 million compared to 2020 as the quality of the Bank's assets has improved significantly in 2021.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In 2021, BIL's ratings by both Moody's and Standard & Poor's remain unchanged compared with December 31, 2020, at A2/Stable/P-1 and A-/Stable/A-2 respectively.

BIL group	Dec 2020	Dec 2021	Outcome
Moody's	A2 Stable P-1	A2 Stable P-1	On October 6, 2021 Moody's Investors Service completed a periodic review of the ratings of the Bank and confirmed the ratings affirmed on May 7, 2018.
S&P	A- Stable A-2	A- Stable A-2	On January 25, 2022 S&P Global Ratings affirmed BIL's ratings following the revised "Financial Institutions Rating methodology" published in December 2021.

The most recently published rating agency reports are available on: www.bil.com/en/bil-group/investor-relations.

5. Business line segmentation

In January 2021, in order to further increase client support across channels, increase cross-selling in the domestic market and to support Energise Create Together 2025, the Bank decided to bring all activities in the Luxembourg market under one leadership.

- **"Retail Banking, Corporate & Institutional Banking and Wealth Management"** are now reported as **"Luxembourg Market & CIB"** and **"Wealth Management"** and divided into three business lines: Luxembourg Market & CIB (i.e. Retail Banking, Private Banking Luxembourg and CIB including the international dimension of the CIB business line), Wealth Management Luxembourg and Wealth Management International.

- **"Financial Markets"** is divided into the Banking Book Management (namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management) and Products and Markets activities (Investment management and Market Access).
- **"Group Center"** mainly includes dividends from unconsolidated shareholdings and the results of non-operating entities as well as certain types of costs not attributable to the other business lines mentioned above, such as DGS, Resolution Funds' contributions and funding costs (such as senior non-preferred debts and subordinated debts).

6. Consolidated statement of income and consolidated balance sheet[1]

PRELIMINARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements of BIL Group for 2021 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The main accounting principles are described in Note 1 to the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

In the consolidated statement of income as at December 31, 2021, BIL has corrected the presentation of revenues linked to services provided by the head office to external companies to which offsetting with related costs is not permitted. The impact of these changes have been applied retrospectively to the 2020 published results, which are described in Note 1.2.4 of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

BIL group (in EUR million)	31/12/20	31/12/21	Change versus 2020	%
Revenues	**549**	**632**	**83**	**15%**
Interest and dividend income	308	291	(17)	(6)%
Fees income	209	231	23	11%
Other income	32	109	78	245%
Expenses	**(418)**	**(442)**	**(24)**	**6%**
Staff expenses	(221)	(231)	(10)	5%
General expenses	(139)	(155)	(16)	11%
Amortisation	(58)	(56)	2	(3)%
Gross operating income	**131**	**190**	**59**	**45%**
Cost of risk and provisions for legal litigation	(21)	(38)	(17)	79%
Operating income	**110**	**152**	**42**	**38%**
Net income from associates	2	2	1	27%
Net income before tax	**112**	**154**	**43**	**38%**
Tax expenses	(19)	(24)	(5)	26%
Net income of continuing operations	**92**	**130**	**38**	**41%**
Discontinued operations (net of tax)	9	5	(4)	(39)%
Net income	**101**	**135**	**34**	**34%**

[1] Variation and percentages calculated on exact numbers may bring rounding differences.

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

BIL group (in EUR million)	Commercial activities and Financial Markets		Group Center		Total		Change versus 2020	%
	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21		
Revenues	574	616	(25)	16	549	632	83	15%
of which core operating revenues	***559***	***573***	***(27)***	***(21)***	***533***	***553***	***20***	***4%***
Expenses	(387)	(411)	(31)	(31)	(418)	(442)	(24)	6%
of which core operating expenses	***(385)***	***(404)***	***(20)***	***(21)***	***(405)***	***(425)***	***(20)***	***5%***
Gross operating income	187	205	(56)	(15)	131	190	59	45%
of which core gross operating income	***175***	***169***	***(47)***	***(41)***	***128***	***128***	***(0)***	***(0)%***
Cost of risk and provisions for legal litigation	(67)	(38)	46	0	(21)	(38)	(17)	79%
of which core operating cost of risk	***(63)***	***(38)***	***(0)***	***(0)***	***(64)***	***(38)***	***25***	***(40)%***
Operating income	119	167	(10)	(15)	110	152	42	38%
of which core operating income	***111***	***131***	***(47)***	***(41)***	***64***	***90***	***25***	***39%***
Net income from associates	0	0	2	2	2	2	1	27%
Net income before tax	119	167	(8)	(13)	112	154	43	38%
of which core operating net income before tax	***111***	***131***	***(45)***	***(39)***	***66***	***92***	***26***	***39%***
Tax expenses					(19)	(24)	(5)	26%
Discontinued operations (net of tax)					9	5	(4)	(39)%
Net income					**101**	**135**	**34**	**34%**

Revenues

In 2021, total revenues amounted to EUR 632 million, up by EUR 83 million (15%) compared with 2020 (EUR 549 million). Revenue contributions are presented by business segment and by accounting category in Note 3.

A large part of this growth is influenced by the aforementioned non-recurring items evolution (e.g. capital gains, the partial sale of BIL's participation in Bourse de Luxembourg S.A.). Excluding the non-recurring items, core operating revenue stood at EUR 553 million, up by EUR 20 million (4%) compared with EUR 533 million at year-end 2020.

The contribution of Commercial Activities to the core operating revenues increased by EUR 18 million (+3.5%). Net interest income decreased by EUR 7 million (-2%) compared with December 2020 mainly due to persistent negative interest rates compensated for by continued loan growth (EUR 16.3 in 2021 versus EUR 15.4 billion in 2020). Fee and commission income increased significantly by EUR 25 million (+12% versus 2020), due to higher management fees stemming from Assets under Management growth (+5%) and a rise in new loan production (+6.1%) primarily in Retail and Corporate Banking. New pricing was also introduced to encourage the use of BIL's digital solutions and to reduce paper in line with our ESG commitments.

Financial Markets core operating revenues stood at EUR 26 million compared with EUR 30 million in 2020. This deviation mainly in margin income is related to debt securities issuance and stock, which increased from EUR 3.7 billion in 2020 to EUR 4.7 billion at the end of 2021 with a funding cost growth of EUR 4 million and by a lower contribution from the Investment Portfolio in relation to the capital gains generated in 2020 and 2021 which subsequently led to a reduction in recurring interest income.

Group Center activities generated negative core operating revenues of EUR 21 million in 2021 compared with EUR 27 million in 2020. Group Center is notably composed of the Deposit Guarantee Scheme (DGS) & Resolution Funds' contributions, the funding costs related to the issuance of Tier 2 and senior non-preferred debts and other items not attributable to the commercial business lines. The positive evolution of EUR 6 million stems from the monetary policy countermeasures put in place to mitigate the economic impact of the crisis (EUR 14.2 million) offset by the DGS & Resolution Funds' contributions which increased from EUR 18.1 million in 2020 to EUR 21.9 million in 2021, the increased funding costs related mainly to the issuance of Tier 2 debt and senior non-preferred debts pursued during 2020 and 2021 (EUR -2.5 million) and the negative evolution of capital gains (EUR -1.7 million) linked to the new footprint concept of the Bank launched in 2020.

Expenses

Expenses amounted to EUR 442 million, up by 6% (EUR 24 million) compared with 2020, at EUR 418 million.

Staff costs increased by EUR 10 million, mainly at BIL S.A. level and at BIL Suisse level, in line with the strategy defined in 2020.

General expenses increased by EUR 16 million driven by BIL S.A. and BIL Suisse. The majority of this increase (EUR 11 million) in Luxembourg, is driven by the strategy "Energise Create Together 2025", the regulatory requirements, notably related to risk regulation enhancement (e.g. models roadmap, stress test, recovery plan) and the transition costs to the new core banking system. In Switzerland, BIL Suisse continued to implement the strategy launched during the second semester of 2020, leading to an increase of EUR 4 million.

Depreciation and amortisation decreased by EUR 2 million mainly at BIL Suisse level.

Core operating expenses (excluding the non-recurring items, such as COVID-19 impacts, the closing of the BIL Denmark branch, regulation costs and restructuring costs) stood at EUR 425 million compared with EUR 405 million in 2020 (+5%). The core cost income ratio reached 76.8% versus 76% at the end of 2020.

Gross operating income

Gross operating income amounted to EUR 190 million compared with EUR 131 million in 2020 (45%). Excluding non-recurring items, core gross operating income remained stable at EUR 128 million.

Cost of risk

BIL Group recorded net provisions on loans and advances and provisions for legal litigations of EUR 38 million in 2021 compared with EUR 21 million in 2020.

Excluding the non-recurring items in 2020 related to the partial recovery on a legacy loan and impairment on right-of-use assets, the core cost of risk totalled EUR 38 million in 2021 versus EUR 64 million in 2020 largely influenced by the effects of the health crisis in 2020.

The core cost of risk can be broken down into specific provisions of EUR 38 million in 2021 versus EUR 44 million in 2020 and very limited expected credit losses (ECL compensated by management overlays reversal) in 2021 compared with EUR 19 million in 2020.

During 2021, the Bank continued to adopt a prudent approach in terms of specific provisions in line with the ECB guidance on progressive full provisioning of aged Non-Performing Loans (NPL).

As previously mentioned in the 2020 annual report, BIL defined management overlays in 2020 (EUR 14 million) to anticipate increases in ECLs due to rating downgrades in the near future. The reassessment of the management overlays has led to a decrease of EUR 5 million at the end of 2021 offset by an increase of ECL of EUR 6 million mainly in stage 1 and stage 2 (driven by the growth of the Bank's loan portfolio). The quality of the Bank's assets has improved significantly in 2021, mainly due to a strong rebound of the Luxembourg economy and of the neighbouring countries in which the Bank operates. Nevertheless, the Bank decided to continue the principle of the management overlays decided at the end of 2020 to maintain a high level of prudence in view of the latest developments in the pandemic (the "Omicron" wave) and elements specific to SME clientele.

In the Risk Management section, the Bank has published an overview of the asset quality by stage focused on loans and advances to customers. Gross customer loans impairment decreases to 1.79% compared with year-end 2020 at 1.86% following the measures taken by the Bank in 2021 to reduce non-performing loans (Stage 3) by EUR 143 million.

Net income before tax

Net income before tax stood at EUR 154 million, up by EUR 43 million (38%) compared to year-end 2020, largely influenced by the increase in gross operating income.

Tax

In 2021, tax expenses stood at EUR 24 million. The evolution of tax expenses is explained by the change in net income before tax.

Discontinued Operations

Net income from discontinued operations (net of tax) amounted to EUR 5 million in 2021 compared with EUR 9 million in 2020 and corresponds to the sale of the business activity of the BIL Denmark branch in the scope of the BTA[1] signed with Ringkjøbing Landbobank in June 2021. BIL Denmark business activities are therefore classified as a "disposal group" meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at December 31, 2021 (please refer to Note 1.17 of the 2021 Annual Report for the related accounting policy and Note 11.16 Discontinued Operations)

Net income

In 2021, BIL Group reported a net income of EUR 135 million, a positive performance compared with December 2020 (EUR 101 million) successfully navigating turbulent economic times.

[1] Business Transfer Agreement.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET [1]

(in EUR billion)	31/12/20	31/12/21	Change versus 2020	%
ASSETS	**30.6**	**32.4**	**1.9**	**6.2%**
Cash at central banks and loans and advances to credit institutions	5.4	6.7	1.4	25.7%
Loans and advances to customers	15.4	16.3	0.9	6.1%
Financial investments	8.8	8.5	(0.3)	(3.3)%
Positive fair value of derivative products	0.2	0.1	(0.1)	(44.1)%
Other assets	0.7	0.7	0.0	(3.2)%
LIABILITIES AND SHAREHOLDERS' EQUITY	**30.6**	**32.4**	**1.9**	**6.2%**
Amounts due to credit institutions	4.2	4.1	(0.1)	(1.7)%
Amounts due to customers	19.8	20.7	0.9	4.6%
Negative fair value of derivative products	0.6	0.4	(0.3)	(45.4)%
Debt securities	3.7	4.7	1.0	25.6%
Subordinated debts	0.1	0.2	0.1	81.5%
Other liabilities	0.3	0.3	0.0	6.1%
Shareholders' equity	1.8	2.1	0.3	14.2%

ASSET MOVEMENTS

"Loans and advances to customers" amounted to EUR 16.3 billion at the end of 2021 compared with EUR 15.4 billion at the end of 2020 (EUR +0.9 billion or +6.1%). Commercial activities' loans increased with positive contributions in particular from the Luxembourg Market & CIB business line. Outstanding mortgage loans increased by EUR 0.7 billion (+10.4%) and investment loans by EUR 0.3 billion (+3.9%). The Bank continued to support the projects of individual and business clients throughout the post-pandemic recovery. Indeed, BIL increased its mortgage market share in Luxembourg at the end of 2021 to a record 17%.

"Financial investments" reduced by EUR 0.3 billion to EUR 8.5 billion following sales and maturities in 2021 partially compensated by the increase in fair value of some investments. The Investment Portfolio is made up mainly of assets eligible for refinancing by the European Central Bank (ECB) and qualifying as liquidity reserves under the current regulatory framework. These assets enable the Bank to fully comply with liquidity ratio requirements. As at December 31, 2021, the Liquidity Coverage Ratio (LCR) stood at 142% versus 174% at year-end 2020 following the measures taken in 2020 in the context of the health crisis.

"Cash at central banks and loans and advances to credit institutions" amounted to EUR 6.7 billion, up by EUR 1.4 billion (+25.7%). The increase in the liquidity surplus was placed mainly in central banks.

LIABILITY MOVEMENTS

"Amounts due to credit institutions" amounted to EUR 4.1 billion, down by 1.7% compared to the previous year. This stems largely from a reduction in interbank loans offset by an additional participation at year-end 2021 in TLTRO III.10 for EUR 700 million to provide intermediated financing to customers. TLTRO outstanding at year-end 2021 totalled EUR 2.2 billion.

"Amounts due to customers" totalled EUR 20.7 billion in December 2021, representing a growth of 4.6% versus the end of 2020. This substantial growth occurred mainly in current accounts (EUR 1 billion) offset by a slight decrease in savings accounts (EUR 0.1 billion).

"Debt securities" reached EUR 4.7 billion representing an increase of +25.6% versus 2020. The Bank continued its long term financing programme in 2021 and issued a sub benchmark senior preferred debt of EUR 300 million in March 2021. The remaining has been achieved through multiple private placements sold to institutional investors and to the Bank's retail network. The Bank also began to benefit from its partnership, initiated in 2020, with Leonteq's structured investment products platform. Through this platform, BIL issued products are available for distribution in more than 30 markets, greatly increasing visibility of BIL structured product issuance across key international markets.

"Subordinated debts" increased following a debt issuance in May 2021 for EUR 100 million maturing in 2031 eligible as Tier 2 capital. The aim of issuing such subordinated debt is to strengthen the total capital ratio.

[1] Variation and percentages calculated on exact numbers may bring rounding differences.

"Shareholders' equity" increased by EUR 262 million (+14.2%). This increase was mainly due to the 2021 net profit of EUR 135 million and the positive evolution of the revaluation reserves of EUR 132 million offset by the coupon payments on AT1 instruments.

7. Movements in share capital

At year-end 2021, the Bank's share capital was fixed at EUR 146,108,270 and represented by 2,087,261 fully paid-up shares (no changes compared with 2020). In 2021, the Bank did not hold any of its own shares.

8. Research and development

A NEW CORE BANKING SYSTEM FIT FOR THE 21ST CENTURY

Offering innovative products and services is part of the Bank's DNA. To ensure this long-term vision, BIL decided to replace its entire operating and information systems. In a context where the market conditions and the regulatory framework keep evolving, the new systems will bring more flexibility, reliability and efficiency. This is the biggest project for BIL to date affecting all its activities.

In 2021, to prepare for its new systems and ensure a seamless transition for clients, the Bank's teams focused on redefining its current business processes and services and developing its new working environment. For example, BIL introduced the Invest cash account available to all its clients with an investment portfolio. By separating the daily transactions and investment activities, clients get a clearer view of the performance of their portfolios. Starting from January 1, 2022, the Bank also updated its daily banking packages. With more services and competitive fees, clients will benefit from these simplified, easy-to-compare packages.

Throughout 2022 the Bank's teams will pursue the overhaul of the Bank's product range and finalise the developments and testing of the new systems.

9. Post-balance sheet events

RUSSIA – UKRAINE CONFLICT

BIL Group is closely monitoring the conflict between Russia and Ukraine.

From a risk management perspective, BIL's exposure to Russia remains relatively small. The direct impacts of the conflict on the 2021 Consolidated Financial Statements are limited. Credit exposure towards Russia reaches 0.3% of total exposures as of December 31, 2021. All exposures are well collateralised and all collaterals are located in Western Europe.

To manage the potential risk and in the best interest of protecting the bank, BIL has - since the beginning of the crisis - stopped business development activities in Russia and will maintain this status for the time being, while it follows the situation closely.

SALE OF BFCS

The transaction, pursuant to the SPA signed on March 23, 2021 between BIL and the buyer, ZEDRA to sell BFCS, a BIL fully-owned subsidiary, closed on March 15, 2022.

10. Strategic outlook

ENERGISE CREATE TOGETHER 2025: BUILDING THE BANK OF TOMORROW

During the first months of 2021, BIL revisited its strategic plan Create Together 2025 launched in 2019 to reflect the new reality brought by the pandemic. This resulted in the Energise Create Together 2025 strategic plan.

Energise Create Together 2025 focuses on 5 key priorities, where the Bank believes it can best use its unique capabilities and has a strong right to win:
- Be the best bank for entrepreneurs thanks to its unique position and its wide service offering, at the intersection of retail, private and corporate banking;
- Strengthen its wealth management business and dynamise its profitability;
- Deliver its new core banking system that will lay the foundations for BIL's transformation;
- Bridge Europe and China, by serving European clients looking to invest in China, and serving Chinese clients wanting to invest in Europe;
- Adapt its operating model and work environment to embrace future changes and challenges.

2021 initiatives aimed at creating the right conditions to accelerate the roll-out of its strategy, paving the way for the BIL of tomorrow. The Bank brought significant changes to its governance and operations, aiming at greater efficiency and focus. In order to further increase client support across channels and increase cross selling, all commercial activities in the Luxembourg market, i.e. retail, private and corporate banking were brought under one leadership. The Transformation Office was created, to support all digital transformation projects and especially the replacement of the core banking system. To lead the Bank's efforts to include Environmental, Social and Governance (ESG) principles into the different business activities, BIL created a new role in charge of Sustainable Development. With this new structure in place, BIL is aiming for greater efficiency, responsibility and accountability.

Risk Management

1. INTRODUCTION

1.1 Key events of 2021

Corporate structure and risk profile

Strategic initiatives are regularly undertaken at a Group level. Each initiative is carefully monitored by the Bank's risk management department whose main objective is to ensure that all risks are identified, continuously monitored, managed and consistent with the institution's risk appetite.

1.2 Main works realised by the Risk teams in line with the different regulatory requirements

In 2021, BIL continued to invest significant time and resources in order to strengthen the risk management framework and process and to ensure continued compliance with regulatory standards, the Credit Risk Roadmap and the Supervisory Review and Evaluation Process (SREP).

- To enhance their soundness, BIL has been monitoring the adequacy of its approved Pillar I internal models. The reviews relate to models that include the new definition of default and enhancements related to the European Central Bank (ECB) supervision and addresses the requirements from the Internal Ratings Based (IRB) Repair Programme. In addition, the Bank has submitted documentation to the ECB for approval in support of an agreement to adopt the Standard approach for Pillar I Credit Risk-Weighted Assets (RWA) for financial institution and sovereign exposures;

- In this context the Bank has worked on the different Pillar I Credit Risk parameter models for retail counterparties. The ECB started the review of these enhanced models early in 2022. Moreover, the Risk teams have also reviewed the Credit Risk models linked to SME, mid-corporate and corporate counterparties. This review includes the design of new criteria to segment these counterparties, the submission file for approval by the ECB of the new LGD (Loss Given Default) model related to mid-corporate counterparties and the redevelopment of corporate models for PD (Probability of Default) regarding mid-corporate and corporate exposures;

- Regarding the IFRS 9 approaches, the modelling strategy has been aligned with Pillar I Credit Risk models due to the high connection between these models (classes of risk of Pillar I Credit Risk models used for IFRS 9 PD models and products segmentation used for IFRS 9 LGD models);

- The Bank participated in the Quantitative Impact Study (QIS) on Basel IV impacts regarding the exposures of 2020 year-end and the second quarter of 2021. The Bank has included many modifications presented in the Capital Requirements Directive and Regulation (CRR2) banking package such as the new Standard Counterparty Credit Risk approach (SA-CCR) and a study is conducted to comply with the propositions to the CRR3. The Bank is currently working on the QIS exercise on the 2021 year-end situation;

- The Bank delivered the full ICAAP/ILAAP package (ICLAAP) for 2020 to the ECB in April 2021. In the meantime, for the 2021 ICLAAP/ILAAP submission package, the Bank committed to perform a thorough remediation assessment and improvement exercise. The 2021 ICLAAP Remediation Programme has been divided into eight workstreams (Risk Cartography, Risk Appetite and Governance, Capital & Liquidity Modelling, Stress Testing Framework, Reporting, Data & IT Infrastructure, Documentation Review & Validation and Audit) to address all regulatory requirements and to redesign the Pillar II framework to accompany the Bank in the deployment of the strategy and the business plan;

- In July 2018, the European Banking Authority (EBA) published its final guidelines on the management of interest rate risk arising from non-trading book activities (IRRBB). In 2021, the Bank continued to develop its related framework notably: (i) modelling enhancements of non-maturing deposits and prepayment models, (ii) the interest rate margin projections including a dynamic balance sheet assumption and on a long-term horizon and, (iii) more globally, improvements of the governance of the framework, notably through the review of charters, policies and procedures;

- The Bank also took part in the 2021 EU-wide stress test exercise finalised in July 2021. Under severe scenario assumptions, BIL presented resilient outcomes regarding these scenario assumptions;

- In the context of the Bank Recovery and Resolution Directive, in 2021 the Bank reviewed its annual Recovery Plan, which was submitted to the supervisory authorities at the end of September 2021. Since 2020, the Bank has strengthened its Recovery Plan contents by enhancing the operational aspects in terms of the governance escalation process, the capacity of implementing its recovery options and the management information system. The Bank also performed its first dry run on the governance aspect in 2021 and is requested to schedule additional dry run testing for 2022. A roadmap has been presented and validated by the Management Body for the first quarter of 2022;

- In parallel, regarding the Single Resolution Board (SRB) activities, the Bank has strengthened its Crisis Management governance arrangements to support its resolution planning activities, moving from an ad-hoc set-up to a more formalised structure. In that regard, BIL communicated in December 2021 an updated and budgeted multi-annual resolvability work programme memo for 2022 and beyond which describes how BIL intends to address the phasing-in of the "Expectations for Banks" (EfB) requirements (including Resolution dry run exercises) and the priorities established by the SRB for BIL for 2022 such as Liquidity and Funding Risks, separability plans and Management Information System capabilities;

- The Bank is fully committed to satisfy the BCBS 239 principles and in order to achieve this has further structured its approach under three pillars: (i) overarching governance and infrastructure, (ii) risk data aggregation capabilities and (iii) risk reporting practices. The first two sections have been accelerated by the data programme (Risk Foundation Master (RFO Master), data quality management and data exploitation capabilities) and the Data Office (committees, governance). The Data Office and the businesses (risk and finance) found common ground and worked together on a master list of reports to better close certain recommendations during the regulatory on-site inspection (OSI);

- Risk Projects Steering Committee: Given the prioritisation of the Transformation Plan at BIL and the substantial number of risk management projects in the pipeline, both regulatory projects and enhancement projects, risk management decided to further strengthen its projects monitoring to ensure their timely delivery by creating a monthly Risk Projects Steering Committee. This framework allows for better prioritisation and more efficient resources allocation. The Risk Projects Steering Committee monitors:
  - Projects related to the Transformation Plan and, in particular risk management's contributions to it, mainly in the areas of the Value Chains Risk and Lending;
  - Risk management regulatory projects, with or without IT intervention (including those without direct ownership but imperative for risk management);
  - Risk management key priorities: important risk management deliveries requiring transversal contributions and/or specific retro planning;

- Risk Management Group Entities Oversight: since the beginning of 2021, risk management has reinforced the governance and formalisation of BIL's Group entities oversight for risk management matters. The oversight addresses various matters linked to Credit Risk, Market and Liquidity Risk, Operational Risk, Information Security Risk and more transversal topics such as the Risk Cartography, the Risk Appetite Statement (RAS), the reports provided by the entities and stress testing on specific exposures;

- The Bank has also undertaken to launch a new Credit Risk Roadmap initiative, based in particular on the lessons learned from the pandemic and the extensive dialogue with the regulatory authorities. This Credit Risk Roadmap aims to increase the Bank's capacity for early identification of client difficulties and to refine its risk appetite on the basis of sector and ESG criteria;

- The rising importance of Environmental, Social and Governance (ESG) issues is a priority for the Bank. As such, with the help of a dedicated ESG project team, the Bank has set up a Sustainability Strategy, "Towards SustainaBILility", based on four key pillars: sustainable governance and strategy, responsible employer, sustainable products and responsible services, and a positive local impact. A cross-cutting pillar will handle communication, data and reporting issues. Risk teams are part of this programme and are working on the various ESG risk aspects, including: (i) ECB Climate Risk Guide Self-Assessment, (ii) Completing Risk Appetite, (iii) Quantification of BIL's ESG Profile, (iv) Review of the ICAAP/ILAAP Process, ESG Risk Governance and ESG Risk Cartography, (v) ESG Economic Capital assessment and, (vi) SSM Climate Risk Stress Testing (CST 2022). On this last topic, the Bank is currently working on the different modules: (i) Module 1 is a qualitative questionnaire on the climate risk stress testing framework, (ii) Module 2 asks banks to calculate climate risk metrics (metrics 1 and 2) and (iii) Module 3 is the bottom-up stress test projections.

2. RISK MANAGEMENT OBJECTIVES AND GOVERNANCE

2.1 Objectives

The main objectives of the risk management function are to:

- **Ensure that all risks are under control** by identifying, measuring, assessing, mitigating and monitoring them on an on-going basis. Global risk charters, policies and procedures define the framework for controlling all types of risks by describing the methods and the limits defined, as well as escalation procedures;
- **Provide the Management Body (the Board of Directors, the Board Risk Committee and the Management Board) and all other relevant stakeholders** with a comprehensive, objective and relevant overview of risks;
- **Ensure that the risk limits are compatible** with the Risk Appetite Framework (RAF), which defines the level of risk that the Bank is willing to take to achieve its strategic and financial objectives;
- **Ensure compliance with banking regulation requirements** related to risk management by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements.

2.2 Risk Management Governance

General principles

According to Circular CSSF 20/759, the risk management function is one of the three distinct internal control functions (together with internal audit and compliance) and acts as a second line of defence in the Bank's three lines of defence model.

The BIL Group risk management framework is based on a governance which enables prudent and sound management of risks. This governance structure is defined by:

- The responsibilities of the Board of Directors (assisted by the Board Risk Committee) and the Management Board and their roles in decision-taking and risk management;
- A number of Management Committees relating to risk topics in which at least one member of the Management Board is a participant and holds a veto right;
- Other formalised Risk Committees, including experts and operational teams, taking decisions related to the Bank's risk monitoring as well as specific practices;
- Consistent with the Bank's risk appetite, charters, policies, procedures and reporting explaining the:
  - Activities;
  - Definition of limits for risk-taking by operational units;
  - Process of detection;
  - Assessment and measurement of the risks induced by the Bank's activities;
  - Reporting to the management.

As a general principle, the internal risk functions of each BIL entity report to the appropriate risk functions at BIL Head Office level, from both a hierarchical and functional perspective for branches and representative offices, and from a functional perspective for subsidiaries.

BIL Group Risk Management governance is based on a clear decision-making process supported by the following management bodies and committees:

Board of Directors

With respect to BIL's risk management framework, the Board of Directors (BoD) is responsible for setting and overseeing the overall business strategy, the overall risk strategy and policy including the risk tolerance/appetite and the risk management framework.

According to CSSF circular 20/759, the BoD makes a critical assessment of the internal governance mechanisms. These assessments may be prepared by dedicated internal committees and may be based on information received from the Management Board, e.g. through the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports and the summary reports of the internal control functions which the BoD is called upon to approve on this occasion or any other information the BoD requests from business and control functions.

The BoD acknowledges full responsibility for oversight of BIL's risk management and, as part of the RAF, defines general principles, responsibilities and processes. BIL Group risk management framework relies on a robust governance allowing a prudent and sound management of risks to support the Management Board in its implementation, in compliance with the strategies and guiding principles laid down by the BoD.

The BoD is responsible for BIL's risk management and thereby for ensuring:

- That all risks are controlled with processes in place for identifying, measuring, assessing, mitigating, managing and monitoring them on an on-going basis: global risk policies and procedures define the framework for controlling all types of risks by describing the methods used and the defined limits, as well as the escalation procedures in place;
- That the risk limits are compatible with the strategy, the business model and the structure of the Bank through an effective RAF, which defines the level of risk that the institution is willing to take in order to achieve its strategic and financial objectives;
- Compliance with banking regulatory requirements by reviewing regular reports, participating in regulatory discussions and analysing all new requirements related to risk management that affect the Bank's activities (i.e. regulatory watch).

With respect to the RAF, the BoD:

- Approves BIL's Risk Appetite Statement (RAS) and ensures it remains consistent with the Bank's short- and medium-term strategy, business and capital plans, risk capacity as well as compensation programs;
- Holds the CEO and other Senior Management accountable to effectively implement a risk management framework for effective risk management in line with the set risk appetite and for the integrity of the risk appetite, including the timely identification, management and escalation of breaches in risk limits and of material risk exposures;
- Includes an assessment of risk appetite in its strategic discussions including decisions regarding mergers, acquisitions, growth in business lines or products, budget forecasting etc.;
- Regularly reviews and monitors the actual risk profile and risk limits to ensure BIL's compliance with the defined Risk Appetite;

- Ensures that appropriate mechanisms are in place to allow Senior Management to act in a timely manner to effectively manage, and where necessary mitigate, material adverse risk exposures, in particular those that are close to or exceed the approved RAS or risk limits.

Board Risk Committee

The Board Risk Committee is responsible for proposing BIL Group's risk policy to the BoD. This committee also ensures that BIL's activities are consistent with its risk profile and makes positive recommendations to the BoD with regard to the level of global limits for the main risk exposures.

The Board Risk Committee is a committee that supports the BoD on risk-related matters and notably:
- Reviews and recommends changes to the BIL Group risk management framework, the global risk limits (included in the RAS) and capital allocation;
- Reviews BIL Group risk exposure, risk profile defined in the RAS, and related adequacy with the Bank's risk appetite (including capital adequacy) and other key risk management matters on a Group-wide basis while prescribing global limits for the Bank's main risk exposures;
- Reviews, assesses and discusses with the external auditor (and supervisors) any significant risk or exposure and relevant risk assessments, if the need arises;
- Reports regularly to the BoD and makes recommendations with respect to any of the above or other risk-related matters.

Management Board

The Management Board (MB) (also known as the Authorised Management) is responsible for implementing strategies as approved by the BoD, and for establishing a sound management and risk management framework in accordance with the principles and objectives established by the BoD.

The Management Board is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the BoD and the existing laws and regulations, taking into account and safeguarding the institution's long-term financial interests, solvency, liquidity and profitability situation. The Authorised Management will implement the business strategy and orientation, the risk strategy and therefore amongst others the risk appetite as approved by the BoD.

The Authorised Management proposes the risk appetite for approval by the BoD. The Management Board further develops, as delegated by the BoD, a subsequent system of limits to support the risk appetite by ensuring that clear boundaries are set for risk takers and targeted mitigating actions can be taken.

Among its roles and responsibilities, the Management Board:
- Reviews and recommends changes to the BIL Group risk management framework, the global risk limits and capital allocation;
- Reviews BIL Group risk exposure and related adequacy with the Bank's risk appetite (including capital adequacy) and other key risk management matters on a Group-wide basis while prescribing global limits for the Bank's main risk exposures;
- Reviews, assesses and discusses with the external auditor any significant risk or exposure and relevant risk assessments, if the need arises;
- Reports regularly to the BoD and makes recommendations with respect to any of the above or other risk-related matters.

The Management Board ensures that rigorous and robust processes for risk management and internal controls are in place and that the Bank is staffed in such way that it can ensure a sound management of its activities. These processes include the establishment of a strong risk management function.

Executive Committee (ExCo)

The Executive Committee ("ExCo") is an enlarged Committee composed of the CEO and the Authorised Management, as well as designated heads of support functions and business lines. The Chief Compliance Officer as well as the Chief Internal Auditor are permanent invitees to the ExCo. The ExCo exercises its duties under the supervision of the Board. The role and responsibilities of the ExCo are further defined in the Terms of Reference of the ExCo/MB and in the Articles of Association and applicable laws.

Risk Committees (Management Committees)

Risk Committees receive their mandates from the Management Board within a precise scope. They facilitate the development and implementation of sound corporate governance and decision-making practices. Their responsibilities and roles, memberships and other rules defining their working practices are described in a specific form (Terms of Reference). At least one member of the Management Board is part of each Risk Committee. These Risk Committees may make decisions related to the overall risk process within their defined scope of action.

Please refer to the Bank-wide Internal Governance Framework for more specific information (meeting frequency, composition, quorum, etc.) on the Management Committees listed in the table below:

Committee	Topics
Internal Control Committee	The Internal Control Committee is mandated by the Management Board to strengthen the cooperation between the 3 lines of defence through coordination of the activities of each Internal Control function and decision on transversal issues related to Internal Control.
Credit Risk Committees	Employee Credit Committee: This Committee is mandated by the Management Board to decide for BIL and its domestic subsidiaries on all employee commitments regardless of their level; Default Committee: This Committee is mandated by the Management Board to deal with the incidents of default and to define the principles to apply to BIL and its subsidiaries; Commitments Committee: This Committee is mandated by the Management Board to grant and decide for BIL on (i) all commitments exceeding EUR 3,500,000 and up to EUR 50,000,000, (ii) certain loans meeting special criteria (e.g. InnovFin matters) and some risk policy matters; Credit Committee: This Committee is mandated by the Management Board to grant and to decide on (i) all commitments between EUR 1,000,000 or EUR 1,500,000 (depending on the product / business line) and EUR 3,500,000 and (ii) some loans that meet specific criteria.
ALM Committee	This Committee is mandated by the Management Board to decide on the structural positioning of the BIL Group balance sheet in terms of rates, foreign exchange and liquidity.
ICT & Security Risk Committee	The ICT & Security Risk Committee (ISRC) is mandated by the Management Board to oversee the ICT & Security risks, controls and incidents linked to BIL's use of information technologies and that of its subsidiaries.
New Products Committee	This Committee is mandated by the Management Board to (i) address the development and take decisions on new products/services, including changes to existing ones, while checking the relevance of the underlying business case against the Bank strategy and (ii) monitor products/services manufactured and/or distributed by BIL.
Disciplinary Committee	This Committee is mandated by the Management Board to ensure that disciplinary measures taken at the encounter of employees in case of fraud, significant non-respect of internal policies and procedures and serious behavioural misconduct are fair and balanced.
Crisis Committee	A Crisis Committee may be set up to address and manage crisis situations (liquidity, funding, capital and BCP scenarios). This Committee can be considered as an extension of the Management Board.
Project Portfolio Management Committee	This Committee is mandated by the Management Board to manage the Bank's strategic project investment.

Committee	Topics
ICAC **International Client Acceptance Committee**	This Committee is mandated by the Management Board to: • Discuss and to decide the acceptance of PEP, MEP and UHNWI clients within the BIL Group; • Review PEP/MEP/UHNWI clients on a regular basis with possible decision as regards the termination of the business relationship.
Go-Live 2022 Management Committee	This Committee gathers all relevant program / business / control & support function representatives and ensures **decision taking in relation to GL22** scope management, business simplification, change & rollout management and changes to the Bank's operating model.

Figure 1: Subjects and attributions of the Committees related to Risk topics

Other Risk Committees

Discussions and decisions related to risk management are also governed by additional internal committees.

These committees allow to ensure, among others, that the processes set up for the Bank's risk management framework are in line with regulatory requirements and that the corresponding tools are used in an appropriate way.

The Model Risk Committee addresses the following subjects: Managing all subject matter in relation with model and model risk including but not limited to methodology, back-testing, validation, implementation, model change, model inventory and recommendations issued by Internal Validation.

The Operational Risk Committee is responsible for defining a reliable framework ensuring an efficient monitoring of the Bank's Operational risk exposures and to manage all subjects in relation with operational risks such as incident management.

Responsibility for Risk Management across all "lines of defence"

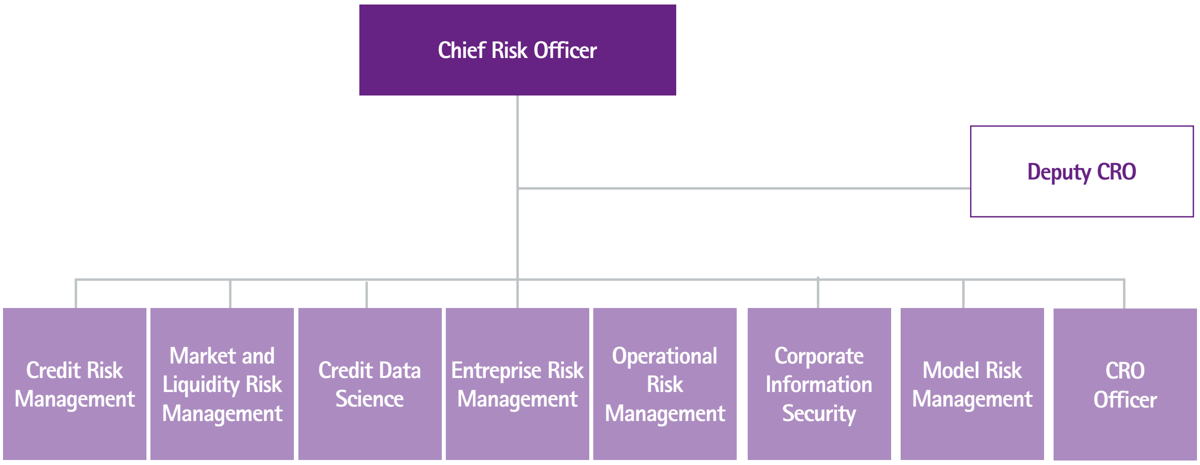
At BIL, all employees are jointly responsible for an effective risk management according to the three lines of defence. In this sense, the business lines as the first line of defence play an active role for BIL's risk management so that the control and support function as second line of defence assumes a challenger role. There is a clear governance with an independent oversight function (first and second line) for risks and each risk has a dedicated owner. Furthermore, Internal Audit plays an important role for the Bank's risk management as third line of defence in reviewing and challenging the work performed by the first two lines of defence. Beyond that, BIL is in regular exchange with the Bank's external auditors, representing an additional fourth line of defence.

Risk Management organisation

In order to reflect a sound risk management framework and to develop an integrated risk culture, the Bank has set up an effective risk management function that is consistent with its activities and encompasses the relevant risks associated with its activities.

The risk management function has been designed to support the Management Board in achieving its defined objectives under the BIL strategy and regulatory requirements.

RISK MANAGEMENT ORGANISATIONAL CHART (AS OF 31 DECEMBER 2021)



The Chief Risk Officer (CRO) is responsible for the risk management framework, challenge and oversight of the risks entered by the business and for providing any relevant information on risks to the Management Board, thereby enabling the management of the Bank's overall risk profile.

3. CREDIT RISK

3.1 Definition

Credit risk refers to the risk that a borrower defaults on any type of debt if they fail to make the required payments. The risk includes lost principal and interest, disruption to cash flows and increased collection costs.[1]

Facilities can be analysed by the nature of the client/counterparty's obligations and by various characteristics such as:

- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

3.2 Credit Risk Policy

The BIL Group risk management department has established a general policy and procedural framework in line with the Bank's risk appetite. This framework guides the analysis, decision making and monitoring of credit risk. The risk management department manages the loan issuance process by chairing credit and risk committees. As part of its monitoring tasks, the credit risk management department oversees changes in the credit risk of the Bank's portfolios by regularly analysing loan applications and reviewing counterparties' ratings. The risk management department also draws up and implements the policy on provisions and participates in the Default Committee which assesses the cases of default and related potential provisions.

3.3 Organisation and Governance

The BIL Group risk management department oversees the Bank's credit risk, under the supervision of the Management Board and dedicated committees.

The Risk Policy Committee defines the general risk policies, as well as specific credit policies in different areas or for certain types of counterparties, sets the rules for granting loans, supervises the counterparties' ratings and monitors exposures. The Risk Policy Committee validates all changes to procedures or risk policies, principles and calculation methods relating to risk.

To streamline the decision-making process, the Management Board delegates its decision-making authority to credit committees. This delegation is based on specific rules, depending on the counterparty's category, rating level and credit risk exposure. The Board of Directors remains the ultimate decision-making body for the largest loan applications. The credit risk management department carries out an independent analysis of each credit application presented to the credit committees, including determining the counterparty's rating, and stating the main risk indicators. It also carries out a qualitative analysis of the transaction.

[1] Credit risk also includes the occurrence of these events.

In addition to supervising the lending process, various committees, as previously described, are tasked with overseeing specific risks.

3.4 Credit Risk Measurement

Credit risk measurement is primarily based on internal rating systems introduced and developed within the Basel framework. Each counterparty is assigned an internal rating by credit risk analysts, using dedicated rating tools. This internal rating corresponds to an evaluation of the level of default risk borne by the counterparty, expressed by means of an internal rating scale. Rating assessment is a key factor in the loan issuance process.

Ratings are reviewed at least once a year, making it possible to identify counterparties requiring closer attention by the Default Committee.

To manage the general credit risk profile and limit the concentration of risk, credit risk limits are set for each counterparty and economic groups, establishing the maximum acceptable level for each. The risk management department may also impose limits by economic sector and by product. It actively monitors these limits, which it can reduce at any time, taking into account changes in the related risks. The risk management department may freeze specific limits at any time to take account of recent events.

Focus on forbearance measures

BIL closely monitors forborne exposures, in line with European Directives and EBA Guidelines.

Management of forborne exposures is constantly updated to meet the latest changes in guidelines.

Forbearance measures can be defined as restructured repayment conditions of a temporary nature established to remedy financial difficulties. They are only applied to debtors facing or about to face difficulties in meeting their financial commitments. These concessions aim to reduce non-sustainable repayments.

Forbearance solutions involve short-term and/or long-term measures which also take into account sustainable considerations.

Short term measures (generally less than two years) mainly include:
- Interest-only payments;
- Reduced payment for a limited period;
- Grace period;
- Arrears / interest capitalisation.

Whereas long-term measures consist of:
- Interest rate reduction;
- Extension of loan maturities;
- Rescheduled payments;
- Debt consolidation.

These listed measures are not exhaustive.

Once forbearance conditions are met and viable solutions are applied, exposures are flagged as such in the core banking system. From this point on, the exposures go through the various probation periods and must fulfil specific requirements to be classified as performing and shed their forbearance status.

Forbearance lists are closely monitored and reported on a monthly basis.

In 2021, benefitting from the good momentum of the Luxembourg economy (and that of its main foreign markets), the Bank was able to significantly improve the quality of its assets, which had been impacted by the pandemic from the second quarter of 2020, while reaffirming its support to the domestic economy. The main elements to highlight are:
- Non-performing loans, which peaked at almost EUR 800 million in February 2021, have since been reduced significantly to EUR 615 million at the end of December 2021 thanks to proactive management of our credit portfolios;
- Forborne exposures, which tripled from EUR 300 million to EUR 1,100 million following the pandemic, are also being reduced. They reached EUR 934 million at the end of December 2021 and this decrease is expected to accelerate significantly in the coming months at the end of the so-called probationary periods.

3.5 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 corresponding to unused lines of credit or to the maximum amount that BIL is committed to as a result of guarantees issued to third parties;
- The netting and financial collaterals (including cash, bond and other financial security) are deducted from the net carrying amount for repurchase/reverse repurchase agreements;
- The netting and cash collateral amounts are deducted from the net carrying amount for other types of products;
- For derivatives a potential future exposure (PFE) add-on is added to account for potential future changes in the value of the trades.

Equity exposures, tangible/intangible assets and deferred tax assets are excluded from this perimeter.

The substitution principle applies where the credit risk exposure is guaranteed by a third party with a lower risk weighting. Therefore, counterparties presented below are final counterparties, i.e. after taking into account any eligible guarantees.

As at December 31, 2021, the Bank's total credit risk exposure amounted to EUR 36.60 billion compared with EUR 34.63 billion at year-end 2020.

The main exposure increase is observed among Central Governments (EUR +1.4 billion), Individual, SME and Self-Employed (Eur 595 million), Corporate (EUR 400 million) and Public Sector Entities (EUR 110 million) portfolios, offset by a decrease of exposures to Financial Institutions (EUR 545 million) and Securitisation (EUR 21 million).

Exposure by type of counterparty

In 2021, and in line with BIL Group's business model and strategy, the Individuals, SME and Self Employed segment remained the Bank's largest portfolio, representing around 35% of the overall exposure.

The Central Governments exposure weight increased to 34.5% from 32.3% of the overall exposure compared with the previous year and remained the second segment of the Bank's portfolio.

Finally, it is also worth noting that exposures to Financial Institutions decreased compared with the end of 2020, representing 11.1% (13.3% year-end 2020) of the overall exposures, while the weight of Corporate increased slightly from 18.1% to 18.3%.

Exposures by counterparty category (in EUR million)	**31/12/20**	**31/12/21**	**Variation**
Individuals, SME & Self Employed	12,163	12,758	595
Central Governments	11,183	12,619	1,436
Corporate	6,282	6,682	400
Financial Institutions	4,617	4,072	(545)
Public Sector Entities	334	444	110
Securitisation	36	15	(21)
Others	18	11	(7)
TOTAL	**34,633**	**36,601**	**1,968**

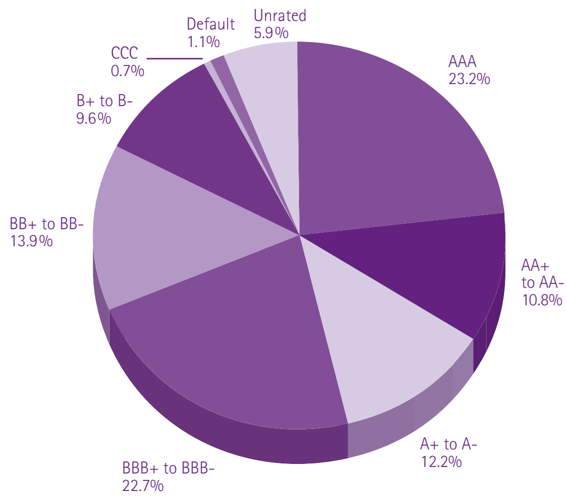
Exposure by geographical region

As at December 31, 2021, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (56.9%), Switzerland (9.0%), France (8.8%), Belgium (6.7%) and Germany (5.0%).

Exposures by geographic region (in EUR million)	**31/12/20**	**31/12/21**	**Variation**
Luxembourg	17,563	20,814	3,251
Switzerland	3,534	3,282	(252)
France	3,639	3,237	(402)
Belgium	2,393	2,466	73
Germany	1,987	1,817	(170)
Other EU countries	1,749	1,197	(552)
United States and Canada	882	1,008	126
Spain	780	853	73
Rest of Europe	585	559	(26)
Asia	448	410	(38)
Middle East	371	386	15
Ireland	271	248	(23)
Australia	207	79	(128)
Others	198	179	(19)
Italy	26	66	40
TOTAL	**34,633**	**36,601**	**1,968**

Exposure by rating

The Bank's credit risk profile has remained stable and is of good quality. Indeed, the Investment Grade (IG) exposures represent 68.92% of the total credit risk exposure, of which 23.20% lies within the AAA range.



Losses on Immovable Property

The following table displays the limited losses recorded in 2021 on exposures collateralised by residential and commercial immovable property regarding retail counterparties. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of euros.

	31/12/20		31/12/21	
Collateralised by:	**Sum of overall losses**	**Sum of the exposures**	**Sum of overall losses**	**Sum of the exposures**
Residential property	0	7,582	0	7,423
Commercial immovable property	1	442	0	312

Additional Management Overlays:

Throughout 2021, the Bank has worked to identify and quantify the impact of the pandemic on the financial situation of some of its clients. This action resulted in particular in the intensified monitoring of excesses/past dues and moratoriums, including the launch of outreach programmes targeting client populations considered potentially the most vulnerable. At the same time, the Bank chose to anticipate, as of the end of 2020, a deterioration in the quality of its assets by opting for two series of management overlays on:

- Clients who had benefitted from COVID-19 moratoria ("the ECL overlay on moratoria"). It should be remembered that this included expired ongoing moratoriums, whether or not they were eligible for the ABBL framework;
- Its portfolio of SMEs (i.e. clients rated according to the MidCorp model), whose assessment was made difficult in the absence of recent financial statements reflecting the impact of the pandemic ("the ECL overlay on MidCorp").

In a nutshell and in a prudent and forward-looking manner, the Bank had anticipated downgrades in the ratings of these clients in 2021 upon submission of the accounting documents for the 2020 financial year. For this reason, it had been decided to continue to apply a one-notch downgrade on these two series of clients throughout 2021. As at the end of December 2021, the moratoria and MidCorp ECL Management Overlays amounted to EUR 7.75 million and EUR 0.66 million respectively.

3.6 Asset Quality

			31/12/20	31/12/21
Net loans and advances to customers	7.4	a	15,412	16,346
ECL stage 1,2,3	7.4	b	292	297
Gross loans and advances to customers		**c=a+b**	**15,704**	**16,643**
ECL stage 1,2,3 / Gross loans and advances to customers		b/c	1.86%	1.79%
FOCUS ON STAGE 3				
Total stage 3 outstanding amount	7.4	d	736	593
ECL stage 3	7.4	e	224	223
Coverage ratio stage 3		**e/d**	**30.50%**	**37.50%**
Total collateral and guarantees	12.2.5	g	430	347
Coverage ratio stage 3 including collateral		**(e+g)/d**	**88.84%**	**95.92%**
Asset quality ratio (stage 3 / Gross loans and advances to customers)		**d/c**	**4.69%**	**3.56%**
ECL stage 3 / total ECL (stage 1,2,3)		**e/b**	**76.94%**	**74.88%**
FOCUS ON STAGE 1 AND STAGE 2				
Total stage 1 outstanding amount	7.15	f	12,211	13,504
ECL stage 1	7.15	i	42	45
Coverage ratio stage 1		i/f	**0.34%**	**0.33%**
Total stage 2 outstanding amount	7.15	j	2,757	2,546
ECL stage 2	7.15	k	25	30
Coverage ratio stage 2		k/j	**0.91%**	**1.18%**
ECL (stage 1,2) / total ECL (stage 1,2,3)		(i+k)/b	**23.06%**	**25.12%**
FOCUS ON COST OF RISK (ALL STAGES)				
Net impairment on loans and advances to customers	11.12	h	12	32
Cost of Risk (in bps - annualised)		h/c	**8**	**19**
Non-recurring items			**47**	**0**
Net impairment on loans and advances to customers excl. non-recurring items		l	59	33
Cost of risk excluding non-recurring items (in bps - annualised)		l/c	**38**	**20**

4. FINANCIAL MARKET RISK

4.1 Background

Financial market risks at BIL encompass market risk, liquidity risk and counterparty risks.

Market risk is the risk of losses in the Bank's positions arising from adverse movements in market factors.It mainly consists of monitoring the interest rate risk, foreign exchange risk, price risk and spread risk.

Assets & Liabilities Management covers all the banking book's structural risks, namely interest rate risk, foreign exchange risk and liquidity risk.

Interest rate risk is the risk of an investment's value changing due to a movement in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. The four components of interest rate risk are: basis risk, re-pricing risk, yield risk and option risk.

Foreign exchange risk – also called FOREX risk, currency risk or exchange rate risk – is the financial risk of an investment's value changing due to currency exchange rate movements.

Price risk represents the risk arising from the reduction in value of an equity or bond.

Finally, **spread risk** is the risk of a reduction in market value of an instrument due to changes in the credit quality of the debtor or the counterparty.

Liquidity risk measures BIL's ability to meet its current and future liquidity requirements, both expected and unexpected, whether or not the situation deteriorates.

Counterparty risk measures the risk of a counterparty to a financial transaction failing to fulfil the terms and conditions of the contract, which may give rise to financial losses, including the risk arising from credit value adjustment (CVA).

4.2 Risk Framework

To ensure integrated market and ALM risk management, BIL has defined a framework based on the following:

- An exhaustive risk measurement approach, which is an important part of BIL's risk profile monitoring and control process;
- Sound limits and procedures governing risk-taking;
- As a core principle, the system of limits must be consistent with the overall risk measurement (including risk appetite) and management process and must be proportionate to the capital position. These limits are set for the broadest possible scope;
- An efficient risk management structure for identifying, measuring, monitoring, controlling and reporting risks: BIL's general risk management framework is suited to the type of challenges it addresses. This approach offers an assurance that market risks are managed in accordance with BIL's objectives and strategy, within its overall risk appetite.

4.3 Organisation and Governance

Market and Liquidity Risk Management (MLRM) directly reports to the CRO. MLRM oversees market risk under the supervision of the Management Board and specialised risk committees. In line with its global risk management approach, the mission of MLRM is to independently organise the identification, measurement, monitoring, mitigation, supervision and reporting of the financial and liquidity risks undertaken by BIL and its subsidiaries.

This mission falls within:

- The principles and framework included in the Financial Risk Management charter;
- The framework of BIL's risk appetite; and
- Compliance with the standards and procedures promulgated by the Regulator.

Charters, policies and procedures documenting and governing each of the activities are defined by BIL and apply to all the Bank's entities:

- The Head Office MLRM teams define risk measurement methods for the Group; in addition, they report and monitor the consolidated risks;
- The Head Office MLRM and local risk management teams monitor day-to-day operations, implement policies and directives, monitor risks (e.g. calculation of risk indicators, control limits and triggers, frame new activities/new products etc.) and report to their own Management Board, as well as to local supervisory and regulatory bodies;
- The ALM Committee (ALCO) decides on the structural balance sheet positioning regarding rates, foreign exchange, liquidity and grants a mandate to the Banking Book department to achieve them. The ALCO also validates the financial market risk limits first before final agreement by the Board;
- Finally, MLRM is supported by one operational committee in its day-to-day activities: the Monthly Operational Committee (MOC) and one management committee the New Products Committee(NPC).

4.4 Risk Measurement and Exposures

Market Risk

Risk measurement

Depending on the activities and book classifications, the following methods are applied to the financial risks:

- For trading books, BIL has implemented a **historical Value-at-Risk (VaR)**. The VaR is the estimation of the maximum loss which may have incurred on a portfolio in "x"[1] number of days at a certain confidence level. The VaR is a Risk Appetite Statement's metric.
- The VaR is supplemented by **back-testing (BT)**. BT[2] gauges the accuracy of the VaR's model by comparing the predicted losses from calculated VaR with the actual losses incurred at the end of the specified time horizon;
- Both for banking and trading books, BIL has implemented **stress-testing**. Stress testing (also extreme scenario) simulates exceptionally unfavourable market conditions, such as crisis or stock market crashes. The study makes it possible to determine potential losses in extreme conditions that VaR or sensitivities cannot capture;
- **Sensitivities** measure the movement of an instrument or portfolio resulting from a variation in a risk factor (1% or 1 bp). This is used for interest rate risk and spread risk. For the spread risk, the variation of the risk factor is 1 bp. The method is applied on both trading and banking books; the Interest Rate Risk in the Banking Book Economic Value of Equity (IRRBB EVE) and Net Interest Income (NII) are part of the Risk Appetite Statement;
- The **nominal** measure is a simple method of limiting exposure to market risk. In general, it represents a maximum position of assets in currency;

[1] BIL currently uses a historical VaR (99%, 10 days)
[2] BIL currently uses a hypothetical back-testing

- **Risk sensitivities (Greeks)** are used mainly for FOREX and structured products positions;
- In order to limit the market risk of an activity, maturity is a complementary measure to certain others;
- **Holding periods** are implemented for some trading books activities. Even the CRR does not impose a specific detention period for trading activities, however Article 103(a) states that: "the institution shall have, for position/instrument or a portfolio, a trading strategy clearly documented and validated by the Board, which indicates the estimated holding period";
- Specific **KRIs** regarding fraud risk make it possible to detect inappropriate prices, time dealing or movement at the dealing room level.

Risk exposure

Treasury and financial market activities

The VaR used for financial markets' activities (trading book) is presented in the table below. The average Value at Risk was EUR 0.17 million in 2021, compared with EUR 0.17 million in 2020.

VaR (10 days, 99%) (in EUR million)		31/12/20							
		Fixed Income & FOREX (Trading)				Equity (Trading)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.17	0.14	0.16	0.16	0.01	0.00	0.00	0.00
	Maximum	0.29	0.21	0.65	0.52	0.07	0.01	0.00	0.02
Global Trading	Average	0.17							
	Maximum	0.65							
	End of period	0.03							
	Limit	**2.00**							

VaR (10 days, 99%) (in EUR million)		31/12/21							
		Fixed Income & FOREX (Trading)				Equity (Trading)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Global Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	**2.00**							

The Treasury activity is monitored daily through sensitivity limits, based on a +100bp parallel shift.

As at December 31, 2021, the Treasury sensitivity was EUR 4.4 million compared with EUR 3.39 million in 2020. In a low rate environment, the Bank keeps a low / quasi-neutral sensitivity.

Sensitivity +1% (in EUR million)	31/12/20			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	0.48	2.64	5.14	3.39
Limit	**-20.00**			

Sensitivity +1% (in EUR million)	31/12/21			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	5.96	3.11	3.71	4.40
Limit	**-9.00**			

Asset and Liability Management

Banking Book Management (ALM, Treasury, Investment Portfolio and Long Term Funding departments) has a delegated mandate from the Asset & Liabilities Management Committee (ALCO) for managing the balance sheet. It focuses on assuring funding sustainability, minimising immediate and future P&L volatility, preserving economic value and maximising risk mitigation stemming from the material interest rate and liquidity imbalances inherent to its commercial balance sheet.

The sensitivity of the net present value of Banking Book Management (BBM) positions to a change in interest rates is currently used as the main indicator for setting limits and monitoring risks.

As at December 31, 2021 BBM sensitivity amounted to EUR 14.2 million (compared with EUR -1.6 million at 2020 year-end) for a +100bp parallel shock.

The limit of interest rate sensitivity for a 100 bp parallel shift was EUR 90 million[1] as at December 31, 2021 (compared with EUR 119 million at 2020 year-end).

Throughout 2021, the BBM department managed its rate position so that it was as neutral as possible regarding parallel shocks.

Economic Value of Equity (EVE)

In line with the IRRBB EBA regulations (EBA/GL/2018/02, paragraph 113-114), BIL calculates the impact of a parallel shock rate of +/- 200bp and the impact of the six BCBS scenarios on the EVE.

EVE	SCENARIO	31/12/20	31/12/21
Sudden parallel +/- 200 bp	+200bp	1	20
	-200bp	-34	13
EBA/GL/2018/02 113	**Internal trigger**		**-148**
	Internal limit	**-238**	**-180**
	Regulatory limit	**-297**	**-309**

EVE	SCENARIO	31/12/20	31/12/21
Standard. interest rate shock scenarios	Parallel Up	-3	18
	Parallel Down	-34	13
	Steepener	-95	-83
	Flattener	24	71
	Short Rate Negative	-41	-29
	Short Rate Positive	53	51
EBA/GL/2018/02 114	**Internal trigger**		**-148**
	Internal limit	**-201**	**-180**
	Regulatory limit	**-201**	**-212**

The low interest rate environment continues to foster the production of fixed rate loans (mortgage loans in particular) rather than adjustable rate loans generating negative impacts in terms of economic value, in case of long term interest rate upward shift scenarios (i.e. +200bp, parallel up and steepening). The IRRBB, phase-in approach of the new Non-Maturing Deposits (NMD) model has been approved by the in ALM Committee, its implementation leading to a longer maturing profile of core deposits and therefore a positive impact on the outcome of upward shift scenarios.

In this respect, the EVE outcomes as at December 31, 2021 are moderate and relatively far below the internal trigger (scaled down in 2021, in line with the interest rate risk strategy). No trigger or limit breach occurred in 2021. The Supervisory Outlier Tests evolution is closely monitored by the ALM Committee (on a monthly basis).

Net Interest Income (NII)

The Bank applies the earning risk method to measure the impact of a parallel shock rate of +/- 200.

NII	SCENARIO	31/12/20	31/12/21
Sudden parallel +/- 200 bp	+200bp	98	106
	-200bp	-26	-19
	Internal trigger	**-40**	**-70**
	Internal limit	**-60**	**-80**

[1] The +100bp parallel shift limit is set in relation with the total capital.

The NII deviation following an upward parallel shift (+200bp) is EUR +106 million as at December 31, 2021 (compared with EUR +98 million as at 2020 year-end). In the case of a downward interest rate scenario, the NII deviation is EUR -19 million as at December 31, 2021 (compared with EUR -26 million as at 2020 year-end). The asymmetry observed between the outcome of each scenario is the result of the combination of regulatory (no more than -1% in the case of a negative rate), contractual (loans) and discretionary floors (some current or savings accounts).

Investment Portfolio

The interest rate risk of the Investment Portfolio is transferred and managed by the Treasury department or by the ALM department, depending on various criteria (i.e. maturity, sector).

The Investment Portfolio had a total nominal exposure of EUR 7.6 billion as at December 31, 2021 (compared with EUR 7.9 billion as at December 31, 2020).

Most of the bonds are classified in the "Hold-to-Collect" (HTC) portfolio measured at amortised cost: EUR 6.8 billion as at December 31, 2021 (EUR 7 billion as at December 31, 2020). The remaining part is classified in the "Hold-to-Collect and Sell" (HTC&S) portfolio measured at fair value through OCI: EUR 0.8 billion as at December 31, 2021 (EUR 0.9 billion as at December 31, 2020).

The fair value sensitivity of the HTC&S portfolio to a one basis point widening of the spread (booked in the OCI reserve), was EUR 0.3 million as at December 31, 2021 (EUR 0.3 million per basis point as at December 31, 2020).

Investment portfolio HTC&S (in EUR million)

	Notional amount		Rate bpv		Spread bpv	
	31/12/20	31/12/21	31/12/20	31/12/21	31/12/20	31/12/21
Treasury	229	152	(0.00)	(0.00)	(0.07)	(0.08)
ALM	720	650	(0.01)	(0.01)	(0.25)	(0.17)

Liquidity Risk

The liquidity management process involves covering funding requirements with available liquidity reserves. Funding requirements are assessed carefully, dynamically and comprehensively by taking the existing and planned on- and off-balance sheet asset and liability transactions into consideration. Reserves are constituted with assets eligible for refinancing with the central banks to which BIL has access (Banque Centrale du Luxembourg (BCL) and Swiss National Bank (SNB)).

Risk Measurement and Exposure

The internal liquidity management framework includes indicators to assess BIL's resilience to liquidity risk: liquidity ratios and liquidity gaps, which compare liquidity reserves with liquidity requirements. These ratios are shared with the CSSF and the JST, on a daily and a weekly basis, respectively.

A daily liquidity report containing the liquidity forecasts of up to five days and a daily estimated LCR on a solo basis is sent to the Chief Risk Officer, the Chief Financial Officer, the ALM and Treasury teams and risk management.

Liquidity Coverage Ratio (LCR)

As the main short-term liquidity reference indicator, the LCR (Delegated Act based on Article 462 of the CRR) requires the Bank to hold sufficient high-quality liquid assets (HQLA) to cover total net cash outflows over 30 days.

(In EUR billion)	31/12/20	31/12/21
Stock of HQLA	7.28	10.30
Net Cash Outflows	4.19	7.28
LCR ratio	174%	142%
Limit	100%	100%

BIL's liquidity situation remained solid throughout 2021. Thanks to a prudent and proactive approach in managing its liquidity position, the BIL Group succeeded in maintaining a high LCR excess liquidity level, slightly above EUR 3 billion as at December 31, 2021 (same level as at the end of December 2020). The LCR ratio landed at 142%, in line with the target established by the ALM Committee. In addition to the technical decrease in January 2021 following the reclassification of the daily balance at the Swiss National Bank from inflows to central bank assets, the yearly evolution of the LCR is mainly due to cost optimisation measures implemented over the past year.

The new production of long-term debt issued by the Bank, amounting to EUR 1.7 billion in 2021 and the increase in deposits (sight and term deposits with a residual maturity greater than 30 days) from retail counterparties have supported the high liquidity excess.

The Investment Portfolio purchases have been concentrated on HQLA eligible securities, LCR level 1 securities representing nearly 70% of the total Investment Portfolio as at December 31, 2021.

The Bank also took part in two TLTRO III operations conducted in 2021 and proceeded to the early redemption of TLTRO III.2 and III.3 holdings in September for a total amount of EUR 0.7 billion, entirely compensated by our simultaneous participation in TLTRO III.9. Finally, the Bank's cumulated TLTRO III participation was prudently increased from EUR 1.5 billion to EUR 2.2 billion through TLTRO III.10 in December with the objective of continuing to provide intermediated financing to our customers and to support the economy.

Net Stable Funding Ratio (NSFR)

The NSFR, reflecting the long-term liquidity position of an institution, requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

(in EUR billion)	31/12/20	31/12/21
Available Stable Funding (ASF)	19.28	20.82
Required Stable Funding (RSF)	16.11	16.44
NSFR ratio	120%	127%
Limit	100%	100%

The NSFR has risen significantly to 127% up from 120% at year-end 2020. This variation is mainly driven by the issuance of debt securities, source of stable funding, which have been partially invested in deposits at the central banks, resulting in a higher increase in the ASF than in the RSF. To a lesser extent, two methodological changes linked to the entry into force of CRR II regulation in June 2021 have contributed to reducing the RSF amount:

- The RSF CRR factor of 0% for liquid assets unencumbered or encumbered for a residual maturity of less than six months (instead of RSF Basel Factor of 5%);
- The deduction of the variation margin posted, if eligible HQLA level 1, into the calculation of RSF from derivative assets.

Liquidity Stress Test

The Bank conducts a liquidity stress test on a weekly basis. The aim of this stress test is to quantify and anticipate BIL's potential vulnerability to liquidity and refinancing risk, taking into account the Bank's specificities.

The stress report is sent to the Chief Executive Officer, the Chief Risk Officer, the ALM Committee members, risk management, the ALM and Treasury teams and, as mentioned above, to the JST; Liquidity risk is captured through three scenarios:

- Market-wide, which focuses on a depreciation of the Bank's assets and additional margin calls due to general adverse market conditions;
- Idiosyncratic, which is specific to BIL's access to market funding; and
- Combined, which is not a strict merge of the two previous scenarios: risk factors have been mixed in such a way that each scenario has an added value and complements the other.

The tables below show the results of the liquidity stress test as at December 31, 2021:

31/12/21 (In EUR million)		Market-Wide		Idiosyncratic		Combined	
		Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer
HORIZON	3-month	1,421	5,044	3,176	5,090	3,552	5,044
	6-month	1,618	4,962	3,929	5,028	4,083	4,962
	12-month	1,795	4,463	3,697	4,491	3,533	4,463

The cumulative buffer column shows a high level for all of the scenarios and all observation points. Although the cumulative gap naturally increases in varying proportions, levels remain comfortably below the cumulated buffer. This is the result of prudential liquidity management, especially by BIL's choice to seek medium and long-term funding.

The stress test results are presented to the ALCO with the other main liquidity indicators (e.g. LCR, NSFR, variation of customer deposits, etc.) on a monthly basis.

Since the last quarter of 2020, a reverse stress test completes the stress liquidity framework. The aim of this additional stress is to explore and identify circumstances that might cause a pre-defined outcome under which BIL Group could be considered to fail or likely to fail. The result of this stress is included in the liquidity package presented to the ALCO.

Part of the Bank's excess cash is invested in the Investment Portfolio as a liquidity buffer. This portfolio is mainly composed of central bank-eligible bonds, which are also compliant with the Basel III package requirements(i.e. the LCR and NSFR).

Asset Encumbrance

The Bank reports on key metrics and asset encumbrance limits which are based on data collected for regulatory reporting. The following metrics have been selected to provide key information:

- Level of asset encumbrance;
- Credit quality of unencumbered debt securities;
- Sources of encumbrance;
- Contingent encumbrance.

A reference to the LCR classification has been added to the section "Credit quality of unencumbered debt securities" in order to provide additional information on the quality of unencumbered assets.

$$AE\% = \frac{\text{Total encumbered + Total collateral received re-used}}{\text{Total assets + Total collateral received available for encumbrance}}$$

The above ratio measures the asset encumbrance of credit institutions in Europe in a harmonised manner. The overall weighted average encumbrance ratio calculated and published regularly by the EBA[1] (27.8% in the fourth quarter of 2020) is an available benchmark. By comparison, BIL's ratio was around 12% (see table below) and reflects a low/moderate level of asset encumbrance. The limit in the risk appetite framework is set at 20%.

In EUR million	31/12/20	31/12/21
Encumbered assets	3,424	3,420
Collateral received re-used	212	192
Total amount	3,636	3,612
Ratio[2]	**12%**	**11%**
RAF Limit	**20%**	**20%**

As of December 31, 2021, EUR 3.4 billion of BIL Group's balance sheet assets are encumbered and the asset encumbrance ratio is 11%. The annual variation of the ratio is mainly explained by the decrease of various sources of encumbrance (collateral swaps and OTC derivatives by EUR 0.7 billion and encumbrance for the Central Bank reserve by 0.2 EUR billion following a methodological change) which exceeds the increase related to the participation in the ECB's Targeted Long-Term Refinancing Operations (TLTRO) for an amount of EUR 0.7 billion. Key sources of encumbrance are TLTRO, collateral swaps and repos.

[1] EBA Report on Asset Encumbrance, July 2021.
[2] AE% = (Total encumbered assets + Total collateral received re-used)/(Total collateral received available for encumbrance)

5. OPERATIONAL RISK AND ICT & SECURITY RISK

5.1 Definition

Operational risk is the risk of direct or indirect losses resulting from the unsuitability or failure of internal processes, staff or systems, or due to external events. This definition includes legal risk but excludes strategic and reputational risk. It also excludes financial impacts resulting from commercial decisions.

Information and Communication Technology (ICT) and security **risk includes risk of loss due to**:
- **Breach of confidentiality, failure of integrity** of systems and data;
- **Inappropriateness or unavailability** of systems and data;
- **Inability to change** information technology within a reasonable time and with reasonable costs when the environment or business requirements change;
- **Security risks** resulting from i**nadequate or failed internal processes**;
- External events including **cyber-attack**; and
- Inadequate **physical security to protect BIL's information and information systems**.

5.2 Operational Risk Policy, ICT & Security risks policy & BCP policy

5.2.1 Operational Risk Policy

The main purpose of Operational Risk Management (ORM) Policy is to provide details on BIL's operational risk framework encompassing Operational risk governance, Incident Management & Monitoring, Risk and Control Self-Assessment (RCSA). In other words, this policy involves the identification and regular assessment of existing operational risks and requests the implementation of measures to ensure an acceptably low level of risk. This is done in a preventive manner using the RCSA (Since 2021, a general Risk Assessment is carried out within the framework of the ICAAP; the operational risks identified during this risk assessment are extracted to carry out the RCSA.

The Operational Risk Management policy was reviewed in 2020 (approved by the Internal Control Committee meeting held in August 2020) and information on specific topics was added (e.g. management of cross-border risks, new key risk indicator monitoring). Moreover, the section dedicated to the governance framework was also improved following the creation of an Operational Risk Committee (ORC).

It should be noted that the management of the Bank's risk framework also includes the transfer of part of the financial consequences of certain risks to insurance companies.

5.2.2 ICT & Security Risk Management policy

The ICT & Security Risk Management charter **frames the management of ICT risks, and in particular defines**:
- The objective and scope of ICT & Security risk management;
- The high-level operating model as well as roles and responsibilities across the three lines of defence;
- The requirements for an ICT & Security risk management process for identifying, evaluating and handling these risks;
- The extension of the responsibilities of the Security Committee and rename it as ICT & Security Risks Management Committee; and
- The requirements for ICT & Security risk reporting that includes an **annual report to the Board Risk Committee and the Board of Directors**.

In 2021, the charter has been slightly amended in line with the objective to get the ISO27001 certification on a section of BIL's information system. The charter introduces the topic and states the responsibility for the ICT and Security Committee to perform the regular management review required by this certification.

The first line representatives were also amended to reflect the changes in the organisation.

5.2.3 Business Continuity Planning policy

The Business Continuity Management and Crisis Management charter defines the objectives, methodology and governance to ensure the continuity of the critical activities. No modifications were made on this charter in 2021.

5.3 Organisation and Governance

BIL's operational risk management framework relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible for operational risk at BIL:
- The Internal Control Committee (ICC), a management committee with delegated powers from the Management Board is in charge of: strengthening cooperation between the three lines of defence functions through coordination of the activities of each Internal Control function, and taking decisions on cross-cutting issues related to Internal Control. The main topics discussed include: Internal audit matters (mainly audit reports, follow-up of recommendations, activity reports, audit plan), Compliance matters (mainly compliance

activity reports, compliance action plan, compliance visit reports), ORM matters (mainly reporting on major risks, incidents), and any other matters relating to Internal control (at BIL and its entities).

- The Operational Risk Committee (ORC) is a multidisciplinary business committee comprising members of the Bank's main business lines, and is responsible for creating a reliable framework to ensure efficient monitoring of the Bank's operational risk exposures. This committee also manages all matters in relation to operational risks, such as incident management. Finally, the ORC acts as an forum for discussion (on operational risk matters) between the Bank's business lines and Operational Risk department.

- The New Product Committee (NPC) is a multidisciplinary management committee with delegated powers from the Management Board, and is responsible for new products, services and markets based on suggestions from all of the Bank's business areas, including the Innovation and Digital Forum. The Committee also checks the relevancy of the underlying business case against the Bank's strategy. The Head of BIL's Financial Markets business line acts as the chairman and the deputy CRO acts as a member for risk matters.

- The Monthly Operational Committee (MOC), under the responsibility of the Financial Markets business line (FM), and with the participation of ORM, supervises BIL's FM projects and operational risks, takes decisions to address day-to-day issues and monitors other risks related to FM Luxembourg's activities.

- The Compliance, Audit and Risk Committee (CARco) meets quarterly to cover aspects of compliance, audit and risk between BIL and its main IT provider. It comprises the BIL Data Protection Officer, BIL Head of Audit, BIL Head of Operational Risk Management and BIL Chief Information Security Officer and their equivalents from the Bank's main IT provider.

- The ICT & Security Risks are handled by The ICT & Security Risks Committee (ISRC). The ISRC is mandated by the Management Board to:
  - Oversee the ICT & Security risks (as defined in the ICT & Security Risk Management charter) linked to BIL's use of information technologies and that of its subsidiaries;
  - Oversee the ICT & Security controls in place to mitigate the ICT & Security risks;
  - Take a position on the risks its members have identified and analysed in order to provide adequate protection for BIL's Information and IT assets;
  - Monitor ICT and Security incidents;
  - Ensure that the implementation and the support of a global Business Continuity Plan respects the strategy defined by the BIL Management Board.

- The Crisis Committee (CC) is composed of the Management Board members and can decide to set up an Operational Crisis Committee (OCC), composed of different members of the functions required to manage the crisis. Depending on the nature of the crisis, this OCC is complemented by the heads of the entities concerned.

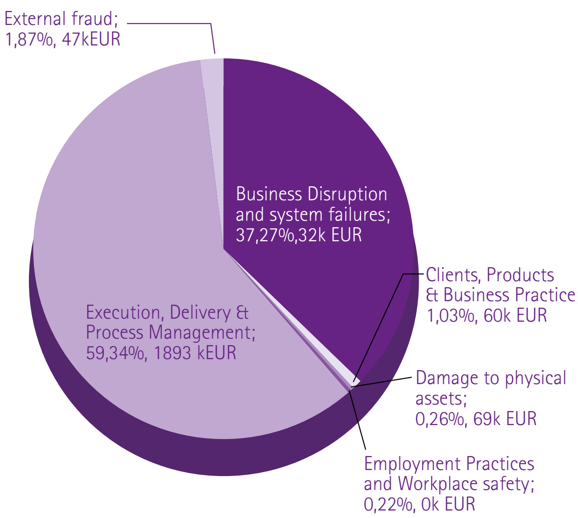
5.4 Risk Measurement and Management

The operational risk framework relies on the following elements:

Operational Risk Event Data Collection:
- According to the Basel Committee, the systematic recording and monitoring of operational incidents is a fundamental aspect of risk management: "Historical data on banking losses may provide significant information for assessing the Bank's operational risk exposure and establishing a policy to limit/ manage risk";
- Recorded incidents provide information that may be used to improve the internal control system and determine the Bank's operational risk profile.

The breakdown of BIL Group's gross losses (KEUR) and proportion of occurrence for 2021 by risk event type is disclosed in the chart below. The total gross impact is calculated on an absolute value basis, including losses, profits and excluding recoveries. This explains possible differences with other regulatory reports which are only based on losses.

Distribution of operational incidents by event type, gross impact in EUR thousand and share in %



The Execution, Delivery & Process Management category remains the largest, both in terms of the financial impact and the total number of operational risk incidents in the BIL Group. These incidents were due in part to human error with the main operational risk lying in trade entry error (incorrect data input) and failure in the management of customer accounts or processing delays. Even though a reduction in the number of incidents has been observed in this category in favour of the Business Disruption and system failures category, the financial impact remains high.

As usual, the financial impact on the Business Disruption and system failures category remains low, the significant increase of the number of events is linked to postponed IT developments due to the focus of IT resources on the GL22 project aimed at changing the Core Banking system.

In 2021, the Bank's incidents related to External Fraud remain low and 84% of them have been stopped by the Bank (fraud attempts).

There was no incident linked to an internal fraud detected in 2021.

ORM presents a quarterly report on operational risk to the ICC and a semi-annual report to the BRC. Some indicators on incidents were developed and included in the incident reports. Indicators cover the following topics: People, Processes, External, Risks, Forward looking and include statistics on data : data breach, IT security incident, external fraud, near miss, claims, litigations linked to operational incidents, IT critical incidents, operational risk forward looking indicators etc.

The Chief Information Security Officer (CISO) presents a status on ICT & Security Risks as well as on Business Continuity management activities annually to the BRC.

Self-assessment of risks and associated controls

In 2021, the Risk Control Self Assessment (RCSA) exercise performed by ORM was merged with the overall risk analysis (RSA) performed by ERM. The exercise, thus, becomes annual and the same methodology has been applied as for risk assessment. This assessment, which is forward-looking (in particular with new scenarios proposed), provides a good overview of the various activities and existing controls and can lead to the definition of mitigating actions. A dedicated report on operational risks covered by the previous RCSA report has been maintained alongside the ICAAP report covering all risks.

Definition and follow-up of action plans

As part of ORM, corrective action plans linked to major risks and events are defined and monitored.

Action plans arise from incident management and RCSA exercises to reduce and mitigate identified risks:

- Incidents: Following a significant incident, management has to implement action plans in order to reduce the impact and prevent new incidents;
- RCSA: In the event of an unacceptable risk exposure, management has to identify ad hoc action plans mitigating the identified risk.

Training & Awareness

Regular awareness campaigns are published both internally for employees and on the Bank's website for clients. These campaigns focus on the risk of fraud or best practices to avoid incidents and awareness is shared during the Operational Risks Committee.

Calculation of the regulatory capital requirements

BIL Group applies the standardised Basel approach to calculate the regulatory capital requirements for operational risk. This approach consists of applying a factor (ranging from 12% to 18%) depending on the activity, as defined by the regulator. The figures are reported in the following chapter.

6. REGULATORY CAPITAL ADEQUACY-PILLAR 1

6.1 Weighted risks

Since 2008, the Bank has complied with the revised Basel framework – through its various developments – to calculate its capital requirements with respect to credit, market, operational and counterparty risk, and to publish its solvency ratios.

For credit risk, BIL Group uses the Advanced-Internal Rating Based (A-IRB) approach for the so-called high-default portfolio (Retail, Wealth and small corporate counterparties), the Foundation approach for Corporate and Financial Institution counterparts and the Standard approach for Sovereign counterparts. For market risk, the Bank has adopted the standardised method in light of a moderate trading activity, the sole purpose of which is to assist BIL's customers by providing the best possible service for the purchase or sale of bonds, foreign currencies, equities and structured products. The standardised method is also used to calculate the Bank's operational risks.

At the end of 2021, the Bank's total RWAs amounted to EUR 10,228 million, compared with EUR 9,220 million at the end of 2020.

RWA growth of EUR 1,008 million (11%) is mainly driven by credit risk (EUR 1,028 million). Credit risk growth is mainly due to credit risk models and commercial loans' portfolio growth.

Meanwhile, the market risk RWAs decreased by EUR 12 million, including RWAs for Credit Valuation Adjustment (CVA RWA) and the operational risk RWAs decreased by EUR 8 million in 2021.

6.2 Capital adequacy ratios

(in EUR million)	31/12/20	31/12/21	Variation (%)
Risk Weighted Assets	**9,220**	**10,228**	**11%**
Credit risk	8,204	9,233	13%
Market risk	31	23	(26)%
Operational risk	963	954	(1)%
Credit Value Adjustment risk	22	18	(17)%

Capital	31/12/20	31/12/21	Variation (%)
Common Equity Tier 1 (CET 1)	1,239	1,447	17%
+ Additional Tier 1	*175*	*175*	*0%*
Tier 1 equity	1,414	1,622	15%
Tier 2 equity	132	237	80%
Total regulatory capital	1,545	1,859	20%

Solvency ratios	31/12/20	31/12/21	Variation (%)
Common Equity Tier 1 ratio (CET 1)*	13.44%	14.15%	5.30%
Tier 1 ratio	15.33%	15.86%	3.43%
Capital Adequacy Ratio	16.76%	18.18%	8.45%

**2020 partial profit allocation (EUR 36.2 million) and 2021 partial profit allocation (EUR 113.9 million)*

7. INTERNAL CAPITAL AND LIQUIDITY ADEQUACY (ICLAAP) – PILLAR 2

ICLAAP is the formal internal process through which a bank identifies, measures, aggregates and monitors material risks, to ultimately build a risk profile that becomes the basis for allocating capital and its liquidity risk measures.

Under ICLAAP, BIL Group is required to identify the material risks to which it is exposed, quantify them and ensure it maintains adequate capital and liquidity measures to support them.

The ICLAAP shall fully reflect all risks to which BIL Group is or could be exposed, as well as the economic and regulatory environment within which the Bank operates or may come to operate in. The ICLAAP shall therefore not only take into account the current situation but shall also be forward-looking, in order to ensure internal capital and liquidity adequacies on an ongoing basis.

The main building blocks of BIL Group's ICLAAP

In order to maintain internal capital and liquidity adequacies on an ongoing basis, the ICLAAP is anchored in BIL Group's decision-making processes, its business and risk strategies and risk management and control processes.

This objective is achieved through the development of a sound and comprehensive framework based on the following key components:

- In order to determine the adequacy of its internal capital and liquidity resources, BIL Group first translates its business and strategy plans into Risk Appetite Statements and develops and monitors the corresponding framework;
- Secondly, BIL Group has to identify the risks to which it is exposed (i.e. risk identification and mapping). Different steps are then taken within the Bank: definition of a risk glossary, identification of the risks borne by the institution, assessment of the risk materiality and drafting of the Bank's risk mapping;
- BIL Group then assesses its capital and liquidity needs to cover the economic effects of risk-taking activities. Specifically, the Economic Capital (ECAP) framework is defined as based on the potential deviation between the Group's economic value and its expected value, for a given confidence interval (depending on BIL Group's target rating), and a time horizon of one year;
- Finally, BIL Group assesses its capacity to maintain sufficient capital and liquidity resources, in terms of quantity and quality, to support its risk profile through both normal and stress-oriented scenarios. This is done through the ongoing assessment of the Bank's capital and liquidity adequacies and, at least once a year, through the forward-looking assessment of the Bank's capital and liquidity soundnesses (capital and liquidity planning).

Consolidated financial statements

Audit report

To the Board of Directors of
Banque Internationale à Luxembourg S.A.

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Banque Internationale à Luxembourg (the "Bank") and its subsidiaries (the "Group") as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2021;
- The consolidated statement of income for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated cash flow statement for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 11.10 to the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter: Impairment of loans and advances to customers

At 31 December 2021, the gross loans and advances to customers of the Group amount to EUR 16,643.4 million against which an impairment of EUR 297.1 million is recorded (see Note 7.4 to the consolidated financial statements).

Due to the specific situation of the Covid-19 crisis, ECL management overlays have been considered to anticipate expected credit loss downgrades so as to adapt the model to the current changes in economic conditions for an amount of EUR 8.4 million. Two ECL Management overlays have been accounted for based on a one-notch downgrade for all exposures benefiting from a moratorium as well for MidCorp exposures not already benefiting from a moratorium (see Note 12.2 to the consolidated financial statements).

We considered this as a key audit matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Group's Management. The Group uses the following methods to assess the required impairment allowance:
- The expected credit loss (ECL) allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Group in its ECL calculation process, model and tool;
- For defaulted loans and advances, impairment is assessed individually on a regular basis.

In particular, the determination of impairment against loans and advances to customers requires:
- Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;
- Inputs and assumptions to estimate the impact of multiple economic scenarios;
- The use of expert judgments and estimates for the design and setup of the internal rating system which form the basis of the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9;
- The use of expert judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.

Refer to the Accounting policy Note 1.6.5, Notes 7.4 and 12.2 to the consolidated financial statements as well as sections 2 and 6 of the Business Review and Results and section 3 of the Risk Management parts of the Consolidated Management Report.

How our audit addressed the Key audit matter

We tested the design and operating effectiveness of key controls across the processes relevant to the ECL calculation.

This included testing of:
- Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level;
- Controls over the incorporation of multiple economic scenarios related to ECL models by the Bank's Credit and Executive Committees;
- Controls over quarterly ECL variation analysis;
- Controls over the loan origination and monitoring processes;
- Controls over the specific provision process and monitoring;
- Controls over the monitoring of internal credit limits;
- Controls over the monitoring of loans in litigation;
- Inspection of Default Committee minutes and Special Mention List/Watch list;
- Inspection over the validation of ECL Management overlays by the Executive Committee.

We also performed the following substantive audit procedures:
- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios especially considering the Covid-19 situation;
- We verified some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Group.

We tested a sample of loans and advances (including but not only an extended sample of loans included into the Group Credit Watchlist and/or classified on stage 3) to:
- Form our own assessment as to whether they are classified in the appropriate bucket. We examined in a critical manner the assumptions used by the Bank to determine estimated recovery from any underlying collateral;
- Perform testing over the accuracy of a sample of key input data linked to the credit activity (nominal, interest rates, beneficiaries);
- Perform testing on the valuation and validity of guarantees and collateral received by the Bank to secure its exposures;
- Perform testing over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances.

In light of the credit events linked to the pandemic and in addition to the above, we also performed specific procedures as follow:
- Testing of a sample of credit files under moratorium to ensure that forbearance consideration have been applied by the Bank;
- Assessing the ECL Management overlays methodology used by the Group and of the reasonableness of their levels.

Key audit matter: Impairment assessment of goodwill
As at 31 December 2021, the goodwill (arising in a business combination) amounts to a net of EUR 55.3 million.

We considered this as a key audit matter as the Group makes complex and subjective judgments with respect to the identification of the cash-generating units ("CGUs") and the estimation of the recoverable values (which are the fair value less cost to sell or the value in use) when determining the impairment to be recorded.

Recoverable values are primarily measured from a Dividend Discount Model ("DDM") valuation method or/and an asset under management multiples valuation method. They represent in practice, an estimation of fair value less costs of disposal.

Refer to the Accounting policy Note 1.18 and to Note 7.11 to the consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:
- We assessed whether the CGUs identified by the Group that should be subject to impairment testing are aligned with our understanding of the Group's activities;
- We obtained the goodwill valuation methodology applied by the Group;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Group is reasonable in the circumstances, giving consideration to the:
  (i) Nature of the entity being valued;
  (ii) Premise of value;
  (iii) Business, industry, and environment in which the entity operates; and
  (iv) Common practices among valuation experts.

- We identified, verified and tested through the use of our valuation experts significant assumptions used by the Group for each CGU and evaluated whether the information used:
  (i) Was reasonably available at the time of the analysis;
  (ii) Was appropriate given the circumstances; and
  (iii) Gave consideration to observable market prices.

- We also assessed the consistency and reasonableness of these assumptions by back-testing the assumptions made at prior year-end;
- We verified the arithmetical accuracy of the calculation performed by the Group.

Key audit matter: Deferred tax assets recognition and impairment

As at 31 December 2021, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 142.2 million, of which EUR 69.6 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a foreign country.

We considered this as a key audit matter as the Group makes forecast to determine the amount of tax losses carried forward which will be resorbed by future taxable profits. Those forecasts are based on subjective Group's assumptions.

Refer to the Accounting policy Note 1.22 and to the Note 9.2 to the consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:
- We obtained the Bank's budget for the year 2022, approved by the Board of Directors, and the business plan prepared by the Group for the period 2022-2025 as well as the assumptions made by the Group to extrapolate the net income before tax beyond the horizon of the business plan;
- We reviewed the consistency and reasonableness of these assumptions including back-testing of the assumptions made at prior year end;
- We evaluated whether updates in the Luxembourg tax laws and regulations may have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former foreign country's branch, we reviewed the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward;
- We verified the arithmetical accuracy of the computations, including the corporate income tax rate used.

Key audit matter: Fair value measurement using of level 3 inputs for equity investments

As at 31 December 2021, the fair value of level 3 equity investments measured at fair value through other comprehensive income amount to EUR 240.2 million (recognised in "Financial investments measured at fair value").

We consider the valuation of such investments as inherently complex due to the unavailability of prices on an active market, the limited or unavailability of observable data and the impact of Covid-19 which increased uncertainty in some industries (including the airline industry).

Refer to the Accounting policy Notes 1.6.3.2/1.6.3.3 and to Notes 7.6 and 12.1.2 to the consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:
- We obtained the fair valuation methodology applied by the Group, specifically for an investment which operates in the airline industry. The latter valuation was mainly based on a "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Group was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Group to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Group in the model which included, interalia, benchmarking key metrics;

- We verified the arithmetical accuracy of the calculation performed by the Group.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 70bis Paragraph (1) Letters c) and d) of the amended Law of 17 June 1992 on the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 13 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Electronically signed by:
Rima Adas

Electronically signed by:
Julie Batsch

Rima Adas | Julie Batsch

Luxembourg, 30 March 2022

Consolidated balance sheet

ASSETS (in EUR)	Notes	31/12/20	31/12/21
Cash, balances with central banks and demand deposits	7.2	4,245,324,853	5,989,034,370
Financial assets held for trading	7.5	55,716,122	24,469,219
Financial investments measured at fair value	7.6	1,129,363,614	1,138,003,882
Financial investments at fair value through other comprehensive income	*7.6.2*	*1,108,358,280*	*1,093,443,120*
Non-trading financial investments mandatorily at fair value through profit or loss	*7.6.1*	*21,005,334*	*44,560,762*
Loans and advances to credit institutions	7.3	1,105,696,451	737,231,429
Loans and advances to customers	7.4	15,412,310,898	16,346,232,744
Financial investments measured at amortised cost	7.7	7,685,128,526	7,383,330,597
Derivatives	9.1	235,263,017	131,527,726
Fair value revaluation of portfolios hedged against interest rate risk		191,221	93,194
Investments in associates	7.8	28,635,871	676,682
Investment property	7.10	23,405,067	30,975,736
Property, plant and equipment	7.9	113,840,658	107,570,001
Intangible fixed assets and goodwill	7.11	255,721,393	305,857,276
Current tax assets	7.12	1,524,745	996,264
Deferred tax assets	7.12/9.2	183,982,345	163,256,912
Other assets	7.13	81,161,194	86,459,608
TOTAL ASSETS		**30,557,265,975**	**32,445,715,640**

The notes are an integral part of these consolidated financial statements.

LIABILITIES (in EUR)	**Notes**	**31/12/20**	**31/12/21**
Amounts due to credit institutions	8.1	4,172,955,910	4,103,871,221
Amounts due to customers	8.2	19,773,966,458	20,688,150,882
Other financial liabilities	8.3	27,932,339	22,757,968
Financial liabilities measured at fair value through profit or loss	8.4	934,551,568	1,467,315,688
Liabilities designated at fair value		*934,551,568*	*1,467,315,688*
Derivatives	9.1	642,789,763	350,859,788
Fair value revaluation of portfolios hedged against interest rate risk		2,433,523	70,504
Debt securities	8.5	2,783,103,377	3,200,417,795
Subordinated debts	8.6	130,620,187	237,127,187
Provisions and other obligations	8.7	42,892,641	54,365,347
Current tax liabilities	8.8	2,190,023	1,383,500
Deferred tax liabilities	8.8/9.2	7,311,883	10,205,589
Other liabilities	8.9	196,595,562	207,644,441
TOTAL LIABILITIES		**28,717,343,234**	**30,344,169,910**

SHAREHOLDERS' EQUITY (in EUR)	**Notes**	**31/12/20**	**31/12/21**
Subscribed capital	9.4	146,108,270	146,108,270
Share premium		760,527,961	760,527,961
Other equity instruments		173,592,617	174,081,292
Reserves and retained earnings		617,488,137	709,178,093
Net income		101,361,017	135,446,251
SHAREHOLDERS' EQUITY		**1,799,078,002**	**1,925,341,867**
Gains and losses not recognised in the consolidated statement of income		40,844,739	176,203,863
Financial instruments at fair value through other comprehensive income		*64,168,148*	*196,346,769*
Other reserves		*(23,323,409)*	*(20,142,906)*
GROUP EQUITY		**1,839,922,741**	**2,101,545,730**
Non-controlling interests		0	0
TOTAL SHAREHOLDERS' EQUITY		**1,839,922,741**	**2,101,545,730**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,557,265,975**	**32,445,715,640**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR)	Notes	31/12/20	31/12/21
Interest and similar income	11.1	524,055,699	470,690,407
of which : Interest revenue calculated using the effective interest method		*403,671,718*	*374,799,373*
Interest and similar expenses	11.1	(215,764,278)	(179,597,845)
Dividend income	11.2	46,523	27,470
Net trading income	11.3	10,820,563	(16,256,316)
Net income on financial instruments measured at fair value and net result of hedge accounting	11.4	4,821,554	64,834,444
Net income on derecognition of financial instruments measured at amortised cost	11.5	21,747,659	59,680,984
Fee and commission income	11.6	253,910,705	271,897,980
Fee and commission expenses	11.6	(45,087,914)	(40,505,271)
Other net income	11.7	(5,693,642)	1,180,754
REVENUES		**548,856,869**	**631,952,607**
Staff expenses	11.8	(220,723,485)	(231,174,576)
General and administrative expenses	11.9	(139,408,018)	(155,062,667)
Amortisation of tangible, intangible and right-of-use assets	11.11	(57,719,134)	(55,999,279)
EXPENSES		**(417,850,637)**	**(442,236,522)**
GROSS OPERATING INCOME		**131,006,232**	**189,716,085**
Impairments		(21,339,646)	(37,314,673)
Net impairment on financial instruments and provisions for credit commitments	*11.12*	*(16,738,190)*	*(37,417,455)*
Net impairment of tangible, intangible and right-of-use assets		*(4,601,456)*	*102,782*
Provisions for legal litigations	11.13	160,000	(542,508)
OPERATING INCOME		**109,826,586**	**151,858,904**
Net income from associates	11.15	1,878,523	2,378,559
NET INCOME BEFORE TAX		**111,705,109**	**154,237,463**
Tax expenses	11.14	(19,281,933)	(24,218,381)
NET INCOME OF CONTINUING OPERATIONS		**92,423,176**	**130,019,082**
Discontinued operations, net of tax	11.16	8,937,841	5,427,169
NET INCOME[2]		**101,361,017**	**135,446,251**
Net income - Group share		101,361,017	135,446,251
Non-controlling interests		0	0

The notes are an integral part of these consolidated financial statements.

[1] Refer to the note 1.2.4 for the reclassification made in accordance with IAS 8.
[2] In accordance with article 38-4 of the law of the financial sector, the return on assets for the Group for the year ended December 31, 2021 is 0.42% (0.33% for the year ended December 31, 2020).

Consolidated statement of comprehensive income

(in EUR)	31/12/20	31/12/21
NET INCOME RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	101,361,017	135,446,251
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	29,478,658	135,359,125
Items that will not be reclassified to profit or loss	**30,363,881**	**139,358,127**
Actuarial gains (losses) on defined benefit pension plans	(174,259)	5,159,533
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	(141,604)	(236,659)
Fair value changes of equity instruments measured at fair value through other comprehensive income	24,437,966	135,418,841
Fair value changes of land and buildings - transfer to investment property	8,429,830	0
Tax on items that will not be reclassified to profit or loss	(2,188,052)	(983,588)
Items that may be reclassified to profit or loss	**(885,223)**	**(3,999,002)**
Gains (losses) on net investment hedge	(16,458)	1,447,692
Translation adjustments	332,638	(2,284,051)
Gains (losses) on cash flow hedge	3,655,251	1,212,455
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(5,258,582)	(4,942,242)
Tax on items that may be reclassified to profit or loss	401,928	567,144
TOTAL COMPREHENSIVE INCOME, NET OF TAX	130,839,675	270,805,376
Attributable to equity holders of the parent company	130,839,675	270,805,376
Attributable to non-controlling interests	0	0

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Share Premium	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/20	**146,108,270**	**760,527,961**	**173,592,617**	**516,327,625**	**112,150,341**	**1,708,706,814**
Classification of income	0	0	0	112,150,341	(112,150,341)	0
Coupon on Additionnal Tier One Instrument	0	0	0	(10,734,018)		(10,734,018)
Changes in scope of consolidation	0	0	0	4,223		4,223
Realised performance on equities at fair value through other comprehensive income	0	0	0	(260,034)		(260,034)
Net income	0	0	0		101,361,017	101,361,017
As at 31/12/20	**146,108,270**	**760,527,961**	**173,592,617**	**617,488,137**	**101,361,017**	**1,799,078,002**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/20	**43,971,017**	**(3,695,248)**	**(13,532,673)**	**(15,377,016)**	**11,366,080**
Net change in fair value through equity - fair value through other comprehensive income	20,201,554	0	0	0	20,201,554
Net change in fair value through equity - cash flow hedges		2,731,278			2,731,278
Revaluation of investment properties upon reclassification from property, plant and equipment	0	0	6,327,430	0	6,327,430
Translation adjustments	5		(64,236)	332,639	268,408
Cancellation of fair value following fair value through other comprehensive income disposals	(4,428)	0	0	0	(4,428)
Net change in other reserves	0		(45,583)		(45,583)
Changes in scope of consolidation	0	0		0	0
As at 31/12/20	**64,168,148**	**(963,970)**	**(7,315,062)**	**(15,044,377)**	**40,844,739**

NON-CONTROLLING INTERESTS (in EUR)	Shareholders' equity	Gains / Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/20	**0**	**0**	**0**
Other transfers	0	0	0
As at 31/12/20	**0**	**0**	**0**

The notes are an integral part of these consolidated financial statements.

[1] On November 14, 2019 BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as an "other equity instrument" in accordance with IAS 32. It is qualified as AT1 regulatory Capital Requirement Directive (CRD). The amount presented is net of issuance costs.

[2] Of which legal reserve EUR 14.6 million.

[3] As at December 31, 2020, translation adjustments comprise an amount of EUR -42,684,907 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Share Premium	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/21	**146,108,270**	**760,527,961**	**173,592,617**	**617,488,137**	**101,361,017**	**1,799,078,002**
Classification of income	0	0	0	101,361,017	(101,361,017)	0
Coupon on Additionnal Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Other movements	0	0	488,675	(488,675)	0	0
Realised performance on equities at fair value through other comprehensive income	0	0	0	5,114	0	5,114
Net income	0	0	0		135,446,251	135,446,251
As at 31/12/21	**146,108,270**	**760,527,961**	**174,081,292**	**709,178,093**	**135,446,251**	**1,925,341,867**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/21	**64,168,148**	**(963,970)**	**(7,315,062)**	**(15,044,377)**	**40,844,739**
Net change in fair value through equity - fair value through other comprehensive income	162,124,357	0	0	0	162,124,357
Net change in fair value through equity - cash flow hedges	0	1,996,706	0	0	1,996,706
Revaluation of investment properties upon reclassification from property, plant and equipment	0	0	0	0	0
Translation adjustments	3,565		(466,095)	(1,946,295)	(2,408,825)
Cancellation of fair value following fair value through other comprehensive income disposals	(29,949,301)	0	0	0	(29,949,301)
Net change in other reserves			3,933,944		3,933,944
Changes in scope of consolidation				(337,757)	(337,757)
As at 31/12/21	**196,346,769**	**1,032,736**	**(3,847,213)**	**(17,328,429)**	**176,203,863**

NON-CONTROLLING INTERESTS (in EUR)	Shareholders' equity	Gains / Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/21	**0**	**0**	**0**
Other transfers	0	0	0
As at 31/12/21	**0**	**0**	**0**

The notes are an integral part of these consolidated financial statements.

[1] On November 14, 2019 BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as an "other equity instrument" in accordance with IAS 32. It is qualified as AT1 regulatory Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
[2] Of which legal reserve EUR 14.6 million.
[3] As at December 31, 2021, translation adjustments comprise an amount of EUR -49,762,384 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	Notes	31/12/20	31/12/21
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		101,361,017	135,446,251
Adjustment for :			
- Depreciation and amortisation	7.9 / 7.11	57,719,134	55,999,279
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		4,601,456	(102,782)
- Impairment on bonds, equities and other assets	11.12	8,501,143	(2,737,382)
- Net gains / (losses) on investments	11.4 / 11.5	(2,480,178)	(28,766,384)
- Provisions (including ECL)	8.7 / 11.12	3,635,235	15,336,553
- Change in unrealised gains / (losses)	11.3	247,830	(7,371,296)
- Income / (expense) from associates	7.8 / 11.15	(1,878,523)	(2,378,559)
- Dividends from associates	7.8	1,418,342	1,214,280
- Deferred taxes	11.14	18,392,720	23,164,466
- Other adjustments		89,403	(372,705)
- Changes in operating assets and liabilities		614,239,563	1,457,988,801
Transactions related to interbank and customers transactions		*1,213,531,195*	*164,067,939*
Transactions related to other financial assets and liabilities		*(566,176,001)*	*1,256,279,370*
Transactions related to other non-financial assets and liabilities		*(33,115,631)*	*37,641,492*
NET CASH FLOW FROM OPERATING ACTIVITIES		**805,847,142**	**1,647,420,522**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.9 / 7.11	(77,359,176)	(99,061,096)
Sale of fixed assets	7.9 / 7.11	5,020,377	3,537,980
Purchase of non-consolidated shares		0	(41,048)
Sale of non-consolidated shares		96,690	103,453
Acquisition of /capital increase on consolidated subsidiaries		(2,741,993)	0
Sale of subsidiaries and associates		0	27,666,177
NET CASH FLOW FROM INVESTING ACTIVITIES		**(74,984,102)**	**(67,794,534)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		0	100,000,000
Reimbursement of subordinated debts		(31,100,000)	0
Payments on lease liabilities		(8,019,936)	(8,520,190)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(39,119,936)**	**91,479,810**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**691,743,104**	**1,671,105,798**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**3,785,288,673**	**4,478,121,951**
Net cash flow from operating activities		805,847,142	1,647,420,522
Net cash flow from investing activities		(74,984,102)	(67,794,534)
Net cash flow from financing activities		(39,119,936)	91,479,810
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		1,090,174	21,913,703
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**7.1**	**4,478,121,951**	**6,171,141,452**
ADDITIONAL INFORMATION			
Taxes paid		(1,478,031)	(1,364,904)
Dividends received	11.2	46,523	27,470
Interest received		577,438,598	472,574,229
Interest paid		(249,004,080)	(182,394,610)

BIL Group decided to classify operations relating to shareholders' equity, treasury shares and other elements eligible as regulatory capital as financing activities.

Investing activities are limited to tangible and intangible fixed assets and to transactions on consolidated or non-consolidated shares.

The notes are integral part of these consolidated financial statements.

Consolidated changes in liabilities arising from financing activities

(in EUR)	As at 01/01/20	Acquisition / Reimbursement	Foreign exchange movement	Other changes	As at 31/12/20
Subordinated debts	**170,198,766**	(31,100,000)	(7,502,748)	0	**131,596,018**
Subscribed capital	**146,108,270**	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	**760,527,961**
Other equity instruments	**173,592,617**	0	0	0	**173,592,617**

(in EUR)	As at 01/01/21	Acquisition / Reimbursement	Foreign exchange movement	Other changes	As at 31/12/21
Subordinated debts	**131,596,018**	100,000,000	6,696,407	0	**238,292,425**
Subscribed capital	**146,108,270**	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	**760,527,961**
Other equity instruments	**173,592,617**	0	0	488,675	**174,081,292**

The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Presentation of the consolidated financial statements

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the consolidated financial statements. This rule applies to the presentation of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, as well as to the notes to the consolidated financial statements.

Note 11

Notes on the consolidated statement of income (in EUR)

Note 12

Notes on risk exposures (in EUR)

Note 1: Accounting principles and rules of the consolidated financial statements

GENERAL INFORMATION

The parent company of BIL Group is Banque Internationale à Luxembourg, a Luxembourgish public limited company (hereafter "BIL" or the "Bank"). Its registered office is situated at 69, route d'Esch, L-2953 Luxembourg.

BIL Group is integrated in the consolidated financial statements of Legend Holdings Corporation, comprising the largest body of undertakings of which BIL forms part as a subsidiary. The registered office of Legend Holdings Corporation is located at Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing, the People's Republic of China. BIL Group is integrated in the consolidated financial statements of Beyond Leap Limited, comprising the smallest body of undertakings of which BIL forms part as a subsidiary. The registered office of Beyond Leap Limited is located at 27/F., One Exchange Square, Central, Hong Kong, the People's Republic of China and its consolidated accounts are available at the same address.

The object of BIL is to undertake all banking and financial operations, for its own account or for the account of third parties, in Luxembourg or abroad – including the establishment of subsidiaries, branches and representative offices – and to carry out all financial, industrial and commercial operations, as well as to take deposits of funds and to hold items of value on deposit.

These consolidated financial statements were approved for publication by the Board of Directors on March 17, 2022, and signed by Marcel Leyers, Chief Executive Officer of BIL Group.

These consolidated financial statements cover the period beginning January 1, 2021 and ending December 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies adopted in preparation of these consolidated financial statements are set out below.

The commonly used abbreviations below are:
- IASB: International Accounting Standards Board;
- IFRIC: International Financial Reporting Interpretations Committee;
- IFRS: International Financial Reporting Standards.

ACCOUNTING RULES AND METHODS

1.1 Basis of accounting

1.1.1 Statement of compliance

BIL's consolidated financial statements have been prepared in accordance with all IFRS as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to December 31, 2021.

The consolidated financial statements are prepared on a "going-concern basis" and are presented in euro (EUR) unless otherwise stated.

1.1.2 Accounting estimates and judgments

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the consolidated financial statements and exercises its judgment. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the consolidated financial statements.

Judgments are made principally in the following areas:
- Determination on whether BIL controls the investee, including special purpose entities (refer to 1.3);
- Financial instruments for which no quoted market prices on active markets are available are valued by means of valuation techniques. The determination as to whether or not there is an active market is based on criteria such as number of contributors, bid offer spread and issue size (refer to 1.7 and note 12.1);
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets and determination of the lease term of lease contracts (refer to 1.15, 1.16, 1.20 and 7.9 and 11.11); and
- Existence of a present obligation with probable outflows in the context of litigation (refer to 1.24 and 8.7).

These judgments are entered into the corresponding sections of the accounting policies.

Estimates are principally made in the following areas:
- Measurement of the expected credit loss allowance (refer to 1.6.5, 7.15, 11.12 and 12.2);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques and determination of the market value correction to adjust for market value and model uncertainty (refer to 1.7 and 12.1);
- The measurement of hedge effectiveness in hedging relations (refer to 1.12 and 9.1);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (refer to 1.18 and 7.11);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (refer to 1.22 and 11.14); and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (refer to 1.23 and 8.7).

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going-concern basis.

1.2 Changes in accounting principles and policies since the previous annual publication that may impact BIL Group

The overview of the texts below is made up to the reporting date of December 31, 2021.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2021

- Amendments to IFRS 16 Leases: COVID-19- Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on August 27, 2020). These amendments may impact BIL. Refer to the below section "Benchmark Reform and IFRS related amendments";
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on June 25, 2020). No impact for BIL.

1.2.2 IASB and IFRIC texts issued during previous periods and neither endorsed by the European Commission nor applicable as at January 1, 2021

- IFRS 17, "Insurance contracts" (issued on May 18, 2017). The standard is applicable as from January 1, 2023 and may impact BIL.
- IFRS 17, "Insurance contracts" (issued on May 18, 2017). The standard is applicable as from January 1, 2023 and mayimpact BIL;
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued on May 14, 2020). No impact for BIL;
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (issued on May 14, 2020). No impact for BIL;
- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on May 14, 2020). No impact for BIL;
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (issued on May 14, 2020). No impact for BIL;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as Current or Non-current - Deferral of effective date (issued on January 23, 2020 and July 15, 2020 respectively). No impact for BIL.

1.2.3 IASB and IFRIC texts issued during the current period and neither endorsed by the European Commission nor applicable as at January 1, 2021

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020);
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020);
- Amendments to IAS 1 "Presentation of Financial Statements" Classification of liabilities as current or non-current. These amendments are applicable as from January 1, 2024. No impact for BIL;
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued on May 14, 2020). These amendments are applicable as from January 1, 2022. No impact for BIL;
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Onerous Contracts – Cost of Fulfilling a Contract. These amendments are applicable as from January 1, 2022. No impact for BIL;
- Amendments to IFRS 3 "Business Combinations" Reference to the Conceptual Framework. These amendments are applicable as from January 1, 2022. No impact for BIL;
- Amendments to IAS 16 "Property, Plant and Equipment" Proceeds before intended use. These amendments are applicable as from January 1, 2022. No impact for BIL;
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7 issued on August 27, 2020). These amendments will impact BIL in the context of the Benchmark Regulation.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

1.2.4 Reclassifications made in accordance with IAS 8

Compared to the previous consolidated statement of income, in the consolidated statement of income for the year ended December 31, 2021, BIL has corrected the presentation of revenues linked to services (IT support, internal control functions) provided by the head office to its subsidiaries or to external companies to which offsetting with related costs is not permitted.

The impact of the reclassification is disclosed in the following table (corresponding notes are reclassified accordingly).

(in EUR)	31/12/20 as published	31/12/20 after reclassification	Impact of reclassification
Other net income	(8,279,962)	(5,693,642)	(2,586,320)
REVENUES	554,820,372	557,406,692	(2,586,320)
Staff expenses	(219,749,851)	(220,723,485)	973,634
General and administrative expenses	(137,795,332)	(139,408,018)	1,612,686
EXPENSES	(415,264,317)	(417,850,637)	2,586,320
NET INCOME	101,361,017	101,361,017	0

1.2.5 Benchmark Reform and IFRS related amendments

Many financial instruments and financial contracts are valued using benchmarks. A benchmark determination which is accurate, robust and integer is crucial. In 2013, IOSCO (International Organisation of Securities Commissions) published a set of principles for financial benchmarks. These principles are intended to promote the reliability of benchmark determinations and improve governance, quality and accountability mechanisms. In the Euro area, the benchmark reform was accelerated by the adoption of the European Regulation (EU) 2016/1011 (the "Benchmark Regulation" or "BMR") which codifies the IOSCO Principles into EU law.

This Benchmark Regulation introduces "a common framework to ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds in the Union".

It has as an objective:
- To contribute to the proper functioning of the internal market;
- To achieve a high level of consumer and investor protection;
- To restore confidence in benchmarks;
- To improve the quality and governance of benchmarks produced and used in the EU.

The Regulation applies to providers of benchmarks, the contributors of input data and the user of a benchmark within the Union.

<u>Exposure of BIL to Interest Rate Benchmarks and Initiatives with regards to the Benchmark Reform</u>

Banque Internationale à Luxembourg, as a Benchmark user, is required to comply with the Benchmark Regulation and ensure that it only uses benchmarks issued by authorised administrators.

The following financial products issued and commercialised by BIL are mainly impacted by the Benchmark Reform:
- Interest Rate Derivatives referencing LIBOR and EURIBOR (classified under "Derivatives");
- Floating Rate Note Assets referencing LIBOR and EURIBOR (classified under "Financial Investments measured at amortised cost" and under "Financial investments measured at fair value");
- EMTN Issuances referencing LIBOR and EURIBOR (classified under "Debt securities" and "Subordinated debts");
- Structured Products referencing LIBOR and EURIBOR (classified under "Financial liabilities measured at fair value through profit or loss");
- Loans referencing LIBOR and EURIBOR (classified under "Loans and advances to credit institutions" and "Loans and advances to customers");
- Sight Deposits referencing EONIA (classified under "Amounts due to credit institutions" and "Amounts due to customers").

NET ASSET EXPOSURE OF BIL LUXEMBOURG AS AT DECEMBER 31, 2021 (Beyond IBOR cessation date)

Data as at December 31, 2021	Net Asset Exposure			
(in EUR million)	2022[1]	H1 2023	H2 2023	Beyond 2023
EURIBOR	**2,245**	**13**	**173**	**7,173**
o.w Interest Rate Derivatives	406	186	87	4,385
o.w Debt Instruments	(381)	(337)	(135)	(98)
o.w Loans	2,220	164	221	2,886
USD LIBOR	**780**	**55**	**137**	**93**
o.w Interest Rate Derivatives	39	8	38	28
o.w Debt Instruments	50	0	(7)	(18)
o.w Loans	691	47	106	83
GBP LIBOR	**3**	**1**	**1**	**2**
o.w Interest Rate Derivatives	3	1	1	2
o.w Debt Instruments	0	0	0	0
o.w Loans	0	0	0	0
CHF LIBOR	**(8)**	**(13)**	**(22)**	**(19)**
o.w Floating rate term loans	0	0	0	0
o.w Open maturity floating rate loans	0	0	0	5

In 2021, the Bank continued to focus on transitioning affected products to new benchmark rates. In this context, the EONIA/ESTR transition has been completed. Clients impacted by the Libor transition in CHF, JPY and GBP have been informed in writing of the changes to their contracts.

The only remaining exposure to Libor in CHF and GBP is due to interest rate derivatives with one counterparty (hedging of debt instruments issued). These instruments will switch to the new reference rates on their first refixing date in 2022.

Preparations for the discontinuation of USD Libor in June 2023 are underway. The Bank is committed since the end of 2021 to no longer issue debt instruments referencing USD Libor and is striving to reduce its exposure.

Other entities

The exposures to IBOR Reform from other BIL Group subsidiaries are immaterial.

Benchmark Reform implementation

In order to ensure compliance with the Benchmark Regulation and successful implementation of the Benchmark Reform, BIL Group has set up a project aimed at ensuring, that all aspects of the regulation, development and implementation receive appropriate senior level oversight and approval.

[1] Including open maturity loans.

The initiatives of the Bank comprise:
- Including robust fallback clauses in our contracts;
- Integration of regulatory requirements in our prospectuses;
- Maintaining a robust written plan defining the actions that BIL would take in the event that benchmarks materially change, cease to be provide or the administrator (or the benchmark itself in the case of third country benchmarks) has not been registered or will no longer be registered on the ESMA register;
- Signature of the ISDA Fallback Protocol;
- Benchmark exposure management and limits;
- Discussions and negotiations with clients and counterparties;
- Communications with all involved Business Lines;
- IT Implementation;
- Membership in the Luxembourg Banker's Association ("ABBL") Working Group.

IFRS and reporting impacts

In the context of the Benchmark Reform, the impacts on the financial instruments are covered by the two following sets of IFRS amendments:

IFRS IBOR Reform (Phase 1) amendments:

In September 2019, the IASB published the "Phase 1" amendments to IAS 39 and IFRS 7, amending the hedge accounting requirements so that hedges affected by the IBOR reform can continue despite the uncertainty before the hedged and hedging items are modified to comply with the new benchmark rates at transition date.

These amendments are applied since December 31, 2019.

IFRS IBOR Reform (Phase 2) amendments:

In August 2020, the IASB published the "Phase 2" amendments to IFRS 9, IAS 39 and IFRS 7. These amendments introduce changes that are applicable on transition date to the new benchmark rates.

In particular:
- For financial instruments at amortised cost, it allows to treat the changes in contractual cash-flows as any variable rate if some conditions (changes strictly limited to IBOR reform) are respected;
- For hedge accounting, it notably allows continuation of hedging relationships subject to modification of hedging documentation and provides some relief in respect of separately identifiable risk components and of hedge ineffectiveness tests.

These amendments have been applied by the Group since January 1, 2021.

As at December 31, 2021, the impacts of IBOR Reform on the consolidated financial statements are immaterial. Potential financial impacts in the scope of the IFRS "IBOR Reform" amendments are considered within the internal project set-up within the Group.

1.3 Consolidation

1.3.1 Subsidiaries

Subsidiaries are those entities over whose financial and operating policies BIL may, directly or indirectly, exercise control.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements:
- Power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns.

In practice, the Bank uses the board composition, the percentage of voting rights owned and the articles of incorporation of the company in order to determine whether it controls an investee.

Subsidiaries are fully consolidated as of the date upon which effective control is transferred to BIL and are no longer consolidated as of the date upon which BIL's control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions among BIL Group's companies have been eliminated. Where necessary, the subsidiaries' accounting policies have been amended to ensure consistency with the policies BIL has adopted.

Changes in BIL's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When BIL loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:
- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary as of the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.3.2 Associates

Associates are consolidated by the equity method. Associates are participating interests in which the parent company exerts a significant influence without having control. In general, participating interests in which the parent company owns between 20% and 50% of the voting rights are classified in this category. Nevertheless, the IFRS 10 and IAS 28 principles are used to determine whether BIL has control over the entity or only exerts a significant influence.

The net result for the financial year on which the owning percentage is applied is booked as the result of the associate and the participation in the associate is booked in the balance sheet for an amount equal to the net assets, including value adjustments after applying the owning percentage.

Consolidation using the equity method ends when the amount of the participating interest reaches zero, except if the parent company has to take responsibility for or to guarantee commitments of the associate. If necessary, rules and accounting methods of associates are adapted to be consistent with those of the parent company.

1.3.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by BIL, the liabilities incurred by BIL to former owners of the acquiree and the equity interests issued by BIL in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by BIL in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in the consolidated statement of income.

When a business combination is achieved in stages, BIL's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date on which BIL obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

1.4 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and consequently, only the net amount is reported) when BIL has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax assets and liabilities that meet the two criteria set out in the accounting standard are offset in the balance sheet.

1.5 Foreign currency translation and transactions

1.5.1 Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from BIL's presentation currency are translated into BIL's presentation currency (EUR) at the average exchange rates for the year and their assets and liabilities are translated at the respective year-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss upon disposal.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

1.5.2 Foreign currency transactions

For individual BIL entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies are translated at year-end exchange rates for monetary items and non-monetary items carried at fair value.

Historical rates are used for non-monetary items carried at cost.

The resulting exchange differences from monetary items are recorded in the consolidated statement of income; except for the foreign exchange impact related to fair value adjustments on debt instruments measured at fair value through other comprehensive income, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.6 Financial instruments

1.6.1 Measurement methods

AMORTISED COST AND EFFECTIVE INTEREST RATE

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest-rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

INITIAL MEASUREMENT

All financial assets (except trade receivables) are initially recognised at their fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

If the Bank determines that the fair value at initial recognition differs from the transaction price, the instrument is accounted at that date as follows:

(a) at the measurement required by IFRS 9 §5.1.1, if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price is recorded as a gain or loss; and

(b) in all other cases, at the measurement required by IFRS 9 §5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the deferred difference is recorded as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

1.6.2 Recognition and derecognition of financial instruments

BIL recognises financial assets held for trading on trade date. For these financial assets, BIL recognises in the consolidated statement of income and on the trade date any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. BIL recognises these unrealised gains and losses under "Net trading income".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by BIL.

BIL derecognises financial assets when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and the transfer qualifies for derecognition.

BIL recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument.

BIL derecognises financial liabilities only when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

1.6.3 Classification and subsequent measurement of financial assets

The financial assets are classified and subsequently measured at amortised cost, at fair value through other comprehensive income (without recycling to P&L for equities), or at fair value through profit or loss. In addition, financial assets may, at initial recognition, be irrevocably designated as measured at fair-value through profit or loss ("P&L") if doing so eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch").

The classification is based on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Bank has documented its business models for both the loans and the securities through internal policies.

1.6.3.1 Debt instruments

1.6.3.1.1 Business models

The first element driving the classification of a financial asset is the business model. There are three types of business models: hold-to-collect (HTC), hold-to-collect and sell (HTC&S) and other business models.

HOLD-TO-COLLECT (HTC)

Financial assets that are within the "Hold-to-collect" (HTC) business model are managed to realise cash flows by collecting contractual payments over the life of the instrument. Sales are not an integral part of the business model but may be consistent with the HTC cash flows business model when they are insignificant even if frequent, infrequent even if significant in value, realised close to the maturity of the instrument or due to an increase in credit risk.

HTC financial assets are recorded under the items "Loans and advances to credit institutions", "Loans and advances to customers" and "Financial Investments measured at amortised cost".

HOLD-TO-COLLECT-AND-SELL (HTC&S)

Financial assets that are within the "Hold-to-collect and sell" (HTC&S) business model are managed to realise cash flows by both collecting contractual cash flows and selling financial assets. Selling financial assets is integral to achieving the business model's objective and compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. HTC&S financial assets are recorded under the item "Financial assets at fair value through other comprehensive income".

OTHER BUSINESS MODELS

Financial assets which are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets are included in the remaining business model category. These financial assets are either held-for-trading, designated at fair value through profit or loss or mandatorily at fair value through profit or loss and are recorded under the items "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss" and "Derivatives".

- **Held-for-trading**
  Held-for-trading financial instruments are securities acquired for generating a profit from short-term fluctuations in price or dealer margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists;
- **Designated at fair value through profit or loss (also called Fair Value Option/ "FVO")**
  These are financial assets designated at fair value through profit or loss. Financial assets may be irrevocably designated by the entity at FVTPL at initial recognition in case of accounting mismatch;
- **Mandatorily at fair value through profit or loss**
  Financial assets mandatorily at fair-value through profit or loss include non-trading financial assets which failed the "solely payments of principal and interest" ("SPPI") test, and non-trading financial assets managed on a fair-value basis.

1.6.3.1.2 Contractual cash flow characteristics of a financial asset

The second element driving the classification of a financial asset is the contractual cash flow characteristics.

Contractual cash flows that are SPPI on the principal amount outstanding allow the classification of financial assets either at amortised cost or at fair-value through OCI according to the business model.

Contractual cash flows that are not SPPI imply the measurement of financial assets at fair-value through profit or loss (no matter which business model is chosen).

Contractual cash flows that are "SPPI" are consistent with a basic lending arrangement meaning that the interests include the consideration for the time value of money, a compensation for credit risk, other basic lending risks (such as liquidity risk), and costs (for example, administrative costs), and include a potential profit margin that is consistent with a basic lending arrangement.

BIL has documented the following policies to cover the SPPI process for both loans and securities.

1.6.3.1.3 Changes in business model and reclassification of financial assets

Reclassification of financial assets could occur when, and only when there is a change in business model for managing financial assets. The affected financial assets are then reclassified accordingly to the business model and to the cash flow characteristics. Changes in business model are expected to be very infrequent, as they are determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties.

In the event of a reclassification, the reclassification applies prospectively from the reclassification date. Any previously recognised gains, losses (including impairment gains or losses) or interest shall not be restated.

1.6.3.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.
BIL measures all equity investments at fair value through profit or loss, except where BIL has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

1.6.3.3 Subsequent measurement

(a) Financial assets at amortised cost

Financial assets are classified and therefore subsequently measured at amortised cost when they meet the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Interest on financial assets at amortised cost is recognised using the effective interest rate method and is recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income.

b) Financial assets at fair-value through other comprehensive income (FVOCI)

Financial assets are classified and therefore subsequently measured at fair value through other comprehensive income when they meet the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTC&S); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Equity instruments that the entity has irrevocably designated at FVOCI at initial recognition are subsequently measured at fair-value through other comprehensive income. This refers to an option left to the discretion of the Bank to irrevocably classify at initial recognition and measure equity instruments that are not held for trading. This election is made on an instrument-by-instrument (i.e. share-by-share) basis. BIL has elected the FVOCI option for its investments in equity as well as equity funds which are not open-ended.

Interest on debt instruments at FVOCI is recognised using the effective interest rate method and recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income. Dividends received from equity instruments at FVOCI are recorded under the item "Dividend Income" in the consolidated statement of income.

Unrealised gains and losses from changes in the fair value of financial instruments at FVOCI are recorded within equity. When debt instruments at FVOCI are disposed, the Bank recycles the related accumulated fair value adjustments in the consolidated statement of income under the item "Net income on financial instruments measured at fair value and net result of hedge accounting" while gains and losses on equity instruments at FVOCI are never recycled to profit or loss.

(c) Financial assets at fair-value through profit or loss (FVTPL)

Gains and losses on financial assets at FVTPL are included in the "Net trading income" item in the consolidated statement of income.

Interest on debt instruments at FVTPL is recognised using the effective interest rate method and recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income. Dividends are recognised on equity instruments at FVTPL and recorded under the item "Dividend Income".

Unrealised gains and losses from changes in the fair value of financial instruments at FVTPL are recorded in the consolidated statement of income under the item "Net income on financial instruments at fair value and net result of hedge accounting".

1.6.4 Classification and subsequent measurement of financial liabilities

All financial liabilities are classified as financial liabilities at amortised cost and subsequently measured as such, unless they fall into the following categories:

- Financial liabilities held for trading which are measured at fair value through profit or loss (including derivatives);
- Financial liabilities designated at fair value through profit or loss (also called Fair Value Option/"FVO"): an entity may, at

initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss in case: it eliminates or significantly reduces an accounting mismatch or in case a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis.

Financial liabilities at amortised cost are recorded under items "Amounts due to credit institutions", "Amounts due to customers", "Debt securities" and "Subordinated debts".

Financial liabilities held for trading and designated at FVPTL are recorded under the item "Financial liabilities at fair value through profit or loss".

Fair value changes on financial liabilities at FVTPL are reported to P&L similarly to financial assets at FVPTL, while the recognition of the change in own credit risk is recorded in other comprehensive income.

Finally, financial liabilities are not subject to reclassification, they are irrevocably classified at initial recognition.

BORROWINGS

BIL recognises borrowings initially at fair value, generally at their issue proceeds, net of any transaction costs incurred.

Subsequently, borrowings are measured at amortised cost. BIL recognises any difference between their initial carrying amount and the reimbursement value in the consolidated statement of income over the period of the borrowings using the effective interest-rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts, rather than their legal form.

1.6.5 Impairment of financial instruments

IMPAIRMENT ASSESSMENT

BIL assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. BIL recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects a weighted average of credit losses, with the respective risks of a default occurring in a given time period.

Note 12.2 provides more details of how the expected credit loss allowance is measured.

ACCOUNTING TREATMENT OF THE IMPAIRMENT

Impairment losses and releases are recorded as an adjustment of the financial asset's gross carrying value and provision for ECLs for undrawn loan commitments are recorded under the item "Provision and other obligations."

BIL recognises changes in ECL in the consolidated statement of income and reports them as "Impairment on financial instruments and provisions for credit commitments".

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the consolidated statement of income under the item "Impairment on financial instruments and provisions for credit commitments" and the loss is recorded under the same item.

1.6.6 Derivatives

Derivatives not designated in a hedge relationship are deemed to be held for trading. The main types of derivatives are foreign exchange and interest-rate derivatives. BIL, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All changes in fair value are recognised in the consolidated statement of income.

BIL reports derivatives as assets when fair value is positive and as liabilities when fair value is negative under item "Derivatives".

BIL treats some derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the consolidated statement of income.

For derivatives in a hedge relationship, please refer to note 1.12.

1.7 Fair value of financial instruments

1.7.1 Valuation principles as per IFRS 13

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices on an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions.

The valuation model should take into account all factors that market participants would consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial assets and liabilities measured at fair value are categorised into one of three fair value hierarchy levels. The following definitions used by the Bank for the hierarchy levels are in line with IFRS 13:

- Level 1: quoted prices (unadjusted) on active markets for identical assets and liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly;
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Changes between levels may occur in case of (i) improvements in internal models and satisfactory back-testing results or (ii) changes in market characteristics.

Bilateral collateral arrangements, master netting agreements and other credit enhancement or risk mitigation tools reduce the credit exposure associated with a liability (or asset) and are considered in determining the fair value of the liability. Although these agreements reduce credit exposure, they typically do not eliminate the exposure completely.

1.7.2 Valuation techniques used by the Bank

The Bank's approach for the valuation of its financial instruments (financial instruments at fair value through profit or loss, financial assets at fair value through OCI and valuations for disclosures) can be summarised as follows:

1.7.2.1 Financials instruments measured at fair value (financial assets held for trading, financial investments measured at fair value, financial liabilities at fair value, derivatives)

A. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH RELIABLE QUOTED MARKET PRICES ARE AVAILABLE

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted on an active market for identical instruments with no adjustments qualifies for inclusion in Level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices on inactive markets or the use of quoted spreads.

B. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH NO RELIABLE QUOTED MARKET PRICES ARE AVAILABLE AND FOR WHICH VALUATIONS ARE OBTAINED BY MEANS OF VALUATION TECHNIQUES

Financial instruments for which no quoted market prices are available on an active market are valued by means of valuation techniques. The models used by the Bank range from standard market models (discount models) to in-house developed valuation models.

In order for a fair value to qualify for Level 2 inclusion, observable market data should be significantly used. The market data incorporated in the Bank's valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for Level 3 disclosure.

The Bank integrates the notions of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for derivatives. A CVA reflects the counterpart's risk of default and a DVA reflects the Bank's own credit risk.

When determining the CVA / DVA, the Bank considers the market of uncollateralised derivatives, where there is a risk on the fair value of the derivative at the balance-sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.

For CVA / DVA calculation, the Probability of Default (PD) parameters are based on credit risk data. The Loss Given Default (LGD) parameters are based on credit risk data.

1.7.2.2 Financial instruments measured at amortised cost (disclosures of the fair value)

Loans and advances, financial investments measured at amortised cost and liabilities at amortised cost are valued based on the following valuation principles.

GENERAL PRINCIPLES

- for bonds classified in HTC since inception and measured at amortised cost, the valuation is done as for bonds classified in HTC&S.

INTEREST-RATE PART

- the fair value of fixed-rate loans or liabilities and mortgages reflects interest-rate movements since inception;
- embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of financial assets or liabilities at amortised cost;
- the fair value of variable-rate loans or liabilities is assumed to be approximately the same as their carrying amounts.

CREDIT RISK PART

- credit spread changes since inception are reflected in the fair value.

1.8 Financial guarantees, letters of credit and undrawn loan commitments

BIL issues financial guarantees, letter of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income and an ECL provision.

The premium received is recognised in the consolidated statement of income under the item "Fee and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, BIL is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, undrawn loan commitments are under the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, are not recorded in the balance sheet. The nominal values of these instruments together with the corresponding ECLs are disclosed in note 12.2.

1.9 Interest and similar income and expense

Interest income and expense are recognised in the statement of income for all interest-bearing instruments on an accrual basis, using the effective interest-rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through profit or loss.

Negative interest expense arising on financial liabilities resulting from a negative effective interest rate, are presented as a separate line item in the notes on the statement of income in "Interest income in liabilities". Negative interest income arising on financial assets resulting from a negative effective interest rate, are presented as a separate line item in the notes on the statement of income in "Interest expenses on assets".

Discretionary interests on compound instruments issued are recognised in equity as those payments relate to the equity component.

Transaction costs are the incremental costs directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest-rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest, positive or negative, is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest-bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets or based on the effective interest rate for subsequently credit-impaired financial asset that are not purchased or originated credit-impaired financial assets.

1.10 Fee and commission income and expenses

Commissions and fees arising from most of BIL's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed. For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest-rate if the loan is granted, and recorded as revenue on expiry, if no loan is granted.

1.11 Insurance and reinsurance activities

1.11.1 Insurance

BIL's main activity is banking products.

1.11.2 Reinsurance

BIL's reinsurance contracts with third parties containing enough insurance risk to be classified as an insurance contract are accounted for in accordance with IFRS 4.

A reinsurance asset is impaired if, and only if:
- there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
- that the event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

To measure the solvency of a reinsurer, BIL refers to its attributed credit rating and the impairment rules.

1.12 Hedging derivatives

As permitted, BIL chose to continue to apply the hedge accounting requirements of IAS 39 for all its hedging relationships on first application of IFRS 9 as of January 1, 2018 and until a new standard on macro hedging is introduced.

Hedging derivatives are categorised as either:
- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

BIL designates derivatives as hedging instruments if certain criteria are met:
- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- the hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80 % to 125 %) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
- the hedge is effective at inception and on an ongoing basis. BIL records changes in the fair value of derivatives that are designated and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that are attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge, BIL amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument into the consolidated statement of income over the remaining life of the hedged instrument, if shorter by an adjustment of the yield of the hedged item.

BIL recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges in "Other comprehensive income" under the heading "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

1.13 Hedge of the interest-rate risk exposure of a portfolio

As explained in 1.1.1 "Statement of compliance", BIL makes use of the provisions of IAS 39 as adopted by the European Union ("IAS 39 carveout") because it better reflects the way in which BIL manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

BIL performs an overall analysis of interest-rate risk exposure.

This involves assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

BIL applies the same methodology to select which assets and / or liabilities will be entered into the portfolio's hedge of interest-rate risk exposure. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio, based on behavioural study to estimate expected maturity date. BIL may designate as qualifying hedged items different categories of assets or liabilities such as financial investments or loan portfolios.

On the basis of this gap analysis, which is carried out on a gross basis, BIL defines, at inception, the risk exposure to be hedged, the length of the time bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. BIL recognises the hedging items at fair value with adjustments accounted for in the consolidated statement of income.

BIL reports the revaluation of elements carried at amortised cost which are on the consolidated balance sheet under the line "Fair value revaluation of portfolios hedged against interest-rate risk".

1.14 Day one profit or loss

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:
- the transaction price and the quoted market price; in cases where the transaction is quoted; or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment, in cases where the transaction is not quoted.

If BIL considers the main parameters of the model as observable and if risk management validates the model, the day one profit or loss is recognised immediately in the consolidated statement of income.

If BIL does not consider the main parameters as observable or if risk management does not validate the model, the day one profit or loss is amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, BIL recognises the remaining portion of day one profit or loss in the consolidated statement of income.

In cases of early termination, the remaining portion of day one profit or loss is recognised in the consolidated statement of income.

In cases of partial early termination, BIL recognises in the consolidated statement of income the part of the day one profit or loss relating to the partial early termination.

1.15 Tangible fixed assets

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to BIL and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

Typical useful lives are linked to asset categories as follows:
- Buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- Computer equipment: 3 to 6 years;
- Leasehold improvements, equipment and furniture: 2 to 12 years;
- Vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individual varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:
- Structure of the building: 50 years;
- Roof, and frontage: 30 years;
- Technical installations: 10 to 20 years;
- Fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually, BIL determines the recoverable amount of the cash generating unit (CGU) or group of CGUs to which the asset belongs.

Depreciation on assets (excluding investment properties) given in operating lease are booked under "Other net income".

Investment properties are those properties held to earn rentals or appreciate in value. BIL may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if BIL holds an insignificant portion for its own use.

Investment properties are recorded at their fair value. The market value is generally determined on the basis of appraisals by independent external experts. The statement of income for a given year records the change in value for each property.

Fair value changes on investment properties are calculated by comparison with their latest market value recorded in the balance sheet of the previous financial year and are included under "Other net income".

Capital gains and losses on disposals of property and equipment and investment property are determined by reference to their carrying amount and are included under " Other net income ".

1.16 Intangible assets

Intangible assets consist mainly of (a) internally-generated and (b) acquired software. Costs associated with maintaining computer software are recognised as expenses when incurred.

However, expenditure that enhances or extends the benefits of computer software beyond one year is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.

As borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount, and are included under "Net income on investments".

1.17 Non-current assets held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction, rather than through continuing use, it will be classified as "held for sale" or as "discontinued operations", if the disposal group represents a segment of activities.

BIL measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount or its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the consolidated balance sheet, without restatement for previous years. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for the previous period is performed.

When a disposal group is classified as held for sale or discontinued operations, the related elements of its Other Comprehensive Income are isolated in a separate line of the equity. The carrying amount of a disposal group, being the difference of assets less liabilities and non-controlling interests, is composed of the group part of the equity. If this equity includes other comprehensive income (OCI) elements, this OCI part is recycled in the consolidated statement of income at the sale of the disposal group. It may therefore happen that the result of the sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and the carrying amount includes negative OCI that will be recorded in the following accounting period, when the disposal is realised.

The disposal group held for sale and discontinued operations consist mainly of financial assets, as the group is active in financial activities. If the disposal group's fair value less costs to sell is lower than its carrying amount after impairing the non-current assets that are in the IFRS 5 measurement scope, the difference is allocated to the other assets of the disposal group, including financial assets, and is accounted for in the consolidated statement of income for the period. The difference will be adjusted at each year-end until the sale.

If a non-current asset ceases to be classified as held for sale, due to a change in market conditions or to the impossibility of selling it because of a lack of counterparties or other reasons, it will be reclassified in its original portfolio and restated at the value at which it would have been recognised if it had never been classified as held for sale. In this case, the difference between the fair value less cost to sell and the value, if no reclassification had taken place, is reversed.

1.18 Goodwill

Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between:
- the sum of the following elements:
  - Consideration transferred;
  - Amount of any non-controlling interests in the acquiree;
  - Fair value of the acquirer's previously held equity interest in the acquiree (if any); and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in the consolidated statement of income as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered to be transactions with shareholders.

Therefore, neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

Impairment of goodwill

The carrying amount of goodwill is reviewed at each year-end. For the purpose of this impairment testing, BIL allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is higher). The "value in use" is the sum of the future cash flows expected to be derived from a CGU.

The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

For subsidiaries operating in economically mature and financially stable markets, the discount rate used is BIL's Cost of Equity defined under a dividend discount model. For subsidiaries operating on emerging markets, a specific discount rate is applied on a case-by-case basis.

1.19 Other assets

Other assets mainly include accrued incomes (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivable, etc.), and plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standards, less any allowance for impairment if applicable. Plan assets are recognised in accordance with IAS 19 requirements.

1.20 Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.20.1 BIL is the lessee

Right-of-use assets

BIL recognises right-of-use assets at commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless BIL is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, BIL recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by BIL and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, BIL uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease (IRIIL) is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value

BIL applies the short-term lease recognition exemption to its short-term leases.

It also applies the recognition exemption to leases that are considered immaterial to BIL. The assessment of whether the underlying asset is material and is within the scope or excluded from the recognition requirements of IFRS 16 is based on the concept of materiality in the Conceptual Framework and IAS 1. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Judgment in determining the lease term of contracts with renewal/termination options

BIL determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under some of its leases, BIL has the option to lease the assets for additional terms or to terminate the lease before its legal term. BIL applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or to terminate. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal/the termination. After the commencement date, BIL reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew/to terminate (e.g., a change in business strategy).

BIL included the results of the renewal/termination options as part of the lease term for leases.

1.20.2 BIL is the lessor

BIL grants both operating and finance leases.

Revenue from operating leases is recognised in the consolidated statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, BIL recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest-rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest-rate implicit in the lease.

1.21 Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is recorded under "Amounts due to credit institutions" or "Amounts due to customers", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Loans and advances to credit institutions" or "Loans and advances to customers".

The difference between the sale and the repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest-rate method.

Securities lent to counterparties are not derecognised but, rather, recorded in the consolidated financial statements in the same heading. Securities borrowed are not recognised in the consolidated balance sheet.

If they are sold to third parties, the gain or loss is recorded under "Net trading income" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

1.22 Deferred tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loans and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.

The rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences and tax losses can be utilised.

Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value re-measurement of financial assets at FVOCI and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.23 Employee benefits

1.23.1 Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

Expenses relating to bonuses which are payable at a future date subject only to the requirement for continued employment for a further period (the 'loyalty' period) are recognised as the employees render the service that increases the amount to be paid. As the amount of the bonus does not increase after the earning period, BIL measures the obligation - for the full amount expected to be paid taking into consideration the expected forfeitures - in its entirety as from the end of the earning period.

1.23.2 Post-employment benefits

If BIL has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution" plan. BIL offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. These pension plans are generally funded by payments from both BIL and its employees. In some cases, BIL provides post-retirement health care benefits to its retirees.

1.23.2.1 Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest-rates of AA-rated corporate bonds (Iboxx Corp AA), which have terms to maturity approximating the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions including both demographic assumptions and financial assumptions such as the inflation rate.

Pension costs are determined based on the projected units credit method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Net cumulative unrecognised actuarial gains and losses are recognised in other comprehensive income.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods) and reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and are recorded separately, if those assets are held by an entity of the Group.

Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Qualified external actuaries carry out valuations of these obligations. All the valuations' assumptions and results are reviewed and validated by an external actuary for BIL, which ensures that all calculations are harmonised and calculated in compliance with IAS 19 Revised.

1.23.2.2 Defined contribution pension plans

BIL's contributions to defined contribution pension plans are charged to the statement of income for the year to which they relate. Under such plans, BIL's obligations are limited to the contributions that BIL agrees to pay into the insurance company or the pension fund on behalf of its employees.

1.23.2.3 Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

1.23.3 Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, remeasurements relating to these benefits are immediately recognised. All past service costs are recognised immediately in the consolidated statement of income.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance-sheet date.

1.23.4 Termination benefits

A termination benefit provision is only recorded when BIL is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases, BIL has a detailed formal plan and no realistic possibility of withdrawal.

1.24 Provisions

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Provisions are recognised when:
- BIL has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

1.25 Share capital, treasury shares and other equity instruments

1.25.1 Share and other equity instruments issue costs

External incremental costs directly attributable to the issue of new equity instruments, other than as part of a business combination, are deducted from equity, net of any related income tax.

1.25.2 Dividends on BIL's ordinary shares

BIL recognises its dividends on its ordinary shares as a liability from the date upon which they are declared.

1.25.3 Preferred shares

BIL classifies preferred shares that are non-redeemable and upon which dividends are declared, at the directors' discretion, as equity.

1.25.4 Treasury shares

Where BIL or one of its subsidiaries purchases BIL's shares capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, the consideration paid - including any attributable transaction costs, net of income taxes - is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account within equity.

1.26 Fiduciary activities

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements in cases where BIL acts in a fiduciary capacity such as nominee, trustee or agent.

1.27 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an initial maturity of 3 months from acquisition date, included within cash and balances with central banks, loans and advances to credit institutions and financial assets in the HTC&S portfolio.

Note 2: Scope of consolidation

name	country	activity	reason for non-inclusion	31/12/20 consolidation method	31/12/20 % of capital held	31/12/21 consolidation method	31/12/21 % of capital held	ref
Head office and branches								
Banque Internationale à Luxembourg S.A.	Luxembourg	bank						
BIL (Dubai) Branch	*Dubai*	*bank*						*1*
BIL Danmark, filial af Banque Internationale à Luxembourg S.A.	*Danmark*	*bank*						
Consolidated subsidiaries								
Banque Internationale à Luxembourg (Suisse) S.A.	Switzerland	bank		full consolidation	100	full consolidation	100	
Belair House S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	
BIL Fund & Corporate Services S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	2
BIL Manage Invest S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	
BIL Reinsurance S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	
BIL Wealth Management Limited	China	financial services		full consolidation	100	full consolidation	100	
IB Finance S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	
Société du 25 juillet 2013 S.A. (in liquidation)	France	financial services		full consolidation	100	full consolidation	100	
Société Luxembourgeoise de Leasing - BIL-LEASE S.A.	Luxembourg	leasing		full consolidation	100	full consolidation	100	
Associates accounted for by the equity method								
Europay Luxembourg, société coopérative	Luxembourg	financial services		equity method	52.20	equity method	52.20	
Société de la Bourse de Luxembourg S.A.	Luxembourg	financial services		equity method	21.41			3
Non-consolidated subsidiaries								
Audit Trust S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100	not consolidated	100	
BIL Private Invest Management S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100	not consolidated	100	
Biltrust Limited	Guernsey	financial services	insignificant	not consolidated	100	not consolidated	100	
Koffour S.A.	Luxembourg	financial services	insignificant	not consolidated	100			4
Lannage S.A.	Luxembourg	financial services	insignificant	not consolidated	100			4
Private II Wealth Management S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100	not consolidated	100	
Valon S.A.	Luxembourg	financial services	insignificant	not consolidated	100			4

(1) The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai branch closed on October 31, 2021.

(2) Refer to note 5.

(3) On September 30, 2021, BIL partially sold its participation in Société de la Bourse de Luxembourg, S.A. reducing its percentage of control from 21.41% to 10.00%. Following this partial sale, BIL lost its significant influence over Société de la Bourse de Luxembourg S.A. and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

(4) Liquidated on December 28, 2021

Note 3: Information by business segment

A segment is a distinguishable component of BIL that is engaged either in providing specific products or services (business segment) or in providing specific products or services within a particular economic environment (geographic segment), which is subject to risks and returns that differ from those of other segments. Segments for which a majority of their revenue is earned from sales to external customers and for which income, income before tax or assets represent 10% or more of the total are reported separately.

In January 2021, in order to further increase client support across channels, increase cross-selling in domestic market and to support Energise Create Together 2025, the Bank decided to bring all activities in the Luxembourg market under one leadership.

- **"Retail Banking, Corporate & Institutional Banking and Wealth Management"** were renamed and are now reported as **"Luxembourg Market & CIB"** and **"Wealth Management"** and divided into three business lines: Luxembourg Market & CIB (i.e. Retail Banking, Private Banking Luxembourg and CIB including the international dimension of the CIB business line), Wealth Management Luxembourg and Wealth Management international.

- **"Financial Markets"** is divided into the Banking Book Management (namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management) and Products and Markets activities (Investment Management and Market Access).

- **"Group Center"** mainly includes dividends from unconsolidated shareholdings and the results of non operating entities as well as certain types of costs not attributable to the other business lines mentioned above such as DGS, Resolution Funds' contributions and funding costs (of senior non-preferred and subordinated debts).

INCOME (in EUR thousands)	31/12/20				
	Revenues	***of which interest and dividend income***	***of which fees income***	***of which other income***	**Net income before tax**
Retail, Corporate and Wealth Management	529,007	*305,812*	*207,897*	*15,298*	94,793
Financial Markets	44,977	*20,846*	*502*	*23,629*	24,631
Group Center	(25,127)	*(18,320)*	*424*	*(7,231)*	(7,719)
TOTAL	**548,857**	***308,338***	***208,823***	***31,696***	**111,705**
Net income before tax					111,705
Tax expenses					(19,282)
Discontinued Operations (net of tax)					8,938
NET INCOME					**101,361**

INCOME (in EUR thousands)	31/12/21				
	Revenues	***of which interest and dividend income***	***of which fees income***	***of which other income***	**Net income before tax**
Luxembourg Market & CIB and Wealth Management	551,583	*298,726*	*233,669*	*19,189*	122,007
Financial Markets	64,787	*14,556*	*228*	*50,003*	44,834
Group Center	15,583	*(22,162)*	*(2,504)*	*40,248*	(12,604)
TOTAL	**631,953**	***291,120***	***231,393***	***109,440***	**154,237**
Net income before tax					154,237
Tax expenses					(24,218)
Discontinued Operations (net of tax)					5,427
NET INCOME					**135,446**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/20		31/12/21	
	Assets	Liabilities	Assets	Liabilities
Luxembourg Market & CIB and Wealth Management	15,412,311	21,110,250	16,346,233	21,416,101
Financial Markets	14,359,259	6,435,220	15,118,819	6,474,972
Group Center	785,696	1,171,873	980,664	2,453,097
TOTAL	**30,557,266**	**28,717,343**	**32,445,716**	**30,344,170**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/20				
	Capital expenditures [1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(45,122)	(203,972)	136,523	0
Financial Markets	72,936	(1,934)	(81)	94	0
Group Center		(10,664)	(1,100)	47,196	(8,224)
TOTAL	**72,936**	**(57,720)**	**(205,153)**	**183,813**	**(8,224)**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/21				
	Capital expenditures [1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Luxembourg Market & CIB and Wealth Management		(45,816)	(176,453)	138,669	0
Financial Markets	107,475	(1,735)	(22)	71	0
Group Center		(8,449)	(425)	845	(18,176)
TOTAL	**107,475**	**(56,000)**	**(176,900)**	**139,585**	**(18,176)**

[1] Capital expenditures including the acquisitions for the year of tangible and intangible assets for which the allocation by business line is not available.
[2] Include impairments on tangible and intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.
[3] Include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

Note 4: Information by geographic area

GEOGRAPHIC BREAKDOWN (in EUR thousands)	China	Denmark	France	Luxembourg	Switzerland	United Arab Emirates	Total
Staff (in average FTE)	11	47	0	1,814	111	2	1,985
Revenues	1	363	1	511,941	33,726	2,826	548,857
Net income before tax	(2,867)	(10,802)	(12)	137,668	(11,165)	(1,117)	111,705
Tax expenses	0	0	0	(18,536)	(746)	0	(19,282)
Discontinued operations, net of tax	0	8,938	0	0	0	0	8,938
NET INCOME AS AT 31/12/20	**(2,867)**	**(1,864)**	**(12)**	**119,132**	**(11,911)**	**(1,117)**	**101,361**
Staff (in average FTE)	11	12	0	1,824	108	0	1,955
Revenues	284	3,584	20	586,128	41,679	258	631,953
Net income before tax	(2,167)	(9,749)	7	172,391	(6,568)	323	154,237
Tax expenses	0	(771)	0	(23,245)	(203)	0	(24,218)
Discontinued operations, net of tax	0	5,427	0	0	0	0	5,427
NET INCOME AS AT 31/12/21	**(2,167)**	**(5,092)**	**7**	**149,146**	**(6,770)**	**323**	**135,446**

The geographic zone is determined by the country of the company or the branch concluding the transaction and not by the country of the transaction's counterpart.

BANKING ACTIVITIES

Banque Internationale à Luxembourg S.A.

BIL is an authorised credit institution with its headquarter Luxembourg, identified as an "Other Systemically Important Institution" in accordance with the law of 5 April 1993 on the financial sector, as amended. BIL is also classified as a significant supervised entity and as such, it falls under the direct prudential supervision of the European Central Bank ("ECB") in the framework of the Single Supervisory Mechanism (jointly supervised by the ECB and the Commission de Surveillance du Secteur Financier ("CSSF").

BIL has been serving retail and business customers since 1856. It is a key player in the Luxembourg market. Recognised as a cornerstone of the Luxembourg financial centre, BIL plays an active role in developing the local economy. Through its retail banking (with a network of 37 branches), wealth management, corporate banking and financial markets activities, the Bank boasts one of the best credit ratings in Luxembourg's banking sector (A-) and is among the country's top three banks. BIL is majority-owned by Legend Holdings Corporation – a leading diversified investment group that is, headquartered in Beijing, China and listed on the Hong Kong Stock Exchange.

Banque Internationale à Luxembourg (Suisse) S.A. ("BIL Suisse")

BIL Suisse, incorporated in 1985, is a licensed credit institution with its headquarters in Zurich, Switzerland, supervised by the Swiss Financial Market Supervisory Authority (FINMA). BIL Suisse is a wholly owned subsidiary of BIL, offering a full range of private banking services for individuals consisting of integrated financial and non-financial solutions such as asset structuring, life insurances, credit solutions, wealth, estate and succession planning as well as client management services and business development support for professional clients including administration, reporting and custody services, investment advisory tools, direct access to the trading floor and financial products such as open architecture solutions and investment vehicles. BIL Suisse also provides lending and advisory services to entrepreneur clients to support their business banking needs via a growing Corporate and Institutional Banking team.

BIL Danmark, filial af Banque Internationale à Luxembourg S.A., Luxembourg ("BIL Danmark")

BIL Danmark is a private banking centre specialised in Scandinavian wealth and asset management services. BIL Danmark, which became a branch of BIL in 2013, offers wealth management services, including investment management, asset structuring and financial planning services covering inheritance, estate and retirement planning.

On June 23, 2021, BIL signed a Business Transfer Agreement with Ringkjøbing Landbobank for the transfer of the BIL Denmark branch business. All the business activity was transferred to the counterparty on July 1, 2021. As at December 31, 2021, BIL has successfully terminated the operational transfer of all clients' assets and loans. The Bank plans to close the Danish branch during 2022.

BIL Dubai branch
The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai branch closed down on October 31, 2021.

Banque Internationale à Luxembourg S.A. Beijing Representative Office (the "Representative Office")
The Representative Office was opened by BIL in Beijing, in the People's Republic of China (PRC) in September 2019. Regulated by the China Banking and Insurance Regulatory Commission, the Representative Office mainly conducts market research and promotes the BIL brand in identified market segments in the PRC.

BIL GROUP'S SPECIALISED SUBSIDIARIES

BIL Wealth Management Limited
BIL Wealth Management Limited, incorporated in March 2017, is a duly licenced asset manager specialised in securities dealing, advisory and discretionary services, based in Hong Kong, PRC and regulated by the Securities and Futures Commission in Hong Kong, PRC. BIL Wealth Management Limited is a wholly owned subsidiary of BIL, which was acquired by BIL in February 2020. BIL Wealth Management Limited provides financial services to ultra-high net worth individuals and entrepreneurs including investment advisory, portfolio management and inter-generational wealth planning solutions such as trusts and family office set-ups.

BIL Manage Invest S.A. ("BMI")
BMI, a wholly owned subsidiary of BIL, established in Luxembourg in June 2013, is a duly authorised independent third-party management company, which is regulated and supervised by the CSSF. BMI's wide range of open architecture services includes fund structuring and portfolio and risk management of regulated investment vehicles (UCITS and AIF) targeting financial, real estate and private equity asset classes.

Belair House S.A.
Belair House is a wholly owned subsidiary of BIL, incorporated in Luxembourg in 2014 and is, as specialised professional of the financial sector (PSF), regulated and supervised by the CSSF. Belair House offers family office and investment management services including tailor made solutions aimed at assisting wealthy families and high net worth clients to organise and structure their wealth.

BIL Fund & Corporate Services S.A. ("BFCS")
In 2020, BIL decided to sell BIL Fund & Corporate Services S.A. (BFCS), its fully-owned subsidiary delivering fund and corporate services. These activities not being considered as strategic anymore at a Group level, BIL therefore decided to transfer the related business to a renowned specialist on the market, in order to build a strong and long term partnership. The Sale and Purchase Agreement (SPA) between BIL and the buyer, ZEDRA was signed on March 23, 2021. The transaction closed on March 15, 2022.

Société Luxembourgeoise de Leasing BIL- LEASE S.A. ("BIL Lease")
BIL Lease, incorporated in 1991 in Luxembourg, is a wholly owned subsidiary of BIL, dedicated to the management of leasing services. BIL Lease offers financial leasing solutions to corporate customers, for all professionally used moveable capital equipment including IT systems, vehicles and various types of machinery.

Note 5: Post-balance sheet events

RUSSIA – UKRAINE CONFLICT

BIL Group is closely monitoring the conflict between Russia and Ukraine.

From a risk management perspective, BIL's exposure to Russia remains relatively small. The direct impacts of the conflict on the 2021 Consolidated Financial Statements are limited. Credit exposure towards Russia reaches 0.3% of total exposures as of December 31, 2021. All exposures are well collateralised and all collaterals are located in Western Europe.

To manage the potential risk and in the best interest of protecting the bank, BIL has - since the beginning of the crisis - stopped business development activities in Russia and will maintain this status for the time being, while it follows the situation closely.

SALE OF BFCS

The transaction, pursuant to the SPA signed on March 23, 2021 between BIL and the buyer, ZEDRA to sell BFCS, a BIL fully-owned subsidiary, closed on March 15, 2022.

Note 6: Litigation

Banque Internationale à Luxembourg S.A. and Banque Internationale à Luxembourg (Suisse) S.A.

Following the bankruptcy of Bernard Madoff's investment vehicle, Bernard L. Madoff Investment Securities ("BLMIS"), the official receivers of BLMIS and the liquidators of certain feeder funds, ultimately invested in BLMIS instituted legal proceedings against numerous financial institutions and institutional investors that had purchased Madoff securities and investment products linked to B. Madoff.

In accordance with the "clawback principle", they are claiming the return of profits and redemptions obtained on these investments over a period of several years until the discovery of the fraudulent set-up put in place by BLMIS that culminated in its collapse. Some of these clawback actions were brought against Banque Internationale à Luxembourg S.A. and its subsidiary Banque Internationale à Luxembourg (Suisse) S.A., the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 72 million, most of which corresponds to investments made by Banque Internationale à Luxembourg S.A. on behalf of third parties.

With regards to the legal proceedings initiated by the liquidators of certain feeder funds: The Bankruptcy Court dismissed the Common Law Claims and the Contract Claims, but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The Bankruptcy Court also declined to dismiss claims for constructive trust against so-called Knowledge Defendants, i.e., specific defendants alleged to have had knowledge of the Madoff fraud. BIL is alleged to be Knowledge Defendant in two cases because, it is alleged, the knowledge of a specific intermediary should be attributed to BIL (among many other defendants). The decision to dismiss the Common Law Claims and the Contract Claims is on appeal to the District Court (Judge Broderick). Briefing on this appeal was completed in April 2020, but no decision has been issued yet. In the meantime, the defendants filed a second motion to dismiss directed at the BVI Insolvency Claims and the Bankruptcy Court has decided to dismiss those claims as well. This decision now has also been appealed to the District Court and has been consolidated with the earlier appeals. Briefing on this second appeal was completed in December 2021, and both appeals remain pending before the District Court. The only claim remaining against BIL is a claim for constructive trust based on the allegation that BIL is a Knowledge Defendant). The Knowledge Defendants as a group are seeking interlocutory appeal of the decision declining to dismiss this claim, which is pending before the District Court. In addition, in November 2021, BIL filed a motion in the Bankruptcy Court to dismiss the constructive trust claim for lack of personal jurisdiction, and that motion is pending before the Bankruptcy Court.

With regards to the Madoff subsequent transferee action: This action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality but the Second Circuit Court of Appeals reversed the decision in February 2019. Following an unsuccessful petition for certiorari (permission to appeal) to the US Supreme Court, this action has been returned to the Bankruptcy Court for further proceedings. The Trustee notified BIL that an amended complaint would be filed in this case. To date, no amended complaint has been filed and, accordingly, there is not yet a schedule for further proceedings.

At this time, Banque Internationale à Luxembourg S.A. is not able to express a reasonable opinion on the duration or outcome of actions or on any potential financial impact.

As at December 31, 2021, no material provision for clawback actions has been made. One client is remaining from those who invested in products linked to Mr Madoff and who also have brought legal proceedings against Banque Internationale à Luxembourg S.A.

Note 7: Notes on the assets of the consolidated balance sheet (in EUR)

7.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

ANALYSIS BY NATURE	31/12/20	31/12/21
Cash and balances with central banks[1]	4,131,778,740	5,865,496,714
Other demand deposits	116,691,189	124,871,944
Loans and advances to credit institutions	229,652,022	180,772,794
TOTAL	**4,478,121,951**	**6,171,141,452**

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should the interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates since years, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

[1] This item includes the mandatory reserves deposited by credit institutions with the Central Bank of Luxembourg or other central banks. The average minimum requirement for the period from December 22, 2021 to February 08, 2022 amounts to EUR 212,061,237.

7.2 Cash and balances with central banks and demand deposits

ANALYSIS BY NATURE	31/12/20	31/12/21
Cash in hand	52,290,744	67,751,252
Balances with central banks other than mandatory reserve deposits	2,994,120,656	2,464,115,671
Mandatory reserve deposits	1,082,222,263	3,332,387,482
Other demand deposits	116,691,190	124,871,944
Less:		
Impairment stage 1	0	(4,469)
Impairment stage 2	0	(87,510)
Impairment stage 3	0	0
TOTAL	**4,245,324,853**	**5,989,034,370**
of which included in cash and cash equivalents	*4,248,469,929*	*5,990,368,658*

7.3 Loans and advances to credit institutions

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY NATURE	31/12/20	31/12/21
Cash collateral	618,480,487	343,461,897
Reverse repurchase agreements	19,119,824	0
Loans and other advances	468,480,000	393,801,370
Less:		
Impairment stage 1	(266,911)	(31,838)
Impairment stage 2	(116,949)	0
Impairment stage 3	0	0
TOTAL	**1,105,696,451**	**737,231,429**
of which included in cash and cash equivalents	*229,652,022*	*180,772,794*

QUALITATIVE ANALYSIS

Refer to Note 7.15 and 12.3

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1

7.4 Loans and advances to customers

All loans and advances to customers are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	33,391,669	24,794,739
Other	14,934,765,231	16,025,256,637
Stage 3 impaired loans	735,931,551	593,325,909
Less:		
Impairment stage 1	(42,110,586)	(44,544,767)
Impairment stage 2	(25,176,550)	(30,090,616)
Impairment stage 3	(224,490,417)	(222,509,158)
TOTAL	**15,412,310,898**	**16,346,232,744**

ANALYSIS BY NATURE	31/12/20	31/12/21
On demand and short notice	100,174,351	146,219,656
Finance leases	183,870,922	208,940,605
Other term loans	15,128,265,625	15,991,072,483
of which: loans collateralised by immovable property	*10,745,932,192*	*11,581,643,095*
of which: consumer credits	*483,996,663*	*718,222,385*
TOTAL	**15,412,310,898**	**16,346,232,744**

QUALITATIVE ANALYSIS

Refer to Note 7.15.

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

7.5 Financial assets held for trading

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	17,495,905	0
Credit institutions	32,568,941	24,469,219
Other	5,651,276	0
TOTAL	55,716,122	24,469,219

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	17,495,905	0
Other bonds and fixed-income instruments	38,217,956	24,469,219
Equities and other variable-income instruments	2,261	0
TOTAL	55,716,122	24,469,219

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

7.6 Financial investments measured at fair value

	31/12/20	31/12/21
Non-trading financial investments mandatorily at fair value through profit or loss	21,005,334	44,560,762
Financial investments at fair value through other comprehensive income	1,108,358,280	1,093,443,120
TOTAL	1,129,363,614	1,138,003,882

7.6.1 Non-trading financial investments mandatorily at fair value through profit or loss

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	0	0
Credit institutions	0	0
Other	21,005,334	44,560,762
TOTAL	21,005,334	44,560,762

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	21,005,334	44,560,762
TOTAL	21,005,334	44,560,762

QUALITATIVE ANALYSIS

Refer to Note 7.15 and 12.1.

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

7.6.2 Financial investments at fair value through other comprehensive income

ANALYSIS BY COUNTERPART AND BY NATURE	31/12/20	31/12/21
Public sector	758,414,648	664,398,626
Debt securities	*758,414,648*	*664,398,626*
Credit institutions	180,169,345	176,328,124
Debt securities	*180,169,345*	*176,328,124*
Other	169,850,284	252,744,111
Debt securities	*93,354,622*	*12,405,389*
Equity instruments	*76,495,662*	*240,338,722*
TOTAL BEFORE IMPAIRMENTS	**1,108,434,277**	**1,093,470,861**
Less :		
Impairments	(75,997)	(27,741)
TOTAL	**1,108,358,280**	**1,093,443,120**

QUALITATIVE ANALYSIS
Refer to Note 7.15 and 12.1.

ANALYSIS BY MATURITY AND INTEREST RATE
Refer to Notes 12.4, 12.5 and 12.6.

7.7 Financial investments measured at amortised cost

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	4,919,348,337	4,700,815,334
Credit institutions	1,397,598,742	1,547,616,481
Other	1,387,369,679	1,155,320,729
Less :		
Impairment stage 1	(2,763,547)	(1,908,142)
Impairment stage 2	(1,074,350)	(916,917)
Impairment stage 3	(15,350,335)	(17,596,888)
TOTAL	**7,685,128,526**	**7,383,330,597**

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	4,917,449,671	4,699,761,787
Other bonds and fixed-income instruments	2,767,678,855	2,683,568,810
TOTAL	**7,685,128,526**	**7,383,330,597**

ANALYSIS BY MATURITY AND INTEREST RATE
Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE
Refer to Note 12.1.

7.8 Investments in associates

CARRYING VALUE	2020	2021
CARRYING VALUE AS AT JANUARY 1	**28,171,467**	**28,635,871**
Change in consolidation scope (in)	4,223	0
Share of result before tax	2,577,447	2,932,267
Share of tax	(698,924)	(553,707)
Dividend paid	(1,418,342)	(1,214,280)
Others[1]	0	(29,123,469)
CARRYING VALUE AS AT DECEMBER 31	**28,635,871**	**676,682**

LIST OF ASSOCIATES	Acquisition cost	Equity method valuation
Europay Luxembourg, société coopérative	592,993	676,682
TOTAL	**592,993**	**676,682**

Financial Statements of Europay Luxembourg, société coopérative

(in EUR)	31/12/20	31/12/21
Assets	4,559,896	1,671,140
Liabilities	3,288,835	374,815
Equity	1,271,061	1,296,325
Revenue	4,527,858	1,535,344
Net income	64,072	25,263

2021 figures have been estimated based on Lux GAAP Annual Accounts and are unaudited.

Financial Statements of Société de la Bourse de Luxembourg, société anonyme

(in EUR)	31/12/20
Assets	224,287,322
Liabilities	98,881,325
Equity	125,405,997
Revenue	51,573,032
Net income	12,702,119

Europay Luxembourg, société coopérative, was incorporated for an unlimited period on May 30, 1989. The Company is a cooperative society with limited liability. The purpose of the company is to act as a principal member of Mastercard and to promote the development of Mastercard programs in Luxembourg. The Company is located at 2-4 rue Edmond Reuter, L-5326 Contern (Luxembourg) and is registered under the trade register RCS B 30.764. The financial year begins on January 1 and ends on December 31 of each year.

Société de la Bourse de Luxembourg, société anonyme[2] was incorporated for an unlimited period on April 5, 1928. BIL participated as a founding stakeholder of the company. The purpose of the company is to list securities, make them available for trading and disseminate information to the market. The company complements its offering with reporting services. The Company is located at 35A, boulevard Joseph II, L-1840 Luxembourg and is registered under the trade register RCS B 06.222. The financial year begins on January 1 and ends on December 31 of each year.

[1] Corresponds to the transfer of securities to the IFRS 9 portfolio "FVOCI Equity" still held after the partial sale of securities in Société de la Bourse de Luxembourg, the equity accounting being stopped.

[2] On September 30, 2021, BIL partially sold its participation in Société de la Bourse de Luxembourg, S.A. reducing its percentage of control from 21.41% to 10.00%. Following this partial sale, BIL lost its significant influence over Société de la Bourse de Luxembourg S.A. and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

7.9 Property, plant and equipment

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use	Own use owner	Right-of-use	
ACQUISITION COST AS AT 01/01/20	**333,909,451**	**49,973,546**	**134,224,102**	**412,659**	**518,519,758**
- Acquisitions	3,815,835	1,671,865	6,799,352	0	12,287,052
- Disposals	(8,352,788)	(4,194,528)	(108,031)	0	(12,655,347)
- Change in consolidation scope (in)	55,446	330,697	42,066	0	428,209
- Transfers and cancellations	(11,936,924)	(3,855,644)	(155,341)	(27,964)	(15,975,873)
- Translation adjustments	(35,218)	(17,192)	44,568	2,356	(5,486)
ACQUISITION COST AS AT 31/12/20 (A)	**317,455,802**	**43,908,744**	**140,846,716**	**387,051**	**502,598,313**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(240,690,280)**	**(11,004,335)**	**(123,279,120)**	**(124,773)**	**(375,098,508)**
- Booked	(6,656,335)	(12,882,411)	(4,449,518)	(122,776)	(24,111,040)
- Recognised	0	241,441	0	0	241,441
- Write-off	5,905,226	0	0	0	5,905,226
- Change in consolidation scope (in)	(46,162)	(295,905)	(34,363)	0	(376,430)
- Transfers and cancellations	3,980,176	319,019	266,971	27,964	4,594,130
- Translation adjustments	32,366	92,717	(37,787)	230	87,526
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(237,475,009)**	**(23,529,474)**	**(127,533,817)**	**(219,355)**	**(388,757,655)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**79,980,793**	**20,379,270**	**13,312,899**	**167,696**	**113,840,658**

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use	Own use owner	Right-of-use	
ACQUISITION COST AS AT 01/01/21	**317,455,802**	**43,908,744**	**140,846,716**	**387,051**	**502,598,313**
- Acquisitions	5,652,447	5,426,156	2,823,977	532,532	14,435,112
- Disposals	(4,453,425)	(1,692,383)	(87,690)	0	(6,233,498)
- Transfers and cancellations	(1,977,478)	(9,248,825)	(10,246,238)	(147,582)	(21,620,123)
- Translation adjustments	17,973	706,764	104,578	35,046	864,361
ACQUISITION COST AS AT 31/12/21 (A)	**316,695,319**	**39,100,456**	**133,441,343**	**807,047**	**490,044,165**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(237,475,009)**	**(23,529,474)**	**(127,533,817)**	**(219,355)**	**(388,757,655)**
- Booked	(6,949,354)	(6,795,696)	(3,826,020)	(105,958)	(17,677,028)
- Recognised	0	1,100,000	0	0	1,100,000
- Write-off	3,312,538	4,317,204	0	0	7,629,742
- Transfers and cancellations	2,001,026	3,387,527	10,377,711	147,582	15,913,846
- Translation adjustments	(16,635)	(555,542)	(102,734)	(8,158)	(683,069)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(239,127,434)**	**(22,075,981)**	**(121,084,860)**	**(185,889)**	**(382,474,164)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**77,567,885**	**17,024,475**	**12,356,483**	**621,158**	**107,570,001**

7.10 Investment property

NET CARRYING VALUE	2020	2021
ACQUISITION COST AS AT JANUARY 1	**88,828**	**22,693,895**
- Acquisitions[1]	6,095,067	0
- Subsequent expenditures	0	3,414
- Transfers and cancellations[2]	16,510,000	0
ACQUISITION COST AS AT DECEMBER 31 (A)	**22,693,895**	**22,697,309**
FAIR VALUE ADJUSTMENTS AS AT JANUARY 1	**711,172**	**711,172**
- Revaluation of investment property[3]	0	7,567,255
FAIR VALUE ADJUSTMENTS AS AT DECEMBER 31 (B)	**711,172**	**8,278,427**
NET CARRYING VALUE AS AT DECEMBER 31 (A) + (B)	**23,405,067**	**30,975,736**

[1] Acquisitions made in 2020 are initially recognized at their fair value. No fair value adjustment was made in 2020 as the acquisition cost represents the best estimate of fair value as at December 31, 2020.

[2] During the second semester of 2020, BIL reclassified a portion of its own-occupied property classified under property, plant and equipment to investment property for an amount of EUR 16,510,000. This amount comprises a net booked value of EUR 8,080,170 under cost method before transfer and a revaluation of EUR 8,429,830 recognised in other comprehensive income. The fair value revaluation was estimated based on independent valuation expert and is classified under Level 3 in accordance with IFRS 13.

[3] The revaluation of investment property of EUR 7,567,255 occurred during the year ended December 31, 2021 is related to a firm purchase commitment received for some land plots. The other investment properties are measured at fair value based on independent valuation expert. The updated reports prepared by the valuation experts for the year closing December 31, 2021 did not raise to positive or negative revaluation.

7.11 Intangible fixed assets and goodwill

	Goodwill[1]	Software / internally developped	Other intangible fixed assets[2]	Total
ACQUISITION COST AS AT 01/01/20	**57,070,415**	**269,135,267**	**116,827,369**	**443,033,051**
Acquisitions[3]	0	52,883,045	7,765,878	60,648,923
Disposals	0	0	15,394	15,394
Change in the scope of consolidation	2,515,485	0	0	2,515,485
Transfers and cancellations	0	789,785	(789,785)	0
Translation adjustments	106,972	0	41,215	148,187
ACQUISITION COST AS AT 31/12/20 (A)	**59,692,872**	**322,808,097**	**123,860,071**	**506,361,040**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(5,408,693)**	**(157,316,631)**	**(49,440,136)**	**(212,165,460)**
Booked	0	(22,848,239)	(15,602,751)	(38,450,990)
Transfers and cancellations	0	(552,437)	552,437	0
Translation adjustments	0	0	(23,197)	(23,197)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(5,408,693)**	**(180,717,307)**	**(64,513,647)**	**(250,639,647)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**54,284,179**	**142,090,790**	**59,346,424**	**255,721,393**

	Goodwill[1]	Software / internally developped	Other intangible fixed assets[2]	Total
ACQUISITION COST AS AT 01/01/21	**59,692,872**	**322,808,097**	**123,860,071**	**506,361,040**
Acquisitions[3]	0	83,472,215	7,109,043	90,581,258
Disposals	0	0	(2,784,954)	(2,784,954)
Transfers and cancellations	0	0	(12,458)	(12,458)
Translation adjustments	965,921	0	397,556	1,363,477
Other	0	0	15,111	15,111
ACQUISITION COST AS AT 31/12/21 (A)	**60,658,793**	**406,280,312**	**128,584,369**	**595,523,474**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(5,408,693)**	**(180,717,307)**	**(64,513,647)**	**(250,639,647)**
Booked	0	(24,108,314)	(15,211,155)	(39,319,469)
Disposals/Write-offs	0	0	1,746,169	1,746,169
Transfers and cancellations	0	0	(1,107,862)	(1,107,862)
Translation adjustments	0	0	(345,389)	(345,389)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(5,408,693)**	**(204,825,621)**	**(79,431,884)**	**(289,666,198)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**55,250,100**	**201,454,691**	**49,152,485**	**305,857,276**

[1] Origin of goodwill :

(i) EUR 30.7 million goodwill allocated to the cash-generating unit "Wealth Management Luxembourg". Until March 31, 2020, the impairment test on the goodwill from the acquisition of Bikuben Girobank International S.A. Luxembourg was performed on the cash generating unit (CGU) "Nordic Market" allocated to Wealth Management activities. Starting April 1, 2020, this goodwill is allocated to the CGU "Wealth Management Luxembourg" due to internal reorganisation. The impairment test is based on two valuation methodologies: (i) observation of transactions related to comparable businesses and (ii) dividend discount model methodology with indefinite lifetime assumption where cash flows are assumed to be stable. They have been computed as revenue of the generating unit less direct and indirect costs, and after taxes. No further impairment is required as at the end of 2021 based on both methodologies. Sensitivity test : +0.5% increase of the discount rate generates EUR -14.1 million goodwill value whereas -0.5% decrease of this rate generates EUR +15.9 million goodwill value. A decrease or an increase of 10bps on the Asset under Management (AuM) multiple generates a EUR -12 million decrease (EUR +12 million increase respectively).
(ii) EUR 22.8 million goodwill from the acquisition of KBL (Switzerland) Ltd in 2015 and allocated to the CGU "KBLS" represented by ex-KBL (Switzerland) Assets under Management (AuM).
The impairment test is based on the valuation of the related AuM through multiples observed from transactions related to comparable business. No impairment is deemed necessary as at the end of 2021. Sensitivity test: +/- 10bps on multiples generates a EUR +/-1.9 million increase/decrease of goodwill valuation and +/-5% on AuM generates EUR +/-1.2 million increase/decrease of goodwill valuation.
(iii) EUR 2.5 million goodwill from the acquisition of BIL Wealth Management Ltd in February, 2020 allocated to the CGU "BIL Wealth Management Ltd".
As of December 31, 2021, no impairment test is required based on transaction price considered as best estimate of the fair value. No indicator of impairment identified as of December 31, 2021.

[2] Other intangible fixed assets include, inter alia, softwares purchased.

[3] Acquisitions related to Software internally generated are mainly linked to the development of the new core banking system of the Bank.

7.12 Tax assets

	31/12/20	31/12/21
Current tax assets	1,524,745	996,264
Deferred tax assets (see Note 9.2)	183,982,345	163,256,912
TOTAL	**185,507,090**	**164,253,176**

7.13 Other assets

	31/12/20	31/12/21
Other assets *	77,962,533	82,780,973
Other assets specific to insurance activities	3,198,661	3,678,635
TOTAL	**81,161,194**	**86,459,608**

*ANALYSIS BY NATURE	31/12/20	31/12/21
Receivables	4,052,811	2,010,560
Prepaid fees	3,415,083	4,297,456
Other receivables[1]	53,153,483	53,754,226
Pension plan assets	8,730,001	16,886,000
Precious metals	0	993
Operating taxes	6,128,381	4,355,795
Other assets[1]	2,482,774	1,475,943
TOTAL	**77,962,533**	**82,780,973**

[1] Mainly composed of transactions linked to current business awaiting settlement.

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7.14 Leasing

7.14.1 BIL as lessor

A. FINANCE LEASE

Gross investment in finance lease	31/12/20	31/12/21
Less than 1 year	114,399,240	124,843,142
More than 1 year and less than 5 years	194,787,894	232,347,960
SUBTOTAL (A)	**309,187,134**	**357,191,102**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	**(125,031,256)**	**(147,754,461)**
NET INVESTMENT IN FINANCE LEASE (A)-(B)	**184,155,878**	**209,436,641**

Net investment in finance lease may be analysed as follows:	31/12/20	31/12/21
Less than 1 year	68,137,675	73,200,951
More than 1 year and less than 5 years	116,018,203	136,235,690
TOTAL	**184,155,878**	**209,436,641**

	31/12/20	31/12/21
Amount of doubtful debts on finance leases included in the loan loss provision at the end of the financial year	2,767,417	3,467,670
Estimated fair value of finance leases	184,155,878	209,436,641
Accumulated provision for irrecoverable minimum lease payments	2,099,306	2,816,835

Overview of the significant provisions of leasing contracts

The assets managed by BIL Lease S.A. may be broken down as follows:

- 67.10 % of the assets is composed of vehicles, mainly passenger cars but also commercial vehicles.
- 22.66 % of the assets is composed of industrial equipment : machinery, medical equipment, etc.
- 9.71 % of the assets is composed of IT equipment.
- 0.53 % of the assets is composed primarily of office furniture.

B. OPERATING LEASE

The Bank did not act as lessor for financial or operational leases as at December 31, 2020 and as at December 31, 2021.

7.14.2 BIL as lessee

A. FINANCE LEASE

The Bank is not involved in any financial lease as at December 31, 2020 and as at December 31, 2021.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease	31/12/20	31/12/21
Less than 1 year	248,360	427,020
Between 1 year to 2 years	205,277	282,643
Between 2 years to 3 years	189,547	262,699
Between 3 years to 4 years	163,020	221,319
Between 4 years to 5 years	100,781	199,227
More than 5 years	208,679	385,849
TOTAL	**1,115,664**	**1,778,757**

Lease and sublease payments recognised as an expense during the financial year	31/12/20	31/12/21
- minimum lease payments	321,060	647,087
TOTAL	**321,060**	**647,087**

- the lease expenses related to short-term leases amount to EUR 330,427;
- the lease expenses related to low-value assets amount to EUR 199,809.

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7.15 Quality of financial assets

7.15.1 Loans and securities by stages

	31/12/20		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash balances at central banks and other demand deposits	4,245,324,853	0	4,245,324,853
Loans and advances to credit institutions	1,081,871,134	(266,911)	1,081,604,223
Loans and advances to customers	12,210,773,551	(42,110,586)	12,168,662,965
Debt securities	8,302,367,503	(2,839,544)	8,299,527,959
Stage 1	**25,840,337,041**	**(45,217,041)**	**25,795,120,000**
Loans and advances to credit institutions	24,209,177	(116,949)	24,092,228
Loans and advances to customers	2,757,383,349	(25,176,550)	2,732,206,799
Debt securities	411,902,573	(1,074,350)	410,828,223
Stage 2	**3,193,495,099**	**(26,367,849)**	**3,167,127,250**
Loans and advances to customers	735,931,551	(224,490,417)	511,441,134
Debt securities	21,985,297	(15,350,335)	6,634,962
Stage 3	**757,916,848**	**(239,840,752)**	**518,076,096**
TOTAL	**29,791,748,988**	**(311,425,642)**	**29,480,323,346**

	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash balances at central banks and other demand deposits	5,952,873,874	(4,469)	5,952,869,405
Loans and advances to credit institutions	730,199,705	(31,838)	730,167,867
Loans and advances to customers	13,504,088,476	(44,544,767)	13,459,543,709
Debt securities	8,040,694,052	(1,935,883)	8,038,758,169
Stage 1	**28,227,856,107**	**(46,516,957)**	**28,181,339,150**
Cash balances at central banks and other demand deposits	36,252,475	(87,510)	36,164,965
Loans and advances to credit institutions	7,063,562	0	7,063,562
Loans and advances to customers	2,545,962,900	(30,090,616)	2,515,872,284
Debt securities	194,205,334	(916,917)	193,288,417
Stage 2	**2,783,484,271**	**(31,095,043)**	**2,752,389,228**
Loans and advances to customers	593,325,909	(222,509,158)	370,816,751
Debt securities	21,985,297	(17,596,888)	4,388,409
Stage 3	**615,311,206**	**(240,106,046)**	**375,205,160**
TOTAL	**31,626,651,584**	**(317,718,046)**	**31,308,933,538**

7.15.2 Movements of loans and securities by stages (gross carrying amount)

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT JANUARY 1	**3,541,542,203**	**0**	**0**	**3,541,542,203**
From Stage 1 to Stage 2	0	0		0
From Stage 2 to Stage 1	0	0		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination	703,782,650	0	0	703,782,650
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT DECEMBER 31	**4,245,324,853**	**0**	**0**	**4,245,324,853**

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,132,634,036**	**2,470,852,862**	**573,920,973**	**16,177,407,871**
From Stage 1 to Stage 2	(941,407,840)	941,407,840		0
From Stage 2 to Stage 1	550,065,666	(550,065,666)		0
From Stage 2 to Stage 3		(111,137,982)	111,137,982	0
From Stage 3 to Stage 2		18,028,632	(18,028,632)	0
From Stage 1 to Stage 3	(194,354,395)		194,354,395	0
From Stage 3 to Stage 1	29,860,291		(29,860,291)	0
Origination	4,222,777,178	444,666,485	32,447,576	4,699,891,239
Derecognition during the period other than write-offs	(3,469,334,204)	(431,476,640)	(112,027,463)	(4,012,838,307)
Changes in interest accrual	(2,815,152)	(161,001)	0	(2,976,153)
Changes in premium / discount	114,063	0	0	114,063
Changes in fair value (fair value hedge and FVOCI)	(2,287,961)	6,505,541	0	4,217,580
Write-offs	(20,960,195)	0	(13,976,772)	(34,936,967)
Conversion difference (FX change)	(11,646,802)	(7,027,545)	(2,036,217)	(20,710,564)
LOANS AND ADVANCES AS AT DECEMBER 31	**13,292,644,685**	**2,781,592,526**	**735,931,551**	**16,810,168,762**

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**7,243,754,534**	**242,247,705**	**21,759,703**	**7,507,761,942**
From Stage 1 to Stage 2	(308,493,284)	308,493,284		0
From Stage 2 to Stage 1	144,263,405	(144,263,405)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	2,879,391,518	37,562,910	0	2,916,954,428
Derecognition during the period other than write-offs	(1,679,217,891)	(30,060,000)	0	(1,709,277,891)
Changes in interest accrual	(5,964,180)	946,009	0	(5,018,171)
Changes in premium / discount	12,779,913	(4,712,134)	0	8,067,779
Changes in fair value (fair value hedge)	67,849,229	6,138,984	0	73,988,213
Conversion difference (FX change)	(51,995,741)	(4,450,780)	225,594	(56,220,927)
DEBT SECURITIES AS AT DECEMBER 31	**8,302,367,503**	**411,902,573**	**21,985,297**	**8,736,255,373**

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	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT JANUARY 1	**4,245,324,853**	**0**	**0**	**4,245,324,853**
From Stage 1 to Stage 2	(10,115,357)	10,115,357		0
From Stage 2 to Stage 1	0	0		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0			0
From Stage 3 to Stage 1	0			0
Origination	1,890,323,677	31,181,975	0	1,921,505,652
Derecognition during the period other than write-offs	(187,543,020)	(5,182,119)	0	(192,725,139)
Changes in interest accrual	(1,242,309)	0	0	(1,242,309)
Write-offs	0	0	0	0
Conversion difference (FX change)	16,979,292	137,262	0	17,116,554
Other movements	(853,262)	0	0	(853,262)
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT DECEMBER 31	**5,952,873,874**	**36,252,475**	**0**	**5,989,126,349**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,292,644,685**	**2,781,592,526**	**735,931,551**	**16,810,168,762**
From Stage 1 to Stage 2	(590,424,978)	590,424,978		0
From Stage 2 to Stage 1	612,662,821	(612,662,821)		0
From Stage 2 to Stage 3		(61,697,639)	61,697,639	0
From Stage 3 to Stage 2		37,906,926	(37,906,926)	0
From Stage 1 to Stage 3	(20,857,084)		20,857,084	0
From Stage 3 to Stage 1	9,537,482		(9,537,482)	0
Origination	4,538,134,303	478,490,992	72,912,353	5,089,537,648
Derecognition during the period other than write-offs	(3,632,945,169)	(655,303,254)	(221,177,623)	(4,509,426,046)
Changes in interest accrual	2,460,491	16,857	0	2,477,348
Changes in fair value (fair value hedge and FVOCI)	(448,743)	(5,559,161)	0	(6,007,904)
Write-offs	0	0	(29,287,326)	(29,287,326)
Conversion difference (FX change)	23,524,373	(182,942)	(163,361)	23,178,070
Other movements	0	0	0	0
LOANS AND ADVANCES AS AT DECEMBER 31	**14,234,288,181**	**2,553,026,462**	**593,325,909**	**17,380,640,552**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**8,302,367,503**	**411,902,573**	**21,985,297**	**8,736,255,373**
From Stage 1 to Stage 2	(98,502,167)	98,502,167		0
From Stage 2 to Stage 1	315,239,162	(315,239,162)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	1,315,334,164	10,919,920	0	1,326,254,084
Derecognition during the period other than write-offs	(1,617,609,923)	(6,468,387)	0	(1,624,078,310)
Changes in interest accrual	(1,176,154)	(1,415,029)	0	(2,591,183)
Changes in premium / discount	(27,144,057)	5,076,126	0	(22,067,931)
Changes in fair value (fair value hedge)	(180,037,987)	(12,664,291)	0	(192,702,278)
Write-offs	0	0	0	0
Conversion difference (FX change)	32,223,511	3,591,417	0	35,814,928
DEBT SECURITIES AS AT DECEMBER 31	**8,040,694,052**	**194,205,334**	**21,985,297**	**8,256,884,683**

Note 8: Notes on the liabilities of the consolidated balance sheet (in EUR)

8.1 Amounts due to credit institutions

ANALYSIS BY NATURE	31/12/20	31/12/21
On demand	436,341,167	246,566,257
Term	160,176,120	141,697,344
Cash collateral	62,238,444	24,624,804
Repurchase agreements	662,579,521	598,005,890
Central banks[1]	1,500,269,752	2,201,437,577
Other borrowings[2]	1,351,350,906	891,539,349
TOTAL	**4,172,955,910**	**4,103,871,221**

ANALYSIS BY MATURITY AND INTEREST RATE
Refer to Notes 12.4, 12.5 and 12.6

ANALYSIS OF THE FAIR VALUE
Refer to Note 12.1

QUALITATIVE ANALYSIS
Refer to Note 12.3

8.2 Amounts due to customers

ANALYSIS BY NATURE	31/12/20	31/12/21
Demand deposits	12,307,577,006	13,299,327,713
Saving deposits	3,370,500,170	3,270,999,472
Term deposits	4,063,348,909	4,116,615,739
Cash collateral	32,540,373	1,207,958
TOTAL	**19,773,966,458**	**20,688,150,882**

ANALYSIS BY MATURITY AND INTEREST RATE
Refer to Notes 12.4, 12.5 and 12.6

ANALYSIS OF THE FAIR VALUE
Refer to Note 12.1

[1] The Management Board decided to participate in the different tranches of the TLTRO III (Targeted Longer-Term Refinancing Operations) for a total amount of EUR 2,200 million as at December 31, 2021. BIL applied IFRS 9 to account for TLTRO III operations with the effective interest rate corresponding to the most probable scenario of achieving the lending performance thresholds at subscription date. The Bank has reassessed the achievement of the lending performance as at March, 31, 2021 and as at December 31, 2021 respectively and accounts for the impacts of this revision under the modification accounting of IFRS 9 when the lending performance thresholds were met. EUR 7.7 million of interest income was recognised for the year ended December 31, 2021 (EUR 5.3 million for the year ended December 31, 2020) and EUR 14.2 million of gains on modification of financial liabilities were recognised for the year ended December 31, 2021 (EUR 0 million as for the year ended December 31, 2020) in relation to TLTRO III operations.

[2] Other borrowings represent day-to-day cash management operations.

8.3 Other financial liabilities

ANALYSIS BY NATURE	31/12/20	31/12/21
Other financial liabilities	27,932,339	22,757,968
of which lease liabilities	*27,932,339*	*22,757,968*
TOTAL	**27,932,339**	**22,757,968**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6

8.4 Financial liabilities measured at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss (fair value option)

ANALYSIS BY NATURE	31/12/20	31/12/21
Non-subordinated liabilities	934,551,568	1,467,315,688
TOTAL	**934,551,568**	**1,467,315,688**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

BIL Group primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

8.5 Debt securities

ANALYSIS BY NATURE	31/12/20	31/12/21
Certificates of deposit	17,155,810	15,400,597
Non-convertible bonds	2,765,947,567	3,185,017,198
TOTAL	**2,783,103,377**	**3,200,417,795**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1

8.6 Subordinated debts

ANALYSIS BY NATURE	31/12/20	31/12/21
Non-convertible subordinated debts[1,2]	130,620,187	237,127,187
TOTAL	**130,620,187**	**237,127,187**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

8.7 Provisions and other obligations

8.7.1 Analysis by nature

	31/12/20	31/12/21
Litigation[3]	5,718,424	6,020,671
Restructuring (including garden leave)	5,067,436	7,625,925
Defined benefit plans	4,375,252	7,748,524
Other long-term employee benefits (including jubilee and time saving account)	16,307,401	16,391,058
Provision for off-balance sheet credit commitments	9,534,888	12,962,202
Onerous contracts	562,225	1,461,600
Other provisions	1,327,015	2,155,367
TOTAL	**42,892,641**	**54,365,347**

[1] List available upon request.
[2] On May 6, 2021, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since December 3, 2021.
[3] Provisions for legal litigation, including those for staff and tax-related litigation.

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8.7.2 Analysis by movement

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/20	**6,215,819**	**6,140,978**	**26,009,455**	**9,207,776**	**2,524,852**
Exchange differences	21,813	5,699	92,383	(38,377)	12,339
Additional provisions	550,944	4,090,327	2,042,079	0	2,165,854
Changes due to change in credit risk	0	0	0	(3,535,917)	0
Changes due to modifications without derecognition	0	0	0	(1,351)	0
Increases due to origination or acquisition	0	0	0	7,881,853	0
Decreases due to derecognition	0	0	0	(3,979,096)	0
Revaluation through reserves[1]	0	0	39,372	0	0
Unused amounts reversed	(510,000)	(155,247)	(5,750,735)	0	(78,593)
Used during the year	(560,152)	(5,014,321)	(1,749,901)	0	(2,735,212)
AS AT 31/12/20	**5,718,424**	**5,067,436**	**20,682,653**	**9,534,888**	**1,889,240**

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/21	**5,718,424**	**5,067,436**	**20,682,653**	**9,534,888**	**1,889,240**
Exchange differences	165,325	9,119	341,525	27,920	104,401
Additional provisions	838,378	6,472,163	1,924,988	0	3,302,195
Changes due to change in credit risk	0	0	0	284,812	0
Changes due to modifications without derecognition	0	0	0	11,931	0
Increases due to origination or acquisition	0	0	0	6,868,317	0
Decreases due to derecognition	0	0	0	(3,506,157)	0
Revaluation through reserves[1]	0	0	3,013,025	0	0
Unused amounts reversed	(8,913)	(405,058)	(40,706)	0	(183,630)
Used during the year	(692,543)	(3,517,735)	(1,771,903)	0	(1,318,386)
Transfers	0	0	(10,000)	(203,401)	0
Other movements	0	0	0	(56,108)	(176,853)
AS AT 31/12/21	**6,020,671**	**7,625,925**	**24,139,582**	**12,962,202**	**3,616,967**

[1] Refer to point 1.22 of Note 1.

8.7.3 Provision for pension

a. Reconciliation of defined benefit obligations	31/12/20	31/12/21
Defined benefit obligations at the beginning of the year	263,936,999	214,803,507
Current service cost	6,391,080	5,154,437
Interest cost	745,134	4,057
Past service cost and gains and losses arising from settlements	(7,884,467)	121,000
Actuarial gains/losses	1,832,994	2,267,998
Stemming from changes in demographic assumptions	*0*	*(1,017,000)*
Stemming from changes in financial assumptions	*4,052,532*	*(6,016,590)*
Stemming from experience adjustments	*(2,219,538)*	*9,301,588*
Benefits paid	(50,726,841)	(14,785,517)
Out of which: amounts paid in respect of settlements	*(27,274,000)*	*0*
Pension plan participant contributions	1,311,542	933,640
Currency adjustment	355,600	2,079,717
Business combination and disposals	0	0
Other	(1,158,535)	(612,982)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**214,803,507**	**209,965,856**

b. Reconciliation of fair value of pension plan assets	31/12/20	31/12/21
Fair value of pension plan assets at the beginning of the year	259,371,564	219,158,255
Actual return on pension plan assets	2,468,537	7,988,615
Interest income	*731,464*	*(7,326)*
Return on pension plan assets (excluding interest income)	*1,737,073*	*7,995,941*
Employer contributions	7,701,247	4,715,556
Pension plan participant contributions	1,311,542	933,640
Benefits paid	(50,726,841)	(14,785,517)
Out of which: amounts paid in respect of settlements	*(27,274,000)*	*0*
Currency adjustment	264,538	1,742,815
Business combination and disposals	0	0
Other	(1,232,332)	(650,032)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**219,158,255**	**219,103,332**

c. Reconciliation of the effect of the asset ceiling	31/12/20	31/12/21
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
Other	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**
NET ASSET / (NET LIABILITY)	**4,354,748**	**9,137,476**

d. Funded status	31/12/20	31/12/21
Pension plan assets in excess of benefit obligation	(8,730,001)	(16,886,000)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/20	31/12/21
Net Asset / (Net liability) at the beginning of the year	(4,565,435)	4,354,748
Net periodic pension cost recognised in the income statement	1,405,919	(5,323,869)
Remeasurements recognised in OCI	(95,921)	5,727,943
Employer contributions	7,701,247	4,715,556
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	0	0
Currency adjustments	(91,062)	(336,902)
Other	0	0
NET ASSET / (NET LIABILITY) AT THE END OF THE YEAR	**4,354,748**	**9,137,476**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/20	31/12/21
Recognised reserve at the beginning of the year	(17,254,347)	(17,428,604)
Remeasurements recognised in OCI	(174,257)	5,159,533
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(17,428,604)**	**(12,269,071)**

g. Amounts recognised in the income statement	31/12/20	31/12/21
Current service cost	6,391,080	5,154,437
Net interest on the defined benefit liability/asset	13,670	11,382
Past service cost	(3,003,467)	121,000
Gains and losses arising from settlements	(4,881,000)	0
Other	73,798	37,049
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**(1,405,919)**	**5,323,869**

h. Amounts recognised in other comprehensive income	31/12/20	31/12/21
Actuarial gains/losses on the defined benefit obligation	1,832,994	2,267,998
Actual return on plan assets (excluding amounts included in interest income)	(1,737,073)	(7,995,941)
Other	0	0
Currency adjustments	78,336	568,410
TOTAL OTHER COMPREHENSIVE INCOME	**174,257**	**(5,159,533)**

Actual return on pension plan assets (%)	31/12/20	31/12/21
	1.03%	3.65%

Breakdown of pension plan assets	31/12/20	31/12/21
Fixed income		
Quoted market price on an active market	66.80%	71.68%
Equities		
Quoted market price on an active market	12.73%	18.07%
Alternatives		
Quoted market price on an active market	3.99%	5.00%
Real estate		
Quoted market price on an active market	0.00%	0.60%
Unquoted market price	0.00%	2.88%
Cash	1.04%	1.78%
Other	15.44%	0.00%
TOTAL	**100.00%**	**100.00%**

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR - 0.5 %	4.47%
	Scenario DR + 0.5 %	-4.06%

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR - 0.5 %	-1.23%
	Scenario SR + 0.5 %	1.57%

The Duration of the DBO of the pension plans in EUR as of December 31, 2021 is 6.98 (7.54 in 2020)
The Duration of the DBO of the Swiss pension plan as of December 31, 2021 is 14.6 (15.1 in 2020)

Expected contributions for next year	4,823,434

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures
In Luxembourg, for active people, two hybrid pension plans are valued as DB pension plans under IAS19.

For retirees, the pension plan is a DB plan. All these plans are closed and are funded through the IORP BIL Pension Fund. They are reported under the current note. No specific event occurred in Luxembourg during the year 2021. For these closed plans, the risk exposure is actually an exposure to financial risk, and for part of these, to longevity and inflation risks. In Switzerland, the main pension plan is a DC pension plan with guaranteed return, considered as a DB plan under IAS 19. This plan has been transferred to a new provider on January 1st, 2021, which is a cooperative foundation. For this plan, the risk exposure is a financial risk in case of foundation underfunding.

B. Methods and assumptions used in preparing the sensitivity analysis
The principal assumptions used to assess the defined benefit obligation are as follows:

	Luxembourg		Switzerland	
	31/12/20	**31/12/21**	**31/12/20**	**31/12/21**
Discount rate	-0.035%	0.410%	0.15%	0.30%
Salary increase	0.50% - 2.50%	0.50% - 2.50%	1.00%	1.00%
Inflation[1]	1.50%	1.50%	0.50%	0.50%

C. Description of ALM strategies
In Luxembourg the pension fund investment strategy is based on ALM objectives trying to align as far as possible assets maturities with liabilities profile and is also based on return objectives with limited risks exposure.

Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).

In Switzerland, the investment strategy is in the hands of the cooperative foundation.

[1] Included in the salary increase for Switzerland

D. Description of funding arrangements

In Luxembourg, part of the closed pension plans are funded through pension fund arrangements.

In the pension plans for "active people" hired before November 1, 2007 (and having decided not to move to a DC plan in 2007), employer contributions are calculated according to an Aggregate Cost method.

In the pension plans for "retirees", pensions are fully funded.

For these plans, minimum funding applies according to the legislation in force, and the employer is due to make additional contributions in case assets do not meet the funding requirements.

Asset ceiling under IAS 19 does not apply.

For employees hired since November 1, 2007, and for employees hired prior to this date and who decided to move to a DC plan, all the pension arrangements are DC plans funded through an external insurance company. These are reported under defined contributions expenses.

In Switzerland, the pension plan (DC formula with a guaranteed return) is funded through a multi-employer cooperative foundation. This pension plan is subject to asset ceiling under IAS 19 however the plan shows a net liability.

A new DC plan has started on January 1st, 2021. This is a full DC and is reported under defined contributions expenses.

8.8 Tax liabilities

ANALYSIS BY NATURE	31/12/20	31/12/21
Current tax liabilities	2,190,023	1,383,500
Deferred tax liabilities (see Note 9.2)	7,311,883	10,205,589
TOTAL	**9,501,906**	**11,589,089**

8.9 Other liabilities

	31/12/20	31/12/21
Other liabilities*	191,343,731	203,914,519
Other liabilities specific to insurance activities	5,251,831	3,729,922
TOTAL	**196,595,562**	**207,644,441**

*ANALYSIS BY NATURE	31/12/20	31/12/21
Accrued costs	16,642,401	15,217,875
Deferred income	16,506,786	17,049,767
Other payables[1]	90,971,449	96,373,857
Other granted amounts received	613,783	562,217
Salaries and social security costs (payable)	28,565,844	36,274,193
Other operating taxes	29,776,385	28,215,774
Other liabilities	8,267,083	10,220,836
TOTAL	**191,343,731**	**203,914,519**

[1] Mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

Note 9: Other notes on the consolidated balance sheet (in EUR)

9.1 Derivatives and hedging activities

Derivatives instruments are split in two categories:
- Derivatives held for trading;
- Derivatives designated in a hedge relationship.

The Bank applies hedge accounting in four separate strategies where derivatives and non-derivatives instruments are used as hedging elements.

Fair value hedge

The fair value hedge strategies are used to hedge the interest rate risk arising from a portion of the Investment Portfolio. Generally speaking:
- The hedged items are fixed-rate bonds exposed to a change in fair value due to the movement in market interest rates;
- The hedging items are receive-floating interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in fair value of the bonds arising from changes in the relevant yield curves.

Two different hedge ratios are computed to assess the effectiveness of each fair value hedge strategy.
- At the initiation of the strategy, the ratio between the interest rate sensitivity (+100bps) of each item must be in the range [90%; 110%] (prospective test);
- At the end of each month, the ratio between the evolution of the fair value arising from the interest rate risk of each item must be in the range [80%; 125%] (retrospective test).

Sources of ineffectiveness arise from the floating leg of the hedging instruments.

Cash flow hedge

Interest rate risk

The cash flow hedge is used to hedge the interest rate risk arising from revolving instruments. Generally speaking:
- The hedged items are revolving short-term money market loans and deposits exposed to a change in earnings due to the movement in market interest rates;
- The hedging items are interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in the earnings arising from changes in the benchmark interest rates when the contract is renewed.

The efficiency assessment is based on the comparison between the cash flows (interest and nominal) generated by the short-term loans and deposits and the cash flows generated by the floating legs of the interest rate swaps. For each currency and index, the cumulative amount of cash flows of interest rate swaps must not exceed the cumulative amount of cash flows of the short-term instrument.

Portfolio hedge

The carve out is used to hedge the interest rate risk arising from loans and deposits not already hedged within the fair value or the cash flow hedge framework. Generally speaking:
- The hedged items are loans and deposits in the banking book exposed to a change in fair value due to the movement in market interest rates;
- The hedging items are interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in fair value arising from changes in the relevant yield curves.

The efficiency assessment is based on a cumulative gap of the hedged instruments and the fixed-rate legs of the interest rate swaps. For each predetermined bucket, the amount of interest rate swaps must not exceed the amount of the loans and the deposits.

Sources of ineffectiveness arise from the floating leg of the hedging instruments.

Net investment in foreign operations

The Bank hedges the currency risk arising from its net investment in foreign operations using foreign currency-denominated liabilities. The Bank has net investments in a number of foreign locations and currencies and designates the hedged risk as the risk of the foreign currency changes against the EUR, in order to reduce fluctuations in the value of the Bank's net investment in its subsidiaries due to movements in the EUR exchange rate. The effective portion of foreign exchange gains and losses on the hedging instruments is recognised in OCI. The Bank aims to set the hedge ratio to 100% and the efficiency assessment is made on a monthly basis.

9.1.1 ANALYSIS BY NATURE	31/12/20		31/12/21	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	216,725,286	233,348,551	69,242,363	99,891,636
Derivatives designated as fair value hedge	12,177,170	399,387,793	59,726,255	248,211,795
Derivatives designated as cash flow hedge	2,171,964	9,239,069	2,559,108	1,878,163
Derivatives designated as portfolio hedge against interest rate	4,188,597	814,350	0	878,194
TOTAL	235,263,017	642,789,763	131,527,726	350,859,788

9.1.2 DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**18,952,472,272**	**18,969,999,585**	**195,870,192**	**216,237,545**
FX forward	18,780,189,125	18,797,445,387	192,945,662	213,563,427
Cross currency swap	130,698,027	132,819,703	2,584,663	2,589,168
FX options	41,585,120	39,734,495	339,867	84,950
Interest rate derivatives	**892,410,472**	**884,810,471**	**12,792,873**	**11,663,468**
Options-Caps-Floors-Collars-Swaptions	174,313,976	174,313,976	2,497,742	2,497,742
IRS	702,832,655	702,832,655	10,295,131	9,165,726
Interest futures	15,263,841	7,663,840	0	0
Equity derivatives	**365,974,019**	**363,301,163**	**8,062,221**	**5,447,538**
Equity futures	6,656,709	1,026,300	0	0
Equity options	35,104,100	0	1,933,890	0
Equity option (OM)	180,098,859	180,098,859	0	0
Other equity derivatives	144,114,351	182,176,004	6,128,331	5,447,538
TOTAL	20,210,856,763	20,218,111,219	216,725,286	233,348,551

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,791,079,238**	**7,793,339,632**	**52,377,653**	**57,946,017**
FX forward	7,562,918,213	7,566,966,808	48,736,577	54,542,237
Cross currency swap	207,572,197	206,471,411	3,588,339	3,399,728
FX options	20,588,828	19,901,413	52,737	4,052
Interest rate derivatives	**719,282,923**	**710,791,716**	**7,008,293**	**19,273,645**
Options-Caps-Floors-Collars-Swaptions	89,574,643	89,574,643	2,779,620	2,779,620
IRS	619,817,073	619,817,073	4,228,673	16,494,025
Interest futures	9,891,207	1,400,000	0	0
Equity derivatives	**870,495,176**	**869,065,260**	**9,856,417**	**22,671,974**
Equity futures	4,778,059	2,571,539	0	0
Equity options	16,382,550	0	1,119,716	213,500
Equity option (OM)	98,252,598	98,252,598	0	0
Other equity derivatives	751,081,969	768,241,123	8,736,701	22,458,474
TOTAL	9,380,857,337	9,373,196,608	69,242,363	99,891,636

9.1.3 DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**6,624,643,343**	**6,624,643,343**	**12,177,170**	**399,387,793**
Option/Cap/Floor/Collar/Swaption (OTC)	66,582	66,582	0	0
IRS	6,624,576,761	6,624,576,761	12,177,170	399,387,793
TOTAL	**6,624,643,343**	**6,624,643,343**	**12,177,170**	**399,387,793**

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**3,834,944**	**3,856,537**	**7,159**	**82,680**
Cross currency swap	*3,834,944*	*3,856,537*	*7,159*	*82,680*
Interest rate derivatives	**6,706,518,858**	**6,706,518,858**	**59,719,096**	**248,129,115**
IRS	6,706,518,858	6,706,518,858	59,719,096	248,129,115
TOTAL	**6,710,353,802**	**6,710,375,395**	**59,726,255**	**248,211,795**

9.1.4.1 DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**301,995,942**	**312,219,666**	**1,290,086**	**7,031,661**
Cross currency swap	*81,596,018*	*89,581,654*	*828,948*	*6,983,957*
Other currency derivatives	*220,399,924*	*222,638,012*	*461,138*	*47,704*
Interest rate derivatives	**40,146,061**	**40,146,061**	**881,878**	**2,207,408**
IRS	40,146,061	40,146,061	881,878	2,207,408
TOTAL	**342,142,003**	**352,365,727**	**2,171,964**	**9,239,069**

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**195,960,057**	**197,912,539**	**2,062,469**	**619,847**
Cross currency swap	*91,290,575*	*92,585,265*	*1,847,469*	*619,847*
Other currency derivatives	*104,669,482*	*105,327,274*	*215,000*	*0*
Interest rate derivatives	**32,515,655**	**32,515,655**	**496,639**	**1,258,316**
IRS	32,515,655	32,515,655	496,639	1,258,316
TOTAL	**228,475,712**	**230,428,194**	**2,559,108**	**1,878,163**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 1.1 million in 2021 (EUR 1.2 million in 2020) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

9.1.4.2 BREAKDOWN OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE BY RESIDUAL MATURITY	31/12/20				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	461,138	881,878	828,948	0	**2,171,964**
Liabilities	47,704	2,207,408	6,983,957	0	**9,239,069**

	31/12/21				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	226,210	496,639	1,836,259	0	**2,559,108**
Liabilities	127,879	1,214,593	535,691	0	**1,878,163**

9.1.5 DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE RISK	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,958,858	4,690,432	0	634,248
Interest rate derivatives	130,200,000	130,200,000	4,188,597	180,102
TOTAL	**134,158,858**	**134,890,432**	**4,188,597**	**814,350**

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,834,944	4,690,432	0	784,807
Interest rate derivatives	1,000,000	1,000,000	0	93,387
TOTAL	**4,834,944**	**5,690,432**	**0**	**878,194**

9.1.6 MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO FAIR VALUE HEDGE RELATIONSHIPS	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	12,305,985	154,607,356	0	166,913,341
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	39,238,979	559,000,000	279,900,000	878,138,979
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	135,457,611	1,734,897,814	3,697,235,598	5,567,591,023
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	12,000,000	12,000,000
TOTAL	**187,002,575**	**2,448,505,170**	**3,989,135,598**	**6,624,643,343**

	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	274,207,358	162,300,167	0	436,507,525
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	260,000,000	273,500,000	268,043,864	801,543,864
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	251,126,237	2,081,156,303	3,104,184,929	5,436,467,469
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	3,856,537	32,000,000	35,856,537
TOTAL	**785,333,595**	**2,520,813,007**	**3,404,228,793**	**6,710,375,395**

9.1.7 MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO CASH FLOW HEDGE RELATIONSHIPS

	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*89,581,654*	*0*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate		*5.01%*		
Other currency derivatives - Notional	*2,978,816*	*0*	*0*	*2,978,816*
TOTAL	**2,978,816**	**89,581,654**	**0**	**92,560,470**

	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*89,581,654*	*0*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate		*5.01%*		
Other currency derivatives - Notional	*3,003,611*	*0*	*0*	*3,003,611*
TOTAL	**3,003,611**	**89,581,654**	**0**	**92,585,265**

9.1.8 HEDGED ITEMS IN A FAIR VALUE HEDGE RELATIONSHIPS

	31/12/20	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	170,410,951	7,256,088
Debt securities measured at FVTOCI	958,121,801	25,176,521
Debt securities measured at amortised cost	5,882,234,593	166,667,293
TOTAL ASSETS	**7,010,767,345**	**199,099,902**
Debt instruments issued	12,346,188	237,278
TOTAL LIABILITIES	**12,346,188**	**237,278**

	31/12/21	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	161,528,520	1,248,184
Debt securities measured at FVTOCI	848,952,588	9,761,693
Debt securities measured at amortised cost	5,579,743,874	(5,677,903)
TOTAL ASSETS	**6,590,224,982**	**5,331,974**
Debt instruments issued	34,907,045	(1,159,666)
TOTAL LIABILITIES	**34,907,045**	**(1,159,666)**

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9.1.9 HEDGE EFFECTIVENESS FOR FAIR VALUE HEDGE RELATIONSHIPS

	31/12/20		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	84,524,217	(85,179,054)	(654,837)
Portfolio fair value hedge	11,138,665	(10,998,919)	139,746
TOTAL	**95,662,882**	**(96,177,973)**	**(515,091)**

	31/12/21		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	(193,109,858)	192,925,212	(184,646)
Portfolio fair value hedge	2,262,149	(2,273,462)	(11,313)
TOTAL	**(190,847,709)**	**190,651,750**	**(195,959)**

9.1.10 HEDGE EFFECTIVENESS FOR CASH FLOW HEDGE RELATIONSHIPS

	31/12/20					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	259,805,257	1,343,016	2,236,464	524,960	524,960	0
Micro cash flow hedge	92,560,470	828,948	7,002,605	3,557,479	3,557,479	0
2. Non-derivatives instruments						
Macro cash flow hedge	0	0	0	(427,188)	0	(427,188)
TOTAL	**352,365,727**	**2,171,964**	**9,239,069**	**3,655,251**	**4,082,439**	**(427,188)**

	31/12/21					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	137,842,929	711,639	1,258,315	3,499,680	3,499,680	0
Micro cash flow hedge	92,585,265	1,847,469	619,848	(2,287,225)	(2,287,225)	0
2. Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	**230,428,194**	**2,559,108**	**1,878,163**	**1,212,455**	**1,212,455**	**0**

9.1.11 DETAIL OF HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS AGAINST FOREIGN EXCHANGE MOVEMENTS

HEDGING INSTRUMENTS	31/12/20			
	Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge inneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	178,192,508	11,567,201	0	0
Deposits in DKK	4,783,090	(20,495)	0	0
Deposits in HKD	6,092,896	685,059	0	0
Deposits in USD	1,398,817	143,039	0	0
TOTAL MICRO NET INVESTMENT HEDGES	**190,467,311**	**12,374,804**	**0**	**0**

HEDGE OF NET INVESTMENT	31/12/20
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	(11,567,201)
Investments in DKK subsidiaries	20,495
Investments in HKD subsidiaries	(685,059)
Investments in USD subsidiaries	(143,039)
TOTAL	**(12,374,804)**

HEDGING INSTRUMENTS	31/12/21			
	Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge inneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	182,944,536	(8,001,230)	0	1,447,696
Deposits in DKK	2,917,950	1,322	0	0
Deposits in HKD	9,384,718	(614,171)	0	0
Deposits in USD	0	0	0	88,912
TOTAL MICRO NET INVESTMENT HEDGES	**195,247,204**	**(8,614,079)**	**0**	**1,536,608**

HEDGE OF NET INVESTMENT	31/12/21
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	8,001,230
Investments in DKK subsidiaries	(1,322)
Investments in HKD subsidiaries	614,171
Investments in USD subsidiaries	0
TOTAL	**8,614,079**

9.1.12 HEDGING ACTIVITIES IMPACT ON EQUITY

EQUITY RECONCILIATION	2020		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(2,620,964)**	**(15,377,016)**	**(1,074,284)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	3,557,479		
Interest rate swaps	524,960		
Loans and deposits	0		
Net amount reclassified to profit or loss			
Following hedge discontinuation	(427,188)		
Following utilisation	0		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		**122,542**	**(16,458)**
Net amount reclassified to profit or loss			
Following hedge discontinuation		0	0
Foreign currency reevaluation on the unhedged net foreign operations		**210,097**	
Tax impact on the above	**(911,619)**		**4,104**
CLOSING BALANCE AS AT DECEMBER 31	**122,668**	**(15,044,377)**	**(1,086,638)**

EQUITY RECONCILIATION	2021		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT JANUARY 1	**122,668**	**(15,044,377)**	**(1,086,638)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	649,404		
Interest rate swaps	563,051		
Loans and deposits	0		
Net amount reclassified to profit or loss			
Following hedge discontinuation	0		
Others (including FX translation)	0		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		**(8,614,079)**	
Net amount reclassified to profit or loss			
Following hedge discontinuation		88,912	1,447,692
Following utilisation		0	
Foreign currency reevaluation on the unhedged net foreign operations		**6,241,116**	
Tax impact on the above	**(302,387)**		**(361,054)**
CLOSING BALANCE AS AT DECEMBER 31	**1,032,736**	**(17,328,428)**	**0**

9.2 Deferred tax

ANALYSIS	31/12/20	31/12/21
Net deferred tax assets	183,982,345	163,256,912
Deferred tax liabilities	(7,311,883)	(10,205,589)
DEFERRED TAX	**176,670,462**	**153,051,323**

MOVEMENTS	2020	2021
AS AT JANUARY 1	**196,229,939**	**176,670,462**
Movements during the financial year:		
- Amounts recognised in the statement of income	(18,392,722)	(23,164,468)
- Items directly computed by equity	(1,187,458)	(523,688)
- Exchange differences	20,703	69,017
- Other movements	0	0
AS AT DECEMBER 31	**176,670,462**	**153,051,323**

DEFERRED TAX COMING FROM ASSETS	31/12/20		31/12/21	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	20,748,329	4,413,629	20,188,948	(510,189)
Securities	(2,682,416)	603,699	(1,867,659)	(522,948)
Derivatives	(40,758)	(2,300)	(343,145)	0
Tangible and intangible fixed assets	2,722,756	217,944	(639,985)	(702,401)
TOTAL	**20,747,911**	**5,232,972**	**16,802,301**	**(2,325,595)**

DEFERRED TAX COMING FROM LIABILITIES	31/12/20		31/12/21	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(2,451,504)	(968,350)	(844,679)	(1,113,207)
Provisions	(407,654)	4,309,662	2,879,635	3,284,683
Pensions	1,705,043	(2,202,800)	226,570	101,558
Other liabilities specific to insurance companies	(6,950,115)	(1,317,237)	(8,181,387)	(1,231,272)
TOTAL	**(8,104,230)**	**(178,725)**	**(5,919,861)**	**1,041,762**

DEFERRED TAX COMING FROM OTHER ITEMS	31/12/20		31/12/21	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward[1]	295,773,551	(22,904,885)	262,571,932	(32,090,692)
less: impairments	*(131,746,770)*	*(542,084)*	*(120,938,907)*	*9,620,000*
TOTAL	**164,026,781**	**(23,446,969)**	**141,633,025**	**(22,470,692)**

Considering that :

- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts);
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years;
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future;
- BIL analysis on future taxable profit over the next years will enable the Bank to use the unused tax losses over a medium term period (no time restriction applied in Luxembourg on tax losses generated before the fiscal reform).

Based on these considerations, BIL has recognised the full amount of unused tax losses.

[1] Of which EUR 69.6 million tax losses carried forward (after impairment) related to the liquidation of a former foreign branch.

9.3 Related party transactions

RELATED PARTY TRANSACTIONS	Key management		Subsidiaries	
(in EUR thousands)	31/12/20	31/12/21	31/12/20	31/12/21
Loans[1]	10,397	6,779	94	118
Deposits	13,955	8,348	204	19
Interest paid	0	0	(5)	0
Guarantees and commitments given by the Group	41	51	0	0
Assets entrusted from third parties	8,738	12,953	0	0

	Associates		Other related parties	
	31/12/20	31/12/21	31/12/20	31/12/21
Interest received	1	6	5	1
Deposits	3,603	1,487	3,319	4,102
Interest paid	0	0	(1)	0
Derivatives - Total to receive	0	0	18,900	16,072
Derivatives - Total to deliver	0	0	7,835	6,142
Assets entrusted from third parties	0	0	181,053	177,848

REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.8 "Staff expenses")

9.4 Subscribed and authorised capital

By share category	31/12/20	31/12/21
Number of shares authorised and not issued	2,927,025	2,927,025
Number of shares issued and fully paid up	2,087,261	2,087,261
Capital	146,108,270	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70

Following the extraordinary general meeting of April 25, 2019, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 351 million, without prejudice to possible renewals, until April 24, 2024.

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.5 Exchange rates

The main exchange rates used are the following:

		31/12/20		31/12/21	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.5847	1.6575	1.5615	1.5775
Canadian Dollar	CAD	1.5591	1.5381	1.4393	1.4793
Swiss Franc	CHF	1.0804	1.0705	1.0331	1.0796
Danish Krone	DKK	7.4408	7.4530	7.4364	7.4369
Pound Sterling	GBP	0.8977	0.8880	0.8403	0.8583
Hong Kong Dollar	HKD	9.5025	8.8988	8.8333	9.1839
Japanese Yen	JPY	126.2991	121.9215	130.3800	130.3050
Norwegian Krone	NOK	10.4588	10.7764	9.9888	10.1709
Polish Zloty	PLN	4.5681	4.4652	4.5969	4.5674
Swedish Krona	SEK	10.0230	10.4744	10.2503	10.1620
Singapore Dollar	SGD	1.6197	1.5790	1.5279	1.5856
US Dollar	USD	1.2256	1.1473	1.1326	1.1813

9.6 Acquisitions and disposals of consolidated companies

9.6.1 MAIN ACQUISITIONS

Year 2020

BIL Wealth Management Limited

On February 5, 2020, BIL acquired 100% of BIL Wealth Management Limited (formerly Sino Suisse Financial Group Hong Kong Ltd). The acquisition price including costs amounts to EUR 3,151,016.
The transaction led to a goodwill recognition which amounts to EUR 2,515,485.

The assets and liabilities acquired were as follows:	HKD	EUR
Loans and advances to credit institutions	5,094,739	593,214
Property, plant and equipment	444,702	51,780
Other assets	509,316	59,303
Borrowings	(299,440)	(34,866)
Other liabilities	(291,140)	(33,900)
NET ASSETS	**5,458,177**	**635,531**
Acqusition price	26,700,826	3,151,016
GOODWILL	**(21,242,649)**	**(2,515,485)**

Year 2021

None.

9.6.2 MAIN DISPOSALS

Year 2020

None.

Year 2021

Bourse de Luxembourg S.A. (partially sold on September 30, 2021)

On September 30, 2021, BIL partially sold its participation in Société de la Bourse de Luxembourg, S.A. reducing its percentage of control from 21.41% to 10.00%. Following this partial sale, BIL lost its significant influence over Société de la Bourse de Luxembourg S.A. and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

Net assets	(28,974,076)
Proceeds from the sale	30,119,712
NET PROCEEDS ON THE SALE	**1,145,636**
Reevaluation of the unsold shares	26,255,628
CAPITAL GAIN ON THE SALE	**27,401,264**

Note 10: Notes on the off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/20	31/12/21
Loans to be delivered	512,217,122	249,846,246
Borrowings to be received	531,944,586	227,431,119

10.2 Guarantees

	31/12/20	31/12/21
Guarantees given to credit institutions	150,554,506	168,176,324
Guarantees given to customers	1,000,728,337	999,158,159
Guarantees received from credit institutions	80,253,277	51,807,974
Guarantees received from customers	1,567,626,154	1,394,444,206

10.3 Loan commitments

	31/12/20	31/12/21
Unused credit lines granted to credit institutions	39,076,563	18,405,155
Unused credit lines granted to customers	3,158,244,132	3,314,493,555

10.4 Other commitments

	31/12/20	31/12/21
Banking activity - Other commitments given[1]	42,165,193,251	46,450,754,606
Banking activity - Other commitments received[2]	196,243,099,884	240,494,190,562

[1] Other commitments given are mainly composed of assets entrusted to third parties.

[2] Other commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 229.3 billion as at December 31, 2021 and EUR 181.2 billion as at December 31, 2020.

Note 11: Notes on the consolidated statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/20	31/12/21
INTEREST AND SIMILAR INCOME	524,055,699	470,690,407
a) Interest and similar income of assets not measured at fair value through profit or loss	**339,323,749**	**325,989,111**
Loans and advances to credit institutions	10,492,098	5,654,482
Loans and advances to customers	260,583,397	264,212,861
Financial investments measured at fair value	16,884,017	13,203,939
Financial investments measured at amortised cost	51,131,778	42,612,524
Other	232,459	305,305
b) Interest and similar income of assets measured at fair value through profit or loss	**156,623,471**	**103,867,903**
Financial assets held for trading	470,628	362,982
Derivatives held for trading	91,572,412	54,389,354
Derivatives used for hedging purposes	64,580,431	49,115,567
c) Interest income on liabilities	**28,108,479**	**40,833,393**
INTEREST AND SIMILAR EXPENSES	(215,764,278)	(179,597,845)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(49,407,411)**	**(32,831,808)**
Amounts due to credit institutions	(14,199,590)	(6,444,507)
Amounts due to customers	(11,519,915)	(3,072,086)
Debt securities	(17,425,381)	(16,430,367)
Subordinated debts	(5,656,862)	(6,505,754)
Lease liability	(529,043)	(335,472)
Other	(76,620)	(43,622)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(142,343,433)**	**(121,698,894)**
Financial liabilities held for trading	(510)	(1,085)
Financial liabilities designated at fair value through profit or loss	(12,918,583)	(21,041,649)
Derivatives held for trading	(42,021,445)	(16,345,936)
Derivatives used for hedging purposes	(87,402,895)	(84,310,224)
c) Interest expenses on assets	**(24,013,434)**	**(25,067,143)**
NET INTEREST INCOME	308,291,421	291,092,562

11.2 Dividend income

	31/12/20	31/12/21
Financial investments measured at fair value	43,927	27,404
Financial assets held for trading	2,596	66
TOTAL	46,523	27,470

11.3 Net trading income

	31/12/20	31/12/21
Net income from trading transactions	2,399,713	3,952,997
of which income from trading securities	*2,713,287*	*364,075*
of which income from trading derivatives	*(313,574)*	*3,588,922*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	(3,190,818)	(31,143,049)
Net foreign exchange gain/(loss)	11,611,668	10,933,736
TOTAL	**10,820,563**	**(16,256,316)**

11.4 Net income on financial instruments measured at fair value and net result of hedge accounting

	31/12/20	31/12/21
Net income on financial investments measured at fair value through other comprehensive income	(300,506)	29,315,830
Net income on assets and liabilities held for sale	0	(2,582)
Net income on financial investments at fair value through profit or loss	273,048	3,729,359
of which financial investments mandatorily fair value through profit or loss	*273,048*	*3,729,359*
Net income on financial liabilities designated at fair value through profit or loss	5,096,842	31,987,796
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**5,069,384**	**65,030,403**
Fair value hedge	**(387,576)**	**(184,646)**
Change in the fair value of the hedged item attributable to the hedged risk	84,791,478	(193,109,858)
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	(85,179,054)	192,925,212
Portfolio hedge against interest rate risk	**139,746**	**(11,313)**
Fair value revaluation - Portfolio hedge - Hedged items	11,138,665	2,262,149
Fair value revaluation - Derivatives - Portfolio hedge	(10,998,919)	(2,273,462)
NET RESULT OF HEDGE ACCOUNTING	**(247,830)**	**(195,959)**
TOTAL	**4,821,554**	**64,834,444**

11.5 Net income on derecognition of financial instruments measured at amortised cost

	31/12/20	31/12/21
Net income on loans and advances measured at amortised cost	6,358,601	5,227,885
Net income on financial investments measured at amortised cost	15,389,058	39,770,686
Net income on financial liabilities at amortised cost	0	14,682,413
TOTAL	**21,747,659**	**59,680,984**

As at December 31, 2020 gains and losses on derecognition on loans respectively amount to EUR 6,358,601 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 18,092,671 and EUR (2,703,613).

As at December 31, 2021 gains and losses on derecognition on loans respectively amount to EUR 5,227,885 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 39,772,273 and EUR (1,587).

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see note 11.4).

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11.6 Fee and commission income and expenses

	31/12/20			31/12/21		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	34,406,843	(12,875,498)	21,531,345	33,107,362	(7,951,432)	25,155,930
Administration of unit trusts and mutual funds	55,699	0	55,699	30,033	0	30,033
Insurance activity	6,400,302	(312,457)	6,087,845	6,188,271	(611,183)	5,577,088
Credit activity	26,363,970	(978,196)	25,385,774	29,020,680	(1,337,218)	27,683,462
Purchase and sale on securities	23,542,514	(13,173,076)	10,369,438	22,189,669	(11,351,543)	10,838,126
Purchase and sale of unit trusts and mutual funds	5,937,242	(638,856)	5,298,386	6,816,398	(408,346)	6,408,052
Payment services	24,916,421	(872,639)	24,043,782	32,071,807	(935,023)	31,136,784
Commissions to non-exclusive brokers	0	(213,092)	(213,092)	0	(247,200)	(247,200)
Financial engineering	12,012,821	(2,728,749)	9,284,072	3,853,335	(371,501)	3,481,834
Services on securities other than safe keeping	2,542,179	(89,008)	2,453,171	6,587,190	(365,254)	6,221,936
Custody	24,583,944	(4,229,637)	20,354,307	26,656,509	(4,903,834)	21,752,675
Issues and placements of securities	4,371,798	0	4,371,798	1,600,126	(86,501)	1,513,625
Private banking	57,035,873	(4,233,540)	52,802,333	62,013,048	(7,773,334)	54,239,714
Clearing and settlement	28,391,032	(2,971,849)	25,419,183	30,195,444	(3,441,548)	26,753,896
Securities lending	51,470	(33,900)	17,570	40,879	(57,911)	(17,032)
Other	3,298,597	(1,737,417)	1,561,180	11,527,229	(663,443)	10,863,786
TOTAL	**253,910,705**	**(45,087,914)**	**208,822,791**	**271,897,980**	**(40,505,271)**	**231,392,709**

11.7 Other net income

	31/12/20	31/12/21
Operating taxes	228,506	954,685
Rental income	13,149	23,910
Other rental income	94,382	45,108
Gains on tangible fixed assets	2,649,744	1,367,445
Technical margins insurance companies (income)	4,185,361	3,137,554
Fair value adjustments on investment property	0	7,567,255
Other income on other activities[1]	17,926,712	21,475,750
OTHER INCOME	**25,097,854**	**34,571,707**
Operating taxes	(2,698,334)	(3,893,831)
Other bank charges[2]	(18,062,882)	(21,921,423)
Losses on tangible fixed assets	(169,566)	(96,827)
Losses on other assets	(15,218)	0
Technical margins insurance companies (expenses)	(3,039,948)	(1,652,020)
Other expenses on other activities[3]	(6,805,548)	(5,826,852)
OTHER EXPENSES	**(30,791,496)**	**(33,390,953)**
TOTAL	**(5,693,642)**	**1,180,754**

[1] This consists primarily of write-backs of provisions and extraordinary operating income.
[2] This consists of contributions paid to the Fonds de garantie des dépôts Luxembourg, the Single Resolution Fund and the Fonds de résolution Luxembourg.
[3] This consists primarily of provisions for litigation and extraordinary loss.

11.8 Staff expenses

11.8.1 STAFF EXPENSES

	31/12/20	31/12/21
Wages and salaries	(184,672,964)	(184,321,919)
Social security and insurance costs	(23,250,056)	(23,435,306)
Staff benefits	(4,289,641)	(12,109,262)
Restructuring expenses	(3,935,080)	(6,067,105)
Other expenses	(4,575,744)	(5,240,984)
TOTAL	**(220,723,485)**	**(231,174,576)**

11.8.2 WORKFORCE

(in average FTE)	2020	2021
Senior management	52	47
Employees	1,933	1,908
TOTAL	**1,985**	**1,955**

	31/12/20			
(in average FTE)	Luxembourg	Other Europe	Other (Non-Europe)	Total
Senior management	45	6	1	52
Employees	1,769	152	12	1,933
TOTAL	**1,814**	**158**	**13**	**1,985**

	31/12/21			
(in average FTE)	Luxembourg	Other Europe	Other (Non-Europe)	Total
Senior management	44	2	1	47
Employees	1,780	118	10	1,908
TOTAL	**1,824**	**120**	**11**	**1,955**

11.8.3 REMUNERATION OF BIL GROUP'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Group granted emoluments to the current Board members of senior management and has made contributions in respect of retirement pensions on their behalf as follows:

	Remuneration		Retirement pensions	
	31/12/20	31/12/21	31/12/20	31/12/21
Board members	1,087,857	1,048,424	0	0
Senior Management	17,929,525	17,432,816	2,642,868	1,717,175
TOTAL	**19,017,382**	**18,481,240**	**2,642,868**	**1,717,175**

11.8.4 DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/20	31/12/21
Defined contribution plan expenses	5,236,370	7,625,575
TOTAL	**5,236,370**	**7,625,575**

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11.9 General and administrative expenses

	31/12/20	31/12/21
Occupancy	(8,346,277)	(8,237,913)
Operating leases	(460,101)	(334,230)
Professional fees	(25,286,503)	(33,098,529)
Marketing, advertising and public relations	(5,415,091)	(5,931,024)
Technology and system costs	(35,495,756)	(35,699,949)
Software costs and maintenance expenses	(18,558,073)	(19,760,303)
Repair and maintenance expenses	(31,856)	(3,429)
Operational taxes	515,790	(1,501,272)
Other general and administrative expenses[1]	(46,330,151)	(50,496,018)
TOTAL	**(139,408,018)**	**(155,062,667)**

11.10 Independent auditor's fees

The fees for the services rendered by the independent auditor (including network firms) for the years 2020 and 2021 are as follows (VAT excluded).

	31/12/20	31/12/21
Statutory audit and Long Form Report	1,253,744	2,010,086
Other assurance services	37,366	124,000
Tax services	67,824	66,581
Other services	141,043	350,166
TOTAL	**1,499,977**	**2,550,833**

11.11 Amortisation of tangible, intangible and right-of-use assets

	31/12/20	31/12/21
Depreciation on land and buildings	(6,656,335)	(6,949,354)
Depreciation on other tangible fixed assets	(965,909)	(1,029,585)
Depreciation on IT equipment	(3,483,609)	(2,726,379)
Depreciation on intangible fixed assets	(38,450,991)	(39,279,152)
Depreciation on right-of-use assets	(8,162,290)	(6,014,809)
TOTAL	**(57,719,134)**	**(55,999,279)**

[1] This heading primarily comprises the cost of financial information, of payment cards issued, professional contributions, insurance covers and the transport of valuables.

11.12 Impairment on financial instruments and provisions for credit commitments

	31/12/20			
	Stage 1[1]	Stage 2[2]	Stage 3[3]	Total
Cash, balances with central banks and demand deposits	**0**	**0**	**0**	**0**
Financial assets measured at amortised cost	**(2,427,247)**	**(12,277,167)**	**(1,520,925)**	**(16,225,339)**
Loans and advances to credit institutions measured at amortised cost	(247,217)	166,447	0	(80,770)
Loans and advances to customers measured at amortised cost	(971,675)	(12,003,855)	1,179,075	(11,796,455)
Debt securities measured at amortised cost	(1,208,355)	(439,759)	(2,700,000)	(4,348,114)
Financial assets measured at fair value through other comprehensive income	**(53,634)**	**67,480**	**0**	**13,846**
Debt securities measured at fair value through other comprehensive income	(53,634)	67,480	0	13,846
Other receivables	**0**	**0**	**(178,812)**	**(178,812)**
Off-balance sheet commitments	1,495,406	(829,564)	(1,013,727)	(347,885)
TOTAL IMPAIRMENTS	**(985,475)**	**(13,039,251)**	**(2,713,464)**	**(16,738,190)**

	31/12/21			
	Stage 1[1]	Stage 2[2]	Stage 3	Total
Cash, balances with central banks and demand deposits	**18,500**	**39,572**	**0**	**58,072**
Financial assets measured at amortised cost	**(1,855,747)**	**(4,476,196)**	**(27,109,555)**	**(33,441,498)**
Loans and advances to credit institutions measured at amortised cost	221,908	(15,860)	0	206,048
Loans and advances to customers measured at amortised cost	(2,955,647)	(4,624,623)	(24,863,002)	(32,443,272)
Debt securities measured at amortised cost	877,992	164,287	(2,246,553)	(1,204,274)
Financial assets measured at fair value through other comprehensive income	**48,725**	**0**	**0**	**48,725**
Debt securities measured at fair value through other comprehensive income	48,725	0	0	48,725
Other receivables	**0**	**0**	**(423,851)**	**(423,851)**
Off-balance sheet commitments	**(2,388,690)**	**(948,762)**	**(321,451)**	**(3,658,903)**
TOTAL IMPAIRMENTS	**(4,177,212)**	**(5,385,386)**	**(27,854,857)**	**(37,417,455)**

[1] Including (i) the "moratory" overlay for a total amount of EUR -6,292,000 as at December 31, 2021 (EUR -10,760,000 as at December 31, 2020) composed of EUR -6,192,000 as at December 31, 2021 (EUR -9,880,000 at December 31, 2020) on corporates exposures and EUR -100,000 as at December 31, 2021 (EUR -880,000 as at December 31, 2020) on retail exposures and (ii) the "MidCorp" overlay for EUR -488,000 as at December 31, 2021 (EUR -1,200,000 as at December 31, 2020) on corporate exposures. Refer to the section "ECL Management Overlays" of note 12.2.1 of the consolidated financial statements.

[2] Including (i) the "moratory" overlay for a total amount of EUR -1,467,950 as at December 31, 2021 (EUR -1,670,000 as at December 31, 2020) composed of EUR -1,417,950 as at December 31, 2021 (EUR -1,160,000 as at December 31, 2020) on corporates exposures and EUR -50,000 as at December 31, 2021 (EUR -510,000 as at December 31, 2020) on retail exposures and (ii) the "MidCorp" overlay for EUR -172,050 as at December 31, 2021 (EUR -150,000 as at December 31, 2020) on corporate exposures. Refer to the section "ECL Management Overlays" of note 12.2.1 of the consolidated financial statements.

[3] The amount of EUR 1,179,175 comprises an impairment gain of EUR 47,196,110 corresponding to the partial recovery of a legacy loan. The partial recovery is booked under Group Center as per IFRS 8 segments. (Refer to note 3).

Refer to note 12.2.1 for measurement methods of impairment on loans and provisions for credit commitments.

11.13 Provisions for legal litigation

Charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of related provisions.

11.14 Tax expenses

	31/12/20	31/12/21
Income tax for current financial year	(935,714)	(1,121,213)
Deferred taxes	(18,159,716)	(23,164,466)
Tax on current financial year result (A)	**(19,095,430)**	**(24,285,679)**
Income tax for previous year	46,501	67,298
Deferred taxes for previous year	(233,004)	0
Other tax expenses (B)	**(186,503)**	**67,298**
TOTAL (A)+(B)	**(19,281,933)**	**(24,218,381)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2020 and 2021.
The effective BIL tax rate was 17.39% in 2020 and 15.99% in 2021.
The difference between both rates may be analysed as follows:

	31/12/20	31/12/21
NET INCOME BEFORE TAX	**111,705,109**	**154,237,463**
Tax base	**109,826,586**	**151,858,904**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(27,390,751)**	**(37,873,611)**
Effect of different tax rates in other countries	(1,884,575)	(1,024,190)
Tax effect of non-deductible expenses	(1,101,626)	(5,722,858)
Tax effect of non-taxable income	14,384,318	9,417,936
Tax effect of items taxed at a reduced rate	0	(58,741)
Write-off of deferred tax assets	0	(770,916)
Tax effect on the use of previous tax losses not recognised in the assets	0	9,620,000
Other	(3,102,796)	2,126,701
Tax on current financial year result	**(19,095,430)**	**(24,285,679)**
EFFECTIVE TAX RATE	**17.39%**	**15.99%**

11.15 Net income from associates

	31/12/20	31/12/21
Income from associates before tax	2,577,447	2,932,267
Share of tax	(698,924)	(553,707)
TOTAL	**1,878,523**	**2,378,559**

11.16 Discontinued operations

	31/12/20	31/12/21
Interest income	2,187,336	1,237,286
Interest expenses	(58,616)	(13,879)
Fee and commission income	6,672,155	4,326,110
Fee and commission expenses	(251,051)	(168,367)
Net income on derecognition of financial instruments at amortised cost	0	(990,281)
Net impairment on financial instruments and provisions for credit commitments	388,017	1,036,300
DISCONTINUED OPERATIONS, NET OF TAX	**8,937,841**	**5,427,169**

BIL DENMARK BRANCH

On June 23, 2021, BIL signed a Business Transfer Agreement with Ringkjøbing Landbobank for the transfer of the BIL Denmark branch business. All the business activity (off-balance sheet Assets under Management, loans and deposits) was transferred to the counterparty on July 1, 2021. BIL Denmark activities were classified as a disposal group meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as from June 30, 2021.

As at December 31, 2021, BIL has successfully terminated the operational transfer of all clients' assets and loans. The Bank plans to close the Danish branch during 2022.

BIL FUND & CORPORATE SERVICES

On March 23, 2021, BIL signed a Sale and Purchase Agreement with ZEDRA to sell its consolidated subsidiary BIL Fund & Corporate Services S.A. ("BFCS"). The closing of the transaction took place on March 15, 2022. No classification under IFRS 5 "Non-current assets and disposal group" has been processed in the consolidated financial statements as at December 31, 2021 as BIL Group considered this classification and related disclosures as immaterial.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value of financial instruments

12.1.1 BREAKDOWN OF FAIR VALUE

Fair value of assets	31/12/20			31/12/21		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	4,245,324,853	4,245,324,853	0	5,989,034,370	5,989,034,370	0
Financial assets held for trading	55,716,122	55,716,122	0	24,469,219	24,469,219	0
Financial investments measured at fair value	1,129,363,614	1,129,363,614	0	1,138,003,882	1,138,003,882	0
Financial investments at fair value through other comprehensive income	*1,108,358,280*	*1,108,358,280*	*0*	*1,093,443,120*	*1,093,443,120*	*0*
Non-trading financial investments mandatorily at fair value through profit or loss	*21,005,334*	*21,005,334*	*0*	*44,560,762*	*44,560,762*	*0*
Loans and advances to credit institutions	1,105,696,451	1,105,697,301	850	737,231,429	737,229,454	(1,975)
Loans and advances to customers	15,412,310,898	15,679,870,690	267,559,792	16,346,232,744	16,428,520,589	82,287,845
Financial investments measured at amortised cost	7,685,128,526	7,804,223,624	119,095,098	7,383,330,597	7,476,766,910	93,436,313
Derivatives	235,263,017	235,263,017	0	131,527,726	131,527,726	0
Fair value revaluation of portfolios hedged against interest rate risk	191,221	191,221	0	93,194	93,194	0
TOTAL	**29,868,994,702**	**30,255,650,442**	**386,655,740**	**31,749,923,161**	**31,925,645,344**	**175,722,183**

Fair value of liabilities	31/12/20			31/12/21		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	4,172,955,910	4,180,174,073	7,218,163	4,103,871,221	4,088,679,074	(15,192,147)
Amounts due to customers	19,773,966,458	19,775,067,685	1,101,227	20,688,150,882	20,686,783,102	(1,367,780)
Financial liabilities measured at fair value through profit or loss	934,551,568	934,551,568	0	1,467,315,688	1,467,315,688	0
Derivatives	642,789,763	642,789,763	0	350,859,788	350,859,788	0
Fair value revaluation of Portfolio hedged against interest rate risk	2,433,523	2,433,523	0	70,504	70,504	0
Debt securities	2,783,103,377	2,812,246,428	29,143,051	3,200,417,795	3,218,087,828	17,670,033
Subordinated debts	130,620,187	164,926,220	34,306,033	237,127,187	280,278,980	43,151,793
TOTAL	**28,440,420,786**	**28,512,189,260**	**71,768,474**	**30,047,813,065**	**30,092,074,964**	**44,261,899**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value.

With the exception of the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”, the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

12.1.2 ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as level 2.

Assets	31/12/20			
	Level 1	**Level 2**	**Level 3[1]**	**Total**
Financial assets held for trading	25,911,562	24,532,590	5,271,970	55,716,122
Financial investments measured at fair value	978,821,492	71,188,492	79,353,630	1,129,363,614
Financial investments at fair value through other comprehensive income	*978,821,492*	*53,227,651*	*76,309,137*	*1,108,358,280*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*17,960,841*	*3,044,493*	*21,005,334*
Derivatives	0	231,164,276	4,098,741	235,263,017
TOTAL	**1,004,733,054**	**326,885,358**	**88,724,341**	**1,420,342,753**

	31/12/21			
	Level 1	**Level 2**	**Level 3[1]**	**Total**
Financial assets held for trading	0	18,429,908	6,039,311	24,469,219
Financial investments measured at fair value	848,952,588	45,663,246	243,388,048	1,138,003,882
Financial investments at fair value through other comprehensive income	*848,952,588*	*4,321,725*	*240,168,807*	*1,093,443,120*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*41,341,521*	*3,219,241*	*44,560,762*
Derivatives	0	126,009,429	5,518,297	131,527,726
TOTAL	**848,952,588**	**190,102,583**	**254,945,656**	**1,294,000,827**

Fair value may also be calculated by the interpolation of market prices.

[1] Level 3 financial assets measured at fair value are composed mainly of equity instruments.

Liabilities	31/12/20			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	727,359,649	207,191,919	934,551,568
Derivatives	8,138,311	629,508,370	5,143,082	642,789,763
TOTAL	**8,138,311**	**1,356,868,019**	**212,335,001**	**1,577,341,331**

	31/12/21			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	905,971,305	561,344,383	1,467,315,688
Derivatives	0	332,109,711	18,750,077	350,859,788
TOTAL	**0**	**1,238,081,016**	**580,094,460**	**1,818,175,476**

Fair value may also be calculated by the interpolation of market prices.

12.1.3 TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

Assets	31/12/20		31/12/21	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial investments measured at fair value	0	0	0	10,336,460
Financial investments at fair value through other comprehensive income - Bonds	*0*	*0*	*0*	*10,336,460*
TOTAL	**0**	**0**	**0**	**10,336,460**

Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2020 and 2021.

12.1.4 LEVEL 3 RECONCILIATION

Assets	31/12/20				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale
Financial assets held for trading	3,836,776	897,851	0	2,613,886	(2,076,543)
Financial investments measured at fair value	54,686,528	(7,503)	24,024,029	692,808	(9,226)
Derivatives	4,333,258	(1,702,372)	0	1,467,855	0
TOTAL	**62,856,562**	**(812,024)**	**24,024,029**	**4,774,549**	**(2,085,769)**

	31/12/20				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets held for trading	0	0	0	0	5,271,970
Financial investments measured at fair value	(33,006)	0	0	0	79,353,630
Derivatives	0	0	0	0	4,098,741
TOTAL	**(33,006)**	**0**	**0**	**0**	**88,724,341**

	31/12/21				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale
Financial assets held for trading	5,271,970	475,920	0	1,713,866	(1,422,445)
Financial investments measured at fair value	79,353,630	34,456	136,791,578	27,366,720	0
Derivatives	4,098,741	(3,451,530)	0	4,871,086	0
TOTAL	**88,724,341**	**(2,941,154)**	**136,791,578**	**33,951,672**	**(1,422,445)**

	31/12/21				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets held for trading	0	0	0	0	6,039,311
Financial investments measured at fair value	(210,300)	51,964	0	0	243,388,048
Derivatives	0	0	0	0	5,518,297
TOTAL	**(210,300)**	**51,964**	**0**	**0**	**254,945,656**

Liabilities	31/12/20			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	195,309,974	(43,580,660)	156,776,018	(116,772,755)
Derivatives	3,593,159	(695,319)	2,245,242	0
TOTAL	**198,903,133**	**(44,275,979)**	**159,021,260**	**(116,772,755)**

	31/12/20				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	15,459,342	207,191,919
Derivatives	0	0	0	0	5,143,082
TOTAL	**0**	**0**	**0**	**15,459,342**	**212,335,001**

	31/12/21			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	207,191,919	(26,763,490)	494,746,389	(116,755,243)
Derivatives	5,143,082	(3,236,614)	16,843,609	0
TOTAL	**212,335,001**	**(30,000,104)**	**511,589,998**	**(116,755,243)**

	31/12/21				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	2,924,808	561,344,383
Derivatives	0	0	0	0	18,750,077
TOTAL	**0**	**0**	**0**	**2,924,808**	**580,094,460**

12.1.5 VALUATION TECHNIQUES USED FOR LEVEL 2 AND LEVEL 3 INSTRUMENTS

Description	Valuation techniques (Level 2 and Level 3 instruments)
Unlisted equity securities	- net asset method - Income approach (Discounted Cash Flow method) - Market approach (Comparable company valuation multiples)
Derivatives and Structured Bonds	- use of quoted market prices or dealer quotes for similar instruments - discounted cash-flow models - for interest rate swaps, present value of the estimated future cash flows based on observable yield curves - for foreign currency forwards, present value of future cash flows based on the forward exchange rates at the balance sheet date - for foreign currency options, options pricing models (Black-Scholes, Garman-Kohlhagen and others models)

12.1.6 VALUATION TECHNIQUES, VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Description	Unobservable inputs (Level 3 instruments)	Impact on valuation and sensitivity of level (Level 3 instruments)
Unlisted equity securities	- multiples of comparable - discount rate used for discounting cash-flows - expected cash-flows - discount / haircut	The most significant stand-alone level 3 equity instruments is BIL's participation into Luxair group whose valuation is determined based on observable and unobservable inputs. In 2020, BIL has reviewed its valuation methodology from a full market approach based on multiples of comparable companies to a combination of market and income approaches. A sensitivity analysis on unobservable inputs may lead to significant variations.
Derivatives and Structured Bonds[1 2]	- credit spreads - liquidity premiums - illiquidity adjustment	The effects of sensitivity mostly impact structured issuances recognised at fair value through profit or loss (Fair-value option). These effects are however offset by a reverse sensitivity at the level of the economic hedge measured at fair value throught profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

[1] The Bank has developed a procedure to define the notions of an active market (such as the bid & ask) spread, the issuance size, the number of prices, contributors and of observable and non-observable inputs.

[2] Level 3 financial assets held for trading are the result of buy backs of the bank's structured bonds issued.

12.2 Credit risk

12.2.1 Expected credit loss measurement

Definition of credit risk

Credit risk refers to the risk that a borrower will default on any type of debt if they fail to make the required payments. The risk includes lost principal and interest, disruption to cash flows, and increased collection costs.[1]

Facilities can be analysed by the nature of the client/counterparty's obligations or by the following characteristics:
- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

Definition of default

Default is defined as the inability of a borrower or guarantor to meet obligations vis-à-vis one or more creditors at a given moment or on a lasting basis. The Bank must include all products and positions that are potentially at risk. Default is defined in the Basel II context (Art. 178 CRR) as follows:

"A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:
- The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realising security (if held);
- The obligor is past due more than 90 days on any material credit obligation to the bank group. The materiality of a credit obligation past due must be assessed against the following threshold which comprises two components: an absolute and a relative component. The past due credit obligation is considered material when both the absolute and relative components are exceeded for more than 90 consecutive days."

The absolute component is a limit in terms of the sum of all amounts past due owed by the obligor to BIL, its parent undertaking or any of its subsidiaries (hereinafter the 'credit obligation past due') and is set at:
- EUR 100 for retail exposures;
- EUR 500 for exposures other than retail exposures.

The relative component is a limit in terms of the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor for BIL, its parent undertaking or any of its subsidiaries excluding equity exposures and is set at 1 %.

Write-off policy

Problem loans are written-off, in full or in part, as soon as the Bank considers that there is no reasonable expectation of recovery of the balance outstanding (or part thereof) whether the legal claim against the borrower remains or not. Write-off will ordinarily be accommodated via utilisation of loan loss provisions raised previously. Approval for write-offs is granted by the Default Committee.

Low credit risk exemption

The low credit risk exemption of IFRS 9 is not used by the Bank.

IFRS 9 Staging Assessment

The transition to the new (IFRS 9) credit loss provisioning standard has impacted the way we classify a financial instrument according to its credit risk dynamics over time – the so-called Staging process. Basically, three IFRS 9 Stages have to be distinguished and they can be broadly conceptualised as follows:
- Stage 1 regroups financial instruments that have a performing status and for which no significant deterioration in credit quality has occurred since their origination;
- Stage 2 regroups financial instruments for which a significant increase in credit risk (SICR) has occurred since their origination;
- Stage 3 regroups financial instruments having a credit-impaired status.

This classification requires BIL to clearly define both quantitative and qualitative approaches for assessing both a significant increase in credit risk and a credit-impaired status for its financial instruments which are under the IFRS 9 scope.

Significant increase in credit risk

A first way to assess a SICR event consists in comparing the credit rating grade of a given exposure that is observed at two different dates: (i) at the time of origination and (ii) at the reporting date where one has to calculate an IFRS 9 provisioning amount. More precisely, a SICR is considered to be effective if the difference between the two previous ratings – (ii) minus (i) – is higher (or equal) than a pre-determined threshold which is conditional to the exposure type (e.g. retail, corporates and so on). Such thresholds correspond to expected average downgrades that were quantitatively defined by means of historical credit rating grades.

Some qualitative indicators also complement the SICR assessment. These latter rely on internal credit risk

[1] Credit Risk also includes the occurrence of these events.

management practices which aim at targeting exposures that are subject to (i) forbearance measures, and (ii) the occurrence of past-due events (between 30 and 90 days for moving from Stage 1 to Stage 2).

Credit-impaired status

As for the SICR (or Stage 2) assessment, some qualitative or backstop indicators aim at identifying credit-impaired (or Stage 3) exposures. Basically, two cases can be distinguished: (i) the counterparty exposure is either in a default (or non-performing) or (pre-)litigation status and (ii) a past-due event (higher than 90 days) occurs.

Cure Period

Conversely, if the quantitative and/or qualitative factors of a given exposure improve, its corresponding IFRS 9 Stage may improve over time. Nevertheless, some cure (or probation) periods may apply, particularly in the following circumstances:

- Exit from forborne non-performing to forborne performing status: a one-year period has passed since the forbearance measures were extended;
- Exit from forbearance: a minimum two-year period has passed from the date the forborne exposure was considered as performing;
- Exit from Stage 2 (resp. Stage 3) due to a 30 (resp. 90) days past due: a cure period of 30 (resp. 90) days is applied.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

Modelled ECL (Stage 1, Stage 2 and certain Stage 3 credit risk exposures)

In addition to Pillar I models which focus on the unexpected credit loss, IFRS 9 also defines principles to estimate the expected credit loss (ECL). Under IFRS 9, the ECL is a probability-weighted average of credit losses, considering the respective weight of several representative macroeconomic scenarios. Moreover, two types of ECL are proposed:

- 12-month ECL: representing the ECL resulting from default events within 12 months on a financial instrument – only applicable to Stage 1 exposures;
- Lifetime ECL: representing the ECL resulting from all possible default events over the expected lifetime of a financial instrument – applicable to both Stage 2 and Stage 3 exposures.

The Expected Credit Loss (ECL) is computed as follows:

$$ECL = \sum_{i=1}^{3} \sum_{t=1}^{M} \omega_i \times \left(CPD_{i,t} - CPD_{i,t-1}\right) \times EaD_{i,t} \times LGD \times D_t$$

Where:

- ω_i is the weight (or probability of occurrence) assigned to the macroeconomic scenario i (three distinct scenarios are calibrated: baseline, upside and downside);
- $CPD_{i,t}$ represents the cumulative probability of default at the date t in the scenario i;
- $EAD_{i,t}$ (Exposure at Default) represents the amount of a credit that the Bank is exposed to at the date t in the scenario i;
- LGD (Loss Given Default) is defined as the loss rate in the event of default;
- D_t represents the discount factor at the date t, and;
- M represents the residual maturity of the financial instrument (M is capped at a 12-month horizon for Stage 1 exposures).

Every key parameter has been estimated based on BIL's internal models.

IFRS 9 ECL parameter approaches

Contrary to regulatory (or Pillar I) credit risk parameters, IFRS 9 ones must exhibit the following properties:

(i) Incorporate forward-looking information by trying to explain the dynamics over time by means of business/ financial cycle indicators;
(ii) Remain unbiased with respect to ex-post observed credit risk parameters.

If one firstly considers the Probability of Default (PD) parameters, it is clear that they fully respect these two requirements. On the one hand, forward-looking information is incorporated by relying on both econometric models and the calibration of three distinct macroeconomic scenarios. On the other hand, the historical observation of average default rates is used as an essential component in forecasting PDs.

Secondly, regarding the Loss Given Default (LGD) parameters, it can be said that they only satisfy the second property in that one removes conservatism margins and downturn effects from Basel parameters. As one does not observe apparent correlation with macroeconomic indicators, IFRS 9 LGDs remain constant parameters over time.

And finally, like PD parameters, Exposure At Default (EAD) is also satisfying the two requirements. More specifically, forward-looking information is tackled through two components:

(i) The amortisation scheme of a given loan over time and;
(ii) The inclusion of eligible collaterals – in case of mortgage exposures notably, collateral values are evolving over time by considering forecasts of residential property prices.

BIL's overview of active models for IFRS 9 impairment

The Bank has 6 active PD models:
- 2 for Retail (private and professional);
- 3 for Corporates (small, medium[1] and large), and;
- 1 for Banks.

(Please note that in the case of Sovereign exposures, the Bank uses regulatory (Basel) parameters for IFRS 9 purposes.)

There are no specific LGD models for IFRS 9 in that the Bank uses LGD estimates from Pillar I models. Except for both Large Corporates and Sovereign exposures, one removes several components – conservatism margins, downturn effects and indirect costs, notably – from regulatory parameters so as to be compliant with IFRS 9 requirements.

The Bank uses the same CCF (Credit Conversion Factor) models as developed for Pillar I and these latter are applied to the EAD parameters in the case of undrawn amounts.

The Bank uses the same Haircut models as developed for Pillar I (on Financial Securities).

Expert-judgment ECL (Stage 3 credit exposures only)

BIL Group estimates provisions for individually some credit impaired exposures within Stage 3 which are not measured through models. These exposures are assessed within the dedicated committees and related provisions are calculated using expert-judgment input to take into account the specificities of each exposure and associated collateral and other credit enhancements.

The provisions are calculated using the discounted expected future cash flow method. Cash flows from collateral and other credit enhancements are included in the measurement of ECL of the related financial asset when it is a part or integral to the contractual terms of the financial asset. Due to individual assessment, specific factors are taken into consideration and have a larger impact than macroeconomic factors.

Forward-Looking parameters

In accordance with the IFRS 9 requirements, BIL Group considers forward-looking information for measuring Expected Credit Losses (ECL). Basically, this consists in using a combination of relevant macro-financial indicators (i.e. useful for explaining the dynamics of IFRS 9 credit risk parameters) and several representative macroeconomic scenarios that are regularly updated over time.

BIL has mainly identified strong dependencies between certain macroeconomic factors and historical default rates (or PD models) by distinguishing high- and low-default risk portfolios.

High Default Portfolios (HDP) consider retail counterparts and small and mid-size enterprises using internal default data. The main macroeconomic indicators for forecasting the occurrence of default events for the HDP segment being (i) labour market indicators (unemployment) and (ii) opinion surveys data from Luxembourgish private economic agents (households and manufacturing sector).

Low Default Portfolios (LDP) consider two distinct types of exposures (large corporates and banking institutions) using external default data (source: Moody's Analytics). In this regard, the cyclical dynamics of corporate and banking default rates can be apprehended by means of equity prices measured at both the Eurozone and US levels, as well as by using monetary aggregates and market-based risk measures reflecting the build-up or the materialisation of financial vulnerabilities in the euro area notably.

Additional forward-looking components are considered in the ECL modelling process, especially for addressing some credit risk mitigation effects in the case of residential mortgage loans. Specifically, collateral valuation is directly impacted over time by residential property prices that are forecasted for five different countries (or zones): Luxembourg, Germany, France, Belgium and the euro area as a whole.

Macroeconomic indicators for each scenario

In order to measure ECL as a probability-weighted amount of expected losses, BIL uses 3 distinct macroeconomic scenarios covering a wide range of potential future economic conditions:
- a baseline (or central) scenario which describes the most likely path of the economy over the projection horizon;
- a downside (or adverse) scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path. More precisely, this downside scenario corresponds to a recession period which is characterized by the following sequence of events: financial asset prices plummet, real GDP growth becomes negative and labour market conditions strongly deteriorate with a surge in unemployment;
- an upside (or optimistic) scenario which reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path than in the baseline scenario.

[1] PD model for medium companies is defined further as "MidCorp".

These macroeconomic scenarios are derived from an external database (source: Moody's Analytics). They are built according to a combination of statistical methods and theoretical economic foundations. Moreover, they are updated on a monthly frequency and they are also regularly compared with other external (and publicly available) data like e.g. those released by international organizations and national statistical offices (European Central Bank, European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, STATEC).

Finally, it is important to underline that according to the Moody's statistical methodology, the scenarios have a constant weight (or probability of occurrence) over time: 60% for the baseline scenario and 20% for each of the 2 alternative ones. Accordingly, these are the macroeconomic forecasts – i.e. the dynamics of the projected indicators – which are regularly updated in light of the business cycle fluctuations and the most recent economic events or assumptions.

		LUXEMBOURG						EUROZONE					
		December 2020			December 2021			December 2020			December 2021		
In %		Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2020	-5.3	-5.3	-5.3	-1.8	-1.8	-1.8	-7.4	-7.4	-7.4	-6.6	-6.6	-6.6
	2021	2.0	4.7	-2.3	7.0	7.0	7.0	4.1	6.7	-0.1	5.2	5.2	5.2
	2022	5.5	5.9	5.6	3.0	4.7	-1.3	3.7	3.7	3.4	3.8	5.6	-0.4
	2023	2.0	1.4	2.8	2.8	3.8	1.5	2.7	2.5	3.0	2.7	3.5	1.4
	2024	2.9	2.5	3.2	2.7	2.5	3.6	2.1	2.0	2.5	2.1	1.8	2.9
	2025	3.9	3.8	4.2	2.4	2.2	3.3	1.7	1.7	2.4	1.7	1.4	2.5
	2026	3.8	3.8	4.1	2.1	1.8	2.4	1.4	1.3	1.7	1.4	1.3	1.8
Unemployment	2020	6.4	6.4	6.4	6.4	6.4	6.4	8.1	8.1	8.1	7.9	7.9	7.9
	2021	7.2	7.1	7.5	5.8	5.8	5.8	9.7	9.2	11.2	7.8	7.8	7.8
	2022	7.2	6.9	8.2	5.5	5.4	5.9	9.1	8.5	11.5	7.6	7.1	8.9
	2023	6.6	6.2	7.7	5.7	5.4	7.0	8.5	8.0	10.7	7.4	6.7	9.7
	2024	5.9	5.6	6.8	5.7	5.4	7.1	8.0	7.8	9.7	7.3	6.8	9.6
	2025	5.7	5.5	6.4	5.7	5.5	6.8	7.8	7.7	8.9	7.3	7.0	9.1
	2026	5.7	5.6	6.2	5.7	5.6	6.5	7.7	7.6	8.5	7.3	7.1	8.5
Consumer Prices	2020	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3
	2021	0.4	1.4	-1.0	3.4	3.4	3.4	0.6	1.8	-1.2	2.5	2.5	2.5
	2022	1.1	1.6	-0.1	3.2	4.3	1.8	1.1	1.7	-0.8	3.2	4.4	1.4
	2023	1.4	1.5	0.8	1.3	1.8	0.1	1.1	1.3	0.5	1.0	1.8	-0.6
	2024	1.4	1.4	1.1	1.6	1.7	1.0	1.2	1.2	0.9	1.4	1.5	0.7
	2025	1.7	1.7	1.6	1.8	1.9	1.6	1.5	1.5	1.5	1.8	1.8	1.4
	2026	1.9	1.9	1.8	2.0	2.0	1.9	1.8	1.8	1.8	2.0	2.0	1.9
Stock Prices	2020	-22.7	-22.7	-22.7	-19.8	-19.8	-19.8	-6.0	-6.0	-6.0	-5.3	-5.3	-5.3
	2021	7.6	28.6	-27.9	47.0	47.0	47.0	6.8	19.1	-22.4	24.5	24.5	24.5
	2022	1.9	10.9	6.3	9.5	30.8	-26.5	2.3	4.6	8.9	4.5	13.4	-18.5
	2023	-6.2	-13.4	-1.5	-1.0	7.9	3.8	-3.9	-7.7	6.7	0.8	4.2	7.8
	2024	3.0	-3.1	7.1	1.6	-6.3	6.1	2.3	-1.9	7.9	1.4	-1.4	7.9
	2025	8.9	7.8	11.9	2.6	-3.4	6.6	7.3	5.6	10.0	2.4	-1.0	5.1
	2026	3.1	3.2	5.2	0.3	-0.7	3.1	4.5	4.2	6.0	2.5	1.0	4.0
Residential Property Prices	2020	18.0	18.0	18.0	19.3	19.3	19.3	4.8	4.8	4.8	5.4	5.4	5.4
	2021	0.4	4.1	-3.8	7.0	7.0	7.0	-1.2	0.7	-5.2	7.3	7.3	7.3
	2022	0.4	2.6	-2.2	2.3	6.1	-2.0	2.1	4.0	-3.7	6.0	8.4	1.3
	2023	2.8	1.5	2.5	3.9	6.2	1.2	4.1	4.7	1.3	4.7	7.0	-2.2
	2024	2.9	1.7	4.2	2.9	1.5	2.6	4.2	4.1	4.1	3.9	4.5	0.5
	2025	3.0	2.3	3.9	2.7	1.5	4.0	4.3	4.4	5.2	3.3	3.2	2.5
	2026	3.0	2.8	3.6	2.6	1.9	3.6	4.1	4.3	5.4	2.8	2.7	3.7

ECL Sensitivity

The following table compares the reported ECL by stage and by different weighting of scenarios:

(in EUR million)	Scenarios weights			31/12/2020			31/12/2021		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Reported ECL[1]	60%	20%	20%	38	27	**65**	47	33	**80**
	100%	0%	0%	33	26	**59**	37	31	**68**
	0%	100%	0%	21	25	**46**	29	30	**59**
Stressed ECL	0%	0%	100%	72	32	**104**	97	42	**139**
	80%	0%	20%	41	27	**68**	49	33	**82**
	60%	0%	40%	49	29	**78**	61	35	**96**

ECL Management Overlays

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment.

As a result, adjustments to the modelled ECL are required under the form of management overlays.

The Bank implemented two management overlays to modelled ECL as of December 31, 2020 affecting Stage 1 and Stage 2 exposure classified under Loans and Advances to Customers:
- A "Moratory" overlay that results in a one-notch downgrade for exposures that have benefitted in 2020 from moratoria;
- A "MidCorp" overlay that results in a one-notch downgrade for exposures under the Medium Corporate model of probability of default.

These two management overlays are still applicable as at December 31, 2021. Their main evolution as at December 31, 2021 is related to the "Moratory" overlay where its decrease between December 31, 2020 and December 31, 2021 is related to a large credit file on which the application of the one-notch downgrade resulted in a limited impact, without significant increase in credit risk compared to December 31,2020.

The Moratory overlay is explained by model limitations to capture the effect of moratoria on credit worthiness of concerned exposures.

The MidCorp overlay is extended to all exposures under the MidCorp model given that related exposures are globally affected by the crisis but the effect of crisis is not fully reflected in ratings mostly based on last financial statements of exposures.

The overlays are not cumulative for MidCorp exposures that benefitted or are benefitting from moratoria.

Other models are not concerned by management overlays. In particular, the Large Corporate model, which includes the most affected sectors, is deemed as appropriate given the strong monitoring and dynamic review of ratings performed by the Bank throughout 2021.

[1] Reported ECL excluding impact of management overlays as at December 31, 2020 and as at December 31, 2021 (refer to section Management Overlay of note 12.2.1)

Management overlays made in estimating the reported ECL are set out in the following table:

	31/12/20					
	Model	**Stage**	**Modelled ECL**	**"Moratory" overlay**	**"MidCorp" overlay**	**Reported ECL**
Loans and advances to customers	Corporate	Stage 1	21,885,035	9,880,000	1,200,000	32,965,035
		Stage 2	14,865,867	1,160,000	150,000	16,175,867
	Retail	Stage 1	8,265,551	880,000	-	9,145,551
		Stage 2	8,490,683	510,000	-	9,000,683
TOTAL			**53,507,136**	**12,430,000**	**1,350,000**	**67,287,136**

	31/12/21					
	Model	**Stage**	**Modelled ECL**	**"Moratory" overlay**	**"MidCorp" overlay**	**Reported ECL**
Loans and advances to customers	Corporate	Stage 1	33,318,982	6,192,000	488,000	39,998,982
		Stage 2	22,838,163	1,417,950	172,050	24,428,163
	Retail	Stage 1	4,445,785	100,000	-	4,545,785
		Stage 2	5,612,453	50,000	-	5,662,453
TOTAL			**66,215,383**	**7,759,950**	**660,050**	**74,635,383**

Other information about credit risk is included in the following sections:
- Asset quality limited to loans and advances to customers (Risk Management section of the Management Report),
- Loans and advances to customers (note 7.4) by counterpart and by nature,
- Quality of financial assets (note 7.15) by stage with movements by stage,
- Impairment on loans and provisions for credit commitments (note 11.12) by stage.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

12.2.2 Credit risk exposures

Geographic region is determined according to the risk country of the counterparty, Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographic region (in EUR million)	**31/12/20**	**31/12/21**
Luxembourg	17,563	20,814
Switzerland	3,534	3,282
France	3,639	3,237
Belgium	2,393	2,466
Germany	1,987	1,817
Other EU countries	1,749	1,197
United States and Canada	882	1,008
Spain	780	853
Rest of Europe	585	559
Asia	448	410
Middle East	371	386
Ireland	271	248
Others	198	179
Australia	207	79
Italy	26	66
TOTAL	**34,633**	**36,601**

Exposures by counterparty category (in EUR million)	**31/12/20**	**31/12/21**
Individuals, SME & Self Employed	12,163	12,758
Central Governments	11,183	12,619
Corporate	6,282	6,682
Financial Institutions	4,617	4,072
Public Sector Entities	334	444
Securitisation	36	15
Others	18	11
TOTAL	**34,633**	**36,601**

Credit risk exposure is shown as follows:

- balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of any provision);
- derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposures by stage and ratings

Stage 1 Credit Risk Exposure (in EUR million)	31/12/20 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	134	383	311	804	0	1,632	140	487	713	379	0	1,719
Commitments in respect of loans granted	333	1,543	599	478	0	2,953	230	1,444	742	416	0	2,832
Financial investments at FVOCI (excluding variable income securities)	809	57	0	0	0	866	705	116	0	31	0	852
Financial investments at amortised cost	5,397	1,490	6	288	0	7,181	4,620	2,288	15	192	0	7,115
Loans and advances at amortised cost	4,611	7,035	3,363	2,219	0	17,228	6,293	7,526	4,971	973	0	19,763
Other financial instruments at amortised cost	321	54	85	6	0	466	288	55	24	0	0	367
TOTAL STAGE 1 EXPOSURES	**11,605**	**10,562**	**4,364**	**3,795**	**0**	**30,326**	**12,276**	**11,916**	**6,465**	**1,991**	**0**	**32,648**

Stage 2 Credit Risk Exposure (in EUR million)	31/12/20 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	15	59	5	0	79	0	6	119	0	0	125
Commitments in respect of loans granted	2	50	284	26	0	362	6	38	331	58	0	433
Financial investments at FVOCI (excluding variable income securities)	143	0	0	0	0	143	0	0	0	0	0	0
Financial investments at amortised cost	200	43	20	0	0	263	108	67	20	0	0	195
Loans and advances at amortised cost	14	609	1,931	62	0	2,616	17	442	1,901	91	0	2,451
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 2 EXPOSURES	**359**	**717**	**2,294**	**93**	**0**	**3,463**	**131**	**553**	**2,371**	**149**	**0**	**3,204**

Stage 3 Credit Risk Exposure (in EUR million)	31/12/20 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	4	0	0	0	10	14	3	0	0	0	6	9
Commitments in respect of loans granted	0	0	9	0	35	44	0	0	0	0	26	26
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	7	7	0	0	0	0	4	4
Loans and advances at amortised cost	8	0	1	0	512	521	21	0	3	0	350	374
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 3 EXPOSURES	**12**	**0**	**10**	**0**	**564**	**586**	**24**	**0**	**3**	**0**	**386**	**413**

Credit Risk Exposure without staging (in EUR million)	31/12/20 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Derivatives	102	128	1	2	0	233	19	304	4	5	4	336
Financial assets held-for-trading	22	1	0	2	0	25	0	0	0	0	0	0
TOTAL EXPOSURES WITHOUT STAGING	**124**	**129**	**1**	**4**	**0**	**258**	**19**	**304**	**4**	**5**	**4**	**336**
TOTAL ALL STAGES	**12,100**	**11,408**	**6,669**	**3,892**	**564**	**34,633**	**12,450**	**12,773**	**8,843**	**2,145**	**390**	**36,601**

[1] Loans and advances at amortised cost classified under the "non-investment grade" category are mainly linked to financing facilities granted to Luxembourg SMEs, private individuals and corporates. The non-investment grade ratings related to these exposures are not provided by external credit assessment institutions but derive from the Bank's quantitative models to estimate a counterparty's probability of default. In some cases, the output of these models has been modified by the competent decision-making authority ("rating overrides") to include downgrades linked to the pandemic. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

12.2.3 Collateral and other credit enhancements

31/12/20 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2] Guarantee	Netting agreements[3]	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	1,010	0	0	0	0	0	1,010	0
Financial assets held-for-trading	26	0	0	0	0	0	26	0
Loans and advances at amortised cost	21,927	241	713	1,728	8,072	10,754	11,173	279
Financial investments at amortised cost	7,466	977	0	0	0	977	6,489	19
Derivatives	497	0	208	55	0	263	234	0
Other financial instruments at amortised cost	1,934	0	1,360	107	0	1,467	467	0
Commitments in respect of guarantees given	1,796	11	0	84	19	114	1,682	2
Commitments in respect of loans granted	3,708	75	108	808	537	1,528	2,180	10
TOTAL	**38,364**	**1,304**	**2,389**	**2,782**	**8,628**	**15,103**	**23,261**	**310**

31/12/21 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2] Guarantee	Netting agreements[3]	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	852	0	0	0	0	0	852	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	23,758	243	319	1,699	7,995	10,256	13,502	290
Financial investments at amortised cost	7,333	1,042	0	0	0	1,042	6,291	20
Derivatives	336	0	0	0	0	0	336	0
Other financial instruments at amortised cost	1,352	0	885	101	0	986	366	0
Commitments in respect of guarantees given	1,922	10	0	92	17	119	1,803	4
Commitments in respect of loans granted	3,639	67	74	765	637	1,543	2,096	12
TOTAL	**39,192**	**1,362**	**1,278**	**2,657**	**8,649**	**13,946**	**25,246**	**326**

1 Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.
2 Credit risk mitigation eligible as per internal policies.
3 Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

12.2.4 Past due but not impaired financial assets

	31/12/20		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	33,473,471	28,455,787	5,697,347
TOTAL	**33,473,471**	**28,455,787**	**5,697,347**

	31/12/21		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	51,163,658	47,208,461	8,057,861
TOTAL	**51,163,658**	**47,208,461**	**8,057,861**

BIL has defined three types of past due loans:
- "technical" past due financial assets;
- "operational" past due financial assets;
- "credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

12.2.5 Credit risk mitigation for credit-impaired assets

	31/12/20			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairment	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(15,350,335)	6,634,962	6,634,962
Loans and advances measured at amortised cost	735,931,551	(224,490,417)	511,441,134	429,635,862
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**757,916,848**	**(239,840,752)**	**518,076,096**	**436,270,824**

	31/12/21			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairment	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(17,596,888)	4,388,409	4,388,409
Loans and advances measured at amortised cost	593,325,909	(222,509,158)	370,816,751	346,584,927
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**615,311,206**	**(240,106,046)**	**375,205,160**	**350,973,336**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/20	31/12/21
Cash	15,195,640	16,341,114
Debt instruments	1,797,889	339,199
Other assets	9,505,798	4,855,850
TOTAL	**26,499,327**	**21,536,163**

In general, guarantees obtained are immediately converted into cash by BIL.

12.2.6 Movements in allowances for credit losses

	As at 01/01/20	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/20	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(43,184,433)**	**(11,633,109)**	**6,061,897**	**3,400,485**	**0**	**0**	**0**	**138,119**	**(45,217,041)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(1,560,181)	(724,109)	187,290	(671,535)	0	0	0	4,988	(2,763,547)	n.a	n.a
Debt securities at fair value through other comprehensive income	(23,139)	(19,527)	8,163	(42,270)	0	0	0	777	(75,996)	n.a	n.a
Loans and advances at amortised cost	(41,601,113)	(10,889,473)	5,866,444	4,114,290	0	0	0	132,354	(42,377,498)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(14,069,950)**	**0**	**3,403,633**	**(15,612,899)**	**0**	**0**	**0**	**(88,633)**	**(26,367,849)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(638,938)	0	132,574	(572,333)	0	0	0	4,347	(1,074,350)	n.a	n.a
Debt securities at fair value through other comprehensive income	(67,480)	0	0	67,480	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(13,363,532)	0	3,271,059	(15,108,046)	0	0	0	(92,980)	(25,293,499)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(236,775,823)**	**(2,978,148)**	**4,586,209**	**(25,218,134)**	**0**	**742,911**	**14,260,082**	**5,542,151**	**(239,840,752)**	**21,770,986**	**(14,585,423)**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	0	0
Debt securities at amortised cost	(12,566,385)	0	0	(2,700,000)	0	0	0	(83,950)	(15,350,335)	0	0
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(224,209,438)	(2,978,148)	4,586,209	(22,518,134)	0	742,911	14,260,082	5,626,101	(224,490,417)	21,770,986	(14,585,423)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(294,030,206)**	**(14,611,257)**	**14,051,739**	**(37,430,548)**	**0**	**742,911**	**14,260,082**	**5,591,637**	**(311,425,642)**	**21,770,986**	**(14,585,423)**
Commitments and financial guarantees given (Stage 1)	6,533,913	6,728,526	(2,809,431)	(5,396,891)	0	0	0	(27,986)	5,028,130	0	0
Commitments and financial guarantees given (Stage 2)	1,783,070	1,091,815	(965,868)	704,962	(1,351)	0	0	(10,391)	2,602,237	0	0
Commitments and financial guarantees given (Stage 3)	890,794	61,512	(203,797)	1,156,012	0	0	0	0	1,904,521	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**9,207,777**	**7,881,853**	**(3,979,096)**	**(3,535,917)**	**(1,351)**	**0**	**0**	**(38,377)**	**9,534,888**	**0**	**0**

	As at 01/01/21	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/21	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(45,217,041)**	**(8,722,212)**	**2,899,814**	**4,033,876**	**0**	**0**	**0**	**488,606**	**(46,516,957)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	18,500	0	0	0	(22,969)	(4,469)	n.a	n.a
Debt securities at amortised cost	(2,763,547)	(464,516)	108,070	1,234,438	0	0	0	(22,587)	(1,908,142)	n.a	n.a
Debt securities at fair value through other comprehensive income	(75,996)	(16,442)	11,420	53,747	0	0	0	(470)	(27,741)	n.a	n.a
Loans and advances at amortised cost	(42,377,498)	(8,241,254)	2,780,324	2,727,191	0	0	0	534,632	(44,576,605)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(26,367,849)**	**0**	**1,449,969**	**(5,886,593)**	**0**	**0**	**0**	**(290,570)**	**(31,095,043)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	39,572	0	0	0	(127,082)	(87,510)	n.a	n.a
Debt securities at amortised cost	(1,074,350)	0	0	164,287	0	0	0	(6,854)	(916,917)	n.a	n.a
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(25,293,499)	0	1,449,969	(6,090,452)	0	0	0	(156,634)	(30,090,616)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(239,840,752)**	**(2,064,644)**	**5,050,566**	**(30,822,564)**	**0**	**0**	**30,844,011**	**(3,272,663)**	**(240,106,046)**	**317,878**	**(27,320,124)**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	0	0
Debt securities at amortised cost	(15,350,335)	0	0	(2,246,553)	0	0	0	0	(17,596,888)	0	0
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(224,490,417)	(2,064,644)	5,050,566	(28,576,011)	0	0	30,844,011	(3,272,663)	(222,509,158)	317,878	(27,320,124)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(311,425,642)**	**(10,786,856)**	**9,400,349**	**(32,675,281)**	**0**	**0**	**30,844,011**	**(3,074,627)**	**(317,718,046)**	**317,878**	**(27,320,124)**
Commitments and financial guarantees given (Stage 1)	(5,028,130)	(6,203,925)	2,365,591	1,449,644	0	0	0	38,644	(7,378,176)	0	0
Commitments and financial guarantees given (Stage 2)	(2,602,237)	(267,509)	1,102,701	(1,772,023)	(11,931)	0	0	(8,790)	(3,559,789)	0	0
Commitments and financial guarantees given (Stage 3)	(1,904,521)	(396,883)	37,865	37,567	0	0	0	201,735	(2,024,237)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,534,888)**	**(6,868,317)**	**3,506,157**	**(284,812)**	**(11,931)**	**0**	**0**	**231,589**	**(12,962,202)**	**0**	**0**

12.2.7 Own credit risk linked to financial liabilities designated at fair value through profit or loss

As at 31/12/20	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	934,551,568	141,604	(241,792)	1,838,104

As at 31/12/21	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,467,315,688	236,659	(5,133)	(31,190,506)

In 2020 and 2021, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

12.2.8 Information on forborne exposures

BIL monitors closely its forborne exposures in respect of the regulatory requirements.

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

In case these criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the "Gestion Intensive et Particulière" (GIP) team.

In order to comply with the regulatory requirements, BIL Group has setup procedures (1) to identify the criteria leading to the forborne classification, (2) to classify the Bank's existing exposures between forborne and non-forborne and (3) implementing these criteria across the systems.

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition.

The granting of forbearance measures is likely to constitute an impairment trigger aligned with IFRS 9 requirements.

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 at the end of 2021, BIL Group's forborne exposures amounted to EUR 934 million (EUR 1,059 million in 2020) including EUR 48 million (EUR 62.6 million in 2020) as given banking guarantees.

12.3 Encumbered assets

12.3.1 COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	31/12/20			
	Fair value of collateral received or own debt securities issued available for encumbrance	***of which: central bank eligible***	**Fair value of encumbered collateral received or own debt securities issued available for encumbrance**	***of which: central bank eligible***
Cash collateral	94,778,817	*94,778,817*	0	*0*
Debt securities	668,926,749	*668,926,749*	211,998,447	*211,998,447*
TOTAL	**763,705,566**	***763,705,566***	**211,998,447**	***211,998,447***

	31/12/21			
	Fair value of collateral received or own debt securities issued available for encumbrance	***of which: central bank eligible***	**Fair value of encumbered collateral received or own debt securities issued available for encumbrance**	***of which: central bank eligible***
Cash collateral	25,832,762	*25,832,762*	0	*0*
Debt securities	247,258,681	*247,258,681*	191,637,733	*191,637,733*
TOTAL	**273,091,443**	***273,091,443***	**191,637,733**	***191,637,733***

Consolidated management report

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12.3.2 ENCUMBERED ASSETS

	31/12/20			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities held for trading	**883,789**	***883,789***	**883,789**	***883,789***
of which: issued by general governments	*28,996*	*28,996*	*28,996*	*28,996*
of which: issued by other financial corporations	*803,103*	*803,103*	*803,103*	*803,103*
of which: issued by non-financial corporations	*51,690*	*51,690*	*51,690*	*51,690*
Debt securities at amortised cost	**2,338,492,999**	***1,993,188,368***	**2,398,497,958**	***2,048,087,667***
of which: issued by general governments	*1,334,854,471*	*1,116,556,610*	*1,392,094,454*	*1,169,272,060*
of which: issued by other financial corporations	*886,008,373*	*775,810,236*	*888,843,571*	*778,097,714*
of which: issued by non-financial corporations	*117,630,155*	*100,821,522*	*117,559,933*	*100,717,893*
Debt securities at fair value through other comprehensive income	**454,639,864**	***408,367,375***	**454,639,863**	***408,367,375***
of which: issued by general governments	*242,684,161*	*242,684,161*	*242,684,161*	*242,684,161*
of which: issued by other financial corporations	*201,268,178*	*154,995,689*	*201,268,178*	*154,995,689*
of which: issued by non-financial corporations	*10,687,525*	*10,687,525*	*10,687,524*	*10,687,525*
Loans and advances other than loans on demand	**629,765,369**	***629,765,369***	**629,765,369**	***629,765,369***
TOTAL	**3,423,782,021**	***3,032,204,901***	**3,483,786,979**	***3,087,104,200***

	31/12/21			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities at amortised cost	**2,657,455,729**	***2,295,199,115***	**2,693,099,331**	***2,330,442,202***
of which: issued by general governments	*1,381,725,064*	*1,152,613,415*	*1,409,665,096*	*1,179,853,692*
of which: issued by other financial corporations	*994,819,316*	*874,097,537*	*999,144,798*	*878,762,455*
of which: issued by non-financial corporations	*280,911,349*	*268,488,163*	*284,289,437*	*271,826,055*
Debt securities at fair value through other comprehensive income	**392,152,543**	***392,152,543***	**392,152,543**	***392,152,543***
of which: issued by general governments	*278,241,020*	*278,241,020*	*278,241,020*	*278,241,020*
of which: issued by other financial corporations	*103,575,063*	*103,575,063*	*103,575,063*	*103,575,063*
of which: issued by non-financial corporations	*10,336,460*	*10,336,460*	*10,336,460*	*10,336,460*
Loans and advances other than loans on demand	**370,316,832**	***366,232,039***	**370,316,832**	***366,232,039***
TOTAL	**3,419,925,104**	***3,053,583,697***	**3,455,568,706**	***3,088,826,784***

12.3.3 SOURCES OF ENCUMBRANCE

	31/12/20		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	642,789,763	629,765,369	*0*
Repurchase agreements	662,579,520	657,014,039	*0*
Collateralised deposits other than repurchase agreements	1,498,072,597	1,498,072,597	*211,998,447*
of which: central banks	*1,498,072,597*	*1,498,072,597*	*211,998,447*
Fair value of securities borrowed with non cash collateral	861,313,473	850,928,463	*0*
TOTAL	**3,664,755,353**	**3,635,780,468**	***211,998,447***

	31/12/21		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	350,859,788	370,316,832	*0*
Repurchase agreements	598,005,890	589,537,584	*0*
Collateralised deposits other than repurchase agreements	2,201,141,652	2,201,141,652	*191,637,733*
of which: central banks	*2,201,141,652*	*2,201,141,652*	*191,637,733*
Fair value of securities borrowed with non cash collateral	438,896,414	450,566,769	*0*
TOTAL	**3,588,903,744**	**3,611,562,837**	***191,637,733***

12.3.4 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/20				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	235,263,017	0	235,263,017	94,778,817	140,484,200
Reverse repurchase agreements	19,119,824	0	19,119,824	19,119,824	0
TOTAL	**254,382,841**	**0**	**254,382,841**	**113,898,641**	**140,484,200**

Financial liabilities recognised at end of reporting period	31/12/20				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	642,789,763	0	642,789,763	629,765,369	13,024,394
Repurchase agreements	662,579,521	0	662,579,521	657,014,039	5,565,482
Collateralised deposits other than repurchase agreements	1,498,072,597	0	1,498,072,597	1,498,072,597	0
TOTAL	**2,803,441,881**	**0**	**2,803,441,881**	**2,784,852,005**	**18,589,876**

Financial assets recognised at end of reporting period	31/12/21				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	131,527,726	0	131,527,726	25,832,762	105,694,964
TOTAL	131,527,726	0	131,527,726	25,832,762	105,694,964

Financial liabilities recognised at end of reporting period	31/12/21				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	350,859,788	0	350,859,788	350,859,788	0
Repurchase agreements	598,005,890	0	598,005,890	589,537,584	8,468,306
Collateralised deposits other than repurchase agreements	2,189,231,314	0	2,189,231,314	2,189,231,314	0
TOTAL	3,138,096,992	0	3,138,096,992	3,129,628,686	8,468,306

12.4 Interest rate risk : breakdown by maturity until next interest rate repricing date[1]

ASSETS	31/12/20						
	At sight or on demand[2]	Less than 3 months	Between 3 months a nd 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	4,245,324,853	0	0	0	0	0	4,245,324,853
Financial assets held for trading	33,847,984	102,212	982,045	12,720,177	8,061,443	2,261	55,716,122
Financial investments measured at fair value	46,091,077	23,384,446	33,749,499	614,110,207	314,713,914	97,314,471	1,129,363,614
Financial investments measured at fair value through other comprehensive income	*46,091,077*	*23,384,446*	*33,749,499*	*614,110,207*	*314,713,914*	*76,309,137*	*1,108,358,280*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*21,005,334*	*21,005,334*
Loans and advances to credit institutions	1,102,883,944	7	0	2,812,500	0	0	1,105,696,451
Loans and advances to customers	4,570,702,174	271,708,940	527,871,683	1,820,217,578	8,221,810,523	0	15,412,310,898
Financial investments measured at amortised cost	516,484,193	117,349,739	399,297,871	2,527,410,723	4,124,586,000	0	7,685,128,526
Derivatives	0	1,723,479	130,656	0	0	233,408,882	235,263,017
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	191,221	191,221
TOTAL	**10,515,334,225**	**414,268,823**	**962,031,754**	**4,977,271,185**	**12,669,171,880**	**330,916,835**	**29,868,994,702**

	31/12/21						
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	5,989,034,370	0	0	0	0	0	5,989,034,370
Financial assets held for trading	18,740,214	344,856	2,140,023	3,244,126	0	0	24,469,219
Financial investments measured at fair value	13,996,067	10,636,762	259,224,860	280,579,344	288,837,281	284,729,568	1,138,003,882
Financial investments measured at fair value through other comprehensive income	*13,996,067*	*10,636,762*	*259,224,860*	*280,579,344*	*288,837,281*	*240,168,806*	*1,093,443,120*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*44,560,762*	*44,560,762*
Loans and advances to credit institutions	687,756,253	49,475,176	0	0	0	0	737,231,429
Loans and advances to customers	4,782,096,083	479,971,614	460,262,678	1,820,551,925	8,803,350,444	0	16,346,232,744
Financial investments measured at amortised cost	419,433,686	170,106,417	408,937,085	3,006,509,190	3,378,344,219	0	7,383,330,597
Derivatives	5,777	1,381,495	64,930	12,500	0	130,063,024	131,527,726
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	93,194	93,194
TOTAL	**11,911,062,450**	**711,916,320**	**1,130,629,576**	**5,110,897,085**	**12,470,531,944**	**414,885,786**	**31,749,923,161**

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Excluding derivatives and off-balance sheet items.
[2] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

LIABILITIES	31/12/20						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	1,313,952,704	864,974,559	425,649,418	1,518,428,915	49,950,314	0	4,172,955,910
Amounts due to customers	17,574,385,125	1,272,373,328	262,011,938	657,504,548	7,691,519	0	19,773,966,458
Other financial liabilities	9,222,212	1,339,925	2,618,370	11,279,072	3,472,760	0	27,932,339
Financial liabilities measured at fair value through profit or loss	277,241,596	14,159,379	95,021,320	242,322,541	305,806,732	0	934,551,568
Liabilities designated at fair value	*277,241,596*	*14,159,379*	*95,021,320*	*242,322,541*	*305,806,732*	*0*	*934,551,568*
Derivatives	0	3,363,229	0	0	0	639,426,534	642,789,763
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	2,433,523	2,433,523
Debt securities	1,025,138,257	3,004,211	82,413,774	1,442,308,930	230,238,205	0	2,783,103,377
Subordinated debts	48,542,881	0	0	0	82,077,306	0	130,620,187
TOTAL	**20,248,482,775**	**2,159,214,631**	**867,714,820**	**3,871,844,006**	**679,236,836**	**641,860,057**	**28,468,353,125**

	31/12/21						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	951,729,915	573,476,913	339,606,312	2,192,708,567	46,349,514	0	4,103,871,221
Amounts due to customers	18,382,194,152	1,431,925,510	501,394,645	363,041,693	9,594,882	0	20,688,150,882
Other financial liabilities	7,289,259	1,014,244	2,917,926	8,848,883	2,687,656	0	22,757,968
Financial liabilities measured at fair value through profit or loss	*195,873,047*	*17,931,974*	*134,511,145*	*601,201,535*	*517,797,987*	*0*	*1,467,315,688*
Liabilities designated at fair value	*195,873,047*	*17,931,974*	*134,511,145*	*601,201,535*	*517,797,987*	*0*	*1,467,315,688*
Derivatives	0	878,066	203,336	8,612	0	349,769,774	350,859,788
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	70,504	70,504
Debt securities	1,095,578,942	83,547,460	276,238,612	1,504,221,258	240,831,523	0	3,200,417,795
Subordinated debts	48,676,438	0	0	0	188,450,749	0	237,127,187
TOTAL	**20,681,341,753**	**2,108,774,167**	**1,254,871,976**	**4,670,030,548**	**1,005,712,311**	**349,840,278**	**30,070,571,033**

NET POSITION	31/12/20					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(9,733,148,550)	(1,744,945,808)	94,316,934	1,105,427,179	11,989,935,044	(310,943,222)

	31/12/21					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(8,868,625,867)	(1,396,857,847)	(124,242,400)	480,989,179	11,523,043,555	65,045,508)

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

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12.5 Market risk and Assets & Liabilities Management (ALM)

12.5.1 TREASURY AND FINANCIAL MARKETS ACTIVITIES

BIL's treasury and financial markets activities support the Bank's commercial activities.
Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.
Treasury management is subject to interest-rate sensitivity limit.

a. Trading: Value at Risk - 99 %, 10 days (in EUR million)

BIL calculated:
- a trading VaR (Fixed Income and Forex) based on a historical VaR (99 %, 10 days);
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are detailed below:

VaR (10 days, 99%)		**31/12/20**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.14	0.16	0.16	0.01	0.00	0.00	0.00
	Maximum	0.29	0.21	0.65	0.52	0.07	0.01	0.00	0.02
Global Trading	Average	0.17							
	Maximum	0.65							
	End of period	0.03							
	Limit	2.00							

VaR (10 days, 99%)		**31/12/21**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Global Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	2.00							

b. Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)	31/12/20				31/12/21			
	Treasury				Treasury			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	0.48	2.64	5.14	3.39	5.96	3.11	3.71	4.40
Limit	-20.00				-9.00			

c. Treasury Investment Portfolio (in EUR million)

Exposures include swapped and non-swapped positions. The portfolio's interest rate is managed by Treasury.

(in EUR million)	31/12/20	31/12/21
Exposures (notional amount)	229	152
Interest-rate sensitivity (+1 bp)	(0.00)	(0.00)
Credit spread sensitivity (+1 bp)	(0.07)	(0.08)

12.5.2 ALM interest rate risk and credit spread risk

The interest-rate risk is followed by an interest-rate sensitivity limit.
For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1 % change in interest rates. It applies to the interest-rate position of ALM activities.

(in EUR million)		2020							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	18	45	6	(1)	(2)	(2)	(3)	(3)

(in EUR million)		2021							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(14)	(12)	(31)	10	(3)	(2)	(2)	(2)

b. ALM Investment Portfolio HTC&S (in EUR million)

The portfolio's interest-rate is managed by the ALM.

(in EUR million)	31/12/20	31/12/21
Exposures (notional amount)	720	650
Interest rate sensitivity (+1 bp)	(0.01)	(0.01)
Credit spread sensitivity (+1 bp)	(0.25)	(0.17)

[1] Sensitivity (+1 %), ALM perimeter (own funds excluded)
[2] On December 31, 2020, the interest rate sensitivity limit for BIL ALM was EUR 119 million per percent.
[3] Sensitivity (+1 basis point).

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12.6 Liquidity risk: breakdown by residual maturity

BIL's approach to liquidity risk management is described under point 4. "Financial Market Risk" section of the consolidated management report.

The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received. Presented by residual maturity, excluding derivatives and off-balance sheet.

ASSETS	31/12/20						
	At sight or on demand [1]	Less than 3 months	Between 3months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits[2]	4,245,324,853	0	0	0	0	0	4,245,324,853
Financial assets held for trading	6,980,984	709,898	7,973,741	28,408,961	11,640,277	2,261	55,716,122
Financial investments measured at fair value	0	23,384,446	36,208,751	657,742,032	314,713,914	97,314,471	1,129,363,614
Financial investments measured at fair value through other comprehensive income	*0*	*23,384,446*	*36,208,751*	*657,742,032*	*314,713,914*	*76,309,137*	*1,108,358,280*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*21,005,334*	*21,005,334*
Loans and advances to credit institutions[2]	653,682,200	167,414,201	281,784,850	2,815,200	0	0	1,105,696,451
Loans and advances to customers[2]	2,463,617,521	2,100,578,993	849,279,891	1,777,023,970	8,221,810,523	0	15,412,310,898
Financial investments measured at amortised cost[2]	0	114,637,086	469,246,642	2,860,703,508	4,240,541,290	0	7,685,128,526
Derivatives	4,460,242	188,772,884	15,359,939	9,255,141	17,414,811	0	235,263,017
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	191,221	0	0	191,221
TOTAL	**7,374,065,800**	**2,595,497,508**	**1,659,853,814**	**5,336,140,033**	**12,806,120,815**	**97,316,732**	**29,868,994,702**

	31/12/21						
	At sight or on demand [1]	Less than 3 months	Between 3months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits[2]	5,989,034,370	0	0	0	0	0	5,989,034,370
Financial assets held for trading	4,226,065	2,145,568	4,025,883	10,289,828	3,781,875	0	24,469,219
Financial investments measured at fair value	169,916	10,636,991	259,224,860	280,579,344	302,663,202	284,729,569	1,138,003,882
Financial investments measured at fair value through other comprehensive income	*169,916*	*10,636,991*	*259,224,860*	*280,579,344*	*302,663,202*	*240,168,807*	*1,093,443,120*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*44,560,762*	*44,560,762*
Loans and advances to credit institutions[2]	392,913,545	161,458,002	0	182,859,882	0	0	737,231,429
Loans and advances to customers[2]	2,833,056,171	2,442,364,970	416,441,331	1,792,501,843	8,861,868,429	0	16,346,232,744
Financial investments measured at amortised cost[2]	0	180,106,158	552,802,546	3,187,413,757	3,463,008,136	0	7,383,330,597
Derivatives	3,172,671	58,603,418	7,124,684	13,524,802	49,102,151	0	131,527,726
Fair value revaluation of portfolios hedged against interest rate risk	0	0	93,194	0	0	0	93,194
TOTAL	**9,222,572,738**	**2,855,315,107**	**1,239,712,498**	**5,467,169,456**	**12,680,423,793**	**284,729,569**	**31,749,923,161**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

LIABILITIES	31/12/20						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions [2]	635,077,084	1,245,530,586	716,327,274	1,526,070,652	49,950,314	0	4,172,955,910
Amounts due to customers [2]	15,778,249,999	2,418,404,983	912,109,445	657,504,548	7,697,483	0	19,773,966,458
Other financial liabilities [2]	9,222,212	977,171	2,981,124	11,279,072	3,472,760	0	27,932,339
Financial liabilities measured at fair value through profit or loss	0	69,150,520	116,815,065	428,739,606	319,846,377	0	934,551,568
Liabilities designated at fair value	*0*	*69,150,520*	*116,815,065*	*428,739,606*	*319,846,377*	*0*	*934,551,568*
Derivatives	4,859,484	206,000,994	14,443,381	124,432,646	293,053,258	0	642,789,763
Fair value revaluation of portfolios hedged against interest rate risk	0	0	2,336,282	97,241	0	0	2,433,523
Debt securities [2]	12,426,231	47,069,164	309,484,476	2,183,885,301	230,238,205	0	2,783,103,377
Subordinated debts [2]	0	0	0	0	130,620,187	0	130,620,187
TOTAL	**16,439,835,010**	**3,987,133,418**	**2,074,497,047**	**4,932,009,066**	**1,034,878,584**	**0**	**28,468,353,125**

	31/12/21						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions [2]	431,901,866	988,917,763	444,095,764	2,192,606,314	46,349,514	0	4,103,871,221
Amounts due to customers [2]	18,298,884,015	1,513,135,151	503,495,141	363,041,693	9,594,882	0	20,688,150,882
Other financial liabilities [2]	2,460,694	1,014,244	2,917,926	13,677,448	2,687,656	0	22,757,968
Financial liabilities measured at fair value through profit or loss	0	22,673,384	161,877,546	760,963,144	521,801,614	0	1,467,315,688
Liabilities designated at fair value	*0*	*22,673,384*	*161,877,546*	*760,963,144*	*521,801,614*	*0*	*1,467,315,688*
Derivatives	3,715,803	66,755,274	17,421,884	89,391,177	173,575,650	0	350,859,788
Fair value revaluation of portfolios hedged against interest rate risk	0	0	70,504	0	0	0	70,504
Debt securities [2]	11,821,562	468,890,338	306,246,621	2,172,627,751	240,831,523	0	3,200,417,795
Subordinated debts [2]	0	0	0	0	237,127,187	0	237,127,187
TOTAL	**18,748,783,940**	**3,061,386,154**	**1,436,125,386**	**5,592,307,527**	**1,231,968,026**	**0**	**30,070,571,033**

NET POSITION	31/12/20					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,065,769,210)	(1,391,635,910)	(414,643,233)	404,130,967	11,771,242,231	97,316,732

	31/12/21					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,526,211,202)	(206,071,047)	(196,412,888)	(125,138,070)	11,448,455,767	284,729,569

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/20			
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Regular way trade	0	1,032,323,778	11,837,930	0
Guarantees	718,055	181,021,110	282,501,100	851,391,715
Loan commitments	175,860,885	59,246,701	368,596,226	529,009,643
Other commitments	2,388,582,554	207,837,944	408,665,552	1,680,575,291

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	1,044,161,708
Guarantees	514,307,388	969,222,906	2,799,162,274
Loan commitments	747,816,091	1,316,791,149	3,197,320,695
Other commitments	8,263,452,261	225,459,179,533	238,408,293,135

	31/12/21			
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Regular way trade	433	477,276,932	0	0
Guarantees	67,047,693	175,277,621	197,287,909	715,903,435
Loan commitments	281,606,837	49,423,439	353,045,014	503,620,976
Other commitments	3,001,617,324	218,155,972	498,541,188	1,786,400,393

	31/12/21		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	477,277,365
Guarantees	430,329,991	1,027,740,014	2,613,586,663
Loan commitments	900,680,105	1,244,522,339	3,332,898,710
Other commitments	8,775,506,782	272,664,723,509	286,944,945,168

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

12.7 Currency risk

	31/12/20				
	EUR	Other EU currencies	USD	Other	Total
Assets	24,573,495,512	781,521,741	1,823,696,676	3,378,552,046	30,557,265,975
Liabilities	24,722,362,879	954,889,504	3,952,257,668	927,755,924	30,557,265,975
NET ON-BALANCE SHEET POSITION	**(148,867,367)**	**(173,367,763)**	**(2,128,560,992)**	**2,450,796,122**	**0**
Off-balance sheet – receivable	2,375,959,004	4,087,651,769	9,254,774,968	3,929,768,954	19,648,154,695
Off-balance sheet – payable	2,173,866,895	3,882,455,221	7,136,425,162	6,483,774,964	19,676,522,242
NET OFF-BALANCE SHEET POSITION	**202,092,109**	**205,196,548**	**2,118,349,806**	**(2,554,006,010)**	**(28,367,547)**

	31/12/21				
	EUR	Other EU currencies	USD	Other	Total
Assets	27,187,566,878	399,232,268	2,057,388,278	2,801,528,216	32,445,715,640
Liabilities	26,631,931,664	700,082,761	4,000,414,270	1,113,286,945	32,445,715,640
NET ON-BALANCE SHEET POSITION	**555,635,214**	**(300,850,493)**	**(1,943,025,992)**	**1,688,241,271**	**0**
Off-balance sheet – receivable	2,182,560,294	992,818,340	3,219,205,701	1,783,085,923	8,177,670,258
Off-balance sheet – payable	2,653,524,515	713,453,104	1,380,868,932	3,435,648,987	8,183,495,538
NET OFF-BALANCE SHEET POSITION	**(470,964,221)**	**279,365,236**	**1,838,336,769**	**(1,652,563,064)**	**(5,825,280)**

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12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/20	31/12/21
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,545,334,665**	**1,859,241,754**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,238,738,647**	**1,447,114,568**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result[1]	694,532,875	999,281,956
Regulatory and transitional adjustments	(362,430,459)	(458,803,619)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Subordinated liabilities	0	0
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**131,596,018**	**237,127,186**
Subordinated liabilities	131,596,018	237,127,186
RISK WEIGHTED ASSETS	**9,219,579,108**	**10,228,070,865**
Credit Risk	8,204,306,871	9,232,802,289
Market Risk	31,005,559	22,999,585
Operational Risk	962,695,041	954,428,257
Credit Value Adjustments	21,571,637	17,840,734
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	13.44%	14.15%
Tier 1 ratio	15.33%	15.86%
Capital Adequacy ratio	16.76%	18.18%

[1] **REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1**	**31/12/20**	**31/12/21**
Goodwill and intangible assets	(202,932,961)	(253,452,221)
Deferred tax assets that rely on future probability	(153,657,377)	(132,899,628)
Fair value reserves related to gains or losses cash flow hedges	(122,668)	(1,032,736)
Gains or losses on liabilities at fair value resulting from own credit risk	(181,489)	(3,853)
Other regulatory adjustments	(27,066,175)	(20,572,752)
Additional Value Adjustment	(2,600,966)	(56,440,503)
Transitional provisions related to introduction of IFRS9[2]	32,861,178	24,235,357
IRB shortfall	0	(1,751,282)
Defined benefit pension fund assets	(8,730,001)	(16,886,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**(362,430,459)**	**(458,803,619)**

The figures are computed in accordance with the Basel III rules, the Capital Requirements Regulation (CRR) 575/2013 as amended and the CSSF Regulation 18-03.

[1] Eligible result is represented by partial inclusion of 2021 result of EUR 113.9 million.

[2] The solvency ratios are calculated in accordance with the transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873) applied starting September 30, 2020.

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Audit report

To the Board of Directors of
Banque Internationale à Luxembourg S.A.

Report on the audit of the financial statements

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg (the "Bank") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Bank's financial statements comprise:
- The balance sheet as at 31 December 2021;
- The statement of income for the year then ended;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The cash flow statement for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 11.10 to the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter: Impairment of loans and advances to customers

At 31 December 2021, the gross loans and advances to customers of the Bank amount to EUR 16,094.9 million against which an impairment of EUR 292.6 million is recorded (see Note 7.4 to the financial statements).

Due to the specific situation of the Covid-19 crisis, ECL Management overlays have been considered to anticipate expected credit loss downgrades so as to adapt the model to the current changes in economic conditions for an amount of EUR 8.4 million. Two ECL Management overlays have been accounted for based on a one-notch downgrade for all exposures benefiting from a moratorium as well as MidCorp exposures not already for benefiting from a moratorium (see Note 12.2 to the consolidated financial statements).

We considered this as a key audit matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Bank's Management. The Bank uses the following methods to assess the required impairment allowance:
- The expected credit loss (ECL) allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Bank in its ECL calculation process, model and tool;
- For defaulted loans and advances, impairment is assessed individually on a regular basis.

In particular, the determination of impairment against loans and advances to customers requires:
- Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;

- Inputs and assumptions to estimate the impact of multiple economic scenarios;
- The use of expert judgments and estimates for the design and setup of the internal rating system which form the basis of the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9;
- The use of expert judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.

Refer to the Accounting policy Note 1.6.5 to the consolidated financial statements and to the Notes 7.4 and 12.2 to the financial statements as well as sections 2 and 6 of the Business Review and Results and section 3 of the Risk Management parts of the Consolidated Management Report.

How our audit addressed the Key audit matter

We tested the design and operating effectiveness of key controls across the processes relevant to the ECL calculation.

This included testing of:

- Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level;
- Controls over the incorporation of multiple economic scenarios related to ECL models by the Bank's Credit and Executive Committees;
- Controls over quarterly ECL variation analysis;
- Controls over the loan origination and monitoring processes;
- Controls over the specific provision process and monitoring;
- Controls over the monitoring of internal credit limits;
- Controls over the monitoring of loans in litigation;
- Inspection of Default Committee minutes and Special Mention List/Watch list;
- Inspection over the validation of ECL Management overlays by the Executive Committee.

We also performed the following substantive audit procedures:

- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios especially considering the Covid-19 situation;
- We verified some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Bank.

We tested a sample of loans and advances (including but not only an extended sample of loans included into the Bank Credit Watchlist and/or classified on stage 3) to:

- Form our own assessment as to whether they are classified in the appropriate bucket. We examined in a critical manner the assumptions used by the Bank to determine estimated recovery from any underlying collateral;
- Perform testing over the accuracy of a sample of key input data linked to the credit activity (nominal, interest rates, beneficiaries);
- Perform testing on the valuation and validity of guarantees and collateral received by the Bank to secure its exposures;
- Perform testing over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances.

In light of the credit events linked to the pandemic and in addition to the above, we also performed specific procedures as follow:

- Testing of a sample of credit files under moratorium to ensure that forbearance consideration have been applied by the Bank;
- Assessing the ECL Management overlays methodology used by the Group and of the reasonableness of their levels.

Key audit matter: Deferred tax assets recognition and impairment

As at 31 December 2021, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 140.1 million, of which EUR 69.6 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a foreign country.

We considered this as a key audit matter as the Bank makes forecast to determine the amount of tax losses carried forward which will be resorbed by future taxable profits. Those forecasts are based on subjective Bank's assumptions.

Refer to the Accounting policy Note 1.22 to the consolidated financial statements and to Note 9.2 to the financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the Bank's budget for the year 2022, approved by the Board of Directors, and the business plan prepared by the Bank for the period 2022-2025 as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan;
- We reviewed the consistency and reasonableness of these assumptions including back-testing of the assumptions made at prior year end;

- We evaluated whether updates in the Luxembourg tax laws and regulations may have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former foreign country's branch, we reviewed the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward;
- We verified the arithmetical accuracy of the computations, including the corporate income tax rate used.

Key audit matter: Impairment of participation in Banque Internationale à Luxembourg (Suisse) SA

As at 31 December 2021, the Bank holds investment in its subsidiary Banque Internationale à Luxembourg (Suisse) SA for EUR 173.7 million which is impaired for an amount of EUR 40.6 million and thus presenting a carrying amount of EUR 133.1 million (EUR 182.9 million after considering the fair value hedge adjustment).

We considered the impairment of this subsidiary as a key audit matter as the Bank makes complex and subjective judgements in the determination of the recoverable amount of the investment.

The Bank uses the "Dividend Discount Model" approach to determine the recoverable amount. The assumptions are made by the Bank considering a five year period forecast with a terminal value on the net income after tax. This recoverable amount is corroborated through a market approach (asset under management multiples valuation method).

Refer to the Accounting policy Note 1.2 to the financial statements and to Note 7.8.1 to the financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the impairment valuation methodology applied by the Bank;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the nature of the activities of the investment;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model;
- We verified the arithmetical accuracy of the calculation performed by the Bank;
- We benchmarked the Bank's valuation results against other methodologies commonly used.

Key audit matter: Fair value measurement using of level 3 inputs for equity investments

As at 31 December 2021, the fair value of level 3 equity investments measured at fair value through other comprehensive income amount to EUR 240.2 million (recognised in "Financial investments measured at fair value") and EUR 0.8 million (recognised in "Investments in subsidaries and associates").

We consider the valuation of such investments as inherently complex due to the unavailability of prices on an active market, the limited or unavailability of observable data and the impact of Covid-19 which increased uncertainty in some industries (including the airline industry).

Refer to the Accounting policy Note 1.2 to the financial statements and to Notes 1.6.3.2/1.6.3.3 to the consolidated financial statements and to Notes 7.6; 7.8.2 and 12.1.2 to the financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the fair valuation methodology applied by the Bank, specifically for an investment which operates in the airline industry. The latter valuation was mainly based on a "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model which included, interalia, benchmarking key metrics;
- We verified the arithmetical accuracy of the calculation performed by the Bank.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 70bis Paragraph (1) Letters c) and d) of the amended Law of 17 June 1992 on the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 13 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Electronically signed by:
Rima Adas

Electronically signed by:
Julie Batsch

Rima Adas　　Julie Batsch

Luxembourg, 30 March 2022

Balance sheet

ASSETS (in EUR)	**Notes**	**31/12/20**	**31/12/21**
Cash, balances with central banks and demand deposits	7.2	3,633,908,019	5,483,495,331
Financial assets held for trading	7.5	55,716,122	24,469,219
Financial investments measured at fair value	7.6	1,088,559,137	1,092,340,865
Financial investments at fair value through other comprehensive income	*7.6.2*	*1,085,514,644*	*1,089,121,624*
Non-trading financial investments mandatorily at fair value through profit or loss	*7.6.1*	*3,044,493*	*3,219,241*
Loans and advances to credit institutions	7.3	1,152,846,917	895,022,689
Loans and advances to customers	7.4	15,139,778,610	15,802,366,759
Financial investments measured at amortised cost	7.7	7,526,364,479	7,226,374,299
Derivatives	9.1	239,604,794	131,894,847
Fair value revaluation of portfolios hedged against interest rate risk		191,221	93,194
Investments in subsidiaries and associates	7.8	249,308,881	207,129,914
Investment property	7.10	18,172,400	23,525,736
Property, plant and equipment	7.9	107,006,488	103,046,291
Intangible fixed assets	7.11	200,407,236	249,124,470
Current tax assets	7.12	2,006	2,006
Deferred tax assets	7.12/9.2	182,108,679	160,439,244
Other assets	7.13	72,229,607	72,822,645
TOTAL ASSETS		**29,666,204,596**	**31,472,147,509**

The notes are an integral part of these financial statements.

LIABILITIES (in EUR)	Notes	31/12/20	31/12/21
Amounts due to credit institutions	8.1	4,230,514,492	4,117,865,430
Amounts due to customers	8.2	18,897,292,282	19,798,025,536
Other financial liabilities	8.3	16,135,709	13,958,720
Financial liabilities measured at fair value through profit or loss	8.4	934,551,568	1,467,315,688
Liabilities designated at fair value		*934,551,568*	*1,467,315,688*
Derivatives	9.1	639,814,933	350,124,740
Fair value revaluation of portfolios hedged against interest rate risk		2,433,523	70,504
Debt securities	8.5	2,783,103,377	3,200,417,795
Subordinated debts	8.6	130,620,187	237,127,187
Provisions and other obligations	8.7	32,082,697	40,349,403
Other liabilities	8.9	165,773,452	176,662,221
TOTAL LIABILITIES		**27,832,322,220**	**29,401,917,224**

SHAREHOLDERS' EQUITY (in EUR)	Notes	31/12/20	31/12/21
Subscribed capital	9.4	146,108,270	146,108,270
Share premium		760,527,961	760,527,961
Treasury shares		0	0
Other equity instruments		173,592,617	174,081,292
Reserves and retained earnings		579,065,892	657,129,815
Net income		57,773,573	101,618,197
SHAREHOLDERS' EQUITY		**1,717,068,313**	**1,839,465,535**
Gains and losses not recognised in the consolidated statement of income		116,814,063	230,764,750
Financial instruments at fair value through other comprehensive income		*117,022,504*	*222,850,271*
Other reserves		*(208,441)*	*7,914,479*
GROUP EQUITY		**1,833,882,376**	**2,070,230,285**
TOTAL SHAREHOLDERS' EQUITY		**1,833,882,376**	**2,070,230,285**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**29,666,204,596**	**31,472,147,509**

The notes are an integral part of these financial statements.

Statement of income

(in EUR)	Notes	31/12/20	31/12/21
Interest and similar income	11.1	511,432,122	454,417,707
of which : Interest revenue calculated using the effective interest method		*391,043,431*	*358,283,024*
Interest and similar expenses	11.1	(215,447,347)	(176,806,477)
Dividend income	11.2	4,521,467	2,314,877
Net trading income	11.3	7,548,272	(21,152,792)
Net income on financial instruments measured at fair value and net result of hedge accounting	11.4	4,917,558	33,779,722
Net income on derecognition of financial instruments measured at amortised cost	11.5	21,747,659	59,680,984
Fee and commission income	11.6	199,304,379	221,195,089
Fee and commission expenses	11.6	(26,179,308)	(29,769,524)
Other net income	11.7	(6,734,065)	(3,187,716)
REVENUES		**501,110,737**	**540,471,870**
Staff expenses	11.8	(185,093,725)	(192,021,750)
General and administrative expenses	11.9	(127,643,516)	(140,009,224)
Amortisation of tangible, intangible and right-of-use assets	11.11	(51,436,151)	(51,949,488)
EXPENSES		**(364,173,392)**	**(383,980,462)**
GROSS OPERATING INCOME		**136,937,345**	**156,491,408**
Impairments	11.12	(71,777,034)	(39,197,860)
Net impairment on financial instruments and provisions for credit commitments		*(15,914,145)*	*(35,399,501)*
Net impairment on participations in consolidated companies		*(55,721,321)*	*(3,687,986)*
Net impairment of tangible, intangible and right-of-use assets		*(141,568)*	*(110,373)*
Provisions for legal litigations	11.13	160,000	(542,508)
OPERATING INCOME		**65,320,311**	**116,751,040**
NET INCOME BEFORE TAX		**65,320,311**	**116,751,040**
Tax expenses	11.14	(16,484,579)	(20,560,012)
NET INCOME OF CONTINUING OPERATIONS		**48,835,732**	**96,191,028**
Discontinued operations, net of tax	11.15	8,937,841	5,427,169
NET INCOME[1]		**57,773,573**	**101,618,197**

The notes are an integral part of these financial statements.

[1] In accordance with article 38-4 of the law of the financial sector, the return on assets for the Group for the year ended December 31, 2021 is 0.19% (0.32% for the year ended December 31, 2020).

Statement of comprehensive income

(in EUR)	31/12/20	31/12/21
NET INCOME RECOGNISED IN THE STATEMENT OF INCOME	57,773,573	101,618,197
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	27,769,687	113,950,687
Items that will not be reclassified to profit or loss	**28,876,071**	**115,730,418**
Actuarial gains (losses) on defined benefit pension plans	(2,180,712)	8,655,601
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	(141,604)	(236,659)
Fair value changes of equity instruments measured at fair value through other comprehensive income	24,568,731	108,942,797
Fair value changes of land and buildings - transfer to investment property	8,429,830	0
Tax on items that will not be reclassified to profit or loss	(1,800,174)	(1,631,321)
Items that may be reclassified to profit or loss	**(1,106,384)**	**(1,779,731)**
Gains (losses) on net investment hedge	(16,458)	1,447,692
Translation adjustments	50,914	(193,044)
Gains (losses) on cash flow hedge	3,655,251	1,212,455
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(5,180,623)	(4,774,039)
Tax on items that may be reclassified to profit or loss	384,532	527,205
TOTAL COMPREHENSIVE INCOME, NET OF TAX	85,543,260	215,568,884

The notes are an integral part of these financial statements.

Statement of changes in equity

SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Share Premium	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/20	**146,108,270**	**760,527,961**	**173,592,617**	**418,484,497**	**171,575,447**	**1,670,288,792**
Classification of income				171,575,447	(171,575,447)	0
Coupon on Additionnal Tier One Instrument				(10,734,018)		(10,734,018)
Realised performance on equities at fair value through other comprehensive income				(260,034)		(260,034)
Net income					57,773,573	57,773,573
As at 31/12/20	**146,108,270**	**760,527,961**	**173,592,617**	**579,065,892**	**57,773,573**	**1,717,068,313**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the statement of income
As at 01/01/20	**96,619,308**	**(3,695,248)**	**(3,799,209)**	**(80,475)**	**89,044,376**
Net change in fair value through equity - fair value through other comprehensive income	20,407,613				20,407,613
Net change in fair value through equity - cash flow hedges		2,731,278			2,731,278
Revaluation of investment properties upon reclassification from property, plant and equipment			6,327,430		6,327,430
Translation adjustments	11		0	50,914	50,925
Cancellation of fair value following fair value through other comprehensive income disposals	(4,428)				(4,428)
Net change in other reserves	0		(1,743,131)		(1,743,131)
As at 31/12/20	**117,022,504**	**(963,970)**	**785,090**	**(29,561)**	**116,814,063**

The notes are an integral part of these financial statements.

1 On November 14, 2019 BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as an "other equity instrument" in accordance with IAS 32. It qualifies as AT1 regulatory Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
2 Of which legal reserve EUR 14.6 million.
3 As at December 31, 2020, translation adjustments comprise an amount of EUR -99,686 relating to net investment hedges linked to foreign exchange diffrences in consolidated investments.

SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Share Premium	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/21	**146,108,270**	**760,527,961**	**173,592,617**	**579,065,892**	**57,773,573**	**1,717,068,313**
Classification of income				57,773,573	(57,773,573)	0
Coupon on Additionnal Tier One Instrument				(9,187,500)		(9,187,500)
Other movement			488,675	(488,675)		0
Realised performance on equities at fair value through other comprehensive income				29,966,525		29,966,525
Dividend received on own shares						0
Net income					101,618,197	101,618,197
As at 31/12/21	**146,108,270**	**760,527,961**	**174,081,292**	**657,129,815**	**101,618,197**	**1,839,465,535**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the statement of income
As at 01/01/21	**117,022,504**	**(963,970)**	**785,090**	**(29,561)**	**116,814,063**
Net change in fair value through equity - fair value through other comprehensive income	135,777,068			0	135,777,068
Net change in fair value through equity - cash flow hedges		1,996,706			1,996,706
Translation adjustments	0		0	(193,043)	(193,043)
Cancellation of fair value following fair value through other comprehensive income disposals	(29,949,301)				(29,949,301)
Net change in other reserves			6,319,258		6,319,258
As at 31/12/21	**222,850,271**	**1,032,736**	**7,104,348**	**(222,604)**	**230,764,751**

The notes are an integral part of these financial statements.

[1] On November 14, 2019 BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as an "other equity instrument" in accordance with IAS 32. It qualifies as AT1 regulatory Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
[2] Of which legal reserve EUR 14.6 million.
[3] As at December 31, 2021, translation adjustments comprise an amount of EUR -9,450 relating to net investment hedges linked to foreign exchange diffrences in consolidated investments.

Cash flow statement

(in EUR)	Notes	31/12/20	31/12/21
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		57,773,573	101,618,197
Adjustment for :			
- Depreciation and amortisation	7.9 / 7.11	51,436,151	51,949,488
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		141,568	110,373
- Impairment on bonds, equities and other assets	11.12	63,527,768	2,776,842
- Net gains / (losses) on investments	11.4 / 11.5	(2,442,341)	(1,393,231)
- Provisions (including ECL)	8.7 / 11.12	6,616,264	14,790,971
- Change in unrealised gains / (losses)	11.3	247,830	(5,157,377)
- Deferred taxes	11.14	16,484,579	20,560,012
- Other adjustments		0	0
- Changes in operating assets and liabilities		464,271,362	1,754,462,231
Transactions related to interbank and customers transactions		*1,085,021,694*	*448,754,345*
Transactions related to other financial assets and liabilities		*(579,164,085)*	*1,259,724,134*
Transactions related to other non-financial assets and liabilities		*(41,586,247)*	*45,983,752*
NET CASH FLOW FROM OPERATING ACTIVITIES		**658,056,754**	**1,939,717,506**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.9 / 7.11	(71,033,208)	(96,879,167)
Sale of fixed assets	7.9 / 7.11	4,959,043	2,527,307
Purchase of shares		0	(41,048)
Sale of shares		96,690	29,974,534
Capital increase subsidiaries		(8,552,954)	(5,957,651)
Sale of subsidiaries		0	264,912
NET CASH FLOW FROM INVESTING ACTIVITIES		**(74,530,429)**	**(70,111,113)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		0	100,000,000
Reimbursement of subordinated debts		(31,100,000)	0
Payments on lease liabilities		(4,241,196)	(5,894,880)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(35,341,196)**	**94,105,120**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**548,185,129**	**1,963,711,513**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**3,316,244,279**	**3,864,450,142**
Net cash flow from operating activities		658,056,754	1,939,717,506
Net cash flow from investing activities		(74,530,429)	(70,111,113)
Net cash flow from financing activities		(35,341,196)	94,105,120
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		20,735	2,139
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**7.1**	**3,864,450,142**	**5,828,163,794**
ADDITIONAL INFORMATION			
Taxes paid		0	0
Dividends received	11.2	4,521,467	2,314,877
Interest received		564,110,603	456,582,532
Interest paid		(248,683,147)	(179,962,324)

BIL decided to classify operations relating to shareholders' equity, treasury shares and other elements eligible as regulatory capital as financing activities.

Investing activities are limited to tangible and intangible fixed assets and to transactions on consolidated or non-consolidated shares.

The notes are an integral part of the financial statements.

Changes in liabilities arising from financing activities

(in EUR)	As at 01/01/20	Acquisition/ Reimbursement	Foreign exchange movement	Other changes	As at 31/12/20
Subordinated debts	**170,198,766**	(31,100,000)	(7,502,748)	0	**131,596,018**
Non-Subordinated debts	**0**	0	0	0	**0**
Subscribed capital	**146,108,270**	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	**760,527,961**
Treasury shares	**0**	0	0	0	**0**
Other equity instruments	**173,592,617**	0	0	0	**173,592,617**

(in EUR)	As at 01/01/21	Acquisition/ Reimbursement	Foreign exchange movement	Other changes	As at 31/12/21
Subordinated debts	**131,596,018**	100,000,000	6,696,407	0	**238,292,425**
Non-Subordinated debts	**0**	0	0	0	**0**
Subscribed capital	**146,108,270**	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	**760,527,961**
Treasury shares	**0**	0	0	0	**0**
Other equity instruments	**173,592,617**	0	0	488,675	**174,081,292**

The notes are an integral part of these financial statements.

Notes to the financial statements of the parent company

Presentation of the financial statements

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the financial statements. This rule applies to the presentation of the balance sheet, the statement of income, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, as well as to the notes to the financial statements.

Note 11

Notes on the statement of income (in EUR)

11.1 Interest and similar income - Interest and similar expenses
11.2 Dividend income
11.3 Net trading income
11.4 Net income on financial instruments measured at fair value and net result of hedge accounting
11.5 Net income on derecognition of financial instruments measured at amortised cost
11.6 Fee and commission income and expenses
11.7 Other net income
11.8 Staff expenses
11.9 General and administrative expenses
11.10 Independent auditor's fees
11.11 Amortisation of tangible, intangible and right-of-use assets
11.12 Impairment
11.13 Provisions for legal litigation
11.14 Tax expenses

Note 12

Notes on risk exposures (in EUR)

12.1 Fair value of financial instruments
12.2 Credit risk
12.3 Encumbered assets
12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date
12.5 Market risk and Assets & Liabilities Management (ALM)
12.6 Liquidity risk: breakdown by residual maturity
12.7 Currency risk
12.8 Solvency ratios

Note 1: Accounting principles and rules of the financial statements

The accounting principles and rules applying to the parent company's financial statements are explained in detail in the note 1 to the consolidated financial statements herein except for specific information hereunder that applies solely to the parent's financial statements.

SPECIFIC INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY:

1.1 Statement of compliance

BIL's financial statements (parent company) have been prepared in accordance with all IFRS as adopted by the European Union (UE) and endorsed by the European Commission (EC) up to December 31, 2021 in accordance with the regulation applicable in Luxembourg and in particular the modified law of June 17, 1992 on the annual accounts of credit institutions.

The financial statements are prepared on a "going-concern basis" and are presented in euro (EUR) unless otherwise stated.

1.2 Investment in subsidiaries and associates

Measurement of investments in subsidiaries and associates

Investments in subsidiaries fully consolidated are measured at cost and investments in associates are measured at fair value through other comprehensive income in accordance with IAS 27. The requirements of IAS 36 Impairment of assets apply to investments in subsidiaries measured at cost.

Hedging of consolidated participations denominated in foreign currency measured at cost

For its consolidated participations denominated in foreign currency and measured at cost, the Bank applied the fair value hedge in accordance with IAS 39 to hedge against the currency risk.

The carrying values of consolidated participations that are measured at cost and that are hedged items in fair valued hedges are adjusted to record changes in fair value attributable to the currency risks that are hedged.

1.3 Reclassifications made in accordance with IAS 8

Compared to the previous statement of income, in the statement of income for the year ended December 31, 2021, BIL has corrected the presentation of revenues linked to services (IT support, internal control functions) provided by the head office to its subsidiaries or to external companies to which offsetting with related costs is not permitted.

The impact of the reclassification is disclosed in the following table (corresponding notes are reclassified accordingly).

In accordance with IAS 8, the corrections made have been applied retrospectively and impact the financial position of BIL as disclosed in the table hereunder.

(in EUR)	31/12/20 as published	31/12/20 after reclassification	Impact of reclassification
Other net income	(10,900,149)	(6,734,065)	(4,166,084)
REVENUES	**505,494,477**	**509,660,561**	**(4,166,084)**
Staff expenses	(183,403,381)	(185,093,725)	1,690,344
General and administrative expenses	(125,167,776)	(127,643,516)	2,475,740
EXPENSES	**(360,007,308)**	**(364,173,392)**	**4,166,084**
NET INCOME	**57,773,573**	**57,773,573**	**0**

Note 2: List of branches, subsidiaries and associates

name	country	activity	31/12/20 % of capital held	31/12/21 % of capital held	ref
Head office and branches					
Banque Internationale à Luxembourg S.A.	Luxembourg	bank			
BIL (Dubai) Branch	*Dubai*	*bank*			*1*
BIL Danmark, filial af Banque Internationale à Luxembourg S.A.	*Danmark*	*bank*			
Subsidiaries					
Audit Trust S.à r.l.	Luxembourg	financial services	100	100	
Banque Internationale à Luxembourg (Suisse) S.A.	Switzerland	bank	100	100	
Belair House S.A.	Luxembourg	financial services	100	100	
BIL Fund & Corporate Services S.A.	Luxembourg	financial services	100	100	2
BIL Manage Invest S.A.	Luxembourg	financial services	100	100	
BIL Private Invest Management S.à r.l.	Luxembourg	financial services	100	100	
BIL Reinsurance S.A.	Luxembourg	financial services	100	100	
BIL Wealth Management Limited	China	financial services	100	100	
Biltrust Limited	Guernsey	financial services	100	100	
IB Finance S.A.	Luxembourg	financial services	100	100	
Koffour S.A.	Luxembourg	financial services	100		3
Lannage S.A.	Luxembourg	financial services	100		3
Private II Wealth Management S.à r.l.	Luxembourg	financial services	100	100	
Société du 25 juillet 2013 S.A. (in liquidation)	France	financial services	100	100	
Société Luxembourgeoise de Leasing - BIL-LEASE S.A.	Luxembourg	leasing	100	100	
Valon S.A.	Luxembourg	financial services	100		3
Associates					
Europay Luxembourg, société coopérative	Luxembourg	financial services	52.20	52.20	
Société de la Bourse de Luxembourg S.A.	Luxembourg	financial services	21.41	10	4

(1) The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai closed on October 31, 2021.
(2) Refer to note 5.
(3) Liquidated on December 28, 2021.
(4) On September 30, 2021, BIL partially sold its participation in Société de la Bourse de Luxembourg, S.A. reducing its percentage of control from 21.41% to 10.00%. Following this partial sale, BIL lost its significant influence over Société de la Bourse de Luxembourg S.A. and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

Note 3: Information by business segment

Please refer to Note 3 of the consolidated financial statements.

INCOME (in EUR thousands)	31/12/20				
	Revenues	***of which interest and dividend income***	***of which fee income***	***of which other net income***	**Net income before tax**
Retail, Corporate and Wealth Management	479,434	*294,638*	*174,771*	*10,026*	104,850
Financial Markets	44,619	*20,487*	*502*	*23,629*	24,010
Group Center	(22,942)	*(14,619)*	*(2,148)*	*(6,176)*	(63,540)
TOTAL	**501,111**	***300,506***	***173,125***	***27,479***	**65,320**
Net income before tax					65,320
Tax expenses					(16,485)
Discontinued operations (net of tax)					8,938
NET INCOME					**57,773**

	31/12/21				
	Revenues	***of which interest and dividend income***	***of which fee income***	***of which other net income***	**Net income before tax**
Luxembourg Market & CIB and Wealth Management	497,022	*286,327*	*196,409*	*25,048*	128,724
Financial Markets	64,392	*14,209*	*228*	*49,954*	44,251
Group Center	(20,942)	*(20,610)*	*(5,211)*	*(5,882)*	(56,224)
TOTAL	**540,472**	***279,926***	***191,426***	***69,120***	**116,751**
Net income before tax					116,751
Tax expenses					(20,560)
Discontinued operations (net of tax)					5,427
NET INCOME					**101,618**

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ASSETS AND LIABILITIES (in EUR thousands)	**31/12/20**		**31/12/21**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Luxembourg Market & CIB and Wealth Management	15,139,779	20,233,576	15,802,367	20,525,976
Financial Markets	13,617,988	6,489,804	14,610,325	6,488,231
Group Center	908,438	1,108,942	1,059,456	2,387,711
TOTAL	**29,666,205**	**27,832,322**	**31,472,148**	**29,401,918**

OTHER SEGMENT INFORMATION (in EUR thousands)	**31/12/20**				
	Capital expenditures[1]	**Depreciation and amortisation**	**Impairments**[2]		**Other non-cash expenses**[3]
			Allowances	**Write-backs**	
Retail, Corporate and Wealth Management		(38,839)	(198,277)	135,139	0
Financial Markets	71,014	(1,934)	(79)	85	0
Group Center		(10,663)	(55,842)	47,196	(8,482)
TOTAL	**71,014**	**(51,436)**	**(254,198)**	**182,420**	**(8,482)**

	31/12/21				
	Capital expenditures[1]	**Depreciation and amortisation**	**Impairments**[2]		**Other non-cash expenses**[3]
			Allowances	**Write-backs**	
Luxembourg Market & CIB and Wealth Management		(41,709)	(176,326)	136,876	0
Financial Markets	101,045	(1,735)	(22)	67	0
Group Center		(8,505)	(535)	742	(16,014)
TOTAL	**101,045**	**(51,949)**	**(176,883)**	**137,685**	**(16,014)**

[1] Capital expenditures including the acquisitions for the year in terms of tangible and intangible assets for which the allocation by business line is not available.
[2] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.
[3] Include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

Note 4: Information by geographic area

Please refer to Note 4 of the Consolidated Financial Statements that includes information by geographic area affecting BIL S.A.

Note 5: Post-balance sheet events

Please refer to Note 5 of the Consolidated Financial Statements that includes the post-balance sheet events affecting BIL S.A.

Note 6: Litigation

Please refer to Note 6 of the Consolidated Financial Statements that includes the litigation affecting BIL S.A.

Note 7: Notes on the assets of the balance sheet (in EUR)

7.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

ANALYSIS BY NATURE	31/12/20	31/12/21
Cash and balances with central banks[1]	3,525,177,698	5,366,427,708
Other demand deposits	111,875,397	118,401,910
Loans and advances to credit institutions	227,397,047	343,334,176
TOTAL	**3,864,450,142**	**5,828,163,794**

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should the interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates since years, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

7.2 Cash and balances with central banks and demand deposits

ANALYSIS BY NATURE	31/12/20	31/12/21
Cash in hand	52,290,745	67,751,253
Balances with central banks other than mandatory reserve deposits	2,387,519,615	1,965,046,665
Mandatory reserve deposits	1,082,222,262	3,332,387,482
Other demand deposits	111,875,397	118,401,910
Less :		
Impairment stage 1	0	(4,469)
Impairment stage 2	0	(87,510)
Impairment stage 3	0	0
TOTAL	**3,633,908,019**	**5,483,495,331**
of which included in cash and cash equivalents	*3,637,053,095*	*5,484,829,618*

[1] This item includes the mandatory reserves deposited by credit institutions with Central Bank of Luxembourg or other central banks. The average minimum requirement for the period from December 22, 2021 to February 08, 2022 amounts to EUR 212,061,237.

7.3 Loans and advances to credit institutions

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY NATURE	31/12/20	31/12/21
Cash collateral	613,315,494	339,377,104
Reverse repurchase agreements	19,119,824	0
Loans and other advances	520,826,926	555,687,664
Less:		
Impairment stage 1	(298,378)	(42,079)
Impairment stage 2	(116,949)	0
Impairment stage 3	0	0
TOTAL	**1,152,846,917**	**895,022,689**
of which included in cash and cash equivalents	*227,397,047*	*343,334,176*

QUALITATIVE ANALYSIS
Refer to Note 7.15 and 12.3.

ANALYSIS BY MATURITY AND INTEREST RATE
Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE
Refer to Note 12.1.

7.4 Loans and advances to customers

All loans and advances to customers are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	33,391,669	24,794,739
Other	14,661,831,920	15,480,399,284
Stage 3 impaired loans	730,266,429	589,743,050
Less:		
Impairment stage 1	(41,830,466)	(43,679,077)
Impairment stage 2	(25,055,647)	(29,964,938)
Impairment stage 3	(218,825,295)	(218,926,299)
TOTAL	**15,139,778,610**	**15,802,366,759**

ANALYSIS BY NATURE	31/12/20	31/12/21
On demand and short notice	100,174,456	146,219,656
Other term loans	15,039,604,154	15,656,147,103
of which: loans collateralised by immovable property	*10,713,987,965*	*11,525,939,215*
of which: consumer credits	*251,820,629*	*232,793,564*
TOTAL	**15,139,778,610**	**15,802,366,759**

QUALITATIVE ANALYSIS
Refer to Note 7.15.

ANALYSIS BY MATURITY AND INTEREST RATE
Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE
Refer to Note 12.1.

7.5 Financial assets held for trading

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	17,495,905	0
Credit institutions	32,568,941	24,469,219
Other	5,651,276	0
TOTAL	55,716,122	24,469,219

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	17,495,905	0
Other bonds and fixed-income instruments	38,217,956	24,469,219
Equities and other variable income instruments	2,261	0
TOTAL	55,716,122	24,469,219

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

7.6 Financial investments measured at fair value

	31/12/20	31/12/21
Non-trading financial investments mandatorily at fair value through profit or loss	3,044,493	3,219,241
Financial investments at fair value through other comprehensive income	1,085,514,644	1,089,121,624
TOTAL	1,088,559,137	1,092,340,865

7.6.1 Non-trading financial investments mandatorily at fair value through profit or loss

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Other	3,044,493	3,219,241
TOTAL	3,044,493	3,219,241

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	3,044,493	3,219,241
TOTAL	3,044,493	3,219,241

QUALITATIVE ANALYSIS

Refer to Note 7.15 and 12.1.

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

7.6.2 Financial investments at fair value through other comprehensive income

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	739,665,714	663,189,956
Debt securities	*739,665,714*	*663,189,956*
Credit institutions	179,285,937	175,448,982
Debt securities	*179,285,937*	*175,448,982*
Other	166,630,364	250,505,557
Debt securities	*90,404,448*	*10,336,751*
Equity instruments	*76,225,916*	*240,168,806*
TOTAL BEFORE IMPAIRMENTS	**1,085,582,015**	**1,089,144,495**
Less :		
Impairments	(67,371)	(22,871)
TOTAL	**1,085,514,644**	**1,089,121,624**

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	739,665,714	663,189,956
Other bonds and fixed-income instruments	269,690,385	185,785,733
Equity and variable-income instruments	76,225,916	240,168,806
TOTAL BEFORE IMPAIRMENTS	**1,085,582,015**	**1,089,144,495**
Impairments	(67,371)	(22,871)
TOTAL	**1,085,514,644**	**1,089,121,624**

QUALITATIVE ANALYSIS

Refer to Note 7.15 and 12.1.

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

7.7 Financial investments measured at amortised cost

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Public sector	4,885,303,542	4,670,492,539
Credit institutions	1,383,430,802	1,533,638,317
Other	1,276,460,115	1,042,355,120
Less :		
Impairment stage 1	(2,594,787)	(1,597,872)
Impairment stage 2	(884,858)	(916,917)
Impairment stage 3	(15,350,335)	(17,596,888)
TOTAL	**7,526,364,479**	**7,226,374,299**

ANALYSIS BY NATURE	31/12/20	31/12/21
Bonds issued by public bodies	4,883,414,346	4,669,469,071
Other bonds and fixed-income instruments	2,642,950,133	2,556,905,228
TOTAL	**7,526,364,479**	**7,226,374,299**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

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7.8 Investments in subsidiaries and associates

	31/12/20	31/12/21
NET CARRYING VALUE	**249.308.881**	**207.129.914**

7.8.1 Investment in subsidiaries (measured at cost)

	31/12/20		
	Banks[1]	Other	Total
Gross carrying amount	173,670,993	32,006,892	205,677,885
Impairment	(40,550,278)	(10,859,142)	(51,409,420)
Net carrying amount	**133,120,715**	**21,147,750**	**154,268,465**
Fair value hedge adjustment	41,822,591	(685,059)	41,137,532
Net carrying amount (including fair value hedge adjustment)	**174,943,306**	**20,462,691**	**195,405,997**

	31/12/21		
	Banks[1]	Other	Total
Gross carrying amount	173,670,993	37,964,543	211,635,536
Impairment	(40,550,278)	(14,547,128)	(55,097,406)
Net carrying amount	**133,120,715**	**23,417,415**	**156,538,130**
Fair value hedge adjustment	49,823,822	(70,887)	49,752,935
Net carrying amount (including fair value hedge adjustment)	**182,944,537**	**23,346,528**	**206,291,065**

7.8.2 Investment in associates (measured at fair value through other comprehensive income)

ANALYSIS BY COUNTERPART	31/12/20	31/12/21
Other*	53,902,884	838,849
TOTAL	**53,902,884**	**838,849**

*ANALYSIS BY NATURE	31/12/20	31/12/21
Unlisted equities and other variable-income instruments[2]	53,902,884	838,849
TOTAL	**53,902,884**	**838,849**

[1] In December 2020, the Bank booked an impairment on its participation into BIL Suisse for an amount of CHF -57,571,829. The impairment was determined based on the fair value less costs of disposal as the recoverable amount is calculated using the "dividend discount model" valuation methodology. As at December 31, 2021, the Bank has maintained the impairment as no trigger for reversal of impairment was identified and the recoverable amount is above the net carrying amount.

[2] On September 30, 2021, BIL partially sold its participation in Société de la Bourse de Luxembourg, S.A. reducing its percentage of control from 21.41% to 10.00%. Following this partial sale, BIL lost its significant influence over Société de la Bourse de Luxembourg S.A. and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

7.9 Property, plant and equipment

	Land and buildings		Office furniture and other equipment	Total
	Own use owner	Right-of-use	Own use owner	
ACQUISITION COST AS AT 01/01/20	**333,909,450**	**28,176,225**	**122,276,663**	**484,362,338**
- Acquisitions	3,771,152	843,610	6,406,709	11,021,471
- Disposals	(8,352,788)	0	(69,140)	(8,421,928)
- Transfers and cancellations	(11,936,924)	(3,542,305)	(48,365)	(15,527,594)
- Translation adjustments	(27,044)	(34,869)	(6,105)	(68,018)
ACQUISITION COST AS AT 31/12/20 (A)	**317,363,846**	**25,442,661**	**128,559,762**	**471,366,269**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(240,690,279)**	**(6,405,952)**	**(112,415,964)**	**(359,512,195)**
- Booked	(6,634,478)	(4,436,604)	(3,885,126)	(14,956,208)
- Recognised	0	0	0	0
- Write-off	5,905,226	0	0	5,905,226
- Transfers and cancellations	3,980,176	0	159,995	4,140,171
- Translation adjustments	26,536	30,673	6,016	63,225
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(237,412,819)**	**(10,811,883)**	**(116,135,079)**	**(364,359,781)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**79,951,027**	**14,630,778**	**12,424,683**	**107,006,488**

	Land and buildings		Office furniture and other equipment	Total
	Own use owner	Right-of-use	Own use owner	
ACQUISITION COST AS AT 01/01/21	**317,363,846**	**25,442,661**	**128,559,762**	**471,366,269**
- Acquisitions	5,652,447	4,165,582	2,740,625	12,558,654
- Disposals	(4,453,425)	(477,051)	(87,690)	(5,018,166)
- Transfers and cancellations	(1,977,478)	(7,559,430)	(963,028)	(10,499,936)
- Translation adjustments	11,007	16,872	4,256	32,135
ACQUISITION COST AS AT 31/12/21 (A)	**316,596,397**	**21,588,634**	**130,253,925**	**468,438,956**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(237,412,819)**	**(10,811,883)**	**(116,135,079)**	**(364,359,781)**
- Booked	(6,926,255)	(3,387,000)	(3,086,370)	(13,399,625)
- Write-off	3,312,538	4,317,204	0	7,629,742
- Transfers and cancellations	2,001,026	1,684,782	1,082,821	4,768,629
- Translation adjustments	(11,007)	(16,439)	(4,184)	(31,630)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(239,036,517)**	**(8,213,336)**	**(118,142,812)**	**(365,392,665)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**77,559,880**	**13,375,298**	**12,111,113**	**103,046,291**

7.10 Investment property

NET CARRYING VALUE	2020	2021
ACQUISITION COST AS AT JANUARY 1	**88,828**	**17,461,228**
- Acquisitions[1]	862,400	0
- Transfers and cancellations[2]	16,510,000	0
ACQUISITION COST AS AT DECEMBER 31 (A)	**17,461,228**	**17,461,228**
FAIR VALUE ADJUSTMENTS AS AT JANUARY 1	**711,172**	**711,172**
- Revaluation of Investment Property[3]	0	5,353,336
FAIR VALUE ADJUSTMENTS AS AT DECEMBER 31 (B)	**711,172**	**6,064,508**
NET CARRYING VALUE AS AT DECEMBER 31 (A) + (B)	**18,172,400**	**23,525,736**

7.11 Intangible fixed assets

	Software / internally developped	Other intangible fixed assets[4]	Total
ACQUISITION COST AS AT 01/01/20	**269,135,267**	**106,230,424**	**375,365,691**
Acquisitions[5]	52,804,942	7,188,005	59,992,947
Translation adjustments	0	1,092	1,092
ACQUISITION COST AS AT 31/12/20 (A)	**321,940,209**	**113,419,521**	**435,359,730**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(157,316,631)**	**(41,013,472)**	**(198,330,103)**
Booked	(22,718,164)	(13,903,347)	(36,621,511)
Translation adjustments	0	(880)	(880)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(180,034,795)**	**(54,917,699)**	**(234,952,494)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**141,905,414**	**58,501,822**	**200,407,236**

	Software / internally developped	Other intangible fixed assets[4]	Total
ACQUISITION COST AS AT 01/01/21	**321,940,209**	**113,419,521**	**435,359,730**
Acquisitions[5]	83,404,528	5,081,567	88,486,095
Translation adjustments	0	157	157
ACQUISITION COST AS AT 31/12/21 (A)	**405,344,737**	**118,501,245**	**523,845,982**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(180,034,795)**	**(54,917,699)**	**(234,952,494)**
Booked	(24,031,052)	(14,629,184)	(38,660,236)
Transfers and cancellations	0	(1,108,640)	(1,108,640)
Translation adjustments	0	(142)	(142)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(204,065,847)**	**(70,655,665)**	**(274,721,512)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**201,278,890**	**47,845,580**	**249,124,470**

1 Acquisitions made in 2020 are initially recognised at their fair value. No fair value adjustment was made in 2020 as the acquisition cost represents the best estimate of fair value as at December 31, 2020.
2 During the second semester of 2020, BIL reclassified a portion of its own-occupied property classified under property, plant and equipment to investment property for an amount of EUR 16,510,000. This amount comprises a net booked value of EUR 8,080,170 under cost method before transfer and a revaluation of EUR 8,429,830 recognised in other comprehensive income. The fair value revaluation was estimated based on independent valuation expert and is classified under Level 3 in accordance with IFRS 13.
3 The revaluation of investment property of EUR 5,353,336 occurred during the year ended December 31, 2021 is related to a firm purchase commitment received for some land plots. The other investment properties are measured at fair value based on independent valuation expert. The updated reports prepared by the valuation experts for the year closing December 31, 2021 did not raise to positive or negative revaluation.
4 Other intangible fixed assets include, inter alia and softwares purchased.
5 Acquisitions related to Software internally generated are mainly linked to the development of the new core banking system of the Bank.

7.12 Tax assets

	31/12/20	31/12/21
Current tax assets	2,006	2,006
Deferred tax assets (see Note 9.2)	182,108,679	160,439,244
TOTAL	**182,110,685**	**160,441,250**

7.13 Other assets

	31/12/20	31/12/21
Other assets *	72,229,607	72,822,645
TOTAL	**72,229,607**	**72,822,645**

* ANALYSIS BY NATURE	31/12/20	31/12/21
Receivables	3,922,908	0
Prepaid fees	2,585,252	3,021,432
Other receivables[1]	49,268,871	47,222,168
Pension plan assets	8,730,001	16,805,000
Precious metals	0	993
Operating taxes	6,021,928	4,023,398
Other assets[1]	1,700,647	1,749,654
TOTAL	**72,229,607**	**72,822,645**

[1] Mainly composed of transactions linked to current business awaiting settlement.

7.14 Leasing

7.14.1 BIL as lessor

The Bank did not act as a lessor for financial or operational leases as at December 31, 2020 and as at December 31, 2021.

7.14.2 BIL as lessee

FINANCE LEASE

The Bank is not involved in any financial lease as at December 31, 2020 and as at December 31, 2021.

OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease	31/12/20	31/12/21
Less than 1 year	199,959	208,276
Between 1 year to 2 years	156,876	154,512
Between 2 years to 3 years	141,146	142,805
Between 3 years to 4 years	138,820	101,425
Between 4 years to 5 years	100,781	79,333
More than 5 years	208,679	136,070
TOTAL	**946,261**	**822,421**

Lease and sublease payments recognised as an expense during the financial year	31/12/20	31/12/21
- minimum lease payments	272,213	459,540
TOTAL	**272,213**	**459,540**

- the lease expenses related to short-term leases amount to EUR 132,000;
- the lease expenses related to low-value assets amount to EUR 199,809.

7.15 Quality of financial assets

7.15.1 Loans and securities by stages

	31/12/20		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash balances at central banks and other demand deposits	3,633,908,019	0	3,633,908,019
Loans and advances to credit institutions	1,129,053,067	(298,378)	1,128,754,689
Loans and advances to customers	12,070,854,541	(41,830,466)	12,029,024,075
Debt securities	8,151,453,909	(2,662,158)	8,148,791,751
Stage 1	**24,985,269,536**	**(44,791,002)**	**24,940,478,534**
Loans and advances to credit institutions	24,209,177	(116,949)	24,092,228
Loans and advances to customers	2,624,369,048	(25,055,647)	2,599,313,401
Debt securities	381,111,352	(884,858)	380,226,494
Stage 2	**3,029,689,577**	**(26,057,454)**	**3,003,632,123**
Loans and advances to customers	730,266,429	(218,825,295)	511,441,134
Debt securities	21,985,297	(15,350,335)	6,634,962
Stage 3	**752,251,726**	**(234,175,630)**	**518,076,096**
TOTAL	**28,767,210,839**	**(305,024,086)**	**28,462,186,753**

	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash balances at central banks and other demand deposits	5,447,334,835	(4,469)	5,447,330,366
Loans and advances to credit institutions	888,001,206	(42,079)	887,959,127
Loans and advances to customers	13,011,657,850	(43,679,077)	12,967,978,773
Debt securities	7,879,271,034	(1,620,743)	7,877,650,291
Stage 1	**27,226,264,925**	**(45,346,368)**	**27,180,918,557**
Cash balances at central banks and other demand deposits	36,252,475	(87,510)	36,164,965
Loans and advances to credit institutions	7,063,562	0	7,063,562
Loans and advances to customers	2,493,536,173	(29,964,938)	2,463,571,235
Debt securities	194,205,334	(916,917)	193,288,417
Stage 2	**2,731,057,544**	**(30,969,365)**	**2,700,088,179**
Loans and advances to customers	589,743,050	(218,926,299)	370,816,751
Debt securities	21,985,297	(17,596,888)	4,388,409
Stage 3	**611,728,347**	**(236,523,187)**	**375,205,160**
TOTAL	**30,569,050,816**	**(312,838,920)**	**30,256,211,896**

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7.15.2 Movements of loans and securities by stages (gross carrying amount)

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT JANUARY 1	**3,041,956,502**	**0**	**0**	**3,041,956,502**
From Stage 1 to Stage 2	0	0		0
From Stage 2 to Stage 1	0	0		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination	591,951,517	0	0	591,951,517
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT DECEMBER 31	**3,633,908,019**	**0**	**0**	**3,633,908,019**

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,077,744,475**	**2,365,948,922**	**569,049,991**	**16,012,743,388**
From Stage 1 to Stage 2	(941,407,840)	941,407,840		0
From Stage 2 to Stage 1	550,065,666	(550,065,666)		0
From Stage 2 to Stage 3		(111,137,982)	111,137,982	0
From Stage 3 to Stage 2		18,028,632	(18,028,632)	0
From Stage 1 to Stage 3	(194,354,395)		194,354,395	0
From Stage 3 to Stage 1	29,860,291		(29,860,291)	0
Origination	4,271,415,582	415,953,913	31,665,665	4,719,035,160
Derecognition during the period other than write-offs	(3,576,830,380)	(430,456,351)	(112,027,463)	(4,119,314,194)
Changes in interest accrual	(2,235,681)	(161,001)	0	(2,396,682)
Changes in premium / discount	114,063	0	0	114,063
Changes in fair value (fair value hedge and FVOCI)	(2,287,961)	6,505,541	0	4,217,580
Write-offs	0	0	(13,976,772)	(13,976,772)
Conversion difference (FX change)	(12,176,212)	(7,445,623)	(2,048,446)	(21,670,281)
LOANS AND ADVANCES AS AT DECEMBER 31	**13,199,907,608**	**2,648,578,225**	**730,266,429**	**16,578,752,262**

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**7,056,390,788**	**242,247,705**	**21,759,703**	**7,320,398,196**
From Stage 1 to Stage 2	(277,418,622)	277,418,622		0
From Stage 2 to Stage 1	144,263,405	(144,263,405)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination / Increase	0	0	0	0
Purchase	2,859,803,121	37,562,910	0	2,897,366,031
Derecognition during the period other than write-offs	(1,653,258,982)	(30,060,000)	0	(1,683,318,982)
Changes in interest accrual	(5,911,407)	946,009	0	(4,965,398)
Changes in premium / discount	12,937,683	(4,712,134)	0	8,225,549
Changes in fair value (fair value hedge)	67,927,106	6,138,984	0	74,066,090
Conversion difference (FX change)	(53,279,183)	(4,167,339)	225,594	(57,220,928)
DEBT SECURITIES AS AT DECEMBER 31	**8,151,453,909**	**381,111,352**	**21,985,297**	**8,554,550,558**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT JANUARY 1	**3,633,908,019**	**0**	**0**	**3,633,908,019**
From Stage 1 to Stage 2	(10,115,357)	10,115,357		0
From Stage 2 to Stage 1	0	0		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0			0
From Stage 3 to Stage 1	0			0
Origination	1,843,901,069	31,181,975	0	1,875,083,044
Derecognition during the period other than write-offs	(13,053,798)	(5,182,119)	0	(18,235,917)
Changes in interest accrual	(1,242,309)	0	0	(1,242,309)
Conversion difference (FX change)	(5,209,527)	137,262	0	(5,072,265)
Other movements	(853,262)	0	0	(853,262)
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT DECEMBER 31	**5,447,334,835**	**36,252,475**	**0**	**5,483,587,310**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,199,907,608**	**2,648,578,225**	**730,266,429**	**16,578,752,262**
From Stage 1 to Stage 2	(590,360,324)	590,360,324		0
From Stage 2 to Stage 1	532,919,111	(532,919,111)		0
From Stage 2 to Stage 3		(61,697,639)	61,697,639	0
From Stage 3 to Stage 2		37,906,926	(37,906,926)	0
From Stage 1 to Stage 3	(18,449,327)		18,449,327	0
From Stage 3 to Stage 1	9,537,482		(9,537,482)	0
Origination	4,540,857,377	478,490,992	72,912,353	5,092,260,722
Derecognition during the period other than write-offs	(3,775,852,112)	(654,339,847)	(219,704,629)	(4,649,896,588)
Changes in interest accrual	1,760,038	16,857	0	1,776,895
Changes in fair value (fair value hedge and FVOCI)	(448,743)	(5,559,161)	0	(6,007,904)
Write-offs	0	0	(26,256,339)	(26,256,339)
Conversion difference (FX change)	(212,054)	(237,831)	(177,322)	(627,207)
LOANS AND ADVANCES AS AT DECEMBER 31	**13,899,659,056**	**2,500,599,735**	**589,743,050**	**16,990,001,841**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**8,151,453,909**	**381,111,352**	**21,985,297**	**8,554,550,558**
From Stage 1 to Stage 2	(98,502,167)	98,502,167		0
From Stage 2 to Stage 1	290,896,245	(290,896,245)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	1,303,356,580	10,919,920	0	1,314,276,500
Derecognition during the period other than write-offs	(1,583,842,262)	0	0	(1,583,842,262)
Changes in interest accrual	(1,121,992)	(1,415,029)	0	(2,537,021)
Changes in premium / discount	(28,272,322)	5,076,126	0	(23,196,196)
Changes in fair value (fair value hedge)	(179,869,784)	(12,664,291)	0	(192,534,075)
Conversion difference (FX change)	25,172,827	3,571,334	0	28,744,161
DEBT SECURITIES AS AT DECEMBER 31	**7,879,271,034**	**194,205,334**	**21,985,297**	**8,095,461,665**

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Note 8: Notes on the liabilities of the balance sheet (in EUR)

8.1 Amounts due to credit institutions

ANALYSIS BY NATURE	31/12/20	31/12/21
On demand	444,742,913	254,709,644
Term	168,640,707	147,474,657
Cash collateral	62,238,444	24,624,804
Repurchase agreements	662,579,521	598,005,890
Central banks[1]	1,500,269,752	2,201,437,577
Other borrowings[2]	1,392,043,155	891,612,858
TOTAL	**4,230,514,492**	**4,117,865,430**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

QUALITATIVE ANALYSIS

Refer to Note 12.3.

8.2 Amounts due to customers

ANALYSIS BY NATURE	31/12/20	31/12/21
Demand deposits	11,417,086,954	12,397,328,788
Saving deposits	3,379,261,664	3,275,373,051
Term deposits	4,068,403,291	4,124,115,739
Cash collateral	32,540,373	1,207,958
TOTAL	**18,897,292,282**	**19,798,025,536**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

[1] The Management Board decided to participate in the different tranches of the TLTRO III (Targeted Longer-Term Refinancing Operations) for a total amount of EUR 2,200 million as at December 31, 2021. BIL applied IFRS 9 to account for TLTRO III operations with the effective interest rate corresponding to the most probable scenario of achieving the lending performance thresholds at subscription date. The Bank has reassessed the achievement of the lending performance as at March 31, 2021 and as at December 31, 2021 respectively and accounts for the impacts of this revision under the modification accounting of IFRS 9 when the lending performance thresholds were met. EUR 7.7 million of interest income was recognised for the year ended December 31, 2021 (EUR million 5.3 for the year ended December 31, 2020) and EUR 14.2 million of gains on modification of financial liabilities were recognised for the year ended December 31, 2021 (EUR 0 million as for the year ended December 31, 2020) in relation to TLTRO III operations.

[2] Other borrowings represent day-to-day cash management operations.

8.3 Other financial liabilities

ANALYSIS BY NATURE	31/12/20	31/12/21
Other financial liabilities	16,135,709	13,958,720
of which lease liabilities	*16,135,709*	*13,958,720*
TOTAL	**16,135,709**	**13,958,720**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

8.4 Financial liabilities measured at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss (fair value option)

ANALYSIS BY NATURE	31/12/20	31/12/21
Non-subordinated liabilities	934,551,568	1,467,315,688
TOTAL	**934,551,568**	**1,467,315,688**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

The bank primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis. The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

8.5 Debt securities

ANALYSIS BY NATURE	31/12/20	31/12/21
Certificates of deposit	17,155,810	15,400,597
Non-convertible bonds	2,765,947,567	3,185,017,198
TOTAL	**2,783,103,377**	**3,200,417,795**

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

8.6 Subordinated debts

ANALYSIS BY NATURE	31/12/20	31/12/21
Non-convertible subordinated debts[1,2]	130,620,187	237,127,187
TOTAL	130,620,187	237,127,187

ANALYSIS BY MATURITY AND INTEREST RATE

Refer to Notes 12.4, 12.5 and 12.6.

ANALYSIS OF THE FAIR VALUE

Refer to Note 12.1.

8.7 Provisions and other obligations

8.7.1 Analysis by nature

	31/12/20	31/12/21
Litigation[3]	1,804,352	2,074,159
Restructuring (including garden leave)	4,787,642	7,429,542
Other long-term employee benefits (including jubilee and time saving account)	16,025,368	16,145,109
Provision for off-balance sheet credit commitments	9,375,579	12,736,265
Onerous contracts	89,756	1,964,328
TOTAL	32,082,697	40,349,403

[1] List available upon request.
[2] On May 6, 2021, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since December 3, 2021.
[3] Provisions for legal litigation, including those for staff and tax-related litigation.

8.7.2 Analysis by movement

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/20	**2,391,660**	**5,954,134**	**16,521,967**	**9,161,958**	**0**
Exchange differences	0	4,749	0	(37,580)	(6,123)
Additional provisions	400,500	3,998,327	2,042,079	0	95,879
Changes due to change in credit risk	0	0	0	(3,650,204)	0
Changes due to modifications without derecognition	0	0	0	(1,351)	0
Increases due to origination or acquisition	0	0	0	7,881,853	0
Decreases due to derecognition	0	0	0	(3,979,096)	0
Revaluation through reserves[1]	0	0	2,180,712	0	0
Unused amounts reversed	(510,000)	(155,247)	(2,969,489)	0	0
Used during the year	(477,808)	(5,014,321)	(1,749,901)	0	0
AS AT 31/12/20	**1,804,352**	**4,787,642**	**16,025,368**	**9,375,579**	**89,756**

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/21	**1,804,352**	**4,787,642**	**16,025,368**	**9,375,579**	**89,756**
Exchange differences	140	530	0	18,067	3,379
Additional provisions	792,508	6,472,163	1,891,644	0	1,964,307
Changes due to change in credit risk	0	0	0	228,037	0
Changes due to modifications without derecognition	0	0	0	11,931	0
Increases due to origination or acquisition	0	0	0	6,868,317	0
Decreases due to derecognition	0	0	0	(3,506,157)	0
Revaluation through reserves2	0	0	0	0	0
Unused amounts reversed	(863)	(313,058)	0	0	(93,114)
Used during the year	(521,978)	(3,517,735)	(1,771,903)	0	0
Transfers	0	0	0	(203,401)	0
Other movements	0	0	0	(56,108)	0
AS AT 31/12/21	**2,074,159**	**7,429,542**	**16,145,109**	**12,736,265**	**1,964,328**

[1] See point 1.22 of Note 1.

8.7.3 Provision for pension

Employees hired prior to November 1, 2007 partake in a defined benefit pension plan (hybrid pension plan), unless they decided, on an individual basis to move to a defined contribution pension plan in 2007. All the defined benefit commitments are shown in the table below.

a. Reconciliation of benefit obligations	**31/12/20**	**31/12/21**
Defined benefit obligations at the beginning of the year	212,624,000	174,790,999
Current service cost	3,888,445	3,495,460
Interest cost	632,843	(56,774)
Past service cost and gains and losses arising from settlements	(4,928,000)	121,000
Actuarial gains / (losses)	3,674,710	(2,537,858)
Stemming from changes in demographic assumptions	*0*	*0*
Stemming from changes in financial assumptions	*3,736,000*	*(6,212,000)*
Stemming from experience adjustments	*(61,290)*	*3,674,142*
Benefits paid	(13,585,000)	(13,951,000)
Other	(27,515,999)	(142,827)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**174,790,999**	**161,719,000**

b. Reconciliation of fair value of pension plan assets	**31/12/20**	**31/12/21**
Fair value of pension plan assets at the beginning of the year	217,129,000	183,521,000
Actual return on pension plan assets	2,135,000	6,057,000
Expected return on pension plan assets	*641,002*	*(60,743)*
Actuarial gains / (losses)	*1,493,998*	*6,117,743*
Employer contributions	5,357,999	3,039,827
Benefits paid	(13,585,000)	(13,951,000)
Other	(27,515,999)	(142,827)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**183,521,000**	**178,524,000**

c. Reconciliation of the effect of the asset ceiling	**31/12/20**	**31/12/21**
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

NET ASSET / (NET LIABILITY)	**8,730,001**	**16,805,000**

d. Funded status	**31/12/20**	**31/12/21**
Pension plan assets in excess of benefit obligation	(8,730,001)	(16,805,000)
Unrecognised assets		

e. Movement in net defined benefit pension liability or asset	**31/12/20**	**31/12/21**
Net Asset / (Net liability) at the beginning of the year	4,505,000	8,730,001
Net periodic pension cost recognised in the income statement	1,047,714	(3,620,429)
Remeasurements recognised in OCI	(2,180,712)	8,655,601
Employer contributions	5,357,999	3,039,827
NET ASSET / (NET LIABILITY) AT THE END OF THE YEAR	**8,730,001**	**16,805,000**

f. Movement in the IAS 19 remeasurement reserve in equity	**31/12/20**	**31/12/21**
Recognised reserve at the beginning of the year	(5,444,959)	(7,625,671)
Remeasurements recognised in OCI	(2,180,712)	8,655,601
RECOGNISED RESERVE AT THE END OF THE YEAR	**(7,625,671)**	**1,029,930**

g. Amounts recognised in the income statement	31/12/20	31/12/21
Current service cost	3,888,445	3,495,460
Net interest on the defined benefit liability/asset	(8,159)	3,969
Past service cost and gains and losses arising from settlements	(4,928,000)	121,000
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**(1,047,714)**	**3,620,429**

h. Amounts recognised in other comprehensive income	31/12/20	31/12/21
Actuarial gains/losses on the defined benefit obligation	3,674,710	(2,537,858)
Actual return on plan assets (excluding amounts included in interest income)	(1,493,998)	(6,117,743)
TOTAL OTHER COMPREHENSIVE INCOME	**2,180,712**	**(8,655,601)**

Actual return on pension plan assets (%)	31/12/20	31/12/21
	1.07%	3.35%

Breakdown of pension plan assets	31/12/20	31/12/21
Fixed-income		
Quoted market price on an active market	79.42%	78.72%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	14.70%	14.45%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	4.74%	4.93%
Unquoted market price	0.00%	0.00%
Cash	1.03%	1.90%
Real estate	0.00%	0.00%
Other	0.10%	0.00%
TOTAL	**100.00%**	**100.00%**

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

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Significant actuarial assumptions used (at the end of the year)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR - 0.5 %	3.43%
	Scenario DR + 0.5 %	-3.20%

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR - 0.5 %	-1.36%
	Scenario SR + 0.5 %	1.78%

The Duration of the pension plans DBO as of December 31, 2021 is 6.98.

Expected contributions for next year	3,039,827

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures

For active people, two hybrid pension plans are valued as DB pension plans under IAS19.

For retirees, the pension plan is a DB plan. All these plans are closed and are funded through the IORP BIL Pension Fund.

They are reported under the current note.

No specific event occurred in Luxembourg during the year 2021.

For these closed plans, the risk exposure is actually an exposure to financial risk, and for part of these, to longevity and inflation risks.

B. Methods and assumptions used in preparing the sensitivity analysis

The principal assumptions used to assess the defined benefit obligation are follows:

	31/12/20	**31/12/21**
Discount rate	-0.035%	0.41%
Salary increase	0.50% - 2.50%	0.50% - 2.50%
Inflation	1,50%	1,50%

C. Description of ALM strategies

In Luxembourg, pension fund investment strategy is based on ALM objectives, trying to align as far as possible assets maturities with liabilites profile and is also based on return objectives, with limited risks exposures.

Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).

D. Description of funding arrangements

In Luxembourg, part of the closed pension plans are funded through pension fund arrangements.

In the pension plans for "active people" hired before November 1, 2007 (and having decided not to move to a DC plan in 2007), employer contributions are calculated according to an Aggregate Cost method.

In the pension plans for "retirees", pensions are fully funded.

For these plans, minimum funding applies according to the legislation in force, and the employer is due to make additional contributions in case assets do not meet the funding requirements.

Asset ceiling under IAS 19 does not apply.

For employees hired since November 1, 2007, and for employees hired prior to this date and who decided to move to a DC plan, all the pension arrangements are DC plans funded through an external insurance company. These are reported under defined contributions expenses.

8.8 Tax liabilities

Due to tax losses carried forward consumption, no current tax liabilities have been recognised as at December 31, 2020 and as at December 31, 2021.

8.9 Other liabilities

	31/12/20	31/12/21
Other liabilities*	165,773,452	176,662,221
TOTAL	**165,773,452**	**176,662,221**

*ANALYSIS BY NATURE	31/12/20	31/12/21
Accrued costs	2,761,404	199,004
Deferred income	15,785,994	16,197,468
Other payables[1]	84,540,667	92,076,337
Other granted amounts received	613,783	562,217
Salaries and social security costs (payable)	28,304,304	34,533,398
Other operating taxes	27,189,947	27,473,846
Other liabilities	6,577,353	5,619,951
TOTAL	**165,773,452**	**176,662,221**

[1] The heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

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Note 9: Other notes on the balance sheet (in EUR)

9.1 Derivatives and hedging activities

Derivatives instruments are split in two categories:
- Derivatives held for trading;
- Derivatives designated in a hedge relationship.

The Bank applies hedge accounting in four separate strategies where derivatives and non-derivatives instruments are used as hedging elements. Refer to Note 9.1 of the consolidated financial statements for a description of hedging strategies.

9.1.1 ANALYSIS BY NATURE	31/12/20		31/12/21	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	221,523,131	230,373,721	69,824,484	99,156,588
Derivatives designated as fair value hedge	12,177,170	399,387,793	59,726,255	248,211,795
Derivatives designated as cash flow hedge	1,715,896	9,239,069	2,344,108	1,878,163
Derivatives designated as portfolio hedge against interest rate	4,188,597	814,350	0	878,194
TOTAL	239,604,794	639,814,933	131,894,847	350,124,740

9.1.2 DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**19,189,143,209**	**19,201,339,550**	**200,668,037**	**213,262,715**
FX forward	19,010,467,654	19,022,077,162	197,699,859	210,588,597
Cross currency swap	130,698,027	132,819,703	2,584,663	2,589,168
FX options	47,977,528	46,442,685	383,515	84,950
Interest rate derivatives	**892,410,472**	**884,810,471**	**12,792,873**	**11,663,468**
Options-Caps-Floors-Collars-Swaptions	174,313,976	174,313,976	2,497,742	2,497,742
IRS	702,832,655	702,832,655	10,295,131	9,165,726
Interest futures	15,263,841	7,663,840	0	0
Equity derivatives	**365,974,019**	**363,301,163**	**8,062,221**	**5,447,538**
Equity futures	6,656,709	1,026,300	0	0
Equity options	35,104,100	0	1,933,890	0
Equity option (OM)	180,098,859	180,098,859	0	0
Other equity derivatives	144,114,351	182,176,004	6,128,331	5,447,538
TOTAL	20,447,527,700	20,449,451,184	221,523,131	230,373,721

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,961,261,709**	**7,962,963,161**	**52,959,774**	**57,210,969**
FX forward	7,731,830,852	7,735,349,299	49,286,499	53,807,189
Cross currency swap	207,572,197	206,471,411	3,588,339	3,399,728
FX options	21,858,660	21,142,451	84,936	4,052
Interest rate derivatives	**719,282,923**	**710,791,716**	**7,008,293**	**19,273,645**
Options-Caps-Floors-Collars-Swaptions	89,574,643	89,574,643	2,779,620	2,779,620
IRS	619,817,073	619,817,073	4,228,673	16,494,025
Interest futures	9,891,207	1,400,000	0	0
Equity derivatives	**870,495,176**	**869,065,260**	**9,856,417**	**22,671,974**
Equity futures	4,778,059	2,571,539	0	0
Equity options	16,382,550	0	1,119,716	213,500
Equity option (OM)	98,252,598	98,252,598	0	0
Other equity derivatives	751,081,969	768,241,123	8,736,701	22,458,474
TOTAL	9,551,039,808	9,542,820,137	69,824,484	99,156,588

9.1.3 DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**6,624,576,761**	**6,624,576,761**	**12,177,170**	**399,387,793**
IRS	6,624,576,761	6,624,576,761	12,177,170	399,387,793
TOTAL	**6,624,576,761**	**6,624,576,761**	**12,177,170**	**399,387,793**

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**3,834,944**	**3,856,537**	**7,159**	**82,680**
Cross currency swap	*3,834,944*	*3,856,537*	*7,159*	*82,680*
Interest rate derivatives	**6,706,518,858**	**6,706,518,858**	**59,719,096**	**248,129,115**
IRS	6,706,518,858	6,706,518,858	59,719,096	248,129,115
TOTAL	**6,710,353,802**	**6,710,375,395**	**59,726,255**	**248,211,795**

9.1.4.1 DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**84,545,777**	**92,560,470**	**834,018**	**7,031,661**
Cross currency swap	*81,596,018*	*89,581,654*	*828,948*	*6,983,957*
Other currency derivatives	*2,949,759*	*2,978,816*	*5,070*	*47,704*
Interest rate derivatives	**40,146,061**	**40,146,061**	**881,878**	**2,207,408**
IRS	40,146,061	40,146,061	881,878	2,207,408
TOTAL	**124,691,838**	**132,706,531**	**1,715,896**	**9,239,069**

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**91,290,575**	**92,585,265**	**1,847,469**	**619,847**
Cross currency swap	*91,290,575*	*92,585,265*	*1,847,469*	*619,847*
Interest rate derivatives	**32,515,655**	**32,515,655**	**496,639**	**1,258,316**
IRS	32,515,655	32,515,655	496,639	1,258,316
TOTAL	**123,806,230**	**125,100,920**	**2,344,108**	**1,878,163**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 1.1 million in 2021 (EUR 1.2 million in 2020) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

9.1.4.2 BREAKDOWN OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE BY RESIDUAL MATURITY	31/12/20				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	5,070	881,878	828,948	0	**1,715,896**
Liabilities	47,704	2,207,408	6,983,957	0	**9,239,069**

	31/12/21				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	11,210	496,639	1,836,259	0	**2,344,108**
Liabilities	127,879	1,214,593	535,691	0	**1,878,163**

9.1.5 DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE RISK

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,958,858	4,690,432	0	634,248
Interest rate derivatives	130,200,000	130,200,000	4,188,597	180,102
TOTAL	**134,158,858**	**134,890,432**	**4,188,597**	**814,350**

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,834,944	4,690,432	0	784,807
Interest rate derivatives	1,000,000	1,000,000	0	93,387
TOTAL	**4,834,944**	**5,690,432**	**0**	**878,194**

9.1.6 MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO FAIR VALUE HEDGE RELATIONSHIPS

	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	12,239,403	154,607,356	0	166,846,759
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	39,238,979	559,000,000	279,900,000	878,138,979
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	135,457,611	1,734,897,814	3,697,235,598	5,567,591,023
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	12,000,000	12,000,000
Non-derivatives instruments				
Deposits in CHF			174,943,305	174,943,305
Deposits in HKD			6,092,896	6,092,896
TOTAL	**186,935,993**	**2,448,505,170**	**4,170,171,799**	**6,805,612,962**

	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	274,207,358	162,300,167	0	436,507,525
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	260,000,000	273,500,000	268,043,864	801,543,864
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	251,126,237	2,081,156,303	3,104,184,929	5,436,467,469
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	3,856,537	32,000,000	35,856,537
Non-derivatives instruments				
Deposits in CHF			182,944,536	182,944,536
Deposits in HKD			9,384,718	9,384,718
TOTAL	**785,333,595**	**2,520,813,007**	**3,596,558,047**	**6,902,704,649**

9.1.7 MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO CASH FLOW HEDGE RELATIONSHIPS

	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*89,581,654*	*0*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate		*5.01%*		
Other currency derivatives - Notional	*2,978,816*	*0*	*0*	*2,978,816*
TOTAL	**2,978,816**	**89,581,654**	**0**	**92,560,470**

	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*89,581,654*	*0*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate		*5.01%*		
Other currency derivatives - Notional	*3,003,611*	*0*	*0*	*3,003,611*
TOTAL	**3,003,611**	**89,581,654**	**0**	**92,585,265**

9.1.8 HEDGED ITEMS IN A FAIR VALUE HEDGE RELATIONSHIPS

	31/12/20	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	170,410,951	7,256,088
Participation in consolidated companies	181,036,201	41,137,532
Debt securities measured at FVTOCI	958,121,801	25,176,521
Debt securities measured at amortised cost	5,882,234,593	166,667,293
TOTAL ASSETS	**7,191,803,546**	**240,237,434**
Debt instruments issued	12,346,188	237,278
TOTAL LIABILITIES	**12,346,188**	**237,278**

	31/12/21	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	161,528,520	1,248,184
Participation in consolidated companies	192,329,253	49,752,934
Debt securities measured at FVTOCI	848,952,588	9,761,693
Debt securities measured at amortised cost	5,579,743,874	(5,677,903)
TOTAL ASSETS	**6,782,554,235**	**55,084,908**
Debt instruments issued	34,907,045	(1,159,666)
TOTAL LIABILITIES	**34,907,045**	**(1,159,666)**

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9.1.9 HEDGE EFFECTIVENESS FOR FAIR VALUE HEDGE RELATIONSHIPS

	31/12/20		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	72,522,758	(72,910,334)	(387,576)
Portfolio fair value hedge	11,138,665	(10,998,919)	139,746
TOTAL	**83,661,423**	**(83,909,253)**	**(247,830)**

	31/12/21		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	(193,109,858)	192,925,212	(184,646)
Portfolio fair value hedge	2,262,149	(2,273,462)	(11,313)
TOTAL	**(190,847,709)**	**190,651,750**	**(195,959)**

9.1.10 HEDGE EFFECTIVENESS FOR CASH FLOW HEDGE RELATIONSHIPS

	31/12/20					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	40,146,061	886,948	2,236,464	524,960	524,960	0
Micro cash flow hedge	92,560,470	828,948	7,002,605	3,557,479	3,557,479	0
2. Non-derivatives instruments						
Macro cash flow hedge	0	0	0	(427,188)	0	(427,188)
TOTAL	**132,706,531**	**1,715,896**	**9,239,069**	**3,655,251**	**4,082,439**	**(427,188)**

	31/12/21					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	32,515,655	496,639	1,258,315	3,499,680	3,499,680	0
Micro cash flow hedge	92,585,265	1,847,469	619,848	(2,287,225)	(2,287,225)	0
2. Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	**125,100,920**	**2,344,108**	**1,878,163**	**1,212,455**	**1,212,455**	**0**

9.1.11 DETAIL OF HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS AGAINST FOREIGN EXCHANGE MOVEMENTS

HEDGING INSTRUMENTS	31/12/20			
	Carrying amount of hedging instruments	Changes in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge ineffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	3,249,203	(16,460)	0	0
Deposits in DKK	4,783,090	(20,495)	0	0
Deposits in USD	1,398,817	143,039	0	0
TOTAL MICRO NET INVESTMENT HEDGES	**9,431,110**	**106,084**	**0**	**0**

HEDGE OF NET INVESTMENT	31/12/20
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	16,460
Investments in DKK subsidiaries	20,495
Investments in USD subsidiaries	(143,039)
TOTAL	**(106,084)**

HEDGING INSTRUMENTS	31/12/21			
	Carrying amount of hedging instruments	Changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge innneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	0	0	0	1,447,696
Deposits in DKK	2,917,950	1,322	0	0
Deposits in USD	0	0	0	88,912
TOTAL MICRO NET INVESTMENT HEDGES	**2,917,950**	**1,322**	**0**	**1,536,608**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/21
	Change in fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	0
Investments in DKK subsidiaries	(1.322)
Investments in USD subsidiaries	0
TOTAL	**(1.322)**

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9.1.12 HEDGING ACTIVITIES IMPACT ON EQUITY

EQUITY RECONCILIATION	2020		
	Cash flow hedging reserve	Translation reserve	Net investissement hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(2,620,964)**	**(80,476)**	**(1,074,284)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	3,557,479		
Interest rate swaps	524,960		
Loans and deposits	0		
Net amount reclassified to profit or loss			
Following hedge discontinuation	(427,188)		
Following utilisation	0		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		**122,543**	**(16,458)**
Net amount reclassified to profit or loss			
Following hedge discontinuation		0	0
Foreign currency reevaluation on the unhedged net foreign operations		**(71,628)**	
Tax impact on the above	**(911,619)**		**4,104**
CLOSING BALANCE AS AT DECEMBER 31	**122,668**	**(29,561)**	**(1,086,638)**

EQUITY RECONCILIATION	2021		
	Cash flow hedging reserve	Translation reserve	Net investissement hedge reserve
OPENING BALANCE AS AT JANUARY 1	**122,668**	**(29,561)**	**(1,086,638)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	649,404		
Interest rate swaps	563,051		
Loans and deposits	0		
Net amount reclassified to profit or loss			
Following hedge discontinuation	(427,188)		
Others (including FX translation)	427,188		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		**1,322**	**0**
Net amount reclassified to profit or loss			**0**
Following hedge discontinuation		88,912	1,447,692
Following utilisation		0	
Foreign currency reevaluation on the unhedged net foreign operations		**(283,277)**	
Tax impact on the above	**(302,387)**		**(361,054)**
CLOSING BALANCE AS AT DECEMBER 31	**1,032,736**	**(222,604)**	**0**

9.2 Deferred tax

ANALYSIS	31/12/20	31/12/21
Net deferred tax assets	182,108,679	160,439,244
DEFERRED TAX	**182,108,679**	**160,439,244**

MOVEMENTS	2020	2021
AS AT JANUARY 1	**199,392,938**	**182,108,679**
Movements during the financial year:		
- Amounts recognised in the statement of income	(16,484,580)	(20,560,012)
- Items directly computed by equity	(802,877)	(1,109,830)
- Exchange differences	3,198	407
- Other movements	0	0
AS AT DECEMBER 31	**182,108,679**	**160,439,244**

DEFERRED TAX COMING FROM ASSETS	31/12/20		31/12/21	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	20,650,208	4,456,194	19,998,723	(651,570)
Securities	(3,637,331)	327,850	(1,217,973)	1,127,119
Derivatives	(40,758)	0	(343,145)	0
Tangible and intangible fixed assets	1,731,825	(277,979)	136,786	(1,595,045)
TOTAL	**18,703,944**	**4,506,065**	**18,574,391**	**(1,119,496)**

DEFERRED TAX COMING FROM LIABILITIES	31/12/20		31/12/21	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	230,794	(247,201)	125,704	(164,112)
Provisions	(499,124)	4,299,519	2,784,916	3,284,040
Pensions	916,803	(1,718,165)	(1,144,943)	96,960
TOTAL	**648,473**	**2,334,153**	**1,765,677**	**3,216,888**

DEFERRED TAX COMING FROM OTHER ITEMS	31/12/20		31/12/21	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward[1]	293,315,169	(23,324,798)	261,038,083	(32,277,086)
less: impairments	*(130,558,907)*	*0*	*(120,938,907)*	*9,620,000*
TOTAL	**162,756,262**	**(23,324,798)**	**140,099,176**	**(22,657,086)**

Considering that :
- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts);
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years;
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future;
- BIL analysis on future taxable profit over the next years will enable the Bank to use the unused tax losses over a medium term period (no time restriction applied in Luxembourg on tax losses generated before the fiscal reform).

Based on these considerations, BIL has recognised the full amount of unused tax losses.

[1] Of which EUR 69.6 million of tax losses carried forward (after impairment) related to the liquidation of a former foreign branch.

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9.3 Related party transactions

RELATED PARTY TRANSACTIONS	Key management		Subsidiaries	
(in EUR thousands)	31/12/20	31/12/21	31/12/20	31/12/21
Loans[1]	4,936	3,831	263,898	374,153
Interest received	0	0	559	548
Deposits	10,695	5,008	120,948	44,142
Interest paid	0	0	(2,385)	(624)
Derivatives - Total to receive	0	0	359,234	289,566
Derivatives - Total to deliver	0	0	353,924	288,238
Commission paid	0	0	(124)	(2,004)
Commissions received	0	0	1,771	5,944
Guarantees and commitments given by the Group	19	31	0	8,329
Guarantees and commitments given to the Group	0	0	10,711	19,179
Assets entrusted from third parties	8,367	12,184	0	0

	Associates		Other related parties	
	31/12/20	31/12/21	31/12/20	31/12/21
Loans[1]	0	0	5,461	2,948
Interest received	1	6	5	1
Deposits	3,603	1,487	6,579	7,442
Interest paid	0	0	(1)	0
Derivatives - Total to receive	0	0	18,900	16,072
Derivatives - Total to deliver	0	0	7,835	6,142
Guarantees and commitments given by the Group	0	0	22	20
Assets entrusted from third parties	0	0	181,424	178,617

REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

Refer to Note 11.9.

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.4 Subscribed and authorised capital

By share category	31/12/20	31/12/21
Number of shares authorised and not issued	2,927,025	2,927,025
Number of shares issued and fully paid up	2,087,261	2,087,261
Capital	146,108,270	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70

Following the extraordinary general meeting of April 25, 2019, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 351 million, without prejudice to possible renewals, until April 24, 2024.

9.5 Exchange rates

		31/12/20		31/12/21	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.5847	1.6575	1.5615	1.5775
Canadian Dollar	CAD	1.5591	1.5381	1.4393	1.4793
Swiss Franc	CHF	1.0804	1.0705	1.0331	1.0796
Danish Krone	DKK	7.4408	7.4530	7.4364	7.4369
Pound Sterling	GBP	0.8977	0.8880	0.8403	0.8583
Hong Kong Dollar	HKD	9.5025	8.8988	8.8333	9.1839
Japanese Yen	JPY	126.2991	121.9215	130.3800	130.3050
Norwegian Krone	NOK	10.4588	10.7764	9.9888	10.1709
Polish Zloty	PLN	4.5681	4.4652	4.5969	4.5674
Swedish Krona	SEK	10.0230	10.4744	10.2503	10.1620
Singapore Dollar	SGD	1.6197	1.5790	1.5279	1.5856
US Dollar	USD	1.2256	1.1473	1.1326	1.1813

Note 10: Notes on the off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/20	31/12/21
Loans to be delivered	521,481,075	280,675,807
Borrowings to be received	541,213,164	258,318,358

10.2 Guarantees

	31/12/20	31/12/21
Guarantees given to credit institutions	146,216,066	163,922,905
Guarantees given to customers	994,634,157	996,500,755
Guarantees received from credit institutions	10,710,500	19,179,462
Guarantees received from customers	1,567,626,154	1,394,444,206

10.3 Loan commitments

	31/12/20	31/12/21
Unused credit lines granted to credit institutions	39,076,563	18,405,155
Unused credit lines granted to customers	3,011,048,460	3,050,665,026

10.4 Other commitments

	31/12/20	31/12/21
Banking activity - Other commitments given[1]	42,165,193,251	46,440,463,689
Banking activity - Other commitments received[2]	193,854,517,331	237,502,864,155

[1] Other commitments given are mainly composed of assets entrusted to third parties.

[2] Other commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 229.3 billion as at December 31, 2021 and EUR 182.2 billion as at December 31, 2020.

Note 11: Notes on the statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/20	31/12/21
INTEREST AND SIMILAR INCOME	511,432,122	454,417,707
a) Interest and similar income of assets not measured at fair value through profit or loss	**328,168,973**	**312,936,131**
Loans and advances to credit institutions	10,552,686	6,022,304
Loans and advances to customers	252,504,402	253,627,237
Financial investments measured at fair value	14,690,044	11,308,583
Financial investments measured at amortised cost	50,189,382	41,672,703
Other	232,459	305,304
b) Interest and similar income of assets measured at fair value through profit or loss	**155,154,670**	**100,648,183**
Financial assets held for trading	470,628	362,982
Derivatives held for trading	91,577,125	54,633,004
Derivatives used for hedging purposes	63,106,917	45,652,197
c) Interest income on liabilities	**28,108,479**	**40,833,393**
INTEREST AND SIMILAR EXPENSES	(215,447,347)	(176,806,477)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(48,870,249)**	**(30,018,071)**
Amounts due to credit institutions	(13,884,708)	(3,377,212)
Amounts due to customers	(11,569,641)	(3,453,975)
Debt securities	(17,425,381)	(16,430,367)
Subordinated debts	(5,656,862)	(6,505,754)
Lease liability	(265,404)	(209,595)
Other	(68,253)	(41,168)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(142,563,664)**	**(121,721,263)**
Financial liabilities held for trading	(510)	(1,085)
Financial liabilities designated at fair value through profit or loss	(12,918,584)	(21,041,649)
Derivatives held for trading	(42,241,675)	(16,368,305)
Derivatives used for hedging purposes	(87,402,895)	(84,310,224)
c) Interest expenses on assets	**(24,013,434)**	**(25,067,143)**
NET INTEREST INCOME	295,984,775	277,611,230

11.2 Dividend income

	31/12/20	31/12/21
Financial investments measured at fair value	531	531
Financial assets held for trading	2,596	66
Subsidiaries and associates	4,518,340	2,314,280
TOTAL	4,521,467	2,314,877

11.3 Net trading income

	31/12/20	31/12/21
Net income from trading transactions	2,399,713	3,952,997
of which income from trading securities	*2,713,287*	*364,075*
of which income from trading derivatives	*(313,574)*	*3,588,922*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	(3,190,818)	(31,143,049)
Net foreign exchange gain/(loss)	8,339,377	6,037,260
TOTAL	7,548,272	(21,152,792)

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (refer to note 11.4).

11.4 Net income on financial instruments measured at fair value and net result of hedge accounting

	31/12/20	31/12/21
Net income on financial investments measured at fair value through other comprehensive income	48,266	1,914,822
Net income on financial investments at fair value through profit or loss	20,280	73,063
of which financial investments mandatorily fair value through profit or loss	*20,280*	*73,063*
Net income on financial liabilities designated at fair value through profit or loss	5,096,842	31,987,796
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**5,165,388**	**33,975,681**
Fair value hedge	**(387,576)**	**(184,646)**
Change in the fair value of the hedged item attributable to the hedged risk	72,522,758	(184,494,457)
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	(72,910,334)	184,309,811
Portfolio hedge against interest rate risk	**139,746**	**(11,313)**
Fair value revaluation - Portfolio hedge - Hedged items	11,138,665	2,262,149
Fair value revaluation - Derivatives - Portfolio hedge	(10,998,919)	(2,273,462)
NET RESULT OF HEDGE ACCOUNTING	**(247,830)**	**(195,959)**
TOTAL	**4,917,558**	**33,779,722**

11.5 Net income on derecognition of financial instruments measured at amortised cost

	31/12/20	31/12/21
Net income on loans and advances measured at amortised cost	6,358,601	5,227,885
Net income on financial investments measured at amortised cost	15,389,058	39,770,686
Net income on financial liabilities at amortised cost	0	14,682,413
TOTAL	**21,747,659**	**59,680,984**

As at December 31, 2020 gains and losses on derecognition on loans respectively amount to EUR 6,358,601 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 18,092,671 and EUR -2,703,613.

As at December 31, 2021 gains and losses on derecognition on loans respectively amount to EUR 5,227,885 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 39,772,273 and EUR -1,587.

11.6 Fee and commission income and expenses

	31/12/20			31/12/21		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	16,055,526	(879,292)	15,176,234	17,537,099	(786,611)	16,750,488
Administration of unit trusts and mutual funds	55,699	0	55,699	30,033	0	30,033
Insurance activity	6,311,662	(312,457)	5,999,205	6,054,171	(611,183)	5,442,988
Credit activity	26,218,145	(978,196)	25,239,949	28,545,386	(1,337,218)	27,208,168
Purchase and sale on securities	16,378,318	(11,296,848)	5,081,470	14,815,567	(9,394,126)	5,421,441
Purchase and sale of unit trusts and mutual funds	5,251,447	(638,856)	4,612,591	5,770,155	(408,346)	5,361,809
Payment services	24,600,560	(872,639)	23,727,921	31,613,254	(935,023)	30,678,231
Commissions to non-exclusive brokers	0	(213,092)	(213,092)	0	(247,200)	(247,200)
Services on securities other than safe keeping	2,399,397	(89,008)	2,310,389	6,507,359	(365,254)	6,142,105
Custody	14,272,684	(2,887,936)	11,384,748	14,482,062	(3,375,218)	11,106,844
Issues and placements of securities	4,371,798	0	4,371,798	1,600,126	(86,501)	1,513,625
Private banking	51,944,690	(4,069,521)	47,875,169	55,121,014	(8,214,452)	46,906,562
Clearing and settlement	28,846,932	(2,498,808)	26,348,124	30,555,708	(2,723,739)	27,831,969
Securities lending	51,470	(33,900)	17,570	40,879	(57,911)	(17,032)
Other	2,546,051	(1,408,755)	1,137,296	8,522,276	(1,226,742)	7,295,534
TOTAL	**199,304,379**	**(26,179,308)**	**173,125,071**	**221,195,089**	**(29,769,524)**	**191,425,565**

11.7 Other net income

	31/12/20	31/12/21
Operating taxes	0	954,685
Rental income	13,149	23,910
Gains on tangible fixed assets	2,593,877	1,348,167
Fair value adjustments on investment property	0	5,353,336
Other income on other activities[1]	17,988,696	20,433,578
OTHER INCOME	**20,595,722**	**28,113,676**
Operating taxes	(2,285,940)	(3,818,159)
Other bank charges[2]	(18,062,882)	(21,921,423)
Losses on tangible fixed assets	(151,536)	(49,437)
Other expenses on other activities[3]	(6,829,429)	(5,512,373)
OTHER EXPENSES	**(27,329,787)**	**(31,301,392)**
TOTAL	**(6,734,065)**	**(3,187,716)**

[1] This consists primarily of write-backs of provisions and extraordinary operating income.
[2] This consists of contributions paid to the Fonds de garantie des dépôts Luxembourg, the Single Resolution Fund and the Fonds de résolution Luxembourg.
[3] This consists primarily of provisions for litigation and extraordinary loss.

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11.8 Staff expenses

11.8.1 STAFF EXPENSES

	31/12/20	31/12/21
Wages and salaries	(153,930,188)	(153,019,088)
Social security and insurance costs	(20,730,558)	(20,884,977)
Staff benefits	(4,638,653)	(9,854,703)
Restructuring expenses	(3,843,080)	(6,159,105)
Other expenses	(1,951,246)	(2,103,877)
TOTAL	**(185,093,725)**	**(192,021,750)**

11.8.2 WORKFORCE

(in average FTE)	2020	2021
Senior management	42	41
Employees	1,742	1,729
TOTAL	**1,784**	**1,770**

11.8.3 REMUNERATION OF BIL GROUP'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Bank granted emoluments to the current Board members of senior management and has made contributions in respect of retirement pensions on their behalf as follows:

	Remuneration		Retirement pensions	
	31/12/20	31/12/21	31/12/20	31/12/21
Board members	901,028	1,048,424	0	0
Senior Management	14,482,271	14,921,912	2,236,216	1,530,864
TOTAL	**15,383,299**	**15,970,336**	**2,236,216**	**1,530,864**

11.8.4 DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/20	31/12/21
Defined contribution plan expenses	5,032,316	6,552,815
TOTAL	**5,032,316**	**6,552,815**

11.9 General and administrative expenses

	31/12/20	31/12/21
Occupancy	(7,350,128)	(7,307,713)
Operating leases	(272,213)	(459,540)
Professional fees	(21,905,089)	(27,056,320)
Marketing, advertising and public relations	(4,449,823)	(4,592,853)
Technology and system costs	(31,463,121)	(29,188,944)
Software costs and maintenance expenses	(17,780,747)	(19,185,309)
Operational taxes	1,909,310	192,911
Other general and administrative expenses[1]	(46,331,705)	(52,411,456)
TOTAL	**(127,643,516)**	**(140,009,224)**

11.10 Independent auditor's fees

The fees for the services rendered by the independent auditor (including network firms) for the years 2020 and 2021 are as follows (VAT excluded).

	31/12/20	31/12/21
Statutory audit and Long Form Report	721,278	1,464,232
Other assurance services	0	124,000
Tax services	67,823	66,581
Other services	130,768	257,954
TOTAL	**919,869**	**1,912,767**

11.11 Amortisation of tangible, intangible and right-of-use assets

	31/12/20	31/12/21
Depreciation on land and buildings	(6,634,478)	(6,926,255)
Depreciation on other tangible fixed assets	(681,304)	(617,178)
Depreciation on IT equipment	(3,203,822)	(2,399,135)
Depreciation on intangible fixed assets	(36,621,510)	(38,619,920)
Depreciation on right-of-use assets	(4,295,037)	(3,387,000)
TOTAL	**(51,436,151)**	**(51,949,488)**

[1] This heading primarily comprises the cost of financial information, of payment cards issued, profesionnal contributions, insurance covers and the transport of valuables.

11.12 Impairment

11.12.1 Impairment on loans and provisions for credit commitments

	31/12/20			
	Stage 1[1]	Stage 2[2]	Stage 3[3]	Total
Cash, balances with central banks and demand deposits	**0**	**0**	**0**	**0**
Financial assets measured at amortised cost	**(2,816,143)**	**(12,154,123)**	**(715,931)**	**(15,686,197)**
Loans and advances to credit institutions measured at amortised cost	(276,040)	166,447	0	(109,593)
Loans and advances to customers measured at amortised cost	(1,080,739)	(12,072,048)	1,984,069	(11,168,718)
Debt securities measured at amortised cost	(1,459,364)	(248,522)	(2,700,000)	(4,407,886)
Financial assets measured at fair value through other comprehensive income	**(61,830)**	**67,480**	**0**	**5,650**
Debt securities measured at fair value through other comprehensive income	(61,830)	67,480	0	5,650
Other assets	**0**	**0**	**(55,721,321)**	**(55,721,321)**
Off-balance sheet commitments	**1,609,734**	**(829,605)**	**(1,013,727)**	**(233,598)**
TOTAL IMPAIRMENTS	**(1,268,239)**	**(12,916,248)**	**(57,450,979)**	**(71,635,466)**

	31/12/21			
	Stage 1[1]	Stage 2[2]	Stage 3	Total
Cash, balances with central banks and demand deposits	**18,500**	**39,572**	**0**	**58,072**
Financial assets measured at amortised cost	**(1,148,248)**	**(4,661,064)**	**(26,091,102)**	**(31,900,414)**
Loans and advances to credit institutions measured at amortised cost	243,110	(15,860)	0	227,250
Loans and advances to customers measured at amortised cost	(2,397,373)	(4,619,875)	(23,844,549)	(30,861,797)
Debt securities measured at amortised cost	1,006,015	(25,329)	(2,246,553)	(1,265,867)
Financial assets measured at fair value through other comprehensive income	**44,969**	**0**	**0**	**44,969**
Debt securities measured at fair value through other comprehensive income	44,969	0	0	44,969
Other assets	**0**	**0**	**(3,687,986)**	**(3,687,986)**
Off-balance sheet commitments	**(2,332,062)**	**(948,615)**	**(321,451)**	**(3,602,128)**
TOTAL IMPAIRMENTS	**(3,416,841)**	**(5,570,107)**	**(30,100,539)**	**(39,087,487)**

[1] Including (i) the "moratory" overlay for a total amount of EUR -6,292,000 as at December 31, 2021 (EUR -10,760,000 as at December 31, 2020) composed of EUR -6,192,000 as at December 31, 2021 (EUR -9,880,000 at December 31, 2020) on corporates exposures and EUR -100,000 as at December 31, 2021 (EUR -880,000 as at December 31, 2020) on retail exposures and (ii) the "MidCorp" overlay for EUR -488,000 as at December 31, 2021 (EUR -1,200,000 as at December 31, 2020) on corporate exposures. Refer to the section "ECL Management Overlays" of note 12.2.1 of the consolidated financial statements.

[2] Including (i) the "moratory" overlay for a total amount of EUR -1,467,950 as at December 31, 2021 (EUR -1,670,000 as at December 31, 2020) composed of EUR -1,417,950 as at December 31, 2021 (EUR -1,160,000 as at December 31, 2020) on corporates exposures and EUR -50,000 as at December 31, 2021 (EUR -510 000 as at December 31, 2020) on retail exposures and (ii) the "MidCorp" overlay for EUR -172,050 as at December 31, 2021 (EUR -150,000 as at December 31, 2020) on corporate exposures. Refer to the section "ECL Management Overlays" of note 12.2.1 of the consolidated financial statements.

[3] The amount of EUR 1,984,069 comprises an impairment gain of EUR 47,196,110 corresponding to the partial recovery of a legacy loan. The partial recovery is booked under Group Center as per IFRS 8 segments. (Refer to note 3).

Refer to note 12.2.1 for measurement methods of impairment on loans and provisions for credit commitments.

11.12.2 Impairment on participations in consolidated companies

	31/12/20	31/12/21
Net impairment on participations in consolidated companies	(55,721,321)	(3,687,986)
	(55,721,321)	**(3,687,986)**

11.13 Provisions for legal litigation

Charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of related provisions.

11.14 Tax expenses

	31/12/20	31/12/21
Deferred taxes	(16,251,575)	(20,560,012)
Tax on current financial year result (A)	**(16,251,575)**	**(20,560,012)**
Deferred taxes for previous year	(233,004)	0
Other tax expenses (B)	**(233,004)**	**0**
TOTAL (A)+(B)	**(16,484,579)**	**(20,560,012)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2020 and 2021.
The effective BIL tax rate was 21.89% in 2020 and 17.61% in 2021.
The difference between both rates may be analysed as follows:

	31/12/20	31/12/21
NET INCOME BEFORE TAX	**74,258,152**	**116,751,040**
Tax base	**74,258,152**	**116,751,040**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(18,519,983)**	**(29,117,709)**
Effect of different tax rates in other countries	(333,478)	(286,612)
Tax effect of non-deductible expenses	(1,096,820)	(3,186,073)
Tax effect of non-taxable income	1,614,295	948,676
Tax effect of items taxed at a reduced rate	0	(58,741)
Write-off of deferred tax assets	0	(770,916)
Tax effect on the use of previous tax losses not recognised in the assets	0	9,620,000
Other	2,084,411	2,291,363
Tax on current financial year result	**(16,251,575)**	**(20,560,012)**
EFFECTIVE TAX RATE	**21.89%**	**17.61%**

11.15 Discontinued operations

	31/12/20	31/12/21
Interest income	2,187,336	1,237,286
Interest expenses	(58,616)	(13,879)
Fee and commission income	6,672,155	4,326,110
Fee and commission expenses	(251,051)	(168,367)
Net income on derecognition of financial instruments at amortised cost	0	(990,281)
Net impairment on financial instruments and provisions for credit commitments	388,017	1,036,300
DISCONTINUED OPERATIONS, NET OF TAX	**8,937,841**	**5,427,169**

On June 23, 2021, BIL signed a Business Transfer Agreement with Ringkjøbing Landbobank for the transfer of the BIL Denmark branch business. All the business activity (off-balance sheet Assets under Management, loans and deposits) was transferred to the counterparty on July 1, 2021 and the transaction was closed. BIL Denmark activities were classified as a disposal group meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as from June 30, 2021.

As at December 31, 2021, BIL has successfully terminated the operational transfer of all clients' assets and loans. The Bank plans to close the Danish branch during 2022.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value of financial instruments

12.1.1 BREAKDOWN OF FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of assets	31/12/20			31/12/21		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	3,633,908,019	3,633,908,019	0	5,483,495,331	5,483,495,331	0
Financial assets held for trading	55,716,122	55,716,122	0	24,469,219	24,469,219	0
Financial investments measured at fair value	1,088,559,137	1,088,559,137	0	1,092,340,865	1,092,340,865	0
Financial investments at fair value through other comprehensive income	*1,085,514,644*	*1,085,514,644*	*0*	*1,089,121,624*	*1,089,121,624*	*0*
Non-trading financial investments mandatorily at fair value through profit or loss	*3,044,493*	*3,044,493*	*0*	*3,219,241*	*3,219,241*	*0*
Loans and advances to credit institutions	1,152,846,917	1,152,846,917	0	895,022,689	895,022,689	0
Loans and advances to customers	15,139,778,610	15,407,318,173	267,539,563	15,802,366,759	15,884,689,974	82,323,215
Financial investments measured at amortised cost	7,526,364,479	7,645,581,111	119,216,632	7,226,374,299	7,319,841,464	93,467,165
Derivatives	239,604,794	239,604,794	0	131,894,847	131,894,847	0
Fair value revaluation of portfolios hedged against interest rate risk	191,221	191,221	0	93,194	93,194	0
Investments in subsidiaries and associates	53,902,884	53,902,884	0	838,849	838,849	0
TOTAL	**28,890,872,183**	**29,277,628,378**	**386,756,195**	**30,656,896,052**	**30,832,686,432**	**175,790,380**

Fair value of liabilities	31/12/20			31/12/21		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	4,230,514,492	4,237,732,655	7,218,163	4,117,865,430	4,102,673,283	(15,192,147)
Amounts due to customers	18,897,292,282	18,898,393,509	1,101,227	19,798,025,536	19,796,657,756	(1,367,780)
Financial liabilities measured at fair value through profit or loss	934,551,568	934,551,568	0	1,467,315,688	1,467,315,688	0
Derivatives	639,814,933	639,814,933	0	350,124,740	350,124,740	0
Fair value revaluation of Portfolio hedged against interest rate risk	2,433,523	2,433,523	0	70,504	70,504	0
Debt securities	2,783,103,377	2,812,246,428	29,143,051	3,200,417,795	3,218,087,828	17,670,033
Subordinated debts	130,620,187	164,926,220	34,306,033	237,127,187	280,278,980	43,151,793
TOTAL	**27,618,330,362**	**27,690,098,836**	**71,768,474**	**29,170,946,880**	**29,215,208,779**	**44,261,899**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value.

With the exception of the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value", the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

12.1.2 ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as level 2.

Assets	31/12/20			
	Level 1	Level 2	Level 3[1]	Total
Financial assets held for trading	25,911,562	24,532,590	5,271,970	55,716,122
Financial investments measured at fair value	962,213,533	47,075,195	79,270,409	1,088,559,137
Financial investments at fair value through other comprehensive income	*962,213,533*	*47,075,195*	*76,225,916*	*1,085,514,644*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*0*	*3,044,493*	*3,044,493*
Derivatives	0	235,506,053	4,098,741	239,604,794
Investments in subsidiaries and associates	0	0	53,902,884	53,902,884
TOTAL	**988,125,095**	**307,113,838**	**142,544,004**	**1,437,782,937**

	31/12/21			
	Level 1	Level 2	Level 3[1]	Total
Financial assets held for trading	0	18,429,908	6,039,311	24,469,219
Financial investments measured at fair value	848,952,588	230	243,388,047	1,092,340,865
Financial investments at fair value through other comprehensive income	*848,952,588*	*230*	*240,168,806*	*1,089,121,624*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*0*	*3,219,241*	*3,219,241*
Derivatives	0	126,376,550	5,518,297	131,894,847
Investments in subsidiaries and associates	0	0	838,849	838,849
TOTAL	**848,952,588**	**144,806,688**	**255,784,504**	**1,249,543,780**

Fair value may also be calculated by the interpolation of market prices.

[1] Level 3 financial assets measured at fair value are only composed mainly of equity instruments.

Liabilities	31/12/20			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	727,359,649	207,191,919	934,551,568
Derivatives	0	634,671,851	5,143,082	639,814,933
TOTAL	**0**	**1,362,031,500**	**212,335,001**	**1,574,366,501**

	31/12/21			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	905,971,305	561,344,383	1,467,315,688
Derivatives	0	331,374,663	18,750,077	350,124,740
TOTAL	**0**	**1,237,345,968**	**580,094,460**	**1,817,440,428**

Fair value may also be calculated by the interpolation of market prices.

12.1.3 TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

Assets	31/12/20		31/12/21	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets measured at FV	0	0	0	10.336.460
FVOCI - Bonds	0	0	0	10.336.460
TOTAL	**0**	**0**	**0**	**10.336.460**

Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2020 and 2021.

12.1.4 LEVEL 3 RECONCILIATION

Assets	31/12/20 Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale
Financial assets held for trading	3,836,776	897,851	0	2,613,886	(2,076,543)
Financial investments measured at fair value	54,594,081	(7,503)	24,024,029	692,808	0
Derivatives	4,333,258	(1,702,372)	0	1,467,855	0
Investments in subsidiaries and associates	0	0	53,902,884	0	0
TOTAL	**62,764,115**	**(812,024)**	**77,926,913**	**4,774,549**	**(2,076,543)**

	31/12/20 Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets held for trading	0	0	0	0	5,271,970
Financial investments measured at fair value	(33,006)	0	0	0	79,270,409
Derivatives	0	0	0	0	4,098,741
Investments in subsidiaries and associates	0	0	0	0	53,902,884
TOTAL	**(33,006)**	**0**	**0**	**0**	**142,544,004**

	31/12/21 Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale
Financial assets held for trading	5,271,970	475,920	0	1,713,866	(1,422,445)
Financial investments measured at fair value	79,270,409	34,456	136,874,798	27,366,720	0
Financial investments measured at fair value	4,098,741	(3,451,530)	0	4,871,086	0
Derivatives	53,902,884	0	0	0	(53,064,035)
TOTAL	**142,544,004**	**(2,941,154)**	**136,874,798**	**33,951,672**	**(54,486,480)**

	31/12/21 Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets held for trading	0	0	0	0	6,039,311
Financial investments measured at fair value	(210,300)	51,964	0	0	243,388,047
Financial investments measured at fair value	0	0	0	0	5,518,297
Derivatives	0	0	0	0	838,849
TOTAL	**(210,300)**	**51,964**	**0**	**0**	**255,784,504**

Liabilities	31/12/20			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	195,309,974	(43,580,660)	156,776,018	(116,772,755)
Derivatives	3,593,159	(695,319)	2,245,242	0
TOTAL	**198,903,133**	**(44,275,979)**	**159,021,260**	**(116,772,755)**

	31/12/20				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	15,459,342	207,191,919
Derivatives	0	0	0	0	5,143,082
TOTAL	**0**	**0**	**0**	**15,459,342**	**212,335,001**

	31/12/21			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	207,191,919	(26,763,490)	494,746,389	(116,755,243)
Derivatives	5,143,082	(3,236,614)	16,843,609	0
TOTAL	**212,335,001**	**(30,000,104)**	**511,589,998**	**(116,755,243)**

	31/12/21				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	2,924,808	561,344,383
Derivatives	0	0	0	0	18,750,077
TOTAL	**0**	**0**	**0**	**2,924,808**	**580,094,460**

12.1.5 VALUATION TECHNIQUES USED FOR LEVEL 2 AND LEVEL 3 INSTRUMENTS

Description	Valuation techniques (level 2 and level 3 instruments)
Unlisted equity securities	- net asset method - Income approach (Discounted Cash Flow method) - Market approach (Comparable company valuation multiples)
Derivatives and Structured Bonds	- use of quoted market prices or dealer quotes for similar instruments - discounted cash-flow models - for interest rate swaps, present value of the estimated future cash flows based on observable yield curves - for foreign currency forwards, present value of future cash flows based on the forward exchange rates at the balance sheet date - for foreign currency options, options pricing models (Black-Scholes, Garman-Kohlhagen and others models)

12.1.6 VALUATION TECHNIQUES, VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Description	Unobservable inputs (level 3 instruments)	Impact on valuation and sensitivty of level (level 3 instruments)
Unlisted equity securities	- multiples of comparable - discount rate used for discounting cash-flows - expected cash-flows - discount / haircut	'The most significant stand-alone level 3 equity instruments is BIL's participation into Luxair group whose valuation is determined based on observable and unobservable inputs. In 2020, BIL has reviewed its valuation methodology from a full market approach based on multiples of comparable companies to a combination of market and income approaches. A sensitivity analysis on unobservable inputs may lead to significant variations.
Derivatives and Structured Bonds[1 2]	- credit spreads - liquidity premiums - illiquidity adjustment	The effects of sensitivity mostly impact structured issuances recognised at fair value through profit or loss (Fair-value option). These effects are however offset by a reverse sensitivity at the level of the economic hedge measured at fair value throught profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

[1] The Bank has developed a procedure to define the notions of an active market (such as the bid & ask) spread, the issuance size, the number of prices, contributors and of observable and non-observable inputs.
[2] Level 3 financial assets held for trading are the result of buy backs of the bank's structured bonds issued.

12.2 Credit risk

12.2.1 Expected Credit Loss Measurement

Definition of credit risk

Refer to the note 12.2 of the consolidated financial statements included in this report.

Definition of default

Refer to the note 12.2 of the consolidated financial statements included in this report.

Write-off policy

Refer to the note 12.2 of the consolidated financial statements included in this report.

Low credit risk exemption

Refer to the note 12.2 of the consolidated financial statements included in this report.

IFRS 9 Staging Assessment

Refer to the note 12.2 of the consolidated financial statements included in this report.

Significant increase in credit risk

Refer to the note 12.2 of the consolidated financial statements included in this report.

Credit-impaired status

Refer to the note 12.2 of the consolidated financial statements included in this report.

Cure Period

Refer to the note 12.2 of the consolidated financial statements included in this report.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

Refer to the note 12.2 of the consolidated financial statements included in this report.

Forward-Looking parameters

Refer to the note 12.2 of the consolidated financial statements included in this report.

Macroeconomic indicators for each scenario

Refer to the note 12.2 of the consolidated financial statements included in this report.

ECL Sensitivity

The following table compares the reported ECL by stage and by different weighting of scenarios:

(in EUR million)	Scenarios weights			31/12/2020			31/12/2021		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Reported ECL[1]	60%	20%	20%	38	27	**65**	46	33	**79**
Stressed ECL	100%	0%	0%	32	26	**58**	35	31	**66**
	0%	100%	0%	21	25	**46**	28	30	**58**
	0%	0%	100%	71	32	**103**	94	41	**135**
	80%	0%	20%	40	27	**67**	47	33	**80**
	60%	0%	40%	48	28	**76**	59	35	**94**

ECL Management Overlays

Refer to the note 12.2 of the consolidated financial statements included in this report.

Management overlays made in estimating the reported ECL are set out in the following table:

	31/12/20					
	Model	Stage	Modelled ECL	"Moratory" overlay	"MidCorp" overlay	Reported ECL
Loans and advances to customers	Corporate	Stage 1	21,885,035	9,880,000	1,200,000	32,965,035
		Stage 2	14,865,867	1,160,000	150,000	16,175,867
	Retail	Stage 1	8,265,551	880,000	-	9,145,551
		Stage 2	8,490,683	510,000	-	9,000,683
TOTAL			**53,507,136**	**12,430,000**	**1,350,000**	**67,287,136**

	31/12/21					
	Model	Stage	Modelled ECL	"Moratory" overlay	"MidCorp" overlay	Reported ECL
Loans and advances to customers	Corporate	Stage 1	33,101,750	6,192,000	488,000	39,781,750
		Stage 2	22,739,408	1,417,950	172,050	24,329,408
	Retail	Stage 1	3,839,406	100,000	-	3,939,406
		Stage 2	5,585,530	50,000	-	5,635,530
TOTAL			**65,266,094**	**7,759,950**	**660,050**	**73,686,094**

Other information about credit risk is included in the following sections:
- Asset quality limited to loans and advances to customers (Risk Management section of the Management Report),
- Loans and advances to customers (note 7.4) by counterpart and by nature,
- Quality of financial assets (note 7.15) by stage with movements by stage,
- Impairment on loans and provisions for credit commitments (note 11.12) by stage.

Refer to note 12.2 of the consolidated financial statements included in the annual report for descriptions of the overlays made to modelled ECL.

[1] Reported ECL excluding impact of management overlays as at December 31, 2020 and as at December 31, 2021 (refer to the Management Overlay section of note 12.2.1).

12.2.2 Credit Risk Exposures

Geographic region is determined according to the risk country of the counterparty, Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographic region (in EUR million)	**31/12/20**	**31/12/21**
Luxembourg	17,525	20,777
France	3,585	3,173
Belgium	2,341	2,439
Switzerland	2,606	2,314
Germany	1,987	1,817
Other EU countries	1,742	1,191
United States and Canada	868	1,008
Spain	780	853
Rest of Europe	585	558
Asia	448	410
Middle East	371	386
Ireland	271	248
Others	198	179
Australia	207	79
Italy	26	66
TOTAL	**33,540**	**35,498**

Exposures by counterparty category (in EUR million)	**31/12/20**	**31/12/21**
Individuals, SME & Self Employed	11,737	12,011
Central Governments	10,508	12,060
Corporate	6,272	6,709
Financial Institutions	4,641	4,256
Public Sector Entities	331	436
Securitisation	36	15
Others	15	11
TOTAL	**33,540**	**35,498**

Credit risk exposure is shown as follows:

- balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of any provision);
- derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposures by stage and ratings

Stage 1 Credit Risk Exposure (in EUR million)	31/12/20 AAA to AA-	31/12/20 A+ to BBB-	31/12/20 Non investment grade[1]	31/12/20 Unrated	31/12/20 Default	31/12/20 TOTAL	31/12/21 AAA to AA-	31/12/21 A+ to BBB-	31/12/21 Non investment grade[1]	31/12/21 Unrated	31/12/21 Default	31/12/21 TOTAL
Commitments in respect of guarantees given	135	383	304	804	0	1,626	140	502	691	379	0	1,712
Commitments in respect of loans granted	333	1,593	469	477	0	2,872	230	1,491	601	416	0	2,738
Financial investments at FVOCI (excluding variable income securities)	809	57	0	1	0	867	705	116	0	31	0	852
Financial investments at amortised cost	5,378	1,404	6	273	0	7,061	4,579	2,170	13	207	0	6,969
Loans and advances at amortised cost	3,952	7,189	3,169	2,212	0	16,522	5,783	7,818	4,411	966	0	18,978
Other financial instruments at amortised cost	299	54	66	0	0	419	266	55	7	1	0	329
TOTAL STAGE 1 EXPOSURES	**10,906**	**10,680**	**4,014**	**3,767**	**0**	**29,367**	**11,703**	**12,152**	**5,723**	**2,000**	**0**	**31,578**

Stage 2 Credit Risk Exposure (in EUR million)	31/12/20 AAA to AA-	31/12/20 A+ to BBB-	31/12/20 Non investment grade[1]	31/12/20 Unrated	31/12/20 Default	31/12/20 TOTAL	31/12/21 AAA to AA-	31/12/21 A+ to BBB-	31/12/21 Non investment grade[1]	31/12/21 Unrated	31/12/21 Default	31/12/21 TOTAL
Commitments in respect of guarantees given	0	15	59	5	0	79	0	6	119	0	0	125
Commitments in respect of loans granted	2	50	284	26	0	362	6	38	331	58	0	433
Financial investments at FVOCI (excluding variable income securities)	143	0	0	0	0	143	0	0	0	0	0	0
Financial investments at amortised cost	200	10	20	0	0	230	108	67	20	0	0	195
Loans and advances at amortised cost	14	609	1,829	62	0	2,514	17	439	1,870	91	0	2,417
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 2 EXPOSURES	**359**	**684**	**2,192**	**93**	**0**	**3,328**	**131**	**550**	**2,340**	**149**	**0**	**3,170**

Stage 3 Credit Risk Exposure (in EUR million)	31/12/20 AAA to AA-	31/12/20 A+ to BBB-	31/12/20 Non investment grade[1]	31/12/20 Unrated	31/12/20 Default	31/12/20 TOTAL	31/12/21 AAA to AA-	31/12/21 A+ to BBB-	31/12/21 Non investment grade[1]	31/12/21 Unrated	31/12/21 Default	31/12/21 TOTAL
Commitments in respect of guarantees given	4	0	0	0	10	14	3	0	0	0	6	9
Commitments in respect of loans granted	0	0	9	0	36	45	0	0	0	0	26	26
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	7	7	0	0	0	0	4	4
Loans and advances at amortised cost	8	0	0	0	508	516	21	0	0	0	349	370
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 3 EXPOSURES	**12**	**0**	**9**	**0**	**561**	**582**	**24**	**0**	**0**	**0**	**385**	**409**

Credit Risk Exposure without staging (in EUR million)	31/12/20 AAA to AA-	31/12/20 A+ to BBB-	31/12/20 Non investment grade[1]	31/12/20 Unrated	31/12/20 Default	31/12/20 TOTAL	31/12/21 AAA to AA-	31/12/21 A+ to BBB-	31/12/21 Non investment grade[1]	31/12/21 Unrated	31/12/21 Default	31/12/21 TOTAL
Derivatives	102	131	2	2	0	237	19	309	2	5	4	339
Financial assets held-for-trading	22	1	1	2	0	26	0	0	0	0	0	0
TOTAL EXPOSURES WITHOUT STAGING	**124**	**132**	**3**	**4**	**0**	**263**	**19**	**309**	**2**	**5**	**4**	**339**
TOTAL ALL EXPOSURES	**11,401**	**11,496**	**6,218**	**3,864**	**561**	**33,540**	**11,877**	**13,011**	**8,065**	**2,154**	**389**	**35,496**

[1] Loans and advances at amortised cost classified under the "non-investment grade" category are mainly linked to financing facilities granted to Luxembourg SMEs, private individuals and corporates. The non-investment grade ratings related to these exposures are not provided by external credit assessment institutions but derive from the Bank's quantitative models to estimate a counterparty's probability of default. In some cases, the output of these models has been modified by the competent decision-making authority ("rating overrides") to include downgrades linked to the pandemic. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

Consolidated management report

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Financial statements of the parent company

12.2.3 Collateral and other credit enhancements

31/12/20 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2]				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements[3]	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	1,010	0	0	0	0	0	1,010	0
Financial assets held-for-trading	26	0	0	0	0	0	26	0
Loans and advances at amortised cost	21,110	241	713	1,630	8,048	10,632	10,478	278
Financial investments at amortised cost	7,314	977	0	0	0	977	6,337	19
Derivatives	505	0	208	61	0	269	236	0
Other financial instruments at amortised cost	1,887	0	1,360	107	0	1,467	420	0
Commitments in respect of guarantees given	1,779	11	0	68	19	98	1,681	2
Commitments in respect of loans granted	3,602	75	108	713	536	1,432	2,170	10
TOTAL	**37,233**	**1,304**	**2,389**	**2,579**	**8,603**	**14,875**	**22,358**	**308**

31/12/21 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2]				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements[3]	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	852	0	0	0	0	0	852	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	22,870	243	319	1,375	7,948	9,885	12,985	289
Financial investments at amortised cost	7,187	1,029	0	0	0	1,029	6,158	20
Derivatives	339	0	0	0	0	0	339	0
Other financial instruments at amortised cost	1,314	0	885	101	0	986	328	0
Commitments in respect of guarantees given	1,908	10	0	68	15	93	1,815	4
Commitments in respect of loans granted	3,522	67	74	691	635	1,467	2,055	12
TOTAL	**37,992**	**1,349**	**1,278**	**2,235**	**8,598**	**13,460**	**24,532**	**325**

[1] Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.
[2] Credit risk mitigation eligible as per internal policies.
[3] Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

12.2.4 Past-due but not impaired financial assets

	31/12/20		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	33,473,471	28,455,787	5,697,347
TOTAL	**33,473,471**	**28,455,787**	**5,697,347**

	31/12/21		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	51,163,658	47,208,461	8,057,861
TOTAL	**51,163,658**	**47,208,461**	**8,057,861**

BIL has defined three types of past due loans:

- "technical" past due financial assets;
- "operational" past due financial assets;
- "credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

12.2.5 Credit Risk Mitigation for credit-impaired assets

	31/12/20			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairment	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(15,350,335)	6,634,962	6,634,962
Loans and advances measured at amortised cost	730,266,429	(218,825,295)	511,441,134	429,635,862
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**752,251,726**	**(234,175,630)**	**518,076,096**	**436,270,824**

	31/12/21			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairment	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(17,596,888)	4,388,409	4,388,409
Loans and advances measured at amortised cost	589,743,050	(218,926,299)	370,816,751	346,584,927
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**611,728,347**	**(236,523,187)**	**375,205,160**	**350,973,336**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/20	31/12/21
Cash	15,195,640	16,341,114
Debt instruments	1,797,889	339,199
Other assets	9,505,798	4,855,850
TOTAL	**26,499,327**	**21,536,163**

In general, guarantees obtained are immediately converted into cash by BIL.

12.2.6 Movements in allowances for credit losses

	As at 01/01/20	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/20	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(42,367,637)**	**(11,633,109)**	**6,061,897**	**3,003,392**	**0**	**0**	**0**	**144,456**	**(44,791,002)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(1,144,815)	(724,109)	187,290	(922,545)	0	0	0	9,392	(2,594,787)	n.a	n.a
Debt securities at fair value through other comprehensive income	(6,355)	(19,527)	8,163	(50,466)	0	0	0	814	(67,371)	n.a	n.a
Loans and advances at amortised cost	(41,216,467)	(10,889,473)	5,866,444	3,976,403	0	0	0	134,250	(42,128,844)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(13,881,948)**	**0**	**3,403,633**	**(15,489,855)**	**0**	**0**	**0**	**(89,284)**	**(26,057,454)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(638,938)	0	132,574	(381,096)	0	0	0	2,602	(884,858)	n.a	n.a
Debt securities at fair value through other comprehensive income	(67,480)	0	0	67,480	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(13,175,530)	0	3,271,059	(15,176,239)	0	0	0	(91,886)	(25,172,596)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(231,904,841)**	**(2,978,148)**	**4,586,209**	**(23,670,229)**	**0**	**0**	**14,255,721**	**5,535,659**	**(234,175,630)**	**21,770,986**	**(14,585,423)**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	0	0
Debt securities at amortised cost	(12,566,385)	0	0	(2,700,000)	0	0	0	(83,950)	(15,350,335)	0	0
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(219,338,456)	(2,978,148)	4,586,209	(20,970,229)	0	0	14,255,721	5,619,609	(218,825,295)	21,770,986	(14,585,423)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(288,154,426)**	**(14,611,257)**	**14,051,739**	**(36,156,692)**	**0**	**0**	**14,255,721**	**5,590,831**	**(305,024,086)**	**21,770,986**	**(14,585,423)**
Commitments and financial guarantees given (Stage 1)	(6,488,094)	(6,728,526)	2,809,431	5,511,219	0	0	0	27,189	(4,868,781)	0	0
Commitments and financial guarantees given (Stage 2)	(1,783,070)	(1,091,815)	965,868	(705,003)	1,351	0	0	10,391	(2,602,278)	0	0
Commitments and financial guarantees given (Stage 3)	(890,794)	(61,512)	203,797	(1,156,012)	0	0	0	0	(1,904,521)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,161,958)**	**(7,881,853)**	**3,979,096**	**3,650,204**	**1,351**	**0**	**0**	**37,580**	**(9,375,580)**	**0**	**0**

	As at 01/01/21	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/21	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(44,791,002)**	**(8,722,212)**	**2,899,814**	**4,737,619**	**0**	**0**	**0**	**529,413**	**(45,346,368)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	18,500	0	0	0	(22,969)	(4,469)	n.a	n.a
Debt securities at amortised cost	(2,594,787)	(464,516)	108,070	1,362,461	0	0	0	(9,100)	(1,597,872)	n.a	n.a
Debt securities at fair value through other comprehensive income	(67,371)	(16,442)	11,420	49,991	0	0	0	(469)	(22,871)	n.a	n.a
Loans and advances at amortised cost	(42,128,844)	(8,241,254)	2,780,324	3,306,667	0	0	0	561,951	(43,721,156)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(26,057,454)**	**0**	**1,449,969**	**(6,071,461)**	**0**	**0**	**0**	**(290,419)**	**(30,969,365)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	39,572	0	0	0	(127,082)	(87,510)	n.a	n.a
Debt securities at amortised cost	(884,858)	0	0	(25,329)	0	0	0	(6,730)	(916,917)	n.a	n.a
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(25,172,596)	0	1,449,969	(6,085,704)	0	0	0	(156,607)	(29,964,938)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(234,175,630)**	**(2,064,644)**	**5,050,566**	**(28,331,117)**	**0**	**0**	**26,256,339**	**(3,258,701)**	**(236,523,187)**	**317,878**	**(27,320,124)**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	0	0
Debt securities at amortised cost	(15,350,335)	0	0	(2,246,553)	0	0	0	0	(17,596,888)	0	0
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(218,825,295)	(2,064,644)	5,050,566	(26,084,564)	0	0	26,256,339	(3,258,701)	(218,926,299)	317,878	(27,320,124)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(305,024,086)**	**(10,786,856)**	**9,400,349**	**(29,664,959)**	**0**	**0**	**26,256,339**	**(3,019,707)**	**(312,838,920)**	**317,878**	**(27,320,124)**
Commitments and financial guarantees given (Stage 1)	(4,868,781)	(6,203,925)	2,365,591	1,506,272	0	0	0	48,493	(7,152,350)	0	0
Commitments and financial guarantees given (Stage 2)	(2,602,278)	(267,509)	1,102,701	(1,771,876)	(11,931)	0	0	(8,785)	(3,559,678)	0	0
Commitments and financial guarantees given (Stage 3)	(1,904,521)	(396,883)	37,865	37,567	0	0	0	201,735	(2,024,237)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,375,580)**	**(6,868,317)**	**3,506,157**	**(228,037)**	**(11,931)**	**0**	**0**	**241,443**	**(12,736,265)**	**0**	**0**

12.2.7 Own credit risk linked to financial liabilities designated at fair value through profit or loss

	As at 31/12/20			
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	934,551,568	141,604	(241,792)	1,838,104

	As at 31/12/21			
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,467,315,688	236,659	(5,133)	(31,190,506)

In 2020 and 2021, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

12.2.8 Information on forborne exposure

As at the end of 2021, BIL's forborne exposures amounted to EUR 934 million (EUR 1,059 million in 2020) including EUR 48 million (EUR 62.6 million in 2020) as given banking guarantees.

12.3 Encumbered assets

12.3.1 COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	31/12/20			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	94,778,817	*94,778,817*	0	*0*
Debt securities	668,926,749	*668,926,749*	211,998,447	*211,998,447*
TOTAL	**763,705,566**	***763,705,566***	**211,998,447**	***211,998,447***

	31/12/21			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	25,832,762	*25,832,762*	0	*0*
Debt securities	247,258,681	*247,258,681*	191,637,733	*191,637,733*
TOTAL	**273,091,443**	***273,091,443***	**191,637,733**	***191,637,733***

12.3.2 ENCUMBERED ASSETS

	31/12/20			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities held for trading	**883,789**	***883,789***	**883,789**	***883,789***
of which: issued by general governments	*28,996*	*28,996*	*28,996*	*28,996*
of which: issued by other financial corporations	*803,103*	*803,103*	*803,103*	*803,103*
of which: issued by non-financial corporations	*51,690*	*51,690*	*51,690*	*51,690*
Debt securities at amortised cost	**2,338,492,999**	***1,993,188,368***	**2,398,497,958**	***2,048,087,667***
of which: issued by general governments	*1,334,854,471*	*1,116,556,610*	*1,392,094,454*	*1,169,272,060*
of which: issued by other financial corporations	*886,008,373*	*775,810,236*	*888,843,571*	*778,097,714*
of which: issued by non-financial corporations	*117,630,155*	*100,821,522*	*117,559,933*	*100,717,893*
Debt securities at fair value through other comprehensive income	**454,639,864**	***408,367,375***	**454,639,863**	***408,367,375***
of which: issued by general governments	*242,684,161*	*242,684,161*	*242,684,161*	*242,684,161*
of which: issued by other financial corporations	*201,268,178*	*154,995,689*	*201,268,178*	*154,995,689*
of which: issued by non-financial corporations	*10,687,525*	*10,687,525*	*10,687,524*	*10,687,525*
Loans and advances other than loans on demand	**618,670,376**	***618,670,376***	**618,670,376**	***618,670,376***
TOTAL	**3,412,687,028**	***3,021,109,908***	**3,472,691,986**	***3,076,009,207***

	31/12/21			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities at amortised cost	**2,657,455,729**	***2,295,199,115***	**2,693,099,332**	***2,330,442,202***
of which: issued by general governments	*1,381,725,064*	*1,152,613,415*	*1,409,665,096*	*1,179,853,692*
of which: issued by other financial corporations	*994,819,316*	*874,097,537*	*999,144,799*	*878,762,455*
of which: issued by non-financial corporations	*280,911,349*	*268,488,163*	*284,289,437*	*271,826,055*
Debt securities at fair value through other comprehensive income	**392,152,543**	***392,152,543***	**392,152,542**	***392,152,543***
of which: issued by general governments	*278,241,020*	*278,241,020*	*278,241,020*	*278,241,020*
of which: issued by other financial corporations	*103,575,063*	*103,575,063*	*103,575,062*	*103,575,063*
of which: issued by non-financial corporations	*10,336,460*	*10,336,460*	*10,336,460*	*10,336,460*
Loans and advances other than loans on demand	**618,670,376**	***0***	**618,670,376**	***0***
TOTAL	**3,668,278,648**	***2,687,351,658***	**3,703,922,250**	***2,722,594,745***

12.3.3 SOURCES OF ENCUMBRANCE

	31/12/20		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	639,814,933	618,670,376	*0*
Repurchase agreements	662,579,520	657,014,039	*0*
Collateralised deposits other than repurchase agreements	1,498,072,597	1,498,072,597	*211,998,447*
of which: central banks	*1,498,072,597*	*1,498,072,597*	*211,998,447*
Fair value of securities borrowed with non cash collateral	861,313,473	850,928,463	*0*
TOTAL	**3,661,780,523**	**3,624,685,475**	***211,998,447***

	31/12/21		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	350,124,740	366,232,039	*0*
Repurchase agreements	598,005,890	589,537,584	*0*
Collateralised deposits other than repurchase agreements	2,201,141,652	2,201,141,652	*191,637,733*
of which: central banks	*2,201,141,652*	*2,201,141,652*	*191,637,733*
Fair value of securities borrowed with non cash collateral	438,896,414	450,566,769	*0*
TOTAL	**3,588,168,696**	**3,607,478,044**	***191,637,733***

12.3.4 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in Note 1.4 to the consolidated financial statements. Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/20				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	239,604,794	0	239,604,794	94,778,817	144,825,977
Reverse repurchase agreements	19,119,824	0	19,119,824	19,119,824	0
TOTAL	**258,724,618**	**0**	**258,724,618**	**113,898,641**	**144,825,977**

Financial liabilities recognised at end of reporting period	31/12/20				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	642,789,763	0	642,789,763	623,835,369	18,954,394
Repurchase agreements	662,579,521	0	662,579,521	657,014,039	5,565,482
Collateralised deposits other than repurchase agreements	1,498,072,597	0	1,498,072,597	1,498,072,597	0
TOTAL	**2,803,441,881**	**0**	**2,803,441,881**	**2,778,922,005**	**24,519,876**

Financial assets recognised at end of reporting period	31/12/21				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	131,894,847	0	131,894,847	25,832,762	106,062,085
TOTAL	**131,894,847**	**0**	**131,894,847**	**25,832,762**	**106,062,085**

Financial liabilities recognised at end of reporting period	31/12/21				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	350,124,740		350,124,740	350,124,740	
Repurchase agreements	598,005,890		598,005,890	589,537,584	8,468,306
Collateralised deposits other than repurchase agreements	2,189,231,314	0	2,189,231,314	2,189,231,314	
TOTAL	**3,137,361,944**	**0**	**3,137,361,944**	**3,128,893,638**	**8,468,306**

12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date[1]

ASSETS	31/12/20						
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	3,633,908,019	0	0	0	0	0	3,633,908,019
Financial assets held for trading	33,847,984	102,212	982,045	12,720,177	8,061,443	2,261	55,716,122
Financial investments measured at fair value	46,091,077	6,589,962	33,385,410	609,616,854	313,605,425	79,270,409	1,088,559,137
Financial investments measured at fair value through other comprehensive income	*46,091,077*	*6,589,962*	*33,385,410*	*609,616,854*	*313,605,425*	*76,225,916*	*1,085,514,644*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,044,493*	*3,044,493*
Loans and advances to credit institutions	1,095,034,410	7	55,000,000	2,812,500	0	0	1,152,846,917
Loans and advances to customers	4,551,064,295	138,574,240	394,398,156	1,849,019,099	8,206,722,820	0	15,139,778,610
Financial investments measured at amortised cost	516,484,193	111,138,792	396,933,591	2,417,050,023	4,084,757,880	0	7,526,364,479
Derivatives	0	0	0	0	0	239,604,794	239,604,794
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	191,221	191,221
TOTAL	**9,876,429,978**	**256,405,213**	**880,699,202**	**4,891,218,653**	**12,613,147,568**	**319,068,685**	**28,836,969,299**

	31/12/21						
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	5,483,495,331	0	0	0	0	0	5,483,495,331
Financial assets held for trading	18,740,214	344,856	2,140,023	3,244,126	0	0	24,469,219
Financial investments measured at fair value	13,826,151	10,336,460	258,762,422	277,389,484	288,638,301	243,388,047	1,092,340,865
Financial investments measured at fair value through other comprehensive income	*13,826,151*	*10,336,460*	*258,762,422*	*277,389,484*	*288,638,301*	*240,168,806*	*1,089,121,624*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,219,241*	*3,219,241*
Loans and advances to credit institutions	684,635,042	210,387,647	0	0	0	0	895,022,689
Loans and advances to customers	4,769,429,101	162,358,567	329,489,383	1,762,461,841	8,778,627,867	0	15,802,366,759
Financial investments measured at amortised cost	419,433,687	170,106,417	406,491,971	2,859,421,996	3,370,920,228	0	7,226,374,299
Derivatives	0	0	0	0	0	131,894,847	131,894,847
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	93,194	93,194
TOTAL	**11,389,559,526**	**553,533,947**	**996,883,799**	**4,902,517,447**	**12,438,186,396**	**375,376,088**	**30,656,057,203**

[1] Excluding derivatives and off-balance sheet items.
[2] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

LIABILITIES	31/12/20						
	At sight or on demand [1]	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
Amounts due to credit institutions	1,316,860,678	892,883,982	439,497,478	1,531,322,040	49,950,314	0	4,230,514,492
Amounts due to customers	16,821,736,955	1,148,347,322	262,011,938	657,504,548	7,691,519	0	18,897,292,282
Other financial liabilities	61,917	977,171	2,618,370	10,545,226	1,933,025	0	16,135,709
Financial liabilities measured at fair value through profit or loss	277,241,596	14,159,379	95,021,320	242,322,541	305,806,732	0	934,551,568
Liabilities designated at fair value	*277,241,596*	*14,159,379*	*95,021,320*	*242,322,541*	*305,806,732*	*0*	*934,551,568*
Derivatives	0	0	0	0	0	639,814,933	639,814,933
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	2,433,523	2,433,523
Debt securities	1,025,138,257	3,004,211	82,413,774	1,442,308,930	230,238,205	0	2,783,103,377
Subordinated debts	48,542,881	0	0	0	82,077,306	0	130,620,187
TOTAL	**19,489,582,284**	**2,059,372,065**	**881,562,880**	**3,884,003,285**	**677,697,101**	**642,248,456**	**27,634,466,071**

	31/12/21						
	At sight or on demand [1]	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
Amounts due to credit institutions	948,239,990	587,430,222	343,137,137	2,192,708,567	46,349,514	0	4,117,865,430
Amounts due to customers	17,492,569,142	1,431,425,174	501,394,645	363,041,693	9,594,882	0	19,798,025,536
Other financial liabilities	0	825,158	2,250,661	8,195,245	2,687,656	0	13,958,720
Financial liabilities measured at fair value through profit or loss	195,873,047	17,931,974	134,511,145	601,201,535	517,797,987	0	1,467,315,688
Liabilities designated at fair value	*195,873,047*	*17,931,974*	*134,511,145*	*601,201,535*	*517,797,987*	*0*	*1,467,315,688*
Derivatives	0	0	0	0	0	350,124,740	350,124,740
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	70,504	70,504
Debt securities	1,095,578,942	83,547,460	276,238,612	1,504,221,258	240,831,523	0	3,200,417,795
Subordinated debts	48,676,438	0	0	0	188,450,749	0	237,127,187
TOTAL	**19,780,937,559**	**2,121,159,988**	**1,257,532,200**	**4,669,368,298**	**1,005,712,311**	**350,195,244**	**29,184,905,600**

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

12.5.1 TREASURY AND FINANCIAL MARKETS ACTIVITIES

BIL's treasury and financial markets activities support the Bank's commercial activities.
Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.
Treasury management is subject to interest-rate sensitivity limit.

a. Trading: Value at Risk – 99 %, 10 days (in EUR million)

BIL calculated:

- a trading VaR (Fixed Income and Forex) based on a historical VaR (99 %, 10 days);
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are detailed below:

VaR (10 days, 99%)		**31/12/20**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.14	0.12	0.21	0.01	0.00	0.00	0.00
	Maximum	0.29	0.21	0.19	0.41	0.07	0.01	0.00	0.02
Global Trading	Average	0.17							
	Maximum	0.65							
	End of period	0.03							
	Limit	2.00							

VaR (10 days, 99%)		**31/12/21**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Global Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	2.00							

b. Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)	31/12/20				31/12/21			
	Treasury				Treasury			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	0.89	2.97	5.48	3.44	6.12	3.21	3.62	2.8
Limit	-20.00				-9.00			

c. Investment Treasury Portfolio (in EUR million)

Exposures include swapped and non-swapped positions. The portfolio's interest rate is managed by Treasury.

	31/12/20	31/12/21
Exposures	229	152
Interest-rate sensitivity (+1 bp)	(0.00)	(0.00)
Credit spread sensitivity (+1 bp)	(0.07)	(0.08)

12.5.2 ALM interest rate risk and credit spread risk

The interest-rate risk is followed by an interest-rate sensitivity limit.
For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1 % change in the interest-rate position of ALM activities.

(in EUR million)		2020							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	14	47	4	(4)	(2)	(2)	(3)	(3)

(in EUR million)		2021							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(14)	(12)	(29)	10	(3)	(2)	(2)	(2)

b. Investment Portfolio HTC&S (in EUR million)

The portfolio's interest-rate is managed by the ALM.

	2020	2021
Exposures	700	650
Interest rate sensitivity (+1 bp)	(0.01)	(0.01)
Credit spread sensitivity (+1 bp)	(0.25)	(0.17)

[1] Sensitivity (+1 %), ALM perimeter (own funds excluded).
[2] On December 31, 2021, the interest rate sensitivity limit for BIL ALM reached EUR 90 million per percent.
[3] Sensitivity (+1 basis point).

12.6 Liquidity risk: breakdown by residual maturity

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the consolidated management report.

The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received. Presented by residual maturity, excluding derivatives and off-balance sheet.

ASSETS	31/12/20						
	At sight or on demand [1]	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
Cash and balances with central banks and demand deposits[2]	3,633,908,019	0	0	0	0	0	3,633,908,019
Financial assets held for trading	6,980,984	709,898	7,973,741	28,408,961	11,640,277	2,261	55,716,122
Financial investments measured at fair value	0	6,589,962	35,844,662	653,248,679	313,605,425	79,270,409	1,088,559,137
Financial investments measured at fair value through other comprehensive income	*0*	*6,589,962*	*35,844,662*	*653,248,679*	*313,605,425*	*76,225,916*	*1,085,514,644*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,044,493*	*3,044,493*
Loans and advances to credit institutions[2]	645,750,756	167,414,201	336,866,760	2,815,200	0	0	1,152,846,917
Loans and advances to customers[2]	2,438,970,265	1,972,453,670	715,801,231	1,805,830,624	8,206,722,820	0	15,139,778,610
Financial investments measured at amortised cost[2]	0	114,637,086	473,034,598	2,737,979,625	4,200,713,170	0	7,526,364,479
Derivatives	4,460,242	194,957,151	13,648,105	9,124,485	17,414,811	0	239,604,794
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	191,221	0	0	191,221
TOTAL	**6,730,070,266**	**2,456,761,968**	**1,583,169,097**	**5,237,598,795**	**12,750,096,503**	**79,272,670**	**28,836,969,299**

	31/12/21						
	At sight or on demand [1]	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
Cash and balances with central banks and demand deposits[2]	5,483,495,331	0	0	0	0	0	5,483,495,331
Financial assets held for trading	4,226,065	2,145,568	4,025,883	10,289,828	3,781,875	0	24,469,219
Financial investments measured at fair value	0	10,336,689	258,762,422	277,389,484	302,464,223	243,388,047	1,092,340,865
Financial investments measured at fair value through other comprehensive income	*0*	*10,336,689*	*258,762,422*	*277,389,484*	*302,464,223*	*240,168,806*	*1,089,121,624*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,219,241*	*3,219,241*
Loans and advances to credit institutions[2]	388,792,331	323,370,476	0	182,859,882	0	0	895,022,689
Loans and advances to customers[2]	2,815,424,882	2,129,716,386	285,748,396	1,734,331,243	8,837,145,852	0	15,802,366,759
Financial investments measured at amortised cost[2]	0	180,106,158	550,357,432	3,040,326,564	3,455,584,145	0	7,226,374,299
Derivatives	3,166,894	59,053,746	7,059,754	13,512,302	49,102,151	0	131,894,847
Fair value revaluation of portfolios hedged against interest rate risk	0	0	93,194	0	0	0	93,194
TOTAL	**8,695,105,503**	**2,704,729,023**	**1,106,047,081**	**5,258,709,303**	**12,648,078,246**	**243,388,047**	**30,656,057,203**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

LIABILITIES	31/12/20						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions[2]	679,446,890	1,245,760,599	729,286,037	1,526,070,652	49,950,314	0	4,230,514,492
Amounts due to customers[2]	15,020,601,829	2,418,404,983	793,083,439	657,504,548	7,697,483	0	18,897,292,282
Other financial liabilities[2]	61,917	977,171	2,618,370	10,545,226	1,933,025	0	16,135,709
Financial liabilities measured at fair value through profit or loss	0	69,150,520	116,815,065	428,739,606	319,846,377	0	934,551,568
Liabilities designated at fair value	*0*	*69,150,520*	*116,815,065*	*428,739,606*	*319,846,377*	*0*	*934,551,568*
Derivatives	4,859,484	206,389,393	11,080,152	124,432,646	293,053,258	0	639,814,933
Fair value revaluation of portfolios hedged against interest rate risk	0	0	2,336,282	97,241	0	0	2,433,523
Debt securities[2]	12,426,231	47,069,164	309,484,476	2,183,885,301	230,238,205	0	2,783,103,377
Subordinated debts[2]	0	0	0	0	130,620,187	0	130,620,187
TOTAL	**15,717,396,351**	**3,987,751,830**	**1,964,703,821**	**4,931,275,220**	**1,033,338,849**	**0**	**27,634,466,071**

	31/12/21						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions[2]	439,451,990	988,917,763	450,539,849	2,192,606,314	46,349,514	0	4,117,865,430
Amounts due to customers[2]	17,409,259,005	1,512,634,815	503,495,141	363,041,693	9,594,882	0	19,798,025,536
Other financial liabilities[2]	0	825,158	2,250,661	8,195,245	2,687,656	0	13,958,720
Financial liabilities measured at fair value through profit or loss	0	22,673,384	161,877,546	760,963,144	521,801,614	0	1,467,315,688
Liabilities designated at fair value	*0*	*22,673,384*	*161,877,546*	*760,963,144*	*521,801,614*	*0*	*1,467,315,688*
Derivatives	3,715,803	66,169,591	17,281,131	89,382,565	173,575,650	0	350,124,740
Fair value revaluation of portfolios hedged against interest rate risk	0	0	70,504	0	0	0	70,504
Debt securities[2]	11,821,562	468,890,338	306,246,621	2,172,627,751	240,831,523	0	3,200,417,795
Subordinated debts[2]	0	0	0	0	237,127,187	0	237,127,187
TOTAL	**17,864,248,360**	**3,060,111,049**	**1,441,761,453**	**5,586,816,712**	**1,231,968,026**	**0**	**29,184,905,600**

NET POSITION	31/12/20					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(8,987,326,085)	(1,530,989,862)	(381,534,724)	306,323,575	11,716,757,654	79,272,670

	31/12/21					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,169,142,857)	(355,382,026)	(335,714,372)	(328,107,409)	11,416,110,220	243,388,047

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/20			
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Regular way trade	0	1,050,856,309	11,837,930	0
Guarantees	638,055	180,357,099	201,826,896	842,124,033
Loan commitments	28,665,213	59,246,701	368,596,226	529,009,643
Other commitments	0	207,837,944	408,665,552	1,680,575,291

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/20		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	1,062,694,239
Guarantees	514,307,388	979,933,406	2,719,186,877
Loan commitments	747,816,091	1,316,791,149	3,050,125,023
Other commitments	8,263,452,261	225,459,179,533	236,019,710,581

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/21			
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Regular way trade	433	538,993,732	0	0
Guarantees	0	183,606,517	197,287,909	715,903,435
Loan commitments	17,778,308	49,423,439	353,045,014	503,620,976
Other commitments	0	218,155,972	498,541,188	1,786,400,393

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/21		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	538,994,165
Guarantees	430,329,991	1,046,919,476	2,574,047,328
Loan commitments	900,680,105	1,244,522,339	3,069,070,181
Other commitments	8,775,506,782	272,664,723,509	283,943,327,844

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

12.7 Currency risk

	31/12/20				
	EUR	Other EU currencies	USD	Other	Total
Assets	24,322,511,251	773,443,263	1,749,961,549	2,820,288,533	29,666,204,596
Liabilities	24,447,521,086	909,186,260	3,506,653,298	802,843,952	29,666,204,596
NET ON-BALANCE SHEET POSITION	**(125,009,835)**	**(135,742,997)**	**(1,756,691,749)**	**2,017,444,581**	**0**
Off-balance sheet – receivable	2,389,723,250	4,089,136,037	9,097,011,412	4,203,258,220	19,779,128,919
Off-balance sheet – payable	2,236,976,895	3,931,820,920	7,346,500,654	6,285,400,200	19,800,698,669
NET OFF-BALANCE SHEET POSITION	**152,746,355**	**157,315,117**	**1,750,510,758**	**(2,082,141,980)**	**(21,569,750)**

	31/12/21				
	EUR	Other EU currencies	USD	Other	Total
Assets	26,831,815,732	386,276,073	1,850,974,007	2,403,081,697	31,472,147,509
Liabilities	26,362,737,067	669,708,900	3,452,387,236	987,314,306	31,472,147,509
NET ON-BALANCE SHEET POSITION	**469,078,665**	**(283,432,827)**	**(1,601,413,229)**	**1,415,767,391**	**0**
Off-balance sheet – receivable	2,200,575,074	993,897,575	3,097,069,282	2,014,887,851	8,306,429,782
Off-balance sheet – payable	2,660,071,527	710,604,334	1,494,669,167	3,444,942,950	8,310,287,978
NET OFF-BALANCE SHEET POSITION	**(459,496,453)**	**283,293,241**	**1,602,400,115**	**(1,430,055,099)**	**(3,858,196)**

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12.8 Solvency ratios

	31/12/20	31/12/21
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,603,718,383**	**1,804,854,557**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,297,122,365**	**1,392,727,371**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	695,879,955	887,894,565
Regulatory and transitional adjustments	(305,393,821)	(401,803,425)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Subordinated liabilities	0	0
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**131,596,018**	**237,127,186**
Subordinated liabilities	131,596,018	237,127,186
RISK WEIGHTED ASSETS	**9,533,451,265**	**10,379,809,108**
Credit Risk	8,620,465,498	9,483,993,303
Market Risk	30,982,853	20,714,828
Operational Risk	860,070,486	856,735,815
Credit Value Adjustments	21,932,428	18,365,162
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	13.61%	13.42%
Tier 1 ratio	15.44%	15.10%
Capital Adequacy ratio	16.82%	17.39%

REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	**31/12/20**	**31/12/21**
Goodwill and intangible assets	(147,618,803)	(197,425,302)
Deferred tax assets that rely on future probability	(153,657,377)	(132,899,628)
Fair value reserves related to gains or losses cash flow hedges	(122,668)	(1,032,736)
Gains or losses on liabilities at fair value resulting from own credit risk	(181,489)	(3,853)
Other regulatory adjustments	(27,066,175)	(20,572,752)
Additional Value Adjustment	(2,782,657)	(56,601,140)
Transitional provisions related to introduction of IFRS9[1]	34,765,350	27,346,395
IRB shortfall	0	(3,809,408)
Defined benefit pension fund assets	(8,730,001)	(16,805,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	**(305,393,821)**	**(401,803,425)**

[1] The solvency ratios are calculated in accordance with the transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873) applied starting September 30, 2020.

Proposed allocation of 2021 net income

EUR	
Net income for the year	101,618,197
Dividend[1]	(18,054,808)
Allocation to "Legal reserve"[2]	0
Allocation to "Retained earnings"	(83,563,389)
TOTAL	**0**

[1] Dividend of EUR 8.65 per share on 2,087,261 shares.
[2] No additional allocation is required since the legal reserve already amounts to 10 % of the subscribed capital.