Semi-annual Report

as at 30 June 2022

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BANQUE
INTERNATIONALE
À LUXEMBOURG

Semi-annual Report

as at 30 June 2022

Consolidated management report

Corporate governance (as of 30 June 2022)

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 statement 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 in line with the risk appetite 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 Chair and to the Chair of the Board Audit and Compliance Committee (amongst other Directors).

Board of Directors

Chair

Luc Frieden	Independent Director

Vice-Chair

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
Jing Li	Director, VP, Managing Director of Overseas Investment of Legend Holdings Corporation
Pierrot Rasqué	Director, Luxembourg State Representative
Michel Scharff	Director, Staff Representative
Claude Steffen	Director, Staff Representative (as from 7 March 2022)
Marc Terzer	Director, Staff Representative
Vincent Thurmes	Director, Luxembourg State Representative
Chris Van Aeken	Independent Director

Board Strategy Committee

Chair	*Members*
Jing Li	Luc Frieden Vincent Thurmes

Board Audit and Compliance Committee

Chair	*Members*
Maurice Lam	Jing Li Pierrot Rasqué

Board Risk Committee

Chair	*Vice-Chair*	*Members*
Chris Van Aeken	Jing Li	Luc Frieden Charles Q. Li Vincent Thurmes

Board Remuneration and Nominations Committee

Chair	*Members*
Peng Li	Jing Li Michel Scharff (Remuneration matters) (as from 1 January 2022) Vincent Thurmes

Executive Committee

Chair

Marcel Leyers[1]	Chief Executive Officer

Members

Hans-Peter Borgh	Group Head International
Xin Chen	Head of China Market (as from 1 April 2022)
Olivier Gorin	Chief Transformation Officer
Jeffrey Dentzer[1]	Chief of the Luxembourg Market and Corporate and Institutional Banking
Helmut Glemser[1]	Chief Risk Officer
Emilie Hoël	Head of Wealth Management
Bernard Mommens[1]	Secretary General and General Counsel
Jérôme Nèble	Head of Strategy and Financial Markets
Nico Picard[1]	Chief Financial Officer
Karin Scholtes[1]	Global Head of People, Culture and Communication

Permanent Invitees

Marie Bourlond	Chief Compliance Officer
Pia Haas	Chief Internal Auditor

[1] Member of the Management Board (Authorised Management)

Business Review and Results

1. Highlights of the first half of 2022

The first half of 2022 brought new challenges to the economy, internationally and domestically.

BIL's focus throughout was to remain agile, balancing short tactical adaptations to its commercial activities with the longer-term objectives of its strategy.

The priority remains to protect its clients and its business while pursuing the roll out of its transformative five-year strategic plan, Create Together 2025, launched during the second half of 2019. This plan, adapted in 2021 and renamed Energise Create Together 2025, is laying the foundations for the BIL of tomorrow, stronger in the post-pandemic world with a future-proof business model.

With respect to the economic context, following more than two years of pandemic, spillovers from the conflict in Ukraine accelerated the slowdown of global economic activity in 2022. The conflict is leading to high commodity prices, adding to supply disruptions, increasing food insecurity, exacerbating inflation, and contributing to central banks tightening financial conditions.

However, companies and banks entered this tightening cycle well-capitalised, while strong labour markets have so far supported consumer spending.

STRATEGY "ENERGISE CREATE TOGETHER 2025"

During the first half of 2022, once again agility was essential to navigate through a rocky first semester. BIL remained focused on the implementation of the 5 key initiatives of its strategic plan, whose purpose is to prepare the Bank for the future:

- Luxembourg is BIL's core market, where it can enhance its unique universal bank business model to become the best bank for entrepreneurs and remain one of the leading banks in Luxembourg.
- BIL's Wealth Management is an essential activity in the Bank's diversified business model and will continue to play a key role in enabling growth and resilience.
- BIL continued to develop its Chinese business step by step with the ambition to become a leading bank for European clients wanting to invest in China, and Chinese clients wanting to invest in Europe.
- These business initiatives will be supported by a new and reliable core banking system, entering now the final stages of testing.
- BIL pursued the design of its new target operating model to create a robust and dynamic bank ready to face the future with serenity.

IMPROVING SERVICES THROUGH SPECIALISATION AND SIMPLIFICATION

Luxembourg is BIL's core market, where it can enhance its unique business model at the intersection of Retail, Private, Corporate and Institutional Banking to deliver added value to entrepreneurial clients and to continue bolstering its strong position as one of the leading banks in Luxembourg. Following a new organisation that brought under one leadership all commercial activities in the Luxembourg market implemented in 2021, BIL continued rolling out its new omnichannel distribution services during the first half of 2022. Thanks to a greater specialisation of its relationship managers, the Bank aims to better meet client expectations in a rapidly changing industry. Business services, mortgages, consumer loans, savings and investments, payments and accounts management: banking services are diverse and have changed significantly with digital transformation. Specialisation means that depending on the nature of their project, clients can rely on the support of an expert relationship manager to find solutions that perfectly meet their needs. In addition to its network of branches throughout Luxembourg and its digital services available on its online banking platform BILnet, BIL launched BIL home, its fully remote branch where relationship managers are available by appointment, by phone or video conference.

With regards to its payment services, BIL worked on simplifying its daily banking product range, while adding services included in each package. Launched at the start of 2022, individual clients have the choice between four different packages, and corporate 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.

FOCUS ON KEY MARKETS AND SUPPORT TO CLIENTS

BIL's Wealth Management is an essential activity in the Bank's diversified business model and is key to enable growth and resilience. Throughout the first half of 2022, 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.

The economical and geopolitical context proved to be significantly challenging. Investors are more hesitant due to the sharp decline on equity markets and rising interest rates are affecting economic growth. With regards to economic slowdown, Europe is more impacted given its exposition to the conflict in Ukraine. Amidst this challenging environment, the Bank remains agile and focused on its key markets as well as supporting its clients through the crisis in the best possible way.

EXPANDING SERVICES TO ENTREPRENEURS AND INVESTORS

BIL strengthened its 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.

BIL Corporate Finance, BIL's new service, provides a unique offer combining lending and advisory services to its entrepreneur and family-owned corporate clients in the context of strategic transactions such as acquisition, major investment, transmission and management buy-out. This team delivers tailor-made solutions across the capital structure (structured finance, debt advisory, equity and quasi-equity, merger and acquisition) and brings a wealth of experience in terms of products, sectors and geographies, covering the Benelux, Switzerland, France, Germany and China. BIL Corporate Finance can already show a track record of advisory mandates for corporates in various industries such as software or hospitality.

In April 2022, BIL launched its Green Bond Framework to support its sustainable strategy and the transition to a low carbon economy. Despite a challenging environment on financial markets, BIL succeeded to issue in July its first green bond locally, a private placement of EUR 20 million with a 3 year maturity. The Green Bond Framework allows the Bank to issue green bonds, guaranteeing investors their funds will be used for a sustainable purpose, the financing of energy-efficient real estate in Luxembourg.

2. Russia - Ukraine conflict

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

In response to these events, the Group is rigorously applying the measures necessary to strictly enforce all international sanctions and restrictions as and when they are announced.

From a risk management perspective BIL's exposure to Russia remains relatively small. The direct impacts of the conflict on the first half of 2022 interim condensed consolidated financial statements remain limited. Credit exposure towards Russia reaches 0.3% of total exposures as at 30 June 2022. All exposures are well collateralised and all collateral is located in Western Europe.

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 guides 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 and services**: BIL is committed to develop responsible products and services that create value 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 on from 2021, the Towards Sustainability programme continues to be rolled out with many initiatives underway. 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 2022 continues to be on regulatory requirements: after the implementation of Level 1 requirements, the SFDR project team is now working on the Level 2 requirements of the European Regulation (EU) 2019/2088, the so-called Sustainable Finance Disclosure Regulation (SFDR) regarding pre-contractual and periodic reporting disclosures. Data collection will start on the principal adverse impact indicators as from June 2022, via quarterly snapshots to facilitate annual reporting next year.

The SFDR disclosure requirements are closely linked to the Markets in Financial Instruments Directive (MiFID II) project, for which the Bank needs to collect clients' sustainability preferences as from 2 August 2022. A specific questionnaire has been developed and the roadmap of the ESG offering development has been defined to respond to clients' expectations. Relationship managers will be trained to specifically address ESG opportunities with their clients.

On the risk management side, the Bank continued to implement the EU recommendations on the management of ESG risks. In March 2022, BIL submitted the 2022 European Central Bank (ECB) climate risk stress test templates and the self-assessment questionnaire on its Climate & Environmental (C&E) framework, for which feedback is expected on July 2022.

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. From 2 August 2022, two more funds will be added to the range of article 8+ funds. In addition, BIL has developed a discretionary ESG mandate, the "BIL Serenio ESG", which can be proposed to Wealth Management clients.

The evolution of BIL's products and services and the gradual inclusion of the Principal Adverse Impacts (PAIs) will enable BIL to continue to carry out the ESG impact analysis of its products.

In April 2022, BIL implemented its Green Bond Framework with a clear commitment to support the growth of the sustainable finance market. The Bank is now able to issue green bonds, guaranteeing investors their funds will be used for a sustainable purpose. Case in point, this is the first green bond framework guaranteeing the exclusive financing of energy-efficient real estate in Luxembourg.

Last but not least, BIL's Investment Portfolio also continues to apply the sustainable investment framework, where Green, Social and Sustainable bonds now account for 14.55% of the total Portfolio, for a total amount of EUR 1,210 million in June 2022.

On the green financing topic, in April 2022, the Bank launched a dedicated project with the aim to review the ESG financing solutions and develop services to better support its clients in their own transition journeys.

Under the "responsible employment" pillar, the Bank has focused its initiatives on the following commitments:

- improving dialogue, with recurrent exchange and information sessions in the form of town halls or breakfast meetings;
- health and well-being, with the month of June 2022 dedicated to health and well-being and marked by conferences on stress management and the ongoing management of the COVID-19 crisis;
- employee development, with in particular the deployment of a Leadership programme dedicated to managers and the finalisation of the first sustainable development training sessions with a total of 286 key people trained by the 30 June 2022;
- diversity, where a workshop dedicated to the subject with the Executive Committee took place, leading to the launch of an action plan on gender balance which will be drawn up by the end of the year.

Finally, BIL has deployed monthly "Sustainability Days" on sustainable development themes with the aim of raising employees' awareness of the various issues.

On the "Positive Impact" pillar, the Bank participated in a large number of local initiatives, mainly in the field of education and health. The Bank also launched its second exercise of carbon footprint measurement.

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 of Responsible Banking and the UN Global Compact since November 2021.

4. Key Figures

COMMERCIAL FRANCHISES

Despite the uncertainty of the macroeconomic environment and a spike in geopolitical tensions the "Luxembourg Market and CIB" and "Wealth Management" business areas remained resilient in the first half of the year:

- Assets under Management (AuM) decreased to EUR 43.9 billion compared with EUR 45.9 billion at the end of 2021. The positive Net New Asset (NNA) inflows (EUR +0.73 billion) were not sufficient to offset the strong negative market effect of EUR -2.7 billion.
- Customer deposits increased by 5.9% to EUR 21.9 billion compared with EUR 20.7 billion at year-end 2021 driven mainly by current accounts and fixed term deposits, as clients err on the side of caution preferring to postpone investments in the current economic climate.

- Customer loans increased by 1.4% to EUR 16.6 billion mainly due to the commercial activities which grew by 1%. This limited growth can mainly be linked to a general slowdown of mortgage loan production in Luxembourg explained by the rise in interest rates and delays in new construction projects caused by an increase in raw material prices and supply chain stress.

PROFITABILITY

BIL Group reported a net income after tax of EUR 68 million in June 2022, compared with EUR 47 million in June 2021, up by 46%.

Net income before tax amounted to EUR 77 million, up by 53% (EUR 27 million) compared with June 2021, influenced by a significant improvement of the core operating cost of risk of EUR 25 million and a positive evolution of the non-recurring items of EUR 26 million. These increases were offset by an increase in the core operating expenses of EUR 17 million to support the Bank's strategic plan and the deployment of the new core banking system in 2023.

Non-recurring items before tax amounted to EUR 42 million in June 2022, compared with EUR 15 million in June 2021. In 2022, non-recurring items were mainly composed of the remeasurement of an investment property at fair value of which EUR 28 million additional revaluation was recognised as at 30 June 2022, capital gains from the Bank's Investment Portfolio of EUR 17 million (compared with EUR 15 million in June 2021) offset by an impairment on goodwill of EUR 2 million.

Core gross operating income (excluding non-recurring items) decreased by EUR 23 million and totalled EUR 30 million in June 2022. This decrease was mainly influenced by an increase of the core operating expenses of EUR 17 million (+8%). Core operating revenues decreased by EUR 6 million (-2%) driven by the Group Center by EUR 20 million (explained in the following section) offset by a positive contribution of the commercial business lines (EUR 10 million) and Financial Markets (EUR 4 million) activities.

Core operating net income before tax totalled EUR 35 million in 2022 stable with June 2021. This good performance in a complex situation was marked by the improvement of the core cost of risk as the quality of the Bank's assets has improved significantly in 2022 post-COVID-19.

LONG-TERM COUNTERPARTY CREDIT RATINGS

As at the end of June 2022, BIL's ratings by both Moody's and Standard & Poor's remain unchanged compared with 31 December 2021, at A2/Stable/P-1 and A-/Stable/A-2 respectively.

BIL Group	June 2022	Outcome
Moody's	A2 Stable P-1	On 15 July 2022, Moody's Investors Service affirmed BIL's A2 deposit and senior unsecured debt ratings with a stable outlook.
S&P	A- Stable A-2	On 25 January 2022, S&P Global Ratings affirmed BIL's ratings following the revised "Financial Institutions Rating methodology" published in December.

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

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of BIL Group for the first half of 2022 were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union. The main accounting principles are described in Note 1 to the interim condensed consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

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

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME GLOBAL VIEW

(in EUR million)	30/06/21	30/06/22	Change versus June 2021	%
Revenues	**278**	**301**	**23**	**8%**
Interest and dividend income	145	155	10	7%
Fees income	113	111	(2)	(2)%
Other income	20	34	15	74%
Expenses	**(210)**	**(227)**	**(17)**	**8%**
Staff expenses	(110)	(118)	(8)	7%
General expenses	(72)	(81)	(9)	13%
Amortisation	(28)	(28)	1	(2)%
Gross operating income	**68**	**74**	**6**	**9%**
Cost of risk and impairment on goodwill	(19)	3	22	ns.
Operating income	**49**	**77**	**28**	**58%**
Net income from associates	2	0	(2)	ns.
Net income before tax	**50**	**77**	**27**	**53%**
Tax expenses	(8)	(9)	(1)	9%
Net income of continuing operations	**43**	**68**	**26**	**61%**
Discontinued operations, net of tax	4	0	(4)	ns.
Net income	**47**	**68**	**21**	**46%**

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

(in EUR million)	Commercial activities and Financial Markets		Group Center		Total		Change versus June 2021	%
	30/06/21	30/06/22	30/06/21	30/06/22	30/06/21	30/06/22		
Revenues	298	314	(20)	(14)	278	301	23	8%
of which core operating revenues	*282*	*296*	*(21)*	*(41)*	*261*	*255*	*(6)*	*(2)%*
Expenses	(199)	(211)	(11)	(15)	(210)	(227)	(17)	8%
of which core operating expenses	*(199)*	*(211)*	*(9)*	*(14)*	*(208)*	*(225)*	*(17)*	*8%*
Gross operating income	98	103	(31)	(29)	68	74	6	9%
of which core gross operating income	*83*	*85*	*(30)*	*(55)*	*53*	*30*	*(23)*	*(43)%*
Cost of risk and impairment on goodwill	(20)	3	1	(0)	(19)	3	22	ns.
of which core operating cost of risk	*(20)*	*5*	*0*	*(0)*	*(20)*	*5*	*25*	*ns.*
Operating income	79	106	(30)	(29)	49	77	28	58%
of which core operating income	*64*	*90*	*(30)*	*(55)*	*33*	*35*	*2*	*5%*
Net income from associates	0	0	2	0	2	0	(2)	ns.
Net income before tax	79	106	(28)	(29)	50	77	27	53%
of which core operating net income before tax	*64*	*90*	*(28)*	*(55)*	*35*	*35*	*0*	*0%*
Tax expenses					(8)	(9)	(1)	9%
Net income of continuing operations					**43**	**68**	**26**	**61%**
Discontinued operations (net of tax)					4	0	(4)	ns.
Net income					**47**	**68**	**21**	**46%**

Revenues

In June 2022, total income amounted to EUR 301 million, up by EUR 23 million (+8%) compared with June 2021 (EUR 278 million). Revenue contributions are presented by business segment and by accounting category in Note 3.

A part of this growth is influenced by the aforementioned non-recurring items evolution (e.g. remeasurement of an investment property, capital gains). Excluding the non-recurring items, core operating revenues stood at EUR 255 million, down by EUR 6 million (-2%) compared with EUR 261 million in June 2021.

Commercial activities' contribution to the core operating revenues increased by EUR 10 million (+3.8%) compared with June 2021. Despite the Russia-Ukraine conflict, most commercial activities are recovering from the impact of the COVID-19 crisis. In an interest rate environment showing the first signs of an upturn, the Luxembourg Market & CIB business line achieved a higher net margin income contribution of EUR 11 million resulting from cash deposit inflows and loan book growth (EUR 16.5 billion end of June 2022 versus EUR 15.9 billion end of June 2021). Despite the bear market conditions in the first half of 2022 and the wait-and-see attitude of clients on transactional business, Wealth Management revenues were down slightly compared to the first half of 2021 (-0.3%). This resilience is explained by the increase in loan revenues, which offset the decline in transactional and management fees.

Financial Markets core operating revenues stood at EUR 17 million compared with EUR 13 million in June 2021. The Investment Portfolio delivered an increased contribution in June 2022 by EUR 4 million and Products & Markets activities by EUR 1 million influenced mainly by foreign exchange activities and structured investments products since the launch in May 2021 of the new platform with Leonteq A.G.

Group Center activities generated negative core operating revenues of EUR 41 million in June 2022 compared with EUR 21 million in June 2021. 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 negative evolution of EUR 20 million stems from the BIL Reinsurance S.A. portfolio revaluation by EUR -10 million, an increase of the Resolution Funds' contribution by EUR 4 million and funding costs by EUR 5 million.

Expenses

Expenses amounted to EUR 227 million, up by 8% compared with June 2021 (EUR 210 million), driven by both general and staff expenses.

Staff costs increased by EUR 8 million mainly at BIL Luxembourg level following the overall impact of the salary indexations applied in October 2021 and April 2022.

The general expenses increased by EUR 9 million. The majority of this increase is driven by transition costs to the new core banking system (e.g. multiple platforms to support development and application testing), regulatory requirements and additional costs in training and marketing.

At BIL Group level, depreciation and amortisation remained stable compared with June 2021.

Cost of risk

The cost of risk has an important influence on BIL's income in June 2022. The Bank recorded net reversals of provisions on loans and advances and impairment on goodwill of EUR 3 million in June 2022 versus net provisions on loans and advances of EUR 19 million in June 2021, an overall positive evolution of the cost of risk by EUR 22 million.

Excluding the non-recurring items in 2022 and 2021, the core cost of risk totalled reversals of provisions of EUR 5 million in June 2022 versus net provisions of EUR 20 million in June 2021 largely influenced by the effects of the health crisis since 2020.

The core cost of risk can be broken down into reversals of stage 3 expert judgment provisions of EUR 5 million influenced by the decrease in non-performing loans due to the proactive management of the credit portfolios, with an outstanding below pre-COVID-19 crisis levels and limited expected credit losses (ECL) in June 2022 as detailed below.

As a reminder and in the context of the COVID-19 sanitary crisis, BIL defined in 2020 "ECL Management Overlays" whose objectives were to adjust the output of the current ECL models to capture some specific effects of the COVID-19 impacts on some exposures benefitting from a moratorium as well as all Mid-Corporate exposures not already benefitting from a moratorium. At the end of December 2021, the moratoria granted in response to the pandemic had all expired and the Bank decided to reduce the management overlays by EUR 5 million. With regard to expired moratoria, in the overwhelming majority of cases clients were able to resume the normal course of their contractual payments. During the first semester of 2022, the Bank considered that the uncertainties regarding the consequences of the pandemic on BIL's portfolios have been lifted and has taken the decision to remove the full amount of the two management overlays, representing a positive impact of EUR 8.4 million in June 2022.

The Bank remains attentive to the direct and indirect negative consequences of the prolonged Russia-Ukraine conflict but has not, at this stage, identified any business sectors, geographical areas and/or credit portfolios for which it appears necessary to adjust the results of ECL provisioning models. In this context of geopolitical instability, market volatility and a more subdued economic outlook, BIL is carefully monitoring its credit portfolio, anticipating a rise in the cost of risk, given that the latter is at a historically low level, reflecting the prudent management of the effects of the pandemic, the good resilience of BIL's main markets and the good quality of credit origination. Even if the Bank does not see the effects at this stage, the Bank considered that the uncertainties surrounding the economic situation are tending to increase. While the provisioning models already capture these elements, the Bank adopted an additional layer of prudence in order to reflect the geopolitical risks. In particular, the Bank has overweighted the adverse macroeconomic scenario in its ECL provisioning. This leads to an increase of the ECL provision by EUR 5.7 million which is included in the first half year 2022 financials.

Excluding these two items, expected credit losses increased during the first semester by EUR 2.6 million in line with the organic growth and deterioration of the macroeconomic indicators.

Net income before tax

Net income before tax amounted to EUR 77 million, up by EUR 27 million (+53%) compared to the first semester of 2021, largely influenced by the cost of risk.

Tax expenses

As at June 2022, tax expenses amounted to EUR 9 million slightly above the previous year (EUR +1 million).

Discontinued operations

Net income from discontinued operations (net of tax) generated EUR 4 million in June 2021 prior to the finalisation of the sale and the transfer of the business activity of BIL Denmark branch to Ringkjøbing Landbobank at the end of 2021.

In the first half of 2022 there were no discontinued operations.

Net income

The Bank reported a net income of EUR 68 million as at 30 June 2022 showing a robust performance when compared with June 2021 (EUR 47 million).

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET[1]

(in EUR billion)	31/12/21	30/06/22	Change versus 2021	%
ASSETS	**32.4**	**34.5**	**2.0**	**6.2%**
Cash at central banks and loans and advances to credit institutions	6.7	7.9	1.2	17.7%
Loans and advances to customers	16.3	16.6	0.2	1.4%
Financial investments	8.5	8.6	0.1	0.8%
Positive fair value of derivative products	0.1	0.6	0.4	ns.
Other assets	0.7	0.8	0.1	11.0%
LIABILITIES AND SHAREHOLDERS' EQUITY	**32.4**	**34.5**	**2.0**	**6.2%**
Amounts due to credit institutions	4.1	5.0	0.9	20.7%
Amounts due to customers	20.7	21.9	1.2	5.9%
Negative fair value of derivative products	0.4	0.4	0.0	5.4%
Debt securities	4.7	4.5	(0.2)	(4.5)%
Subordinated debts	0.2	0.2	0.0	3.8%
Other liabilities	0.3	0.4	0.1	24.5%
Shareholders' equity	2.1	2.1	0.0	2.1%

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

ASSET MOVEMENTS

"Loans and advances to customers" amounted to EUR 16.6 billion as of 30 June 2022 compared with EUR 16.3 billion at the end of 2021, up by EUR 0.2 billion (+1.4%). Outstanding mortgage loans increased by EUR 0.1 billion (+2.1%) and investment loans by EUR 0.1 billion (+1.7%). As explained previously, a general slowdown of residential real estate loan production was observed in Luxembourg.

"Financial investments" remained stable at EUR 8.6 billion compared with EUR 8.5 billion at year-end 2021, new investments offset the sales generated during the first semester of 2022. The Investment Portfolio is mainly made up of assets eligible for refinancing by the European Central Bank (ECB) and qualifying as liquidity reserves under the regulatory framework. These assets enable the Bank to fully comply with liquidity ratio requirements, keeping a comfortable liquidity position translating into a Liquidity Coverage Ratio (LCR) of 140% as of 30 June 2022 in line with previous months.

"Cash at central banks and loans and advances to credit institutions" amounted to EUR 7.9 billion, up by EUR 1.2 billion (+17.7%). The increase in the liquidity surplus is mainly deposited at central banks.

LIABILITY MOVEMENTS

"Amounts due to credit institutions" reached EUR 5 billion, up by 0.9 billion (+20.7%) compared to year-end 2021, driven by an increase in interbank loans and repurchase agreements offset by the early repayment of Targeted Long Term Refinancing Operations (TLTRO) tranche III.4 for EUR 800 million. TLTRO outstanding at the end of June 2022 totalled EUR 1.4 billion compared with EUR 2.2 billion at year-end 2021.

"Amounts due to customers" totalled EUR 21.9 billion in June 2022, representing a growth of 5.9% versus the end of 2021. This growth occurred mainly in current accounts (EUR 0.4 billion) and fixed term deposits (EUR 1 billion) offset by a decrease in saving accounts.

"Debt securities" reached EUR 4.5 billion which represents a decrease of 4.5% versus 2021. The first half of 2022 was hit by tough and highly volatile market conditions on the credit markets implying heavy new issue premiums, substantial spread widening and a rise in rates. Windows for new issuances were limited and many of the attempts of the frequent issuers to hit primary markets had to be postponed. BIL inaugurated its green bond framework through the issuance of a private placement. This new financing tool will enable BIL to enlarge and diversify its investor base.

"Shareholders' equity" increased by EUR 44 million (+2.1%). This increase was mainly due to the half-year 2022 net profit of EUR 68 million offset by the negative evolution of revaluation reserves of EUR 10 million and the dividend paid on the 2021 year-end net profit of EUR 18 million.

6. Post-balance sheet events

On the 23 June 2021, BIL signed a Business Transfer Agreement with Ringkjøbing Landbobank for the transfer of BIL Denmark branch business. The transaction closed on 1 July 2021 and BIL terminated the operational transfer of all clients' assets and loans at the end of 2021. The BIL Denmark branch closed on 7 July 2022.

7. Outlook

ENERGISE CREATE TOGETHER 2025: FULL STEAM AHEAD

In 2022, BIL is focused on the finalisation of its bank-wide project, its new core banking system, while ensuring its ambitious commercial targets are met. This investment, a milestone in the life of the Bank, will be key to pursue its transformation. The new core banking system will allow it to be even more flexible and to react more quickly to the demands of clients, to minimise risk and to adapt to the digital world without losing its human touch.

As the global economy is rapidly changing, BIL will adapt its commercial activities where necessary, while staying focused on its longer term goals defined in its strategy Energise Create Together 2025.

Risk Management

1. Key events of the first half of 2022

CORPORATE STRUCTURE AND RISK PROFILE

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

MAIN WORKS REALISED BY THE RISK TEAMS IN LINE WITH THE DIFFERENT REGULATORY REQUIREMENTS

During the first half of 2022, BIL continued to invest significant time and resources in order to strengthen the risk management framework and processes and to ensure continued compliance with the regulatory corpus.

In a context of increasing uncertainty and rising risks, the Bank is actively managing its loan portfolio and significantly reduced its outstanding loans at risk (non-performing and forborne exposures) leading to recoveries (EUR 5 million). The Bank is also continuing to monitor its performing exposures and related provisioning, adopting a prudent approach as at 30 June 2022 with an additional layer of EUR 5.7 million of provisions under the form of post-model adjustments to address the higher uncertainty of the macroeconomic environment. Furthermore, the Bank reversed the COVID-19 additional layer of provisions (Management Overlays on exposures having benefitted from moratoria or belonging to the MidCorp segment) as repayments or financial situations of exposures in scope do not justify downgrading of ratings anymore.

During the first half of 2022, the Bank has also continued to strengthen its credit risk identification and measurement capabilities by implementing a number of material changes as per its Credit Risk & ECL Roadmap. These changes relate to Governance and Reporting (for example enriching the Credit Risk Dashboard with new or improved metrics), IFRS 9 (in particular Staging and Management Overlays), moratoria, immovable collateral valuation and sectorial monitoring.

Moreover, on the Credit Risk Pillar I model framework, BIL has continued to invest time and resources in ensuring that it continues to comply with the regulatory corpus. Most notably the European Banking Authority Internal Ratings Based (IRB) Repair programme:
- In 2022, a Joint Supervisory Team (JST) appointed Internal Model Investigation mission will assess the Retail/Wealth models, submitted in 2021, for approval by the ECB.
- In order to further simplify the model landscape and address regulatory issues, regulatory capital requirements for financial institution exposures have reverted to the Standardised Approach (ECB approval effective as of January 2022).
- Beyond regulatory matters, the Risk team also continued to develop a risk-adjusted return on capital (RAROC) approach and tool in order to enhance the accurate view on the Bank's return on capital.

- Finalisation of **Basel III framework**, also called the Basel IV framework: The Bank has continued to analyse the different impacts and has participated in the Quantitative Impact Study (QIS) on Basel IV impacts regarding the exposures on the 2021 year-end situation.

- **Interest rate risk in the Banking Book (IRRBB)**: The Bank further developed its non-maturing deposit, prepayment and stress test models and risk follow-up tools (in cooperation with the ALM department).

- **Bank Recovery and Resolution Directive (BRRD)**: The Bank is currently finalising the update of its 2022 Recovery Plan, which will be submitted to the supervisory authorities by the end of September 2022. The following elements should be highlighted: (i) The Bank enhanced its recovery options and is further enhancing the overall recovery capacity (ORC) to increase the usability of the plan in crisis situations; (ii) The Bank continued to reinforce the operationality of the Recovery Plan, notably through dry-run exercises covering all steps of the Recovery Plan (with further dry-run sessions planned in November 2022) with a focus this year on testing the governance process, performing an analysis of the escalation process and tackling additional options compared to 2021.

  Regarding the resolution component, in December 2021, a detailed version of BIL's Resolution Plan was provided to the Bank by the Single Resolution Board (SRB). This highlighted the fact that BIL has met SRB expectations in terms of progress towards resolvability and must continue to work on a range of resolution matters linked to the liquidity and funding capacity in case of resolution and operational continuity. The Bank has since enhanced its Resolution Plan framework accordingly and in July 2022 submitted a Resolvability Progress Report to the SRB. The resolution program will also be subject to dry-runs in 2022 and the first half of 2023 with a clear scope covering Bail-in data and management information system (MIS) capabilities.

- **With regard the Basel Committee on Banking Supervision (BCBS) 239 principles**, the Bank has further pursued related initiatives in three sections: (i) Overarching governance and infrastructure, (ii) Risk data aggregation capabilities and (iii) Risk reporting practices.

- As a financial institution, the Bank is exposed to climate-related matters notably through the credit risk of its loan book. Even if climate risk is not yet defined as a specific risk in the provisioning models, the Bank is working on implementing a climate risk stress-test framework. In particular the Bank took part in **the 2022 ECB Climate Risk Stress Testing Exercise** (finalised in July 2022) where the ECB has assessed the Bank's level of preparedness for managing climate risk in line with the other participant outcomes. The climate risk assessment is also part of the Bank's strategy where it aims to develop its ESG offering.

- **Environmental, Social and Governance (ESG)** matters are of increasing importance in the banking world, a priority for BIL, in 2021, the Bank set up its Sustainability Strategy, "Towards SustainaBILility", based on four pillars: (i) sustainable governance and strategy, (ii) sustainable products and responsible services, (iii) responsible employer and, (iv) a positive local impact. Please refer to part 3: "ESG" in the Business Review and Results section for more information on BIL's SustainaBILity Strategy. Risk teams are part of this programme and are working on the various ESG risk aspects, including: (i) ECB Climate Risk roadmap linked to the 2020 ECB Climate Risk Guide, (ii) Completing Risk Appetite, (iii) Quantification of BIL's ESG Profile, (iv) Review of the ICAAP/ILAAP Process, (v) ESG Economic Capital assessment and (vi) the Climate Risk Stress Testing framework.

- Following the new design of the **ICLAAP framework** realised in 2021, the Bank is currently deploying the enhanced elements notably: (i) Risk Cartography, (ii) reshaping of the Risk Dashboard, (iii) review of the Economic Capital (ECAP) approaches (including the redesign of the documentation) and the Stress testing framework, (iv) enhancement of the data framework and (v) increasing coverage of the Internal validation scope.

- **Risk Management is a stakeholder in the new core banking system** project at different levels: as a first line user and direct contributor to the project for all Risk Management processes and tools and as a second Line of Defence (2nd LoD) oversight function. Based on this framework, Risk Management performed functional and technical risks assessments. These assessments allowed to identify, among others, "very high" and "high" residual risks for which 1st LoD ownership is established and action plans and target dates are set and monitored.

2. Credit risk

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 net carrying amount for repurchase/reverse repurchase agreements; The netting and cash collateral amounts are deducted 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 30 June 2022, the Bank's total credit risk exposure amounted to EUR 38.60 billion compared with EUR 36.60 billion at the end of 2021. The increase in exposures is mainly influenced by Central Governments (EUR +1.4 billion) and Financial Institutions (EUR +712 million).

EXPOSURE BY TYPE OF COUNTERPARTY

As at 30 June 2022, Central Governments exposure weight increased to 36.4% from 34.5% of the overall exposure compared with the previous year, representing the Bank's largest portfolio. BIL Group's Individuals, SME and Self-Employed segment is the second largest segment of the Bank's portfolio, representing 32.7% of the overall exposure compared with 34.9% at year-end 2021. Finally, it is also worth noting that Financial Institutions exposure weight increased to 12.4% from 11.1% at the end of 2021, while the weight of Corporate decreased to 17.1% from 18.3% of the overall exposure.

Exposures by counterparty category (in EUR million)	**31/12/21**	**30/06/22**	Variation
Central Governments	12,619	14,054	1,435
Individuals, SME & Self Employed	12,758	12,618	(140)
Corporate	6,682	6,595	(87)
Financial Institutions	4,072	4,784	712
Public Sector Entities	444	533	89
Others	11	16	5
Securitisation	15	8	(7)
TOTAL	**36,601**	**38,608**	**2,007**

EXPOSURE BY GEOGRAPHICAL REGION

As at 30 June 2022, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (57.0%), France (8.6%), Switzerland (8.1%), Belgium (5.9%) and Germany (5.5%).

Exposures by geographic region (in EUR million)	**31/12/21**	**30/06/22**	**Variation**
Luxembourg	20,814	22,003	1,189
France	3,237	3,333	96
Switzerland	3,282	3,124	(158)
Belgium	2,466	2,296	(170)
Germany	1,817	2,128	311
United States and Canada	1,008	1,336	328
Other EU countries	1,197	1,253	56
Spain	853	984	131
Asia	410	523	113
Rest of Europe	559	489	(70)
Others	179	463	284
Middle East	386	400	14
Ireland	248	162	(86)
Australia	79	58	(21)
Italy	66	56	(10)
TOTAL	**36,601**	**38,608**	**2,007**

Losses on Immovable Property

The following table displays the limited losses recorded as at 30 June 2022 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.

	30/06/21		**30/06/22**	
Collateralised by:	**Sum of overall losses**	**Sum of the exposures**	**Sum of overall losses**	**Sum of the exposures**
Residential property	1.79	7,972	0.00	7,077
Commercial immovable property	0.00	488	0.00	281

3. Market risk

TREASURY AND FINANCIAL MARKETS ACTIVITIES

VaR (10 days, 99%) per activity	31/12/21	30/06/22			
(in EUR million)	TOTAL	Fixed Income	FOREX	Equity	TOTAL
		Trading			
Average	0.17	0	0.08	0.00	0.08
End of period	0.09	0	0.06	0.00	0.06
Maximum	0.63	0	0.29	0.00	0.29
Limit	2.00	1	1.50	0.10	2.00

Global trading activities have been recently reviewed in order to focus on client flows management, servicing, offering access to competitive pricing and optimising profitability with lower risk profile. In this respect, all bonds positions in the trading book have been sold end of 2021. There is no fixed income open position in the trading book as at 30 June 2022.

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

As at 30 June 2022, Treasury sensitivity was EUR 5.1 million compared with EUR 4.4 million in December 2021.

Investment Portfolio

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

The Investment Portfolio had a total nominal exposure of EUR 8.3 billion as at 30 June 2022 (compared with EUR 7.6 billion as at 31 December 2021).

Most of the bonds are classified in the "Hold-to-Collect" (HTC) portfolio measured at amortised cost: EUR 7.5 billion as at 30 June 2022 (EUR 6.8 billion as at 31 December 2021). 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 June 30, 2022 (EUR 0.8 billion as at 31 December 2021).

The fair value sensitivity of the HTC&S portfolio to a 1 basis point widening of the spread (booked to the OCI reserve), was EUR 0.4 million as at 30 June 2022 (EUR 0.3 million per basis point as at 31 December 2021).

(in EUR million)	Notional amount		Rate bpv		Spread bpv	
	31/12/21	30/06/22	31/12/21	30/06/22	31/12/21	30/06/22
Treasury	152	566	(0.00)	(0.01)	(0.08)	(0.29)
ALM	650	270	(0.01)	(0.01)	(0.17)	(0.10)

BIL's liquidity remained solid throughout the first half of 2022. The consolidated Liquidity Coverage Ratio (LCR) amounted to 140% (as at 30 June 2022) and the Net Stable Funding Ratio (NSFR) amounted to 126% (as at 30 June 2022).

4. Asset quality[1]

(in EUR million)		30/06/21	31/12/21	30/06/22
Net loans and advances to customers	a	15,869	16,346	16,578
ECL stage 1, 2, 3	b	298	297	290
Gross loans and advances to customers	c=a+b	**16,167**	**16,643**	**16,868**
ECL stage 1, 2, 3 / Gross loans and advances to customers	b/c	1.84%	1.79%	1.72%
FOCUS ON STAGE 3				
Total stage 3 outstanding amount	d	691	593	554
ECL stage 3	e	232	223	217
Coverage ratio stage 3	e/d	**33.63%**	**37.50%**	**39.17%**
Total collateral and guarantees	g	415	347	308
Coverage ratio stage 3 including collateral	(e+g)/d	**93.74%**	**95.92%**	**94.77%**
Asset quality ratio (stage 3 / Gross loans and advances to customers)	d/c	**4.28%**	**3.56%**	**3.28%**
ECL stage 3 / total ECL (stage 1, 2, 3)	e/b	**78.00%**	**74.88%**	**74.83%**
FOCUS ON STAGE 1 AND STAGE 2				
Total stage 1 outstanding amount	f	12,989	13,504	13,485
ECL stage 1	h	40	45	41
Coverage ratio stage 1	h/f	**0.31%**	**0.33%**	**0.30%**
Total stage 2 outstanding amount	i	2,487	2,546	2,829
ECL stage 2	j	**26**	**30**	**32**
Coverage ratio stage 2	j/i	**1.04%**	**1.18%**	**1.13%**
ECL (stage 1, 2) / total ECL (stage 1, 2, 3)	(h+j)/b	**22.00%**	**25.12%**	**25.17%**
FOCUS ON COST OF RISK (ALL STAGES)				
Net impairment on loans and advances to customers	k	(17)	(32)	7
Cost of Risk (in bps - annualised)	k/c	**21**	**19**	**ns.**
Non-recurring items		**(1)**	**0**	**0**
Net impairment on loans and advances to customers excl. non-recurring items	l	(18)	(33)	7
Cost of risk excluding non-recurring items (in bps - annualised)	l/c	**22**	**20**	**ns.**

5. Solvency monitoring

See Note 6.3 to the interim condensed consolidated financial statements.

[1] Rounding differences and percentages calculated on exact numbers.

Interim condensed consolidated financial statements

Report on Review of interim condensed consolidated financial statements

To the Board of Directors of
Banque Internationale à Luxembourg

We have reviewed the accompanying Interim Condensed Consolidated Financial Statements of Banque Internationale à Luxembourg (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 30 June 2022, the consolidated statement of income and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and the notes to the Interim Condensed Consolidated Financial Statements that include a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of these Interim Condensed Consolidated Financial Statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Interim Condensed Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the Interim Condensed Consolidated Financial Statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of Interim Condensed Consolidated Financial Statements in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Bank, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these Interim Condensed Consolidated Financial Statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg,
23 August 2022
PricewaterhouseCoopers, Société coopérative
Represented by

Rima Adas — Julie Batsch

Consolidated balance sheet

ASSETS (in EUR)	Notes	31/12/21	30/06/22 (unaudited)
Cash, balances with central banks and demand deposits	6.1	5,989,034,370	7,174,495,029
Financial assets held for trading	6.1	24,469,219	27,064,096
Financial investments measured at fair value	6.1	1,138,003,882	1,067,806,224
Financial assets at fair value through other comprehensive income	*6.1*	*1,093,443,120*	*1,028,128,029*
Non-trading financial assets mandatorily at fair value through profit or loss	*6.1*	*44,560,762*	*39,678,195*
Loans and advances to credit institutions	6.1	737,231,429	742,957,320
Loans and advances to customers	6.1	16,346,232,744	16,578,383,701
Financial investments measured at amortised cost	6.1	7,383,330,597	7,518,984,039
Derivatives	6.1	131,527,726	580,357,951
Fair value revaluation of portfolios hedged against interest rate risk	6.1	93,194	48,107
Investments in associates		676,682	676,682
Investment property		30,975,736	60,328,284
Property, plant and equipment		107,570,001	116,238,861
Intangible fixed assets and goodwill		305,857,276	320,564,502
Current tax assets		996,264	1,290,449
Deferred tax assets		163,256,912	159,216,159
Other assets		86,459,608	113,916,157
TOTAL ASSETS		**32,445,715,640**	**34,462,327,561**

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

LIABILITIES (in EUR)	Notes	31/12/21	30/06/22 (unaudited)
Amounts due to credit institutions	6.1	4,103,871,221	4,954,979,709
Amounts due to customers	6.1	20,688,150,882	21,918,422,083
Other financial liabilities		22,757,968	32,732,536
Financial liabilities measured at fair value through profit or loss	4.1, 6.1	1,467,315,688	1,583,206,553
Liabilities designated at fair value	*6.1*	*1,467,315,688*	*1,583,206,553*
Derivatives	6.1	350,859,788	369,894,319
Fair value revaluation of portfolios hedged against interest rate risk	6.1	70,504	95,383
Debt securities	4.2, 6.1	3,200,417,795	2,875,312,576
Subordinated debts	4.3, 6.1	237,127,187	246,183,019
Provisions and other obligations		54,365,347	41,409,624
Current tax liabilities		1,383,500	1,522,355
Deferred tax liabilities		10,205,589	10,332,772
Other liabilities		207,644,441	283,014,973
TOTAL LIABILITIES		**30,344,169,910**	**32,317,105,902**

SHAREHOLDERS' EQUITY (in EUR)	31/12/21	30/06/22 (unaudited)
Subscribed capital	146,108,270	146,108,270
Share premium	760,527,961	760,527,961
Other equity instruments	174,081,292	174,198,574
Reserves and retained earnings	709,178,093	821,858,488
Net income	135,446,251	68,441,943
SHAREHOLDERS' EQUITY	**1,925,341,867**	**1,971,135,236**
Gains and losses not recognised in the consolidated statement of income	176,203,863	174,086,423
Financial instruments at fair value through other comprehensive income	*196,346,769*	*186,614,298*
Other reserves	*(20,142,906)*	*(12,527,875)*
GROUP EQUITY	**2,101,545,730**	**2,145,221,659**
Non-controlling interests	0	0
TOTAL SHAREHOLDERS' EQUITY	**2,101,545,730**	**2,145,221,659**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32,445,715,640**	**34,462,327,561**

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

Consolidated statement of income

(in EUR)	Notes	30/06/21 (unaudited)[1]	30/06/22 (unaudited)
Interest and similar income	5.1	233,493,927	253,341,782
of which : interest revenue calculated using the effective interest method		*188,191,097*	*187,631,483*
Interest and similar expenses	5.1	(88,461,966)	(98,214,019)
Dividend income		16,219	16,126
Net trading income	5.2	6,544,110	(167,241,680)
Net income on financial instruments measured at fair value and net result of hedge accounting	5.3	3,842,908	175,419,126
Net income on derecognition of financial instruments at amortised cost	5.4	26,677,377	22,681,673
Fee and commission income	5.5	135,944,184	137,248,605
Fee and commission expenses	5.5	(23,076,347)	(26,203,401)
Other net income	5.6	(17,262,936)	3,565,162
REVENUES		**277,717,476**	**300,613,374**
Staff expenses		(110,353,219)	(118,116,587)
General and administrative expenses		(71,736,377)	(81,190,652)
Amortisation of tangible, intangible and right-of-use assets		(28,035,116)	(27,511,334)
EXPENSES		**(210,124,712)**	**(226,818,573)**
GROSS OPERATING INCOME	**5.7**	**67,592,764**	**73,794,801**
Impairments	5.7	(18,870,855)	3,156,754
Net impairment on financial instruments and provisions for credit commitments	*5.7*	*(18,799,916)*	*5,142,068*
Net impairment of tangible, intangible and right-of-use assets		*(70,939)*	*0*
Impairment on goodwill	*5.8*	*0*	*(1,985,314)*
OPERATING INCOME		**48,721,909**	**76,951,555**
Net income from associates		1,698,882	0
NET INCOME BEFORE TAX		**50,420,791**	**76,951,555**
Tax expenses		(7,842,918)	(8,509,612)
NET INCOME OF CONTINUING OPERATIONS		**42,577,873**	**68,441,943**
Discontinued operations, net of tax	5.9	4,438,274	0
NET INCOME		**47,016,147**	**68,441,943**

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

[1] Refer to the Note 1 for the reclassification made in accordance with IAS 8.

Consolidated statement of comprehensive income

(in EUR)	30/06/21 (unaudited)	30/06/22 (unaudited)
NET INCOME FOR THE PERIOD RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**47,016,147**	**68,441,943**
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**73,094,366**	**(2,117,440)**
Items that will not be reclassified to profit or loss	**75,451,088**	**17,848,535**
Actuarial gains (losses) on defined benefit pension plans	6,866,487	8,794,672
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(225,971)	1,360,157
Fair value changes of equity instruments measured at fair value through other comprehensive income	70,381,056	9,414,061
Fair value changes of land and buildings - transfer to investment property	0	212,371
Tax on items that will not be reclassified to profit or loss	(1,570,484)	(1,932,726)
Items that may be reclassified to profit or loss	**(2,356,722)**	**(19,965,975)**
Gains (losses) on net investment hedge	51,356	0
Translation adjustments	221,610	(2,186,646)
Gains (losses) on cash flow hedge	233,278	1,915,986
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(3,716,984)	(25,602,809)
Tax on items that may be reclassified to profit or loss	854,018	5,907,494
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**120,110,513**	**66,324,503**

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

Consolidated statement of changes in equity

SHAREHOLDERS' EQUITY, GROUP (in EUR) (unaudited)	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				101,361,017	(101,361,017)	0
Interest on contingent convertible bond				(4,593,750)		(4,593,750)
Realised performance on equities at fair value through other comprehensive income				17,223		17,223
Net income for the period					47,016,147	47,016,147
As at 30/06/21	**146,108,270**	**760,527,961**	**173,592,617**	**714,272,627**	**47,016,147**	**1,841,517,622**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR) (unaudited)	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	67,591,683				67,591,683
Net change in fair value through equity - cash flow hedges		213,646			213,646
Translation adjustments	(1,853)		121,799	221,609	341,555
Net change in other reserves			4,947,481		4,947,481
As at 30/06/21	**131,757,978**	**(750,324)**	**(2,245,782)**	**(14,822,768)**	**113,939,104**

NON-CONTROLLING INTERESTS (in EUR) (unaudited)	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 30/06/21	**0**	**0**	**0**

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

[1] On 14 November 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 under the Capital Requirement Directive (CRD). The amount presented is net of issuance costs.

[2] Of which legal reserve EUR 14.6 million.

[3] As at 30 June 2021, translation adjustments comprise an amount of EUR (38,786,334) relating to net investment hedges linked to foreign exchange differences in consolidated investments.

SHAREHOLDERS' EQUITY, GROUP (in EUR) (unaudited)	Subscribed capital	Share Premium	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/22	**146,108,270**	**760,527,961**	**174,081,292**	**709,178,093**	**135,446,251**	**1,925,341,867**
Dividend paid				(18,054,808)		(18,054,808)
Classification of income				135,446,251	(135,446,251)	0
Coupon on Additional Tier One Instrument			117,282	(4,711,032)		(4,593,750)
Realised performance on equities at fair value through other comprehensive income				(16)		(16)
Net income for the period					68,441,943	68,441,943
As at 30/06/22	**146,108,270**	**760,527,961**	**174,198,574**	**821,858,488**	**68,441,943**	**1,971,135,236**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR) (unaudited)	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 01/01/22	**196,346,769**	**1,032,736**	**(3,847,213)**	**(17,328,429)**	**176,203,863**
Net change in fair value through equity - fair value through other comprehensive income	(9,784,459)			0	(9,784,459)
Net change in fair value through equity - cash flow hedges		(477,847)			(477,847)
Translation adjustments	3,394	1,915,986	(218,911)	(2,186,646)	(486,177)
Net change in other reserves			8,324,780		8,324,780
Changes in scope of consolidation	48,594		257,669	0	306,263
As at 30/06/22	**186,614,298**	**2,470,875**	**4,516,325**	**(19,515,075)**	**174,086,423**

NON-CONTROLLING INTERESTS (in EUR) (unaudited)	Shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/22	**0**	**0**	**0**
Other transfers	0	0	0
As at 30/06/22	**0**	**0**	**0**

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

[1] On 14 November 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 under the Capital Requirement Directive (CRD). The amount presented is net of issuance costs.

[2] Of which legal reserve EUR 14.6 million.

[3] As at 30 June 2022, translation adjustments comprise an amount of EUR (57,418,151) relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated management report

Interim condensed consolidated financial statements

Consolidated cash flow statement

(in EUR)	30/06/21 (unaudited)	30/06/22 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	47,016,147	68,441,943
Adjustment for :		
- Depreciation and amortisation	28,035,116	27,511,334
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill	70,939	1,985,314
- Impairment on bonds, equities and other assets	9,226,722	(9,124,791)
- Net gains / (losses) on investments	28,268	(548,351)
- Provisions (including ECL)	(3,146,153)	(818,850)
- Change in unrealised gains / (losses)	(56,729)	(28,345,771)
- Income / (expense) from associates	(1,698,882)	0
- Dividends from associates	1,214,280	0
- Deferred taxes	7,475,143	7,034,936
- Other adjustments	(367,758)	376,984
Changes in operating assets and liabilities	290,704,641	1,179,015,112
Transactions related to interbank and customers transactions	*(455,671,539)*	*1,836,757,023*
Transactions related to other financial assets and liabilities	*696,322,622*	*(686,631,353)*
Transactions related to other non-financial assets and liabilities	*50,053,558*	*28,889,442*
NET CASH FLOW FROM OPERATING ACTIVITIES	**378,501,734**	**1,245,527,860**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(39,079,668)	(53,290,795)
Sale of fixed assets	(24,120)	47,177
Purchase of non-consolidated shares	(41,048)	(197,179)
Sale of non-consolidated shares	25,233	0
Sale of subsidiaries	0	1,054,905
NET CASH FLOW FROM INVESTING ACTIVITIES	**(39,119,603)**	**(52,385,892)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of subordinated debts	100,000,000	0
Payments on lease liabilities	(3,189,327)	(4,001,896)
Dividend paid	0	(18,054,808)
NET CASH FLOW FROM FINANCING ACTIVITIES	**96,810,673**	**(22,056,704)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**436,192,804**	**1,171,085,264**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	**4,478,121,951**	**6,171,141,452**
Net cash flow from operating activities	378,501,734	1,245,527,860
Net cash flow from investing activities	(39,119,603)	(52,385,892)
Net cash flow from financing activities	96,810,673	(22,056,704)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents	(9,467,957)	13,852,708
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	**4,904,846,798**	**7,356,079,424**
ADDITIONAL INFORMATION		
Taxes paid	(1,008,581)	(1,636,126)
Dividends received	16,219	16,126
Interest received	243,992,710	263,595,650
Interest paid	(98,184,089)	(106,383,446)

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

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

(in EUR) (unaudited)	**As at 01/01/21**	Acquisition / (Reimbursement)	Foreign exchange movement	Other changes	**As at 30/06/21**
Subordinated debts	**131,596,018**	100,000,000	2,735,235	0	**234,331,253**
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) (unaudited)	**As at 01/01/22**	Acquisition / (Reimbursement)	Foreign exchange movement	Other changes	**As at 30/06/22**
Subordinated debts	**238,292,425**	0	7,981,764	0	**246,274,189**
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	**174,081,292**	0	0	117,282	**174,198,574**

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

Notes to the interim condensed consolidated financial statements

Preliminary note

Presentation of the interim condensed consolidated financial statements:

If the balance of an item is nil for the period under review as well as for the comparative period, this item may not be included in the interim condensed 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 interim condensed consolidated financial statements.

Minor differences between the figures in the notes to the interim condensed financial statements and the figures in the different interim primary consolidated statements are rounding differences only.

Note 1: Accounting principles and rules of the interim condensed 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-1470 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 Suite 06, 70/F Two International Finance Centre, No.8 Finance Street, Central, Hong Kong, and its consolidated financial statements 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 interim condensed consolidated financial statements were approved by the Management Board on 10 August 2022 and by the Board of Directors on 17 August 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these interim condensed 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

Basis of accounting

Statement of compliance

BIL's interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to 30 June 2022. The interim condensed consolidated financial statements are prepared on a "going-concern basis" and are presented in euro (EUR) unless otherwise stated. A summary of the main accounting policies is provided in the consolidated financial statements as at 31 December 2021.

Accounting estimates and judgments

In preparing the interim condensed 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 interim condensed 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 interim condensed consolidated financial statements.

Judgments are made principally in the following areas:
- Determination on whether BIL controls the investee, including special purpose entities (refer to note 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 note 1.7* and refer to note 6.1);
- Investment properties for which no quoted market prices on active markets are available are valued by means of valuation techniques (refer to note 5.6);
- Determination of the useful life and the residual value of property, plant and equipment, and intangible assets and determination of the lease term of lease contracts (refer to notes 1.15*, 1.16* and 1.20*); and
- Existence of a present obligation with probable outflows in the context of litigation (refer to notes 1.24* and 7.1).

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 (see note 1.6.5* and refer to note 6.2);
- 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 note 1.7* and refer to note 6.1);
- Determination of fair value for investment properties measured at fair value by means of valuation techniques (refer to note 5.6);
- The measurement of hedge effectiveness in hedging relations (refer to notes 1.12* and 1.13*);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (refer to notes 1.18* and 5.8);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (refer to note 1.22*); and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (refer to note 1.23*).

**Above references are made to Note 1 to the consolidated financial statements included in the 2021 Annual Report.*

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 interim condensed consolidated financial statements continue to be prepared on the going-concern basis.

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 30 June 2022.

IASB and IFRIC texts endorsed by the European commission and applied as from 1 January 2022

- 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). No impact for BIL.

IASB and IFRIC texts issued during previous periods and not yet endorsed nor applicable by the European Commission as at 1 January 2022

- IFRS 17, "Insurance contracts" (issued on 18 May 2017). The standard is applicable as from 1 January 2023 and will impact BIL Group through its reinsurance subsidiary and shall not be material at group level. The Group is currently analysing the impact of IFRS 17 and will finalise the work by year-end 2022.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively). No impact for BIL.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021). No impact for BIL.

IASB and IFRIC texts issued during previous periods and endorsed by the European Commission but not yet applicable by the European Commission as at 1 January 2022

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021). No impact for BIL.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021). No impact for BIL.

Reclassification made in accordance with IAS 8

Compared to the previous interim condensed consolidated statement of income, in the interim condensed consolidated statement of income for the interim period ended as at 30 June 2022, 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 million)	30/06/21 as published	30/06/21 after reclassification	Impact of reclassification
Other net income	(18,321,637)	(17,262,936)	(1,058,701)
REVENUES	**276,658,775**	**277,717,476**	**(1,058,701)**
Staff expenses	(110,000,168)	(110,353,219)	353,051
General and administrative expenses	(71,030,727)	(71,736,377)	705,650
EXPENSES	**(209,066,011)**	**(210,124,712)**	**1,058,701**
NET INCOME	**(47,016,147)**	**(47,016,147)**	**0**

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.

Exposure of BIL to Interest Rate Benchmarks and Initiatives with regards to the Benchmark Reform

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 (classified under "Derivatives");
- Floating Rate Note Assets referencing LIBOR (classified under "Financial Investments measured at amortised cost" and under "Financial investments measured at fair value");
- EMTN Issuances referencing LIBOR (classified under "Debt securities" and "Subordinated debts");
- Structured Products referencing LIBOR (classified under "Financial liabilities measured at fair value through profit or loss");
- Loans referencing LIBOR (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 30 June 2022

	Net Asset Exposure[1]	
(in EUR million)	H2 2023	Beyond 2023
USD LIBOR	72	186
o.w Interest Rate Derivatives	(36)	24
o.w Debt Instruments	(8)	(17)
o.w Loans	116	179

After having successfully transitioned all contracts referring to EONIA, GBP, CHF and JPY Libor in 2021, the Bank continued in the first half of 2022 the upcoming USD Libor Transition. Preparations for the discontinuation of USD Libor in June 2023 are underway. The Bank has committed since the end of 2021 to no longer issue debt instruments referencing USD Libor and is striving to reduce its exposure. BIL already offers alternative solutions based on SOFR to its clients and intends to actively transition all of its legacy USD Libor contracts before 30 June 2023.

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.

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 provided 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 31 December 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 1 January 2021. As at 30 June 2022, the impacts of IBOR Reform on the interim 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] Positive figures for net asset exposure and negative figures for net liability exposure.

Note 2: Scope of consolidation

				31/12/21			30/06/22		
Name	**Country**	**Activity**	**Reason for non-inclusion**	**Consolidation method**	**% of capital held**	**Ref**	**Consolidation method**	**% of capital held**	**Ref**
Head office and branches									
Banque Internationale à Luxembourg S.A.	Luxembourg	bank							
BIL Danmark, filial af Banque Internationale à Luxembourg S.A.	Denmark	bank							1
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	-			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	52.2	-	equity method	52.2	
Non-consolidated subsidiaries									
Audit Trust S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100				2
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	
Private II Wealth Management S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100		not consolidated	100	

[1] On 7 July 2022 BIL Danmark, filial af Banque Internationale à Luxembourg S.A. was closed.
[2] Pursuant to the Sale and Purchase Agreement (SPA) signed on 23 March 2021 between BIL and the buyer, ZEDRA, to sell BIL Fund & Corporate Services S.A. (BFCS) and its fully-owned subsidiary Audit Trust S.à r.l. The transaction closed on 15 March 2022.

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 2022, BIL kept the same reporting segmentation of its business lines as put in place in January 2021:
- **"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 (such as senior non-preferred and subordinated debts).

INCOME (in EUR thousands)	**30/06/21**				
	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	269,234	*149,008*	*112,265*	*7,961*	59,495
Financial Markets	28,488	*7,797*	*493*	*20,198*	19,347
Group Center	(20,005)	*(11,757)*	*110*	*(8,358)*	(28,421)
TOTAL	**277,717**	***145,048***	***112,868***	***19,801***	**50,421**
Net income before tax					50,421
Tax expenses					(7,843)
Discontinued operations (net of tax)					4,438
NET INCOME					**47,016**

	30/06/22				
	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	279,960	*160,471*	*110,024*	*9,465*	83,843
Financial Markets	34,307	*4,692*	*727*	*28,888*	22,257
Group Center	(13,654)	*(10,019)*	*294*	*(3,929)*	(29,148)
TOTAL	**300,613**	***155,144***	***111,045***	***34,424***	**76,952**
Net income before tax					76,952
Tax expenses					(8,510)
Discontinued operations (net of tax)					0
NET INCOME					**68,442**

ASSETS AND LIABILITIES (in EUR thousands)	**31/12/21**		**30/06/22**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Luxembourg Market & CIB and Wealth Management	16,346,233	21,416,101	16,578,384	25,030,741
Financial Markets	15,118,819	6,474,972	16,821,809	6,065,263
Group Center	980,664	2,453,097	1,062,135	1,221,102
TOTAL	**32,445,716**	**30,344,170**	**34,462,328**	**32,317,106**

Note 4: Notes on the interim consolidated balance sheet

4.1 Financial liabilities designated at fair value though profit or loss

ANALYSIS BY NATURE	31/12/21	30/06/22
Non-subordinated liabilities	1,467,315,688	1,583,206,553
TOTAL	1,467,315,688	1,583,206,553

ANALYSIS OF THE FAIR VALUE

Refer to Note 6.1.

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 recognizing 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.

4.2 Debt securities

ANALYSIS BY NATURE	31/12/21	30/06/22
Certificates of deposit	15,400,597	15,043,726
Non-convertible bonds	3,185,017,198	2,860,268,850
TOTAL	3,200,417,795	2,875,312,576

ANALYSIS OF THE FAIR VALUE

Refer to Note 6.1.

4.3 Subordinated debts

ANALYSIS BY NATURE	31/12/21	30/06/22
Non-convertible subordinated debts[1,2]	237,127,187	246,183,019
TOTAL	237,127,187	246,183,019

ANALYSIS OF THE FAIR VALUE

Refer to Note 6.1.

[1] List available upon request.
[2] On 6 May 2021, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since 3 December 2021.

Note 5: Notes on the interim consolidated statement of income

5.1 Interest and similar income – Interest and similar expenses

	30/06/21	30/06/22
INTEREST AND SIMILAR INCOME	233,493,927	253,341,782
a) Interest and similar income of assets not measured at fair value through profit or loss	**161,434,263**	**170,422,108**
Loans and advances to credit institutions	2,447,178	2,324,523
Loans and advances to customers	130,099,825	138,150,164
Financial investments measured at fair value	7,333,686	5,882,758
Financial investments measured at amortised cost	21,398,031	23,947,809
Other	155,543	116,854
b) Interest and similar income of assets measured at fair value through profit or loss	**52,667,845**	**56,663,651**
Financial assets held for trading	200,792	138,257
Derivatives held for trading	25,554,678	39,199,167
Derivatives used for hedging purposes	26,912,375	17,326,227
c) Interest income on liabilities	**19,391,819**	**26,256,022**
INTEREST AND SIMILAR EXPENSES	(88,461,966)	(98,214,019)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(16,377,271)**	**(19,766,955)**
Amounts due to credit institutions	(3,587,987)	(4,646,767)
Amounts due to customers	(1,668,528)	(2,922,418)
Debt securities	(8,014,139)	(8,280,811)
Subordinated debts	(2,886,269)	(3,731,975)
Lease liability	(179,272)	(172,348)
Other	(41,076)	(12,636)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(59,655,129)**	**(64,238,179)**
Financial liabilities held for trading	(7,215)	0
Financial liabilities designated at fair value through profit or loss	(7,746,350)	(20,961,795)
Derivatives held for trading	(8,811,382)	(9,276,325)
Derivatives used for hedging purposes	(43,090,182)	(34,000,059)
c) Interest expenses on assets	**(12,429,566)**	**(14,208,885)**
NET INTEREST INCOME	145,031,960	155,127,763

5.2 Net trading income

	30/06/21	30/06/22
Net income from trading transactions	452,851	3,571,333
of which income from trading securities	*(71,812)*	*2,530,229*
of which income from trading derivatives	*524,663*	*1,041,104*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	771,367	(176,684,803)
Net foreign exchange gain/(loss)	5,319,892	5,871,790
TOTAL	6,544,110	(167,241,680)

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (refer to note 5.3). Important variances in the net income from hedging derivatives classified as trading derivatives (accounting mismatch) and in the net income on financial liabilities designated at fair value through profit or loss from year to year or period to period may arise due to market conditions and their impacts on the fair value of structured bonds issued and related hedging derivatives.

5.3 Net income on financial instruments measured at fair value and net result of hedge accounting

	30/06/21	30/06/22
Net income on financial investments measured at fair value through other comprehensive income	1,156,489	5,070,572
Net income on financial investments at fair value through profit or loss	2,209,641	(6,234,126)
of which financial investments mandatorily fair value through profit or loss	*2,209,641*	*(6,234,126)*
Net income on financial liabilities designated at fair value through profit or loss[1]	420,049	175,736,909
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**3,786,179**	**174,573,355**
Fair value hedge	**67,909**	**845,452**
Change in the fair value of the hedged item attributable to the hedged risk	(109,974,511)	(528,599,335)
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	110,042,420	529,444,787
Portfolio hedge against interest rate risk	**(11,180)**	**319**
Fair value revaluation - Portfolio hedge - Hedged items	2,227,984	(78,286)
Fair value revaluation - Derivatives - Portfolio hedge	(2,239,164)	78,605
NET RESULT OF HEDGE ACCOUNTING	**56,729**	**845,771**
TOTAL	**3,842,908**	**175,419,126**

5.4 Net income on derecognition of financial instruments measured at amortised cost

	30/06/21	30/06/22
Net income on loans and advances measured at amortised cost	**2,754,829**	**664,309**
Gains on loans and advances measured at amortised cost	*2,754,829*	*664,309*
Losses on loans and advances measured at amortised cost	*0*	*0*
Net income on financial investments measured at amortised cost	**15,899,827**	**22,017,364**
Gains on financial investments measured at amortised cost	*15,899,827*	*56,964,425*
Losses on financial investments measured at amortised cost	*0*	*(34,947,061)*
Net income on financial liabilities at amortised cost	**8,022,721**	**0**
Gains on financial liabilities at amortised cost	*8,022,721*	*0*
Losses on financial liabilities at amortised cost	*0*	*0*
TOTAL	**26,677,377**	**22,681,673**

[1] Important variances in the net income from hedging derivatives classified as trading derivatives (accounting mismatch) and in the net income on financial liabilities designated at fair value through profit or loss from year to year or period to period may arise due to market conditions and their impacts on the fair value of structured bonds issued and related hedging derivatives.

5.5 Fee and commission income and expenses

	30/06/21		
	Income	Expenses	Net
Management of unit trusts and mutual funds	14,287,866	(5,086,164)	9,201,702
Administration of unit trusts and mutual funds	28,333	0	28,333
Insurance activity	3,232,660	(264,205)	2,968,455
Credit activity	14,983,127	(643,533)	14,339,594
Purchase and sale on securities	12,766,056	(7,296,393)	5,469,663
Purchase and sale of unit trusts and mutual funds	3,643,792	(280,147)	3,363,645
Payment services	15,127,748	(560,716)	14,567,032
Commissions to non-exclusive brokers	0	(128,328)	(128,328)
Financial engineering	2,403,618	(310,239)	2,093,379
Services on securities other than safe keeping	3,039,090	(107,577)	2,931,513
Custody	12,348,478	(2,252,656)	10,095,822
Issues and placements of securities	1,214,148	(17,936)	1,196,212
Private banking	30,556,339	(3,506,476)	27,049,863
Clearing and settlement	17,309,058	(1,619,434)	15,689,624
Securities lending	4,488	(47,934)	(43,446)
Other	4,999,383	(954,609)	4,044,774
TOTAL	**135,944,184**	**(23,076,347)**	**112,867,837**

	30/06/22		
	Income	Expenses	Net
Management of unit trusts and mutual funds	14,854,060	(5,059,139)	9,794,921
Administration of unit trusts and mutual funds	0	0	0
Insurance activity	3,240,177	(404,905)	2,835,272
Credit activity	14,463,818	(578,812)	13,885,006
Purchase and sale on securities	10,077,684	(8,628,233)	1,449,452
Purchase and sale of unit trusts and mutual funds	2,752,252	(281,211)	2,471,041
Payment services	17,522,509	(314,673)	17,207,836
Commissions to non-exclusive brokers	0	(94,850)	(94,850)
Financial engineering	693,746	(42,401)	651,345
Services on securities other than safe keeping	2,973,481	(203,806)	2,769,675
Custody	13,238,263	(2,428,344)	10,809,920
Issues and placements of securities	1,389,645	(41,699)	1,347,946
Private banking	29,993,318	(5,331,228)	24,662,090
Clearing and settlement	19,400,861	(1,728,687)	17,672,174
Securities lending	0	(47,783)	(47,783)
Other	6,648,790	(1,017,630)	5,631,160
TOTAL	**137,248,605**	**(26,203,401)**	**111,045,204**

5.6 Other net income

	30/06/21	30/06/22
Rental income	8,290	38,681
Other rental income	207,304	14,368
Gains on tangible fixed assets	19,122	47,177
Technical margins insurance companies (income)	4,254,891	3,503,640
Fair value adjustments on investment property	0	27,500,000
Other income on other activities[1]	8,895,008	7,561,055
OTHER INCOME	**13,384,615**	**38,664,921**
Operating taxes	(2,916,030)	(2,943,875)
Other bank charges[2]	(21,921,423)	(22,400,000)
Losses on tangible fixed assets	(47,390)	0
Technical margins insurance companies (expenses)	(3,580,587)	(4,963,828)
Other expenses on other activities[3]	(2,182,121)	(4,792,056)
OTHER EXPENSES	**(30,647,551)**	**(35,099,759)**
TOTAL	**(17,262,936)**	**3,565,162**

The fair value adjustment on investment property of EUR 27.5 million for the period ended 30 June 2022 corresponds to the remeasurement of a land classified under investment property which forms part of the headquarter perimeter of the Group.

Its fair value amounts to EUR 42.4 million as at 30 June 2022 (EUR 14.9 million as at 31 December 2021) including an acquisition cost of EUR 7.1 million and is based on the valuation report of a mandated external expert. The valuation method from the expert is based on the cost approach and the valuation inputs are mainly sensitive to the following assumptions:
- Rental market prices;
- Price per square metre; and
- Construction costs.

This revaluation was done in application of the "highest and best use for non-financial assets" principle of IFRS 13 considering an increase of the constructible potential of this investment property.

[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.

5.7 Impairment on financial instruments and provisions for credit commitment

	30/06/21			
	Stage 1[1]	Stage 2[2]	Stage 3	Total
Cash, balances with central banks and other demand deposits	**7,747**	**61,298**	**0**	**69,045**
Financial assets measured at amortised cost	**2,281,830**	**(718,720)**	**(20,309,282)**	**(18,746,172)**
Loans and advances to credit institutions measured at amortised cost	158,087	(13,049)	0	145,038
Loans and advances to customers measured at amortised cost	1,346,842	(417,473)	(18,062,729)	(17,133,360)
Debt securities measured at amortised cost	776,901	(288,198)	(2,246,553)	(1,757,850)
Financial assets measured at fair value through other comprehensive income	**30,030**	**0**	**0**	**30,030**
Debt securities measured at fair value through other comprehensive income	30,030	0	0	30,030
Other receivables	**0**	**0**	**(46,800)**	**(46,800)**
Off-balance sheet commitments	(270,724)	(51,273)	215,978	(106,019)
TOTAL IMPAIRMENTS	**2,048,883**	**(708,695)**	**(20,140,104)**	**(18,799,916)**

	30/06/22			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and other demand deposits	**(157,563)**	**23,012**	**0**	**(134,551)**
Financial assets measured at amortised cost	**735,521**	**(1,633,174)**	**5,024,738**	**4,127,085**
Loans and advances to credit institutions measured at amortised cost	(95,923)	(18,153)	0	(114,076)
Loans and advances to customers measured at amortised cost	3,635,368	(1,653,088)	5,030,373	7,012,653
Debt securities measured at amortised cost	(2,803,924)	38,067	(5,635)	(2,771,492)
Financial assets measured at fair value through other comprehensive income	**(74,480)**	**0**	**0**	**(74,480)**
Debt securities measured at fair value through other comprehensive income	(74,480)	0	0	(74,480)
Other receivables	**0**	**0**	**228,450**	**228,450**
Off-balance sheet commitments	**590,681**	**594,025**	**(189,142)**	**995,564**
TOTAL IMPAIRMENTS	**1,094,159**	**(1,016,137)**	**5,064,046**	**5,142,068**

5.8 Impairment on goodwill

On 30 June 2022, the carrying amount of the goodwill from the acquisition of KBL (Switzerland) in 2015 amounted to EUR 22.9 million (CHF 22.8 million). This goodwill is 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.

The impairment test leads to an impairment on the ex-KBLS goodwill as at 30 June 2022 of EUR 2 million (CHF 2 million), as the recoverable amount is below the carrying amount. The trigger of the impairment is a long term loss of AuM due to the departure of several clients and relationship managers.

The goodwill from the acquisition of KBL (Switzerland) Ltd is measured at EUR 20.9 million (CHF 20.8 million) as at 30 June 2022 against EUR 22.1 million (CHF 22.8 million) as at 31 December 2021.

The sensitivity test of +/- 10bps on multiples generates a EUR +/-1.6 million increase/decrease of goodwill valuation and +/-5% on AuM generates EUR +/-1 million increase/decrease of goodwill valuation.

[1] Including (i) the reversal of the "moratory" overlay for a total amount of EUR 5,240,000 composed of EUR 4,730,000 on corporate exposures and EUR 510,000 on retail exposures and (ii) the increase of the "MidCorp" overlay for EUR (200,000) on corporate exposures.

[2] Including (i) the reversal of the "moratory" overlay for a total amount of EUR 190,000 composed of EUR 140,000 on corporate exposures and EUR 50,000 on retail exposures and (ii) the reversal of the "MidCorp" overlay for EUR 30,000 on corporate exposures.

5.9 Discontinued operations

	30/06/21
Interest income	922,979
Interest expenses	(10,464)
Fee and commission income	3,175,011
Fee and commission expenses	(105,717)
Net impairment on financial instruments and provisions for credit commitments	456,465
DISCONTINUED OPERATIONS, NET OF TAX	**4,438,274**

Net income from discontinued operations (net of tax) generated EUR 4 million in June 2021 prior to the termination of the sale of the business activity of BIL Denmark branch to Ringkjøbing Landbobank.

On 23 June 2021, BIL has signed a Business Transfer Agreement with Ringkjøbing Landbobank where all the client's activity (Assets under Management, loans and deposits) of BIL Denmark branch is transferred to the counterparty on 1 July 2021. BIL Denmark activities are 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 30 June 2021. BIL terminated the operational transfer of all clients' assets and loans as at 31 December 2021.

On 30 June 2021 and in accordance with IFRS 5, the disposal group is measured at the lower between its carrying amount and its fair value less cost to sell. No gain or loss is recognised as at 30 June 2021. BIL Denmark activities are reported under the segment "Luxembourg Market & CIB" and "Wealth Management" in accordance with IFRS 8 (refer to note 3 "Information by business segment").

In the first half of 2022, there were no discontinued operations.

Note 6: Notes on risk management and other information on financial instruments

6.1 Fair value

6.1.1 Breakdown of fair value

Fair value of financial assets	31/12/21			30/06/22		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	5,989,034,370	5,989,034,370	0	7,174,495,029	7,174,495,029	0
Financial assets held for trading	24,469,219	24,469,219	0	27,064,096	27,064,096	0
Financial investments measured at fair value	1,138,003,882	1,138,003,882	0	1,067,806,224	1,067,806,224	0
Financial assets at fair value through other comprehensive income	*1,093,443,120*	*1,093,443,120*	*0*	*1,028,128,029*	*1,028,128,029*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*44,560,762*	*44,560,762*	*0*	*39,678,195*	*39,678,195*	*0*
Loans and advances to credit institutions	737,231,429	737,229,454	(1,975)	742,957,320	742,957,320	0
Loans and advances to customers	16,346,232,744	16,428,520,589	82,287,845	16,578,383,701	16,019,083,283	(559,300,418)
Financial investments measured at amortised cost	7,383,330,597	7,476,766,910	93,436,313	7,518,984,039	7,502,760,032	(16,224,007)
Derivatives	131,527,726	131,527,726	0	580,357,951	580,357,951	0
Fair value revaluation of portfolios hedged against interest rate risk	93,194	93,194	0	48,107	48,107	0
TOTAL	**31,749,923,161**	**31,925,645,344**	**175,722,183**	**33,690,096,467**	**33,114,572,042**	**(575,524,425)**

Fair value of financial liabilities	31/12/21			30/06/22		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	4,103,871,221	4,088,679,074	(15,192,147)	4,954,979,709	4,886,257,631	(68,722,078)
Amounts due to customers	20,688,150,882	20,686,783,102	(1,367,780)	21,918,422,083	21,897,472,123	(20,949,960)
Financial liabilities measured at fair value through profit or loss	1,467,315,688	1,467,315,688	0	1,583,206,553	1,583,206,553	0
Derivatives	350,859,788	350,859,788	0	369,894,319	369,894,319	0
Fair value revaluation of Portfolio hedged against interest rate risk	70,504	70,504	0	95,383	95,383	0
Debt securities	3,200,417,795	3,218,087,828	17,670,033	2,875,312,576	2,791,783,096	(83,529,480)
Subordinated debts	237,127,187	280,278,980	43,151,793	246,183,019	257,433,887	11,250,868
TOTAL	**30,047,813,065**	**30,092,074,964**	**44,261,899**	**31,948,093,642**	**31,786,142,992**	**(161,950,650)**

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.

6.1.2 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	31/12/21			
	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
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**

	30/06/22			
	Level 1	Level 2	Level 3[1]	Total
Financial assets held for trading	0	13,526,027	13,538,069	27,064,096
Financial investments measured at fair value	774,472,346	39,827,009	253,506,869	1,067,806,224
Derivatives	0	578,268,405	2,089,546	580,357,951
TOTAL	**774,472,346**	**631,621,441**	**269,134,484**	**1,675,228,271**

Liabilities	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**

	30/06/22			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	1,010,215,121	572,991,432	1,583,206,553
Derivatives	0	257,500,638	112,393,681	369,894,319
TOTAL	**0**	**1,267,715,759**	**685,385,113**	**1,953,100,872**

Fair value may also be calculated by the interpolation of market prices.

6.1.3 Transfer between Level 1 and Level 2

Assets	31/12/21		30/06/22	
	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	10,336,460	0	0
Financial investments measured at fair value through other comprehensive income - Bonds	*0*	*10,336,460*	*0*	*0*
TOTAL	**0**	**10,336,460**	**0**	**0**

Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2021 and the first half of 2022.

[1] Level 3 financial assets measured at fair value are composed mainly of equity instruments.

6.1.4 Level 3 reconciliation

Assets	31/12/21									
	Opening	Total gains and losses in consolidated statement of income	Gains and losses in other comprehensive income-realised & unrealised	Purchase	Sale	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets designated held for trading	5,271,970	475,920	0	1,713,866	(1,422,445)	0	0	0	0	6,039,311
Financial assets measured at fair value	79,353,630	34,456	136,791,578	27,366,720	0	(210,300)	51,964	0	0	243,388,048
Derivatives	4,098,741	(3,451,530)	0	4,871,086	0	0	0	0	0	5,518,297
TOTAL	**88,724,341**	**(2,941,154)**	**136,791,578**	**33,951,672**	**(1,422,445)**	**(210,300)**	**51,964**	**0**	**0**	**254,945,656**

	30/06/22									
	Opening	Total gains and losses in consolidated statement of income	Gains and losses in other comprehensive income-realised & unrealised	Purchase	Sale	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets designated held for trading	6,039,311	(2,050)	0	10,416,270	(2,915,462)	0	0	0	0	13,538,069
Financial assets measured at fair value	243,388,048	56,447	9,290,914	951,461	0	(180,000)	0	0	0	253,506,869
Derivatives	5,518,297	(4,406,071)	0	977,320	0	0	0	0	0	2,089,546
TOTAL	**254,945,656**	**(4,351,674)**	**9,290,914**	**12,345,051**	**(2,915,462)**	**(180,000)**	**0**	**0**	**0**	**269,134,484**

Liabilities	31/12/21								
	Opening	Total gains and losses in consolidated statement of income	Purchase	Settlement	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	207,191,919	(26,763,490)	494,746,389	(116,755,243)	0	0	0	2,924,808	561,344,383
Derivatives	5,143,082	(3,236,614)	16,843,609	0	0	0	0	0	18,750,077
TOTAL	**212,335,001**	**(30,000,104)**	**511,589,998**	**(116,755,243)**	**0**	**0**	**0**	**2,924,808**	**580,094,460**

Liabilities	30/06/22								
	Opening	Total gains and losses in consolidated statement of income	Purchase	Settlement	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	561,344,383	(99,460,995)	175,632,178	(74,759,768)	0	0	0	10,235,634	572,991,432
Derivatives	18,750,077	77,583,784	16,059,820	0	0	0	0	0	112,393,681
TOTAL	**580,094,460**	**(21,877,211)**	**191,691,998**	**(74,759,768)**	**0**	**0**	**0**	**10,235,634**	**685,385,113**

6.1.5 Valuation techniques used for Level 2 and Level 3 instruments

Description	Valuation techniques (Level 2 and Level 3 instruments)
Unlisted equity securities	- Unobservable transaction prices - 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 other models)

6.1.6 Valuation techniques, valuation inputs and relationships used 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.
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 through 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.

6.2 Credit risk

6.2.1 Expected credit losses measurement

6.2.1.1 Expected Credit Losses (ECL) methodology

Refer to the Note 12.2.1 of the Consolidated Financial Statements for the year ended 31 December 2021 for the Expected Credit Losses methodology except for the section "Macroeconomic indicators for each scenario" presented hereunder as at 30 June 2022.

6.2.1.2 Macroeconomic indicators for each scenario

In order to measure ECL as a probability-weighted amount of expected losses, BIL uses three 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 weighting on the baseline scenario, resulting in a much less favourable economic path. More precisely, this downside scenario corresponds to a recession period which is characterised 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.

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 organisations and national statistical offices (European Central Bank, European Commission, International Monetary Fund, Organisation for Economic Cooperation and Development, STATEC).

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 the light of the business cycle fluctuations and the most recent economic events or assumptions.

Refer to the section "ECL Post-Model Adjustments and Management Overlays" for adjustments made to the model in relation to the scenario weightings.

		LUXEMBOURG						EUROZONE					
		December 2021			June 2022			December 2021			June 2022		
In %		Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2021	7.00	7.00	7.00	6.90	6.90	6.90	5.20	5.20	5.20	5.40	5.40	5.40
	2022	3.00	4.70	(1.30)	2.10	2.80	1.00	3.80	5.60	(0.40)	3.00	3.60	1.90
	2023	2.80	3.80	1.50	2.70	4.50	(2.60)	2.70	3.50	1.40	2.10	3.70	(3.10)
	2024	2.70	2.50	3.60	2.90	2.70	3.70	2.10	1.80	2.90	2.30	2.10	3.10
	2025	2.40	2.20	3.30	2.70	2.50	3.80	1.70	1.40	2.50	1.90	1.80	3.00
	2026	2.10	1.80	2.40	2.40	2.40	2.60	1.40	1.30	1.80	1.70	1.70	1.80
Unemployment	2021	5.80	5.80	5.80	5.70	5.70	5.70	7.80	7.80	7.80	7.70	7.70	7.70
	2022	5.50	5.40	5.90	4.80	4.70	4.80	7.60	7.10	8.90	6.80	6.80	7.20
	2023	5.70	5.40	7.00	4.90	4.70	5.70	7.40	6.70	9.70	6.90	6.50	8.90
	2024	5.70	5.40	7.10	5.20	4.90	6.60	7.30	6.80	9.60	6.90	6.50	9.10
	2025	5.70	5.50	6.80	5.40	5.10	6.50	7.30	7.00	9.10	6.90	6.60	8.50
	2026	5.70	5.60	6.50	5.60	5.20	6.20	7.30	7.10	8.50	6.60	6.70	7.90
Consumer Prices	2021	3.40	3.40	3.40	3.50	3.50	3.50	2.50	2.50	2.50	2.60	2.60	2.60
	2022	3.20	4.30	1.80	7.40	7.40	8.60	3.20	4.40	1.40	7.30	7.30	8.60
	2023	1.30	1.80	0.10	2.00	1.90	2.20	1.00	1.80	(0.60)	2.30	2.10	2.70
	2024	1.60	1.70	1.00	1.20	1.20	(0.40)	1.40	1.50	0.70	1.40	1.40	(0.10)
	2025	1.80	1.90	1.60	1.90	1.90	1.40	1.80	1.80	1.40	1.80	1.80	1.30
	2026	2.00	2.00	1.90	2.00	2.00	1.80	2.00	2.00	1.90	1.80	1.80	1.60
Stock Prices	2021	47.00	47.00	47.00	44.90	44.90	44.90	24.50	24.50	24.50	24.80	24.80	24.80
	2022	9.50	30.80	(26.50)	7.00	14.30	(6.60)	4.50	13.40	(18.50)	(2.00)	3.70	(12.80)
	2023	(1.00)	7.90	3.80	(9.20)	0.30	(29.80)	0.80	4.20	7.80	0.80	10.30	(21.30)
	2024	1.60	(6.30)	6.10	(0.50)	(3.50)	22.90	1.40	(1.40)	7.90	2.80	(2.10)	22.10
	2025	2.60	(3.40)	6.60	5.60	1.10	15.50	2.40	(1.00)	5.10	3.10	(1.10)	12.40
	2026	0.30	(0.70)	3.10	7.30	3.80	9.10	2.50	1.00	4.00	3.70	1.00	5.30
Residential Property Prices	2021	7.00	7.00	7.00	9.40	9.40	9.40	7.30	7.30	7.30	8.00	8.00	8.00
	2022	2.30	6.10	(2.00)	5.70	5.70	5.20	6.00	8.40	1.30	8.60	8.90	7.10
	2023	3.90	6.20	1.20	0.80	1.10	(4.40)	4.70	7.00	(2.20)	4.00	5.90	(3.00)
	2024	2.90	1.50	2.60	2.50	3.50	(0.10)	3.90	4.50	0.50	3.10	4.40	(0.30)
	2025	2.70	1.50	4.00	3.70	3.90	2.90	3.30	3.20	2.50	3.30	3.60	2.90
	2026	2.60	1.90	3.60	4.20	4.30	4.10	2.80	2.70	3.70	3.80	3.70	4.60

6.2.1.3 ECL Sensitivity

The following table compares the Reported ECL by stage and by different weighting of scenarios.

(in EUR million)	Scenarios weights			31/12/21		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL[1]	60%	20%	20%	47.20	33.02	**80.22**
Stressed ECL	100%	0%	0%	36.79	31.30	**68.09**
	0%	100%	0%	28.83	29.65	**58.47**
	0%	0%	100%	96.80	41.54	**138.34**
	80%	0%	20%	48.79	33.35	**82.14**
	60%	0%	40%	60.80	35.39	**96.19**
	60%	10%	30%	54.00	34.20	**88.20**

(in EUR million)	Scenarios weights			30/06/22		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL[2]	60%	10%	30%	53.34	35.66	**88.99**
Modelled ECL	60%	20%	20%	48.79	34.46	**83.26**
Stressed ECL	100%	0%	0%	41.99	32.78	**74.78**
	0%	100%	0%	36.26	31.02	**67.29**
	0%	0%	100%	81.71	42.95	**124.66**
	80%	0%	20%	49.94	34.82	**84.75**
	60%	0%	40%	57.88	36.85	**94.73**

6.2.1.4 ECL Post-Model Adjustments and Management Overlays

ECL models are evolving and may require to be adjusted anticipatively to capture new events of changing circumstances not yet modelled. The Group has introduced since 2020 "Management Overlays" and/or "Post-model adjustments" to reflect the new circumstances such as the COVID-19 pandemic and the deteriorated macroeconomic environment following the Russia-Ukraine conflict.

ECL COVID-19 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 related to the COVID-19 pandemic to Modelled ECL as of 31 December 2020 affecting stage 1 and stage 2 exposures 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. The Moratory overlay is explained by model limitations to capture the effect of moratoria on credit worthiness of concerned exposures;
- A "MidCorp" overlay that results in a one-notch downgrade from exposures under the Medium Corporate model of probability of default. 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.

These two Management Overlays were reversed as from 30 June 2022. This reversal is justified by the continued repayments made on the loans benefitting from moratoria and the analysis of the financial documents for the MidCorp perimeter that do not justify the one-notch downgrade anymore.

[1] Excluding ECL Management Overlays.
[2] Refer to the section "ECL Post-Model Adjustments and Management Overlays" for details on macroeconomic scenarios weighting.

The Management Overlays made in estimating the Reported ECL as at 31 December 2021 are set out in the following table. They were fully reversed as at 30 June 2022 for a total amount of EUR 8.42 million.

			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	0	4,545,785
		Stage 2	5,612,453	50,000	0	5,662,453
TOTAL			**66,215,383**	**7,759,950**	**660,050**	**74,635,383**

ECL Post-Model Adjustment – Adjustment of the weighting of Macroeconomic Scenarios

The Group has implemented a Post-Model Adjustment as at 30 June 2022 on its Modelled ECL where it reviewed the weighting of each macroeconomic scenario:

- The Modelled ECL are calculated based on three macroeconomic scenarios (Baseline, Downside and Upside) where the following weighting applies: 60% for the baseline scenario and 20% for each of the 2 alternative ones. (Refer to section "macroeconomic indicators for each scenario");
- The Reported ECL are calculated based on a review of the macroeconomic scenarios weighting reducing the weight of the upside scenario to 10% and increasing the weight of the downside scenario to 30%.

The implementation of an ECL Post-Model Adjustment (PMA) on macroeconomic scenarios weighting is supported by the current macroeconomic outlook which is surrounded by heightened uncertainty and risks predominantly tilted to the downside, notably with the Russia-Ukraine conflict and the progressive normalisation of monetary policies made by central banks.

The impact of the Post-Model Adjustment on the Modelled ECL (stage 1 and stage 2 exposures) as at 30 June 2022 amounts to EUR 5.75 million. Refer to the section "ECL Sensitivity" for the detailed figures between the Modelled ECL under the standard weighting of macroeconomic scenarios and the Reported ECL after the review of the weighting of the macroeconomic scenarios.

6.2.2 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 counterparty category (in EUR million)	**31/12/21**	**30/06/22**	**Variation**
Central Governments	12,619	14,054	1,435
Individuals, SME & Self Employed	12,758	12,618	(140)
Corporate	6,682	6,595	(87)
Financial Institutions	4,072	4,784	712
Public Sector Entities	444	533	89
Others	11	16	5
Securitisation	15	8	(7)
TOTAL	**36,601**	**38,608**	**2,007**

Exposures by geographic region (in EUR million)	31/12/21	30/06/22	Variation
Luxembourg	20,814	22,003	1,189
France	3,237	3,333	96
Switzerland	3,282	3,124	(158)
Belgium	2,466	2,296	(170)
Germany	1,817	2,128	311
United States and Canada	1,008	1,336	328
Other EU countries	1,197	1,253	56
Spain	853	984	131
Asia	410	523	113
Rest of Europe	559	489	(70)
Others	179	463	284
Middle East	386	400	14
Ireland	248	162	(86)
Australia	79	58	(21)
Italy	66	56	(10)
TOTAL	**36,601**	**38,608**	**2,007**

Credit risk exposures are 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.

The exposures with Country Risk "Russia" are included in the line item "Rest of Europe" and represent 0.3% of total exposures as at 30 June 2022 (0.3% of total exposures as at 31 December 2021).

Consolidated management report

Interim condensed consolidated financial statements

6.2.2.1 Exposures by stage and ratings

Stage 1 Credit Risk Exposure (in EUR million)	31/12/21						30/06/22					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	140	487	713	379	0	1,719	169	426	656	487	0	1,738
Commitments in respect of loans granted	230	1,444	742	416	0	2,832	226	1,230	704	503	0	2,663
Financial investments at FVOCI (excluding variable income securities)	705	116	0	31	0	852	339	457	0	0	0	796
Financial investments at amortised cost	4,620	2,288	15	192	0	7,115	5,113	2,180	38	476	0	7,807
Loans and advances at amortised cost	6,293	7,526	4,971	973	0	19,763	7,463	7,292	4,720	975	0	20,450
Other financial instruments at amortised cost	288	55	24	0	0	367	334	56	28	0	0	418
TOTAL Stage 1 Exposures	**12,276**	**11,916**	**6,465**	**1,991**	**0**	**32,648**	**13,644**	**11,641**	**6,146**	**2,441**	**0**	**33,872**

Stage 2 Credit Risk Exposure (in EUR million)	31/12/21						30/06/22					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	6	119	0	0	125	4	9	134	5	0	152
Commitments in respect of loans granted	6	38	331	58	0	433	19	60	308	55	0	442
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	108	67	20	0	0	195	31	67	20	0	0	118
Loans and advances at amortised cost	17	442	1,901	91	0	2,451	20	435	2,112	94	0	2,661
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL Stage 2 Exposures	**131**	**553**	**2,371**	**149**	**0**	**3,204**	**74**	**571**	**2,574**	**154**	**0**	**3,373**

Stage 3 Credit Risk Exposure (in EUR million)	31/12/21						30/06/22					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	3	0	0	0	6	9	2	0	0	0	12	14
Commitments in respect of loans granted	0	0	0	0	26	26	0	0	0	0	21	21
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	4	4	0	0	0	0	0	0
Loans and advances at amortised cost	21	0	3	0	350	374	23	3	15	5	306	352
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL Stage 3 Exposures	**24**	**0**	**3**	**0**	**386**	**413**	**25**	**3**	**15**	**5**	**339**	**387**

Credit Risk Exposure without staging (in EUR million)	31/12/21						30/06/22					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Derivatives	19	304	4	5	4	336	17	939	10	10	0	976
Financial assets held-for-trading	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL Exposures without staging	**19**	**304**	**4**	**5**	**4**	**336**	**17**	**939**	**10**	**10**	**0**	**976**

TOTAL All Stages	**12,450**	**12,773**	**8,843**	**2,145**	**390**	**36,601**	**13,760**	**13,154**	**8,745**	**2,610**	**339**	**38,608**

[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.

6.2.2.2 Collateral and other credit enhancements

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	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**

30/06/22 (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)	796	4	0	0	0	4	792	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	24,223	253	33	1,584	8,091	9,961	14,262	284
Financial investments at amortised cost	7,925	1,100	0	0	0	1,100	6,825	6
Derivatives	976	0	0	0	0	0	976	0
Other financial instruments at amortised cost	1,485	0	1,067	0	0	1,067	418	0
Commitments in respect of guarantees given	1,974	10	0	86	17	113	1,861	3
Commitments in respect of loans granted	3,423	48	41	689	583	1,361	2,062	11
TOTAL	**40,802**	**1,415**	**1,141**	**2,359**	**8,691**	**13,606**	**27,196**	**304**

[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.

6.2.2.3 Past due but not impaired financial assets

	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**

	30/06/22		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	81,633,191	48,581,288	44,884,311
TOTAL	**81,633,191**	**48,581,288**	**44,884,311**

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.

6.2.2.4 Credit risk mitigation for credit-impaired assets

	31/12/21			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	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**

	30/06/22			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Loans and advances measured at amortised cost	554,199,324	(217,244,526)	336,954,798	307,886,394
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**554,199,324**	**(217,244,526)**	**336,954,798**	**307,886,394**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/21	30/06/22
Cash	16,341,114	3,010,269
Debt instruments	339,199	198,527
Other assets	4,855,850	18,252,548
TOTAL	**21,536,163**	**21,461,344**

In general, guarantees obtained are immediately converted into cash by BIL.

6.2.2.5 Movements of loans and securities by stages (gross carrying amount)

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits as at 1 January	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	0
From Stage 3 to Stage 1	0		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)
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 demand deposits as at 31 December	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 1 January	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	(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
Loans and advances as at 31 December	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 1 January	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	(180,037,987)	(12,664,291)	0	(192,702,278)
Conversion difference (FX change)	32,223,511	3,591,417	0	35,814,928
Debt securities as at 31 December	8,040,694,052	194,205,334	21,985,297	8,256,884,683

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits as at 1 January	**5,952,873,874**	**36,252,475**	**0**	**5,989,126,349**
From Stage 1 to Stage 2	(21)	21		0
From Stage 2 to Stage 1	28,935,044	(28,935,044)		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	1,358,686,950	764,320	0	1,359,451,270
Derecognition during the period other than write-offs	(188,593,131)	(26,390)	0	(188,619,521)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	146,605	0	0	146,605
Conversion difference (FX change)	14,830,676	(108,846)	0	14,721,830
Other movements	(94,820)	0	0	(94,820)
Cash, balances with central banks and demand deposits as at 30 June	**7,166,785,177**	**7,946,536**	**0**	**7,174,731,713**

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances as at 1 January	**14,234,288,181**	**2,553,026,462**	**593,325,909**	**17,380,640,552**
From Stage 1 to Stage 2	(802,606,182)	802,606,182		0
From Stage 2 to Stage 1	436,138,154	(436,138,154)		0
From Stage 2 to Stage 3		(33,809,337)	33,809,337	0
From Stage 3 to Stage 2		23,892,964	(23,892,964)	0
From Stage 1 to Stage 3	(41,211,170)		41,211,170	0
From Stage 3 to Stage 1	23,531,557		(23,531,557)	0
Origination	2,372,440,203	232,908,042	23,980,496	2,629,328,741
Derecognition during the period other than write-offs	(2,027,251,498)	(309,986,274)	(90,995,770)	(2,428,233,542)
Changes in interest accrual	3,031,845	(2,911,116)	0	120,729
Changes in fair value	(301,804)	(5,240,729)	0	(5,542,533)
Write-offs	0	0	(3,321,382)	(3,321,382)
Conversion difference (FX change)	26,876,874	8,153,071	3,614,085	38,644,030
Loans and advances as at 30 June	**14,224,936,160**	**2,832,501,111**	**554,199,324**	**17,611,636,595**

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
Debt securities as at 1 January	**8,040,694,052**	**194,205,334**	**21,985,297**	**8,256,884,683**
From Stage 1 to Stage 2	(32,175,040)	32,175,040		0
From Stage 2 to Stage 1	108,409,847	(108,409,847)		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	2,285,733,298	0	0	2,285,733,298
Derecognition during the period other than write-offs	(1,735,701,285)	0	(21,985,297)	(1,757,686,582)
Changes in interest accrual	(11,714,527)	(620,813)	0	(12,335,340)
Changes in premium / discount	41,201,591	(807,209)	0	40,394,382
Changes in fair value	(552,733,471)	(6,067,648)	0	(558,801,119)
Conversion difference (FX change)	48,359,350	0	0	48,359,350
Debt securities as at 30 June	**8,192,073,815**	**110,474,857**	**0**	**8,302,548,672**

6.2.2.6 Movements in allowances for credit losses

	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 significant 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	n.a	n.a
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**

	As at 01/01/22	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 30/06/22	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)	**(46,516,957)**	**(11,155,905)**	**6,126,592**	**5,532,509**	**0**	**0**	**282**	**(364,307)**	**(46,377,786)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	(4,469)	0	0	(157,563)	0	0	0	0	(162,032)	n.a	n.a
Debt securities at amortised cost	(1,908,142)	(1,412,235)	318,373	(1,710,062)	0	0	0	(68,317)	(4,780,383)	n.a	n.a
Debt securities at fair value through other comprehensive income	(27,741)	(67,130)	32,866	(40,498)	0	0	282	(270)	(102,491)	n.a	n.a
Loans and advances at amortised cost	(44,576,605)	(9,676,540)	5,775,353	7,440,632	0	0	0	(295,720)	(41,332,880)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(31,095,043)**	**0**	**1,302,350**	**(2,912,512)**	**0**	**0**	**0**	**30,633**	**(32,674,572)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	(87,510)	0	0	23,012	0	0	0	(10,154)	(74,652)	n.a	n.a
Debt securities at amortised cost	(916,917)	0	0	38,067	0	0	0	(2,901)	(881,751)	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	(30,090,616)	0	1,302,350	(2,973,591)	0	0	0	43,688	(31,718,169)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(240,106,046)**	**(2,016,559)**	**716,715**	**6,040,147**	**0**	**0**	**4,153,776**	**13,967,441**	**(217,244,526)**	**0**	**(3,869,341)**
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	(17,596,888)	0	0	(5,635)	0	0	0	17,602,523	0	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	(222,509,158)	(2,016,559)	716,715	6,045,782	0	0	4,153,776	(3,635,082)	(217,244,526)	0	(3,869,341)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(317,718,046)**	**(13,172,464)**	**8,145,657**	**8,660,144**	**0**	**0**	**4,154,058**	**13,633,767**	**(296,296,884)**	**0**	**(3,869,341)**
Commitments and financial guarantees given (Stage 1)	(7,378,176)	(3,551,476)	1,292,092	2,850,065	0	0	0	(13,307)	(6,800,802)	0	0
Commitments and financial guarantees given (Stage 2)	(3,559,789)	(339,201)	359,470	573,660	(96)	0	0	(16,716)	(2,982,672)	0	0
Commitments and financial guarantees given (Stage 3)	(2,024,237)	(7,398)	13,793	(195,537)	0	0	0	(35,959)	(2,249,338)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(12,962,202)**	**(3,898,075)**	**1,665,355**	**3,228,188**	**(96)**	**0**	**0**	**(65,983)**	**(12,032,812)**	**0**	**0**

6.2.2.7 Own credit risk linked to financial liabilities designated at fair value through profit or loss

	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)

	30/06/22			
	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	1,583,206,553	(1,360,157)	(1,365,290)	(210,209,012)

In 2021 and the first half of 2022, 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, BIL's 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.

6.2.2.8 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 set up 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 30 June 2022, BIL Group's forborne exposures amounted to EUR 877 million (EUR 934 million as at 31 December 2021) including EUR 46 million (EUR 48 million as at 31 December 2021) as given banking guarantees.

6.3 Solvency ratios

	31/12/21[1]	30/06/22
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,859,241,754**	**1,827,659,221**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,447,114,568**	**1,406,476,202**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result[2]	999,281,956	995,944,910
Regulatory and transitional adjustments	(458,803,619)	(496,104,939)
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)	**237,127,186**	**246,183,019**
Subordinated liabilities	237,127,186	246,183,019
IRB excess	0	0
RISK WEIGHTED ASSETS	**10,164,619,586**	**10,162,959,840**
Credit Risk	9,169,350,849	9,164,414,901
Market Risk	22,999,585	30,499,391
Operational Risk	954,428,257	954,428,257
Credit Value Adjustments	17,840,895	13,617,291
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	14.24%	13.84%
Tier 1 ratio	15.96%	15.56%
Capital Adequacy ratio	18.29%	17.98%

REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	31/12/21[1]	30/06/22
Goodwill and intangible assets	(253,452,221)	(275,636,812)
Deferred tax assets that rely on future probability	(132,899,628)	(128,452,498)
Fair value reserves related to gains or losses cash flow hedges	(1,032,736)	(2,470,875)
Gains or losses on liabilities at fair value resulting from own credit risk	(3,853)	(1,024,787)
Other regulatory adjustments	(20,572,752)	(24,673,213)
Additional Value Adjustment	(56,440,503)	(59,746,824)
Transitional provisions related to introduction of IFRS 9[3]	24,235,357	15,543,963
IRB shortfall	(1,751,282)	(1,757,947)
Defined benefit pension fund assets	(16,886,000)	(17,885,946)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**(458,803,619)**	**(496,104,939)**

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] The solvency ratios as at 31 December 2021 and published in the Consolidated Financial Statements as at 31 December 2021 were amended following a reduction in Risk Weighted Assets, due to inclusion of life insurance contracts as collateral in Lombard loan activities.
[2] Eligible result is represented by partial inclusion of 2021 result of EUR 113.9 million.
[3] 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 30 September 2020.

Note 7: Additional information

7.1 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. In connection with that motion, the Bankruptcy Court has allowed limited discovery on the issue of personal jurisdiction. The Liquidators have served discovery requests on amongst other banks including BIL and BIL has produced documents in response to those requests. The parties are currently negotiating the possible production of additional documents.

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. In October 2021, 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 30 June 2022, no material provision for clawback actions has been made.

7.2 Post-balance sheet events

On the 23 June 2021, BIL signed a Business Transfer Agreement with Ringkjøbing Landbobank for the transfer of BIL Denmark branch business. The transaction closed on 1 July 2021 and BIL terminated the operational transfer of all clients' assets and loans at the end of 2021. The BIL Denmark branch closed on 7 July 2022.

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INTERNATIONALE
À LUXEMBOURG