

**Pillar 3  
Semi-Annual  
Report  
2019**



BANQUE  
INTERNATIONALE  
À LUXEMBOURG



# Contents

List of acronyms	4
EBA Semi-Annual tables and templates	8
Introduction	10
<b>1. Own funds and capital adequacy</b>	<b>11</b>
1.1 Regulatory capital adequacy (Pillar I)	12
1.2 Leverage ratio	14
<b>2. Credit risk</b>	<b>15</b>
2.1 Credit risk exposure	15
2.2 Forbearance, impairment, past due and provisions	18
2.3 Credit risk mitigation	20
2.4 Standardised approach	21
2.5 Advanced Internal Ratings Based approach (A-IRB)	24
2.6 IFRS 9 provisioning	28
2.7 Counterparty credit risk	29
<b>3. Market risk</b>	<b>34</b>
3.1 Financial market risk exposure	34
3.2 Liquidity risk	35
3.3 Assessment of the regulatory capital requirement	36
<b>4. Final remark</b>	<b>37</b>



# List of acronyms

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

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

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

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

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

Table	Reference	Name	CRR articles	Format	Frequency	Owner
4	EU OV1	Overview of RWAs	Article 438 (c)-(f)	Fixed	Quarterly / Semi-annual	CRCR
5	EU CR10	IRB (specialized lending and equities)	Article 153 (5) or 155 (2), Article 438	Flexible	Semi-annual	CRCR
6	EU INS1	Non-deducted participations in insurance undertakings	Article 438 (c)-(d) & article 49 (1)	Fixed	Semi-annual	Finance
11	EU CR1-A	Credit quality of exposures by exposure class and instrument	Article 442 (g)-(h)	Fixed - The rows should, at a minimum, reflect the material exposure classes	Semi-annual	CRCR
12	EU CR1-B	Credit quality of exposures by industry or counterparty types	Article 442 (g)	Fixed - The row breakdown is flexible and should be consistent with the breakdown used in Template EU CRB-D, but the column breakdown is fixed.	Semi-annual	CRCR
13	EU CR1-C	Credit quality of exposures by geography	Article 442 (g)	Fixed -The breakdown by geographical areas and jurisdictions is flexible and should be consistent with the breakdown used in Template EU CRB-C, but the column breakdown is fixed.	Semi-annual	CRCR
14	EU CR1-D	Ageing of past-due exposures	Article 442 (g)	Fixed - Minimum past-due bands can be supplemented by additional past-due bands to better reflect the ageing of past-due exposures in an institution's portfolio.	Semi-annual	CRCR
15	EU CR1-E	Non-performing and forborne exposures	Article 442 (g)-(i)	Flexible	Semi-annual	CRCR
16	EU CR2-A	Changes in the stock of general and specific credit risk adjustments	Article 442 (i)	Fixed. The columns cannot be altered. Institutions may add additional rows.	Semi-annual	CRCR
17	EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Article 442 (i)	Fixed	Semi-annual	CRCR
18	EU CR3	CRM techniques – Overview	Article 453 (f) - (g)	Fixed	Semi-annual	CRCR
19	EU CR4	Credit risk exposure and CRM effects	Article 453 (f) - (g)	Fixed. The columns cannot be altered. The rows reflect the exposure classes i	Semi-annual	CRCR

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



Table	Reference	Name	CRR articles	Format	Frequency	Owner
20	EU CR5	Standardized approach	Article 444 (e)	Fixed	Semi-annual	CRCR
21	EU CR6	Qualitative disclosure requirements related to IRB models	Article 452 (e) - (h)	Flexible	Semi-annual	CRCR
23	EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Article 438 (d) & Article 92 (3)	Fixed. Columns and rows 1 and 9 cannot be altered. Institutions may add additional rows between rows 7 and 8 to disclose additional elements that contribute significantly to RWA variations.	Quarterly / Semi-annual	CRCR
25	EU CCR1	Analysis of CCR exposure by approach	Article 439 (e), (f), (i) & Article 92 (3)	Fixed	Semi-annual	CRCR + FRM (VaR)
26	EU CCR2	CVA capital charge	Article 439 (e) - (f)	Fixed	Semi-annual	CRCR + FRM
27	EU CCR8	Exposures to CCPs	Article 439 (e) - (f)	Fixed	Semi-annual	CRCR
28	EU CCR3	Standardized approach – CCR exposures by regulatory portfolio and risk	Article 444 (e)	Fixed	Semi-annual	CRCR
29	EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	Article 452 (e)	Fixed	Semi-annual	CRCR
31	EU CCR5-A	Impact of netting and collateral held on exposure values	Article 439 (e)	Flexible for rows. Fixed for columns.	Semi-annual	CRCR
32	EU CCR5-B	Composition of collateral for exposures to CCR	Article 439 (e)	Fully flexible	Semi-annual	CRCR
34	EU MR1	Market risk under the standardized approach	Article 445	Fixed	Semi-annual	FRM



# Introduction

This document gives additional information on the risk management of Banque Internationale à Luxembourg (hereafter "BIL" or "the Bank") as of 30 June 2019. The purpose of Pillar 3 of the Basel framework is to enrich the minimum requirements of funds (Pillar 1) and the process of prudential supervision (Pillar 2) with a set of data complementing the financial communication.

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

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

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

- The Bank's capital management and capital adequacy;
- The credit risk management and provides detailed breakdowns of the Bank's credit risk exposures;
- The assessment of market risk.

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

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

BIL will publish its full 2019 Pillar 3 Report in 2020.

In addition to this document, all risk and financial reports are available on the Bank's website ([www.bil.com](http://www.bil.com)).

# 1. Own funds and capital adequacy

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

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

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

As of June 2019, the breakdown of prudential capital requirement is as follows:

Capital components	Amount
Minimum requirement for Core CET1 requirement	4.50%
Minimum requirement for Conservation buffer	2.50%
Minimum requirement for O-SII buffer	0.5%
Minimum requirement for Countercyclical buffer	0.075%
Minimum requirement for Pillar 2 Requirement	1.75%
	<b>9.325%</b>

As of 30 June 2019, the CET1 ratio of the bank stands at 11.73% and the total capital ratio at 15.09%. Compared to year-end 2018 (table below), the CET1 ratio decreases which can be explained by an increase of Capital (+4%) lower than the increase of Risk Weighted Assets (+6.75%).

Half-Year Capital Ratios (Solvency Ratio)		
	31/12/2018	30/06/2019
Common Equity Tier 1 Ratio	12.04%	11.73%
Tier 1 Ratio	13.91%	13.48%
Capital Adequacy Ratio	15.62%	15.09%

## 1.1. Regulatory capital adequacy (Pillar I)

### 1.1.1 Risk Weighted Assets

In accordance with Article 138 (c) to (f) in the Regulation (EU) No 575/2013 (CRR), the following table shows Risk Weighted Assets (RWA) and regulatory capital requirements broken down by risk types and model approaches compared to the previous reporting period on a quarterly basis. The capital requirements have been obtained by applying 8% to the corresponding RWA .

TABLE EU OV1 – OVERVIEW OF RWAS

(in EUR million)		RWAs		Minimum capital requirements
		30/06/2019 (T)	31/03/2019 (T-1)	30/06/2019 (T)
	<b>1</b> Credit risk (excluding CCR)	<b>7,385.89</b>	<b>7,215.19</b>	<b>590.87</b>
Article 438(c)(d)	<b>2</b> Of which the standardised approach	2,841.36	2,652.88	227.31
Article 438(c)(d)	<b>3</b> Of which the foundation IRB (FIRB) approach			
Article 438(c)(d)	<b>4</b> Of which the advanced IRB (AIRB) approach	4,544.53	4,562.32	363.56
Article 438(d)	<b>5</b> Of which equity IRB under the simple risk-weighted approach or the IMA	<b>174.79</b>	<b>172.49</b>	<b>13.98</b>
Article 107				
Article 438(c)(d)	<b>6</b> CCR	<b>83.71</b>	<b>69.62</b>	<b>6.70</b>
Article 438(c)(d)	<b>7</b> Of which mark to market	60.89	51.42	4.87
Article 438(c)(d)	<b>8</b> Of which original exposure			
	<b>9</b> Of which the standardised approach			
	<b>10</b> Of which internal model method (IMM)			
Article 438(c)(d)	<b>11</b> Of which risk exposure amount for contributions to the default fund of a CCP			
Article 438(c)(d)	<b>12</b> Of which CVA	22.82	18.19	1.83
Article 438(e)	<b>13</b> Settlement risk			
Article 449 (o)(i)	<b>14</b> Securitisation exposures in the banking book (after the cap)	<b>19.29</b>	<b>23.95</b>	<b>1.54</b>
	<b>15</b> Of which IRB approach			
	<b>16</b> Of which IRB supervisory formula approach (SFA)			
	<b>17</b> Of which internal assessment approach (IAA)			
	<b>18</b> Of which the standardised approach	19.29	23.95	1.54
Article 438(e)	<b>19</b> Market risk	<b>76.23</b>	<b>59.46</b>	<b>6.10</b>
	<b>20</b> Of which the standardised approach	76.23	59.46	6.10
	<b>21</b> Of which IMA			
Article 438(e)	<b>22</b> Large exposures			
Article 438(f)	<b>23</b> Operational risk	836.58	836.58	66.93
	<b>24</b> Of which basic indicator approach			
	<b>25</b> Of which standardised approach	836.58	836.58	66.93
	<b>26</b> Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60	<b>27</b> Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500	<b>28</b> Floor adjustment			
	<b>29 TOTAL</b>	<b>8,576.47</b>	<b>8,377.29</b>	<b>686.12</b>

The Bank's total RWAs amounted to EUR 8.58 billion as 30 June 2019, compared to EUR 8.38 billion as of 31 March 2019. The overall increase of EUR 199.18 million mainly reflects increases in credit risk RWA. This increase is explained by the net production of loans and methodological changes (higher degree of conservativeness).

Market risk RWA increased slightly by EUR 16.77 million and operational RWA remained unchanged from Q1 to Q2.

### 1.1.1.1. Weighted risks

Since the setup of the Basel framework, the Bank has been compliant with capital requirements related to credit, market, operational and counterparty risk and publishing its solvency ratios.

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

## 1.1.2 Equity exposures in the banking book

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

TABLE EU CR10 – IRB (SPECIALISED LENDING AND EQUITIES)

(in EUR million)						
EQUITIES UNDER THE SIMPLE RISK-WEIGHTED APPROACH						
Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Capital requirements
Private equity exposures	26.15		190%	26.15	49.68	3.97
Exchange-traded equity exposures	-		290%	-	-	-
Other equity exposures	3.06		370%	3.06	11.34	0.91
<b>TOTAL</b>	<b>29.21</b>			<b>29.21</b>	<b>61.02</b>	<b>4.88</b>

## 1.1.3 Non-deducted participations in insurance undertakings

The Bank hereby discloses the information required by Article 438(c) and (d) in the Regulation (EU) No 575/2013 (CRR) on exposures that are risk-weighted in accordance with Part Three, Title II, Chapter 2 or Chapter 3 by specifying information regarding non-deducted participations risk-weighted, when allowed (in accordance with Article 49(1) in the Regulation (EU) No 575/2013 (CRR)) to not deduct their holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or an insurance holding company.

TABLE EU INS1 – NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighted)	6.27
<b>TOTAL RWAs</b>	<b>15.24</b>

## 1.2. Leverage ratio

The leverage ratio (LR) was introduced by the Basel Committee to serve as a simple and non-risk-based ratio to complete the existing risk-based capital requirements<sup>1</sup>.

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

The capital measure for the leverage ratio is the Tier 1 capital taking account transitional arrangements<sup>2</sup>. The total exposure corresponds to the sum of the following exposures: (a) on-balance sheet exposure, (b) derivative exposure, (c) securities financing transaction (SFT) exposure, and (d) off-balance sheet (OBS) items.

At 30 June 2019, BIL group's leverage ratio stood at 4.01%, to compare with year-end 2018 level of 4.16%. This level is supported by the Bank's limited use of derivatives and securities financing transactions. The composition of BIL group's exposure reflects its business model, based on a commercial orientation.

(in EUR million)	31/12/2018	30/06/2019
Tier 1 Capital	1,117.46	1,156.43
Total Exposure	26,833.56	28,811.52
<b>LEVERAGE RATIO</b>	<b>4.16%</b>	<b>4.01%</b>

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

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

<sup>2</sup> The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework as defined in paragraphs 49 to 96 of the Basel III framework taking account of the transitional arrangements. The Basel Committee is using the transition period to monitor banks' leverage ratio data on a semi-annual basis to assess whether the proposed design and calibration of a minimum Tier 1 leverage ratio of 3% is appropriate over a full credit cycle and for different types of business models.

## 2. Credit risk

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

### 2.1 Credit risk exposure

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

(1) Gross carrying amount:

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

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

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

(4) Moreover, BIL has defined an internal measure compliant with IFRS 7 norms, known as maximum credit risk exposure (MCRE) to compare figures published in the annual financial statements. This metric corresponds to the EAD with a credit conversion factor (CCF) of 100%, after deduction of specific provisions and financial collateral (netting agreements).

#### 2.1.1 Credit quality of exposures

In the application of Article 442 (g) in the Regulation (EU) No 575/2013 (CRR), the tables below provide a breakdown of defaulted<sup>1</sup> and non-defaulted exposures by regulatory exposure classes and industries respectively. It comprises figures obtained using both the standardised and the advanced methods.

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

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

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks		6,238.02	-	0.08			6,237.94
Institutions		5,118.05	-	0.15			5,117.90
Corporates	134.22	4,849.01	40.87	7.66	4.36		4,934.70
<i>Of which:</i>							
<i>Specialised lending</i>	-	-	-	-			-
<i>Of which: SMEs</i>	133.99	1,802.48	40.64	3.37	0.44		1,892.46
Retail	465.29	10,448.69	120.06	13.67	0.66		10,780.25
Secured by real estate property							
SMEs	252.29	6,707.98	32.06	-	0.18		6,928.21
Non-SMEs	10.14	271.68	1.76	0.13	0.18		279.93
Qualifying revolving	242.15	6,436.30	30.30	4.03			6,644.12
Other retail	-	-	-	-			-
SMEs	213.00	3,740.72	88.00	9.51	0.48		3,856.20
Non-SMEs	25.81	321.79	14.84	1.60	0.41		331.15
Equity	187.19	3,418.93	73.16	7.91	0.07		3,525.05
<b>Total IRB approach</b>	<b>603.03</b>	<b>26,731.98</b>	<b>173.56</b>	<b>21.56</b>	<b>5.02</b>		<b>27,139.89</b>

<sup>1</sup> Defaulted exposures correspond to the unsecured portion of any loan past due for more than 90 days or represent an exposure to a defaulted borrower, as defined in paragraph 90 of the finalised Basel III framework.

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	-	53.14	-	0.02			53.12
Regional governments or local authorities	-	1,445.23	-	1.36			1,443.87
Public sector entities	-	284.40	-	2.13			282.27
Multilateral development banks	-	63.33	-	-			63.33
International organisations	-	197.82	-	-			197.82
Institutions	-	53.36	-	0.02			53.34
Corporates	-	2,360.09	-	6.46			2,353.63
<i>Of which: SMEs</i>	-	-	-	-			-
Retail	-	12.94	-	0.04			12.90
<i>Of which: SMEs</i>	-	-	-	-			-
Secured by mortgages on immovable property	-	381.92	-	4.52			377.40
<i>Of which: SMEs</i>	-	-	-	-			-
Exposures in default	113.65	-	76.45	-	0.25		37.20
Items associated with particularly high risk	17.49	708.15	0.50	9.59	0.72		715.55
Covered bonds	-	31.16	-	-			31.16
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-			-
Collective investments undertakings	-	-	-	-			-
Equity exposures	-	20.41	0.28	-			20.13
Other exposures	-	595.76	-	0.02			595.74
<b>Total standardised approach</b>	<b>131.14</b>	<b>6,207.73</b>	<b>77.22</b>	<b>24.16</b>	<b>0.97</b>		<b>6,237.48</b>
<b>TOTAL</b>	<b>734.16</b>	<b>32,939.71</b>	<b>250.78</b>	<b>45.72</b>	<b>5.99</b>		<b>33,377.37</b>
<i>Of which: Loans</i>	19.69	18,850.85	228.30	42.66	6.00		18,599.58
<i>Of which: Debt securities</i>	702.97	6,902.94	7.26	2.48			7,596.17
<i>Of which: Off-balance-sheet exposures</i>	50.52	5,033.65	1.55	7.24	0.28		5,075.38



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

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures					
Administrative and support service activities (newly added)	3.31	218.56	0.68	0.81	0.11		220.38
Agriculture, forestry and fishing	1.65	146.86	0.44	0.98			147.09
Mining and quarrying	0.05	7.69	0.00	-			7.74
Manufacturing	10.50	941.55	3.92	1.15			946.97
Electricity, gas, steam and air conditioning supply	31.41	224.78	15.83	0.98			239.38
Financial and insurance activities (newly added)	422.53	17,040.51	149.13	12.47	0.06		17,301.45
Water supply	0.02	13.12	0.01	0.01			13.12
Construction	39.11	2,118.39	16.22	10.34	0.05		2,130.94
Wholesale and retail trade	38.79	884.60	14.14	1.47	4.03		907.79
Transport and storage	1.82	273.80	0.95	0.29			274.39
Accommodation and food service activities	12.24	486.46	3.84	1.34	0.00		493.51
Information and communication	4.49	290.60	1.18	0.81	0.00		293.10
Real estate activities	133.57	2,680.22	29.12	9.12	1.51		2,775.55
Professional, scientific and technical activities	13.24	578.93	3.75	0.94	0.24		587.47
Public administration and defence, compulsory social security	0.98	5,476.26	2.39	2.40			5,472.45
Education	1.20	44.02	0.06	0.05			45.11
Human health services and social work activities	6.24	536.63	1.66	1.70	0.00		539.50
Arts, entertainment and recreation	8.31	87.36	1.88	0.17	0.00		93.61
Other services	4.71	996.26	5.57	0.69			994.71
<b>TOTAL</b>	<b>734.16</b>	<b>33,046.57</b>	<b>250.78</b>	<b>45.72</b>	<b>5.99</b>		<b>33,484.24</b>

## 2.1.2 Credit quality of exposures by geographical area

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

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

(in EUR million)	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
	a Defaulted exposures	b Non-defaulted exposures					
Europe	625.39	30,350.50	175.17	44.29	5.99	-	30,756.43
<i>Of which:</i>							
<i>Luxembourg</i>	401.61	15,612.75	103.26	33.15	0.97	-	15,877.95
<i>Of which: France</i>	135.58	3,539.08	26.25	2.91	0.03	-	3,645.51
<i>Of which:</i>							
<i>Switzerland</i>	5.53	3,042.85	8.18	0.25	-	-	3,039.95
<i>Of which: Belgium</i>	5.12	1,893.23	1.42	1.34	0.00	-	1,895.59
<i>Of which: Germany</i>	37.96	1,296.53	20.83	2.08	4.99	-	1,311.59
United States and Canada	0.07	842.10	4.83	0.57	-	-	836.77
South and Central America	1.57	56.36	0.21	0.10	-	-	57.62
Asia	33.28	1,016.49	2.45	0.56	-	-	1,046.77
Other geographical areas	73.86	781.12	68.12	0.20	-	-	786.66
<b>TOTAL</b>	<b>734.16</b>	<b>33,046.57</b>	<b>250.78</b>	<b>45.72</b>	<b>5.99</b>	<b>-</b>	<b>33,484.24</b>

## 2.2 Forbearance, impairment, past due and provisions

### 2.2.1 Ageing of accounting past due

The following table provides an ageing analysis of past-due exposures regardless of their impairment status at mid of 2019.

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

(in EUR million)	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 years
Loans	69.34	27.31	36.70	67.95	21.96	100.25
Debt securities	-	-	-	-	-	-
<b>TOTAL EXPOSURES</b>	<b>69.34</b>	<b>27.31</b>	<b>36.70</b>	<b>67.95</b>	<b>21.96</b>	<b>100.25</b>

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

### Forborne exposures

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

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

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

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

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

As of June 2019, BIL group's forbore exposures amounted to EUR 292 million.

### Non-performing exposures

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

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

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

Gross carrying value of performing and non-performing exposures							
(in EUR million)	Of which performing but past due > 30 days and <= 90 days	Of which performing forbore	Of which non-performing				
			Of which defaulted	Of which impaired	Of which forbore		
Debt securities	7,051.02	-	-	20.67	20.67	20.67	-
Loans and advances	18,497.02	40.76	151.67	674.13	672.82	674.02	134.94
Off-balance-sheet exposures	4,191.36	-	1.58	48.86	48.86	-	7.51
Accumulated impairment and provisions and negative fair value adjustments due to credit risk							
(in EUR million)	On performing exposures		On non-performing		Collaterals and financial guarantees received		
	Of which forbore		Of which forbore		On non-performing exposures	Of which forbore exposures	
Debt securities	(2.50)	-	(8.26)	-	12.41	-	
Loans and advances	(36.56)	(1.05)	(228.74)	(45.13)	397.56	226.42	
Off-balance-sheet exposures	(7.57)	0.02	(1.72)	0.01	-	-	

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

In the application of Article 442 (i) in the Regulation (EU) No 575/2013 (CRR), the following table identifies the changes in the Bank's stock of specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

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

(in EUR million)	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
<b>At 31 December 2018</b>	<b>246.11</b>	<b>44.12</b>
Increases due to amounts set aside for estimated loan losses during the period	4.66	1.61
Decreases due to amounts set aside for estimated loan losses during the period		
Decreases due to amounts taken against accumulated credit risk adjustment		
Transfers between credit risk adjustment		
Impact of exchange rate differences		
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments		
<b>At 30 June 2019</b>	<b>250.77</b>	<b>45.73</b>
Recoveries on credit risk adjustments recorded directly to the statements of profit and loss		
Specific credit risk adjustments directly recorded to the statement of profit and loss		

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

In the application of Article 442 (i) in the Regulation (EU) No 575/2013 (CRR), the following table identifies the changes in the Bank's stock of defaulted and impaired loans and debt securities for the year 2019.

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

(in EUR million)	Gross carrying value defaulted exposures
<b>31 Dec 2018</b>	<b>635.50</b>
Loans and debt securities that have defaulted or impaired since the last reporting period	11.97
Returned to non-defaulted status	0.00
Amounts written off	(5.99)
Other changes	0.33
<b>30 June 2019</b>	<b>641.81</b>

## 2.3 Credit risk mitigation

### 2.3.1 Overview of credit risk mitigation techniques

In the application of Article 453 (f) and (g) in the Regulation (EU) No 575/2013 (CRR), this table provides an overview of the credit exposure covered by Basel III-eligible credit risk mitigation (CRM) - after regulatory haircuts - and includes all collateral and financial guarantees used as credit risk mitigants for all secured exposures, irrespective of whether the standardised approach or IRB approach is used for RWA calculations. This table also includes the carrying amounts of the total population which are in default. Unsecured exposures (column a) represent the carrying amount of credit risk exposures (net of credit risk adjustments) that do not benefit from a CRM technique, regardless of whether this technique is recognised in the CRR. Exposures secured (column b) represent the carrying amount of exposures that have at least one associated CRM mechanism (collateral, financial guarantees).

TABLE EU CR3 – CRM TECHNIQUES – OVERVIEW

(in EUR million)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by guarantees	Exposures secured by credit derivatives
Total loans	11,876.34	9,592.10	9,200.38	391.73	-
Total debt securities	8,624.77	577.36	- <sup>1</sup>	577.35	-
Total exposures	20,501.11	10,169.46	9,200.38	969.08	-
Of which defaulted	148.03	309.15	309.15	-	-

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

## 2.4 Standardised approach

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

The following table shows credit risk exposure before credit conversion factor (CCF) and credit risk mitigation (CRM) and the exposure-at-default (EAD)<sup>2</sup> broken down by exposure classes and with a split in on- and off-balance sheet exposures, under the standardised approach.

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

TABLE EU CR4 – CREDIT RISK EXPOSURE AND CRM EFFECTS

(in EUR million)	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Exposure classes						
Central governments or central banks	29.87	23.28	26.85	11.64	58.95	1.53
Regional government or local authority	1,442.00	-	1,442.82	-	50.69	0.04
Public sector entities	182.20	102.21	99.32	2.32	7.66	0.08
Multilateral development banks	61.59	-	77.79	1.19	-	-
International organisations	187.72	-	187.72	-	-	-
Institutions	13.26	0.32	13.26	0.08	6.24	0.47
Corporates	1,206.15	1,141.53	770.26	209.44	945.32	0.96
Retail	4.12	8.83	4.09	3.73	4.49	0.57
Secured by mortgages on immovable property	380.68	1.24	379.33	0.45	340.79	0.90
Exposures in default	24.86	14.76	21.00	0.91	23.49	1.07
Exposures associated with particularly high risk	617.68	107.45	566.57	103.03	995.24	1.49
Covered bonds	31.16	-	31.16	-	3.12	0.10
Institutions and corporates with a short-term credit assessment	0.00	-	0.00	-	0.00	0.20
Collective investment undertakings	-	-	-	-	-	-
Equity	20.13	-	20.13	-	50.33	2.50
Other items	578.50	0.27	578.44	0.13	368.65	0.64
<b>Total</b>	<b>4,779.92</b>	<b>1,399.87</b>	<b>4,218.74</b>	<b>332.91</b>	<b>2,854.98</b>	<b>0.63</b>

<sup>1</sup> The collateral effect of covered bond has been taken into consideration in the RWA calculation models. The total EAD exposure of covered bond as of June 2019 reaches 743 million EUR and is classified as 'Covered bonds' exposures.

<sup>2</sup> After CCF and CRM.

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

In the application of Article 444 (e) in the Regulation (EU) No 575/2013 (CRR), the following table shows the exposure-at-default post conversion factor and risk mitigation broken down by exposure classes and risk weights, under the standardised approach.

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

TABLE EU CR5 – STANDARDISED APPROACH

Exposure classes (in EUR million)	Risk weight											Total	Of which unrated			
	0,00	0,02	0,04	0,10	0,20	0,50	0,70	0,75	1,00	1,50	2,50			3,70	12,50	Others
Central governments or central banks	14.91					23.58										38.49
Regional government or local authorities	1,189.34			253.47												1,442.82
Public sector entities	63.38			38.24			0.01									101.63
Multilateral development banks	78.97															78.97
International organisations	187.72															187.72
Institutions				10.86			2.47									13.34
Corporates				35.51	36.23			902.95			5.01					979.70
Retail							7.82									7.82
Secured by mortgages on immovable property						75.61			304.18							379.78
Exposure in default								18.77	3.15							21.92
Exposures associated with particularly high risk								0.85	668.76							669.60
Covered bonds				31.16												31.16
Institutions and corporates with a short-term credit assessment					0.00											0.00
Collective investment undertakings																
Equity										20.13						20.13
Other items	210.01							368.56				381.15				959.72
<b>TOTAL</b>	<b>1,744.34</b>	<b>0.00</b>	<b>0.00</b>	<b>31.16</b>	<b>338.08</b>	<b>111.84</b>	<b>0.00</b>	<b>7.82</b>	<b>1,597.77</b>	<b>671.91</b>	<b>48.72</b>	<b>0.00</b>	<b>0.00</b>	<b>381.15</b>	<b>0.00</b>	<b>4,932.80</b>
																<b>1,993.89</b>

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

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

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

According to Article 452 (d-g) in the Regulation (EU) No 575/2013 (CRR), the following tables provide the main parameters used for the calculation of capital requirements for IRB models and show the exposure classes according to PD grades.



TABLE EU CR6 – QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO IRB MODELS

(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions	
Central Government and Central Banks	0.00% to < 0.15%	5,977.07	175.61	1.00	6,652.21	0.00	85.00	0.07	2.52	71.23	0.01	0.05	0.00	
	0.15% to < 0.25%	47.80	0.00	1.00	47.80	0.00	1.00	0.45	5.00	32.32	0.68	0.04	0.00	
	0.25% to < 0.50%													
	0.50% to < 0.75%													
	0.75% to < 2.50%													
	2.5% to < 10%													
	10% to < 100%	0.01	0.00	1.00	0.01	0.31	2.00	0.09	1.00	0.00	0.49	0.00	0.00	
	100% (Default)													
	<b>SUBTOTAL</b>		<b>6,024.88</b>	<b>175.61</b>	<b>1.00</b>	<b>6,700.01</b>	<b>0.00</b>	<b>88.00</b>	<b>0.07</b>	<b>2.54</b>	<b>103.55</b>	<b>0.02</b>	<b>0.09</b>	<b>0.00</b>
	(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0.00% to < 0.15%		2,178.41	154.96	1.00	2,248.16	0.00	97.00	0.19	2.53	288.98	0.13	0.26	0.00	
0.15% to < 0.25%		237.24	3.09	1.00	240.33	0.00	15.00	0.06	1.62	47.84	0.20	0.09	0.00	
0.25% to < 0.50%		29.71	0.11	1.00	29.82	0.00	3.00	0.31	2.95	4.70	0.16	0.01	0.00	
0.50% to < 0.75%		0.34	11.60	1.00	11.93	0.01	1.00	0.05	1.04	0.92	0.08	0.00	0.00	
0.75% to < 2.50%		4.63	0.55	1.00	5.18	0.01	4.00	0.03	1.38	0.50	0.10	0.00	0.00	
2.5% to < 10%		0.06		1.00	0.06	0.04	1.00	0.00	1.00	0.00	0.00	0.00	0.00	
10% to < 100%		341.26	4.10	1.00	15.13	0.31	61.00	0.08	3.08	29.14	1.93	1.45	0.00	
100% (Default)														
<b>SUBTOTAL</b>		<b>2,791.64</b>	<b>174.40</b>	<b>1.00</b>	<b>2,550.61</b>	<b>0.37</b>	<b>182.00</b>	<b>0.18</b>	<b>2.45</b>	<b>372.07</b>	<b>0.15</b>	<b>1.82</b>	<b>0.00</b>	

(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
<b>Corporates - SME</b>	0.00% to < 0.15%												
	0.15% to < 0.25%	0.00	0.01	100.00%	0.01	0%	1.00	17.17%	1.21	0.00	13.33%	0.00	-
	0.25% to < 0.50%												
	0.50% to < 0.75%	32.15	56.47	89.29%	70.89	1%	21.00	17.34%	2.97	22.15	31.24%	0.08	-
	0.75% to < 2.50%	504.92	377.00	91.61%	623.00	2%	506.00	5.98%	3.79	142.64	22.90%	0.57	-
	2.5% to < 10%	432.09	238.61	94.04%	570.25	5%	285.00	6.35%	3.41	180.58	31.67%	1.67	-
	10% to < 100%	115.86	42.03	96.54%	136.57	22%	118.00	4.53%	2.69	44.03	32.24%	1.29	-
	100% (Default)	132.12	5.15	99.12%	131.23	100%	53.00	5.88%	2.06	1.96	1.50%	7.71	36.85
	<b>SUBTOTAL</b>	<b>1,217.15</b>	<b>719.27</b>	<b>93.49%</b>	<b>1,531.95</b>	<b>12.89%</b>	<b>984.00</b>	<b>6.51%</b>	<b>3.37</b>	<b>391.36</b>	<b>25.55%</b>	<b>11.32</b>	<b>36.85</b>

(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
<b>Corporates - Other</b>	0.00% to < 0.15%												
	0.15% to < 0.25%	674.25	19.10	99.52%	704.38	0.06%	29	55.31%	2.85	204.02	28.96%	0.24	-
	0.25% to < 0.50%	358.08	56.06	99.94%	369.67	0.18%	20	36.80%	3.54	177.03	47.89%	0.24	-
	0.50% to < 0.75%	406.84	93.56	96.15%	455.63	0.34%	30	45.08%	3.11	354.75	77.86%	0.70	-
	0.75% to < 2.50%	268.42	210.22	93.16%	299.91	0.71%	30	54.96%	3.58	371.72	123.94%	1.17	-
	2.5% to < 10%	498.13	288.54	94.62%	625.55	1.15%	79	36.63%	3.54	572.32	91.49%	2.46	-
	10% to < 100%	48.04	90.63	83.04%	71.46	3.80%	37	21.34%	2.62	55.07	77.07%	0.57	-
	100% (Default)	8.74	1.99	98.45%	3.76	29.99%	8	16.56%	2.63	4.95	131.56%	0.25	-
	100% (Default)	1.20	-	100.00%	1.20	100.00%	3	28.02%	1.10	-	0.00%	0.34	0.23
	<b>SUBTOTAL</b>	<b>2,263.71</b>	<b>760.09</b>	<b>96.54%</b>	<b>2,531.55</b>	<b>0.67%</b>	<b>236.00</b>	<b>45.08%</b>	<b>3.25</b>	<b>1,739.86</b>	<b>68.73%</b>	<b>5.97</b>	<b>0.23</b>

(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligators	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Retail – Secured by immovable property SME	0.00% to < 0.15%												
	0.15% to < 0.25%	0.11	0.01	1.00	0.13	0%	1	0.10	-	0.01	4.72%	0.00	-
	0.25% to < 0.50%												
	0.50% to < 0.75%	16.69	3.06	0.99	19.63	1%	56	0.12	-	2.27	11.56%	0.01	-
	0.75% to < 2.50%	78.91	11.06	0.97	83.64	2%	217	0.11	-	13.71	16.39%	0.15	-
	2.5% to < 10%	74.46	7.60	0.99	79.42	4%	218	0.12	-	19.27	24.27%	0.40	-
	10% to < 100%	75.88	3.91	1.00	79.30	23%	192	0.11	-	39.41	49.70%	2.06	-
	100% (Default)	9.81	0.33	0.99	10.02	100%	48	0.00	-	2.79	27.81%	0.02	1.72
	<b>SUBTOTAL</b>	<b>255.86</b>	<b>25.96</b>	<b>98.57%</b>	<b>272.14</b>	<b>12.27%</b>	<b>732.00</b>	<b>10.99%</b>	<b>-</b>	<b>77.46</b>	<b>28.46%</b>	<b>2.64</b>	<b>1.72</b>

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

According to Article 438 (d) in the Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining variations in the credit RWAs between Q1 2019 and Q2 2019, excluding counterparty credit risk (please refer to the following section 2.7).

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

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

(in EUR million)	RWA amounts	Capital requirements
<b>RWAs as at the end of the previous reporting period (31/03/2019)</b>	<b>4,706.21</b>	<b>376.50</b>
Asset size	10.82	0.87
Asset quality		
Model updates		
Methodology and policy		
Acquisitions and disposals		
Foreign exchange movements	2.29	0.18
Other		
<b>RWAs as at the end of the reporting period (30/06/2019)</b>	<b>4,719.31</b>	<b>377.54</b>

## 2.6 IFRS 9 provisioning

The overall results of the ECLs calculation for BIL in June 2019 are as follows:

	30/06/2019			
	ECL - in EUR million		EAD - in EUR million	
Stage 1	48%	28.51	88%	20,435.71
Stage 2	31%	18.12	11%	2,596.42
Stage 3	21%	12.40	1%	198.08
<b>TOTAL</b>		<b>59.03</b>		<b>23,230.21</b>

The EU Parliament adopted, at the end of 2017, the amendment to the CRR allowing credit institutions to (partially) compensate the impact of the introduction of IFRS 9 on regulatory capital during the transitional period of 5 years (i.e. until 2022). The Bank decided not to apply such a phase-in alternative.

## 2.7 Counterparty credit risk

### 2.7.1 Analysis of CCR exposures by model approach

According to Article 439 (f) in the Regulation (EU) No 575/2013 (CRR), the following table shows the methods used for calculating the regulatory requirements for CCR exposure including the main parameters for each method. Exposures relevant for credit valuation adjustment (CVA) charges and exposures cleared through a central counterparty (CCP) are excluded but are presented separately in the following tables.

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

TABLE EU CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

(in EUR million)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		101.29	114.88			216.17	35.98
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
<b>TOTAL</b>		<b>101.29</b>	<b>114.88</b>			<b>216.17</b>	<b>35.98</b>

### 2.7.2 CVA capital charge

In the application of Article 439 (f) in the Regulation (EU) No 575/2013 (CRR), the following table provides the exposure value and risk exposure amount of transactions subject to capital requirements for credit valuation adjustment. The standardised approach is used to calculate the CVA capital charge.

TABLE EU CCR2 – CVA CAPITAL CHARGE

(in EUR million)	Exposure value	RWAs
Total portfolios subject to the advanced method		
(i) VaR component (including the 3x multiplier)		
(ii) SVaR component (including the 3x multiplier)		
All portfolios subject to the standardised method	141.12	22.82
Based on the original exposure method		
Total subject to the CVA capital charge	141.12	22.82

### 2.7.3 Exposures to CCP

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

TABLE EU CCR8 – EXPOSURES TO CCPS

(in EUR million)	EAD post CRM	RWAs
<b>Exposures to QCCPs (total)</b>	<b>39.78</b>	<b>1.59</b>
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	39.78	1.59
(i) OTC derivatives	39.78	1.59
(ii) Exchange-traded derivatives		
(iii) SFTS		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
<b>Exposures to non-QCCPs (total)</b>	<b>2,189.77</b>	<b>59.30</b>
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	2,189.77	59.30
(i) OTC derivatives	216.17	35.98
(ii) Exchange-traded derivatives		
(iii) SFTS	1,973.60	23.31
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

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

According to Article 444 (e) in the Regulation (EU) No 575/2013 (CRR), the following table provides the counterparty credit risk exposures under the standardised approach broken down by risk weights and regulatory exposure classes. "Unrated" includes all exposures for which a credit assessment by a nominated External Credit Assessment Institutions (ECAI) is not available and they therefore receive the standard risk weight according to their exposure classes as described in the CRR.

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

(in EUR million)	Risk weight												Total	Of which unrated			
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	250%	Others					
Central governments or central banks																	
Regional government or local authorities																	
Public sector entities																	
Multilateral development banks																	
International organisations																	
Institutions			39.78		0.00											39.78	
Corporates									11.93							11.93	11.93
Retail																	
Secured by mortgages on immovable property																	
Exposure in default																	
Exposures associated with particularly high risk																	
Covered Bond																	
Institutions and corporates with a short-term credit assessment																	
Equity																	
Other items									0.10							0.10	
<b>Total</b>									<b>12.03</b>							<b>12.03</b>	<b>11.93</b>

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

According to Article 444 (e) in the Regulation (EU) No 575/2013 (CRR), the following table provides the counterparty credit risk exposures under the IRB approach broken down by exposure classes and PD scale. CVA charges or exposures cleared through a CCP are excluded.

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

(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
<b>Institutions</b>	0.00% to < 0.15%	1,662.61	0.04%	40	2.73%	0.74	23.53	1.42%
	0.15% to < 0.25%	475.91	0.18%	4	0.00%	0.20	14.06	2.95%
	0.25% to < 0.50%	-	0.00%	1	0.00%		-	0.00%
	0.50% to < 0.75%							
	0.75% to < 2.50%	10.21	0.88%	4	30.03%	1.04	3.96	38.77%
	2.5% to < 10%	0.25	3.95%	1	0.00%	1.00	-	0.00%
	10% to < 100%	0.84	30.87%	10	31.49%	1.00	1.58	189.09%
	100%(Default)							
<b>SUBTOTAL</b>		<b>2,149.83</b>	<b>35.92%</b>	<b>60</b>	<b>2.27%</b>	<b>0.62</b>	<b>43.13</b>	<b>2.01%</b>

(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
<b>Corporates - SME</b>	0.00% to < 0.15%							
	0.15% to < 0.25%							
	0.25% to < 0.50%							
	0.50% to < 0.75%							
	0.75% to < 2.50%							
	2.5% to < 10%	0.04	2.78%	1.00	13%	1.00	0.02	37.59%
	10% to < 100%							
	100%(Default)							
	<b>SUBTOTAL</b>	<b>0.04</b>	<b>2.78%</b>	<b>1.00</b>	<b>13%</b>	<b>1.00</b>	<b>0.02</b>	<b>37.59%</b>
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
<b>Corporates - Other</b>	0.00% to < 0.15%	20.31	0.05%	3.00	11.37%	2.00	1.31	6.44%
	0.15% to < 0.25%	1.63	0.18%	1.00	50.10%	5.00	1.23	75.29%
	0.25% to < 0.50%	0.06	0.34%	3.00	50.10%	1.00	0.03	49.41%
	0.50% to < 0.75%	0.39	0.71%	1.00	61.43%	1.00	0.35	90.49%
	0.75% to < 2.50%	0.48	1.59%	2.00	42.80%	1.02	0.40	83.56%
	2.5% to < 10%	0.10	2.77%	4.00	19.08%	1.00	0.05	52.35%
	10% to < 100%	-	0.00%	7.00	0.00%	-	-	0.00%
	100%(Default)	-	0.00%	-	0.00%	-	-	0.00%
	<b>SUBTOTAL</b>	<b>22.96</b>	<b>5.64%</b>	<b>21.00</b>	<b>15.75%</b>	<b>2.17</b>	<b>3.37</b>	<b>0.00%</b>
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
<b>Retail - Other SME</b>	0.00% to < 0.15%							
	0.15% to < 0.25%							
	0.25% to < 0.50%							
	0.50% to < 0.75%	0.07	0.01	1.00	0.17	-	0.01	13.79%
	0.75% to < 2.50%	0.10	0.02	3.00	0.17	-	0.02	20.26%
	2.5% to < 10%	-	-	1.00	-	-	-	
	10% to < 100%							
	100%(Default)	0.00	1.00	1.00	0.17	-	0.00	62.50%
	<b>SUBTOTAL</b>	<b>0.17</b>	<b>1.02</b>	<b>6.00</b>	<b>0.17</b>	<b>-</b>	<b>0.03</b>	<b>18.44%</b>



(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Retail - Other non SME	0.00% to < 0.15%	0.91	0.09%	25.00	13.28%	-	0.04	3.88%
	0.15% to < 0.25%							
	0.25% to < 0.50%	0.10	0.33%	13.00	13.28%	-	0.01	9.52%
	0.50% to < 0.75%	0.35	0.65%	5.00	13.36%	-	0.05	14.07%
	0.75% to < 2.50%	1.45	2.09%	159.00	6.32%	-	0.15	10.46%
	2.5% to < 10%	1.93	4.69%	41.00	13.28%	-	0.48	24.78%
	10% to < 100%							
	100%(Default)							
	<b>SUBTOTAL</b>	<b>4.73</b>	<b>7.85%</b>	<b>243.00</b>	<b>11.15%</b>	<b>-</b>	<b>0.72</b>	<b>15.29%</b>

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

According to Article 439 (e) in the Regulation (EU) No 575/2013 (CRR), the following tables present information on counterparty credit risk exposure and the impact of netting and collateral held as well as the composition of collateral used in both derivatives transactions and securities financing transactions (SFT).

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

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

(in EUR million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	140.27	36.33	103.94	32.87	71.07
SFTs	2,670.36	696.03	1,974.33	1,801.02	173.31
Cross-product netting					
<b>TOTAL</b>	<b>2,810.64</b>	<b>732.36</b>	<b>2,078.27</b>	<b>1,833.89</b>	<b>244.38</b>

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

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

(in EUR million)	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	32.77	-	433.04	-	1,531.63	4.98
Bonds	0.07	-	-	-	269.39	-
Equity securities	0.02	-	-	-	-	-
Mutual Fund	0.00	-	-	-	-	-
<b>TOTAL</b>	<b>32.87</b>	<b>-</b>	<b>433.04</b>	<b>-</b>	<b>1,801.02</b>	<b>4.98</b>

## 3. Market risk

### 3.1 Financial market risk exposure

In the first half 2019, BIL group's financial risk indicators remained stable compared to end 2018.

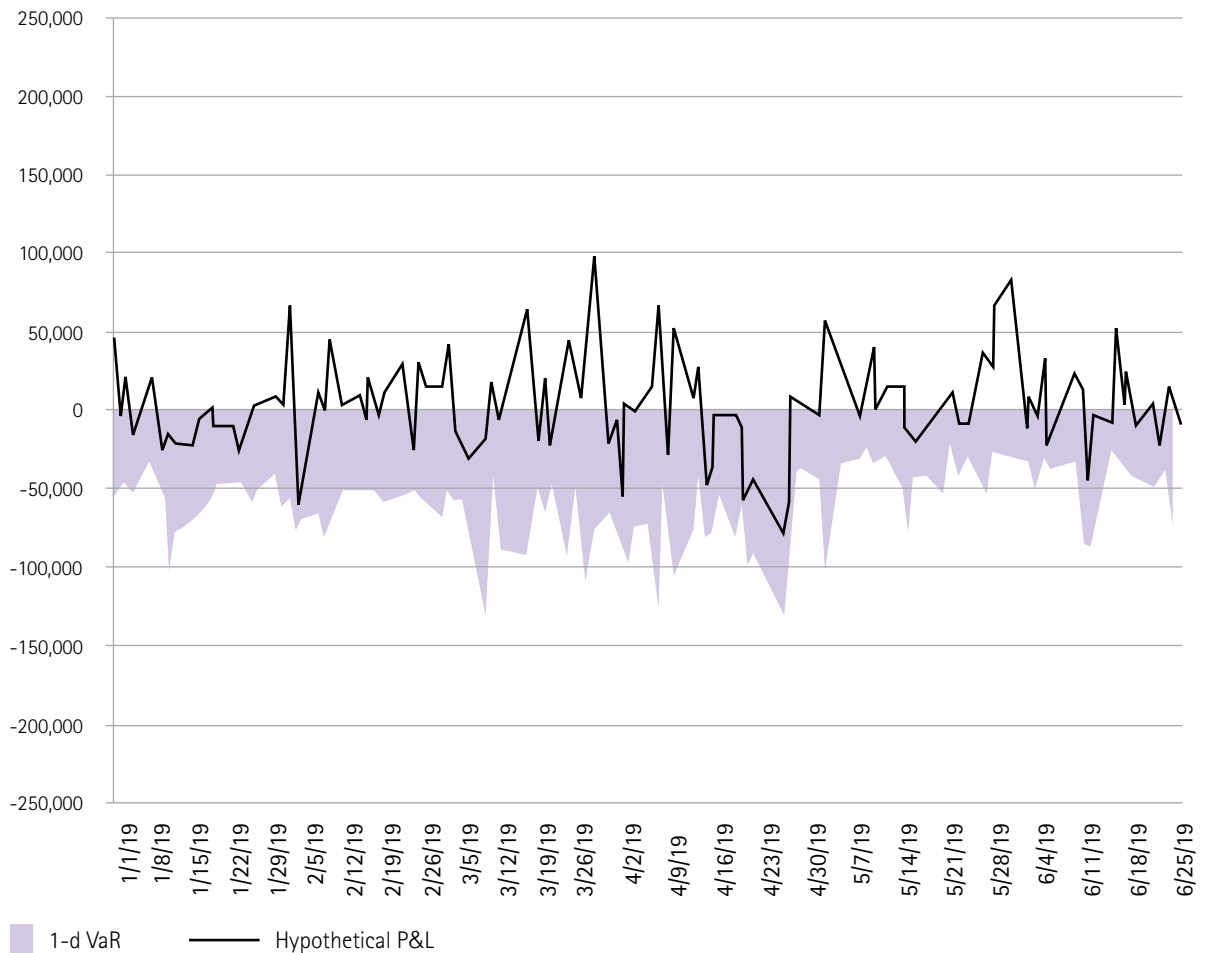
#### FINANCIAL MARKETS

VaR (10 days, 99%) per activity (in EUR million)	30/06/2018	31/12/2018	30/06/2019		
			IR & FX (trading and banking)	EQT Trading	TOTAL
Average	0.36	0.30	0.40	0.01	0.40
End of period	0.26	0.12	0.27	0.00	0.27
Maximum	0.74	0.75	0.71	0.05	0.72
Limit	8		8		

The current market environment (low interest rates, forex volatility, high level of stocks market) is not favorable to taking significant positions.

During the first half of 2019, no downward back-testing exception occurred:

#### COMPARAISON OF VAR ESTIMES WITH GAINS/LOSSES IN EUR



## 3.2 Liquidity risk

The LCR progressed from 134% as at 31 December 2018 to 144% as at 30 June 2019 due to the increase of the excess of liquidity.

(in EUR billion)	31/12/2018	30/06/2019
Stock of HQLA	4.42	4.89
Net Cash Outflows	3.30	3.40
LCR ratio	134%	144%
Regulatory limit	100%	
Internal limit	110%	
Trigger	115%	

The NSFR remained stable during the first half of 2019.

(in EUR billion)	31/12/2018	30/06/2019
Available Stable Funding (ASF)	16.42	17.31
Required Stable Funding (RSF)	15.18	15.82
LCR ratio	108%	109%
Regulatory limit	100%	

The level of asset encumbrance decreased compared to 31 December 2018. This evolution mainly comes from the end of security lending program.

(in EUR million)	31/12/2018	30/06/2019	
Level of asset encumbrance	Encumbered assets	3,439	2,904
	Collateral received re-used	184	251
	Total amount	3,623	3,154
	<b>Ratio<sup>1</sup></b>	<b>14%</b>	<b>11%</b>
	<b>Limit</b>	<b>25%</b>	<b>25%</b>
Credit quality of unencumbered debt securities <sup>2</sup>	Step 1 (AAA to AA-)	2,088	2,907
	<i>of which eligible as LA for LCR</i>	<i>1,799</i>	<i>2,604</i>
	Step 2 (A+ to A-)	1,322	1,447
	<i>of which eligible as LA for LCR</i>	<i>1,077</i>	<i>1,185</i>
	Step 3 (BBB+ to BBB-)	1,072	1,013
	<i>of which eligible as LA for LCR</i>	<i>998</i>	<i>944</i>
	Non-rated securities	143	346
	<i>of which eligible as LA for LCR</i>	<i>41</i>	<i>47</i>
	<b>Total amount</b>	<b>4,626</b>	<b>5,713</b>
	<i>of which eligible as LA for LCR</i>	<i>3,916</i>	<i>4,780</i>
Sources of encumbrance	OTC Derivatives	502	508
	Repurchase agreements	1,245	1,271
	Collateral swaps	775	944
	Securities Lending	301	9
	Central Bank Reserves	550	191
	<b>Total amount</b>	<b>3,373</b>	<b>2,922</b>
Contingent encumbrance <sup>3</sup>	OTC Derivatives	72	133
	Repurchase agreements	403	381
	Collateral swaps	322	371
	Securities Lending	125	4
	<b>Total amount</b>	<b>922</b>	<b>888</b>

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

<sup>2</sup> Assets and collateral received available for encumbrance.

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

Finally, BIL participated during the first half of 2019 to the Sensitivity Analysis of Liquidity Risk – Stress Test 2019 performed by the European Central Bank (ECB).

### 3.3 Assessment of the regulatory capital requirement

All market risks are treated under the Basel III standardised approach. The table below presents the Bank's regulatory capital requirements broken down by risk type as of end of June 2019.

TABLE EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

	31 December 2018		30 June 2019	
	RWAs	Capital requirements	RWAs	Capital requirements
<b>OUTRIGHT PRODUCTS</b>				
Interest rate risk (general and specific)	44	4	47	4
Equity risk (general and specific)	0	0	0	0
Foreign exchange risk	17	1	29	2
Commodity risk				
Options				
Simplified approach				
Delta-plus method				
Scenario approach				
Securitisation (specific risk)				
<b>TOTAL</b>	<b>61</b>	<b>5</b>	<b>76</b>	<b>6</b>



## 4. Final remark

No additional significant information was identified in the first half of 2019 regarding the evolution of the Bank's risk profile and the necessary information to be disclosed to market participants to convey a fair picture of this risk profile.





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