Pillar 3 Semi-Annual Report 2020

BANQUE INTERNATIONALE À LUXEMBOURG

1856

Contents

List of acronyms

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

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

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

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

EBA semi-annual tables and templates[1]

Table	Reference	Name	Regulation (EU) No 575/2013 (CRR) articles	Section of the semi-annual report
4	EU OV1	Overview of RWAs	Article 438 (c)-(f)	Section 1.1.1
5	EU CR10	IRB (specialized lending and equities)	Article 153 (5) or 155 (2), Article 438	Section 1.1.2
6	EU INS1	Non-deducted participations in insurance undertakings	Article 438 (c)-(d) & article 49 (1)	Section 1.1.3
11	EU CR1-A	Credit quality of exposures by exposure class and instrument	Article 442 (g)-(h)	Section 2.1.1
12	EU CR1-B	Credit quality of exposures by industry or counterparty types	Article 442 (g)	Section 2.1.1
13	EU CR1-C	Credit quality of exposures by geography	Article 442 (g)	Section 2.1.2
14	EU CR1-D	Ageing of past-due exposures	Article 442 (g)	Section 2.2.1
15	EU CR1-E	Non-performing and forborne exposures	Article 442 (g)-(i)	Section 2.2.2
16	EU CR2-A	Changes in the stock of general and specific credit risk adjustments	Article 442 (i)	Section 2.2.3
17	EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Article 442 (i)	Section 2.2.4
18	EU CR3	CRM techniques – Overview	Article 453 (f) - (g)	Section 2.3.1
19	EU CR4	Credit risk exposure and CRM effects	Article 453 (f) - (g)	Section 2.4.1
20	EU CR5	Standardised approach	Article 444 (e)	Section 2.4.2
21	EU CR6	Qualitative disclosure requirements related to IRB models	Article 452 (e) - (h)	Section 2.5.1
22	EU CR7	Effect on the RWAs of credit derivatives used as CRM techniques	Article 453 (g)	N/A. The Bank does not have any credit derivatives.
23	EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Article 438 (d) & Article 92 (3)	Section 2.5.2
25	EU CCR1	Analysis of CCR exposure by approach	Article 439 (e), (f), (i) & article 92 (3)	Section 2.7.1
26	EU CCR2	CVA capital charge	Article 439 (e) - (f)	Section 2.7.2
27	EU CCR8	Exposures to CCPs	Article 439 (e) - (f)	Section 2.7.3
28	EU CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk	Article 444 (e)	Section 2.7.4

[1] In accordance with the publication EBA/GL/2016/11, version 2. Other tables which are referenced in this publication are included in the annual Pillar 3 report.

Table	Reference	Name	Regulation (EU) No 575/2013 (CRR) articles	Section of the semi-annual report
29	EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	Article 452 (e)	Section 2.7.5
30	EU CCR7	RWA flow statements of CCR exposures under the IMM	Article 92 (3) - (4) & Article 438 (d)	N/A. The Bank does not use the IMM approach.
31	EU CCR5-A	Impact of netting and collateral held on exposure values	Article 439 (e)	Section 2.7.6
32	EU CCR5-B	Composition of collateral for exposures to CCR	Article 439 (e)	Section 2.7.6
33	EU CCR6	Credit derivatives exposures	Article 439 (g) - (h)	N/A. The Bank does not have any credit derivatives.
34	EU MR1	Market risk under the standardised approach	Article 445	Section 3.1
35	EU MR2-A	Market risk under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
36	EU MR2-B	RWA flow statements of market risk exposures under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
37	EU MR3	IMA values for trading portfolios	Article 455 (d)	N/A. The Bank uses the standardised approach.
38	EU MR4	Comparison of VaR estimates with gains/losses	Article 455 (g)	The Bank uses the standardised approach.

Introduction

This document gives additional information on the risk management of Banque Internationale à Luxembourg (hereafter "BIL" or "the Bank") as of 30 June 2020. 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.

The report is realised at a consolidated level, including subsidiaries and branches of BIL Group.

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 centre of Luxembourg, Switzerland (since 1984), Denmark (since 2000), the People's Republic of China (Beijing since 2019 and Hong Kong since 2020).

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

- The Bank's capital management and capital adequacy;
- The credit risk management and provides detailed breakdowns of the Bank's credit risk exposures;
- The assessment of market risk;
- Important events after June 2020;
- A focus on COVID-19 situation.

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 2020 Pillar 3 Report in 2021.

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

1. Own funds and capital adequacy

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

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

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

As of 30 June 2020, 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	0.50%
Minimum requirement for Countercyclical buffer	0.17%
Minimum requirement for Pillar 2 Requirement	1.75%
	9.42%

As of 30 June 2020, the CET1 ratio of the Bank stands at 12.79% and the total capital ratio at 16.31%. Compared to year-end 2019 (table below), the CET1 ratio's increase (+0.32%) can be explained by higher capital (+7.1%) compared to Risk Weighted Assets growth (+4.4%, with the increase of 375 million EUR compared to 31/12/2019). The capital increase is mainly due to the inclusion of H2 2019 and H1 2020 net profit offset by negative Other Comprehensive Income contributions.

Half-Year Capital Ratios (Solvency Ratio)		
	31/12/2019	**30/06/2020**
Common Equity Tier 1 Ratio	12.47%	12.79%
Tier 1 Ratio	14.52%	14.75%
Capital Adequacy Ratio	16.15%	16.31%

1.1. Regulatory capital adequacy (Pillar I)

1.1.1 Risk Weighted Assets

In accordance with Article 438 (c) to (f) in the Regulation (EU) No 575/2013 (CRR), the following table shows Risk Weighted Assets (RWA)[1] 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.

In the case of BIL, the ratio is set at 9.42% as 30 June 2020, as illustrated previously in the table (breakdown of prudential capital requirement).

TABLE EU OV1 – OVERVIEW OF RWAS

(in EUR million)			RWAs		Minimum capital requirements
			30/06/2020 (T)	31/03/2020 (T-1)	30/06/2020 (T)
	1	**Credit risk (excluding CCR)**	**7,677.52**	**7,894.83**	**614.20**
Article 438(c)(d)	2	Of which the standardised approach	1,390.29	1,550.29	111.22
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach			
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	6,287.23	6,344.54	502.98
Article 438(d)	5	**Equity IRB under the simple risk-weighted approach or the IMA**	**142.14**	**138.81**	**11.37**
Article 107 Article 438(c)(d)	6	**CCR**	**81.24**	**76.75**	**6.50**
Article 438(c)(d)	7	Of which mark to market	58.00	58.96	4.64
Article 438(c)(d)	8	Of which original exposure			
	9	Of which the standardised approach			
	10	Of which internal model method (IMM)			
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP			
Article 438(c)(d)	12	Of which CVA	23.25	17.80	1.86
Article 438(e)	13	Settlement risk			
Article 449 (o)(i)	14	**Securitisation exposures in the banking book (after the cap)**	**9.02**	**9.91**	**0.72**
	15	Of which IRB approach			
	16	Of which IRB supervisory formula approach (SFA)			
	17	Of which internal assessment approach (IAA)			
	18	Of which the standardised approach	9.02	9.91	0.72
Article 438(e)	19	**Market risk**	**56.74**	**53.76**	**4.54**
	20	Of which the standardised approach	56.74	53.76	4.54

[1] At the end of August 2020, the ECB has notified to the Bank that the Governing Council of the European Central Bank (ECB), on the basis of a draft proposal of the Supervisory Board under Article 26(8) of Council Regulation (EU) No 1024/20131, has decided to grant permission to the Supervised Entity, for the calculation of own funds requirements for credit risk on the level of consolidation:
- Revert to the use of foundation approach ("F-IRB Approach") for the calculation of own funds requirements for credit risk for exposures in the scope of the LGD models for Institutions, Covered bonds, and Corporate;
- Revert to the use of the standardised approach and permanently apply the standardised approach for the exposures to Central Banks and Central Governments.

(in EUR million)			RWAs		Minimum capital requirements
	21	Of which IMA			
Article 438(e)	**22**	Large exposures			
Article 438(f)	**23**	Operational risk	951.70	951.70	76.14
	24	Of which basic indicator approach			
	25	Of which standardised approach	951.70	951.70	76.14
	26	Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60	**27**	Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500	**28**	Floor adjustment			
	30	TOTAL	**8,918.37**	**9,125.76**	**713.47**

The Bank's total RWA amounted to EUR 8.92 billion as of 30 June 2020, compared to EUR 9.13 billion as of 31 March 2020. The overall decrease of EUR 207.39 million mainly reflects a decrease in credit risk RWA.

Market risk RWA increased slightly by EUR 2.98 million and operational RWA remained unchanged from Q1 to Q2 in 2020.

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 applies the Advanced-Internal Rating Based (A-IRB) approach for its main counterparties (i.e. Sovereigns, Banks, Corporate, SMEs and Retail) to compute associated RWA. When it comes to market risk, the Bank has adopted the standardised approach; 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 approach 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)	SPECIALISED LENDING						
Regulatory categories	**Remaining maturity**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**Risk weight**	**Exposure amount**	**RWAs**	**Expected losses**
Category 1	Less than 2.5 years	72.90	3.08	50%	75.98	39.86	
	Equal to or more than 2.5 years	418.39	122.92	70%	541.30	397.49	2.17
Category 2	Less than 2.5 years	502.22	25.99	70%	528.20	385.22	2.11
	Equal to or more than 2.5 years	603.48	181.39	90%	784.87	740.76	6.28
Category 3	Less than 2.5 years	30.22	0.26	115%	30.48	36.16	0.85
	Equal to or more than 2.5 years	14.81	5.16	115%	19.97	24.12	0.56
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years						
	Equal to or more than 2.5 years	12.79	0.67		13.46		6.73
TOTAL	**Less than 2.5 years**	605.34	29.33		634.67	461.24	2.97
	Equal to or more than 2.5 years	1,049.47	310.14		1,359.61	1,162.36	15.73

(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	29.74	0	190%	29.74	56.50	4.52
Exchange-traded equity exposures	0.00	0	290%	0,00	0.00	0.00
Other equity exposures	3.13	0	370%	3.13	11.58	0.93
TOTAL	32.87	0		32.87	68.09	5.45

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)	6.85
TOTAL RWAs	15.47

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[1].

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[2]. 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.

As at 30 June 2020, BIL Group's leverage ratio stood at 4.11%, compared to the year-end 2019 level of 4.08%. 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)	31/12/2019	30/06/2020
Tier 1 Capital	1,240.36	1,315.60
Total Exposure	30,412.12	32,034.36
LEVERAGE RATIO	4.08%	4.11%

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.

The leverage ratio is discussed on a regular basis at senior management level as it is part of the Bank's Risk Appetite framework.

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

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

2. Credit risk

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

2.1 Credit risk exposure

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

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

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

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

(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[1] 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.

[1] According to the Article 178 of the CRR: A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: (a) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; (b)the obligor is more than 90 days past due on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries. Competent authorities may replace the 90 days with 180 days for exposures secured by residential property or SME commercial immovable property in the retail exposure class, as well as exposures to public sector entities. The 180 days shall not apply for the purposes of point (m) Article 36(1) or Article 127. In the case of retail exposures, institutions may apply the definition of default laid down in points (a) and (b) of the first subparagraph at the level of an individual credit facility rather than in relation to the total obligations of a borrower.

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

		a	b	c	d	e	f	g
		Gross carrying value of		**Specific credit risk adjustments**	**General credit risk adjustments**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values**
	(in EUR million)	**Defaulted exposures**	**Non-defaulted exposures**					**(a+b+c+d)**
1	Central governments or central banks		6,856.97		(1.63)			6,855.34
2	Institutions		6,287.28		(0.43)			6,286.85
3	Corporates	180.57	6,377.73	(54.42)	(44.18)			6,459.70
4	*Of which: Specialised lending*	*14.49*	*2,413.39*	*(0.65)*	*(34.42)*			*2,392.81*
5	*Of which: SMEs*	*148.81*	*1,446.30*	*(39.82)*	*(2.75)*			*1,552.55*
6	Retail	364.35	11,319.20	(116.26)	(19.57)			11,547.73
7	Secured by real estate property	206.74	7,424.17	(33.79)	(6.74)			7,590.38
8	SMEs	6.17	303.45	(1.73)	(0.52)			307.37
9	Non-SMEs	200.57	7,120.72	(32.06)	(6.22)			7,283.01
10	Qualifying revolving							
11	Other retail	157.61	3,895.04	(82.47)	(12.83)			3,957.35
12	SMEs	23.54	323.64	(14.48)	(1.13)			331.57
13	Non-SMEs	134.08	3,571.39	(67.98)	(11.70)			3,625.78
14	Equity	3.56	66.42	(12.25)				57.74
15	Other non-affected (newly added)		9.73					9.73
16	***Total IRB approach***	***548.49***	***30,917.34***	***(182.92)***	***(65.81)***			***31,217.10***

		a	b	c	d	e	f	g
		Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	(in EUR million)	Defaulted exposures	Non-defaulted exposures					(a+b+c+d)
17	Central governments or central banks		65.52		(0.03)			65.49
18	Regional governments or local authorities		2,411.78		(1.33)			2,410.45
19	Public sector entities		220.05		(1.34)			218.71
20	Multilateral development banks		93.95		(0.07)			93.88
21	International organisations		212.97					212.97
22	Institutions		78.44					78.44
23	Corporates		1,994.48	(0.00)	(7.38)	(3.00)		1,987.10
24	*Of which: SMEs*		*411.04*		*(1.52)*	*(3.00)*		*409.52*
25	Retail		12.27		(0.04)	(2.94)		12.23
26	*Of which: SMEs*		*5.48*		*(0.03)*	*(0.18)*		*5.45*
27	Secured by mortgages on immovable property		89.75		(1.67)	(0.49)		88.08
28	*Of which: SMEs*		*48.48*		*(0.93)*			*47.55*
29	Exposures in default	110.94		(77.37)				33.57
30	Items associated with particularly high risk	0.41	25.45	(0.11)	(0.45)			25.30
31	Covered bonds							
32	Claims on institutions and corporates with a short-term credit assessment		1.74					1.74
33	Collective investments undertakings							
34	Equity exposures		23.30	(0.27)				23.02
35	Other exposures		455.66		(0.04)			455.62
36	***Total standardised approach***	***111.34***	***5,685.36***	***(77.75)***	***(12.35)***	***(6.43)***		***5,706.60***
37	**TOTAL**	**659.83**	**36,602.70**	**(260.68)**	**(78.16)**	**(6.43)**		**36,923.69**
38	*Of which: Loans*	*628.59*	*20,324.18*	*(232.03)*	*(72.40)*	*(6.43)*		*20,648.35*
39	*Of which: Debt securities*	*21.99*	*8,170.39*	*(14.65)*	*(3.03)*			*8,174.70*
40	*Of which: Off-balance-sheet exposures*	*57.70*	*5,342.38*	*(1.03)*	*(11.07)*	*(0.05)*		*5,387.97*

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

	a	b	c	d	e	f	g
	Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
(in EUR million)	Defaulted exposures	Non-defaulted exposures					(a+b+c+d)
Administrative and support service activities	2.75	218.08	(0.74)	(0.84)	(0.03)		219.25
Agriculture, forestry and fishing	0.87	152.81	(0.42)	(0.31)			152.95
Mining and quarrying	0.00	5.60	(0.00)				5.61
Manufacturing	26.10	958.90	(15.80)	(2.43)	(0.01)		966.76
Electricity, gas, steam and air conditioning supply	30.49	191.75	(15.00)	(1.67)			205.57
Financial and insurance activities	330.28	19,807.98	(145.36)	(24.78)	(2.28)		19,968.12
Water supply	0.02	11.81	(0.01)	(0.01)			11.81
Construction	29.31	2,208.75	(11.62)	(16.07)	(3.07)		2,210.37
Wholesale and retail trade	23.83	903.59	(13.36)	(1.84)	(0.08)		912.23
Transport and storage	11.27	399.55	(4.42)	(0.29)	(0.01)		406.11
Accommodation and food service activities	10.07	525.78	(3.42)	(1.81)	(0.15)		530.62
Information and communication	6.90	281.32	(2.87)	(1.45)			283.90
Real estate activities	133.66	2,902.35	(30.67)	(19.22)	(0.48)		2,986.11
Professional, scientific and technical activities	43.81	684.74	(8.14)	(1.68)			718.73
Public admnistration and defence, compulsory social security	0.61	5,580.05	(0.28)	(3.22)			5,577.17
Education	0.11	58.80	(0.05)	(0.10)			58.76
Human health services and social work activities	3.69	597.55	(1.21)	(1.54)	(0.32)		598.48
Arts, entertainment and recreation	3.09	101.42	(1.81)	(0.19)			102.51
Other services	2.97	1,066.97	(5.50)	(0.73)			1,063.71
TOTAL	**659.83**	**36,657.81**	**(260.68)**	**(78.18)**	**(6.43)**		**36,978.78**

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 approaches. The geographical distribution is based on the legal residence of the counterparty or issuer.

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

		a	b	c	d	e	f	g
		Gross carrying value of		Specific credit risk adjustments	General credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	(in EUR million)	Defaulted exposures	Non-defaulted exposures					(a+b+c+d)
1	Europe	576.39	33,691.10	(184.88)	(76.76)	(6.36)		34,005.86
2	*Of which: Luxembourg*	*362.65*	*17,700.17*	*(98.75)*	*(61.54)*	*(5.23)*		*17,902.52*
3	*Of which: France*	*123.72*	*4,471.42*	*(35.62)*	*(4.87)*	*(0.73)*		*4,554.64*
4	*Of which: Switzerland*	*5.18*	*2,899.83*	*(7.91)*	*(0.22)*			*2,896.88*
5	*Of which: Belgium*	*14.49*	*2,125.79*	*(2.46)*	*(2.08)*	*(0.01)*		*2,135.74*
6	*Of which: Germany*	*30.43*	*1,854.67*	*(18.95)*	*(2.72)*	*(0.39)*		*1,863.42*
7	United States and Canada	0.07	982.10	(4.23)	(0.66)			977.28
8	South and Central America	1.48	63.95	(0.15)	(0.08)	(0.07)		65.21
9	Asia	12.68	1,063.97	(2.38)	(0.44)			1,073.83
10	Other geographical areas	69.21	856.68	(69.04)	(0.24)			856.61
11	**TOTAL**	**659.83**	**36,657.81**	**(260.68)**	**(78.18)**	**(6.43)**		**36,978.78**

2.2 Forbearance, impairment, past due and provisions

2.2.1 Ageing of past-due exposure

The following table provides an ageing analysis of past-due exposures regardless of their impairment status at mid of 2020.

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

		a	b	c
		Gross carrying values		
	(in EUR million)	≤ 30 days	> 30 days ≤ 90 days	> 90 days
1	Loans	31.96	22.32	175.46
2	Debt securities			
3	**TOTAL EXPOSURES**	**31.96**	**22.32**	**175.46**

2.2.2 Information on forborne exposure and non-performing loans

Forborne exposures

BIL closely monitors its forborne 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 forborne or 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 forborne according to the regulatory definition. The granting of the forbearance measure is set up to better match the borrower's repayment capacity.

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 2020, BIL Group's forborne exposures amounted to EUR 290 million.

Non-performing exposures

Exposures (loans, debt securities, off-balance-sheet items) other than held for trading that satisfy either or both of the following criteria:

(a) material exposures which are more than 90 days past-due;

(b) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or the number of days past due.

Non-performing exposures include the defaulted and impaired exposures. The total NPE is given by the sum of non-performing loans, non-performing debt securities and non-performing off-balance-sheet items. See also EBA Implementing Technical Standard (ITS) on Supervisory Reporting (Forbearance and non-performing exposures).

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

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

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Gross carrying value of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing		On non-performing exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
010	Debt securities	8,358,94			21.99	21.99	21.99		(3,06)		(14.65)		7.33	
020	Loans and advances	16,768,11	18.10	142.72	578.44	575.77	578.01	157.88	(64,41)	(0.45)	(222.66)	(40.13)	330.20	254.64
030	Off-balance-sheet exposures	4,409,27		1.30	53.76	41.93	53.74	10.52	(11.11)	(0.00)	(1.49)	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

		a	b
	(in EUR million)	**Accumulated specific credit risk adjustment**	**Accumulated general credit risk adjustment**
1	**At 31 December 2019**	**243.56**	**56.36**
2	Increases due to amounts set aside for estimated loan losses during the period	25.72	21.82
3	Decreases due to amounts set aside for estimated loan losses during the period		
4	Decreases due to amounts taken against accumulated credit risk adjustment	(2.25)	
5	Transfers between credit risk adjustment		
6	Impact of exchange rate differences	0.08	
7	Business combinations, including acquisitions and disposals of subsidiaries		
8	Other adjustments		
9	**At 30 June 2020**	**260.68**	**78.18**
10	Recoveries on credit risk adjustments recorded directly to the statements of profit and loss		
11	Specific credit risk adjustments directly recorded to the statement of profit and loss	(6.43)	

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 first half of the year 2020 (till June).

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

		a
	(in EUR million)	**Gross carrying value defaulted exposures**
1	**31 December 2019**	629.72
2	Loans and debt securities that have defaulted or impaired since the last reporting period	118.81
3	Returned to non-defaulted status	(30.68)
4	Amounts written off	(6.43)
5	Other changes	(51.59)
6	**30 June 2020**	**659.83**

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

		a	b	c	d	e
	(in EUR million)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by guarantees	Exposures secured by credit derivatives
1	Total loans	9,735.34	10,074.31	9,795.93	278.38	
2	Total debt securities	7,375.40	802.33		802.33	
3	Total exposures	17,110.73	10,876.64	9,795.93	1,080.71	
4	*Of which defaulted*	*154.85*	*227.19*	*227.19*		

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

2.4 Standardised approach

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

The following table shows credit risk exposure before credit conversion factor (CCF) and credit risk mitigation (CRM) and the exposure-at-default (EAD)[1] broken down by exposure classes and with a split in on- and off-balance sheet exposures, under the standardised approach.

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

TABLE EU CR4 - CREDIT RISK EXPOSURE AND CRM EFFECTS

		a	b	c	d	e	f
	(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						
1	Central governments or central banks	33.14	32.39	33.14	16.19	71.53	145%
2	Regional government or local authority	2,409.42		2,409.42		102.58	4%
3	Public sector entities	159.34	60.71	86.18	3.23	6.63	7%
4	Multilateral development banks	92.72		104.27	0.41		0%
5	International organisations	204.94		204.94			0%
6	Institutions	0.05	0.10	0.05	0.03	0.02	20%
7	Corporates	1,160.89	831.76	737.37	103.22	791.92	94%
8	Retail	5.71	6.56	5.16	2.59	4.43	57%
9	Secured by mortgages on immovable property	89.72	0.03	89.67	0.01	81.45	91%
10	Exposures in default	11.88	20.62	11.88	4.40	21.37	131%
11	Exposures associated with particularly high risk	24.34	1.41	24.34	1.26	36.72	143%
12	Covered bonds						0%
13	Insitutions and corporates with a short-term credit assessment	1.69					20%
14	Collective investment undertakings						0%
15	Equity	23.02		23.02		57.56	250%
16	Other items	455.40	0.25	455.33	0.11	216.08	47%
17	**TOTAL**	**4,672.27**	**953.82**	**4,184.76**	**131.45**	**1,390.29**	**32%**

[1] 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

	(in EUR million)	Risk weight									Total	Of which unrated
	Exposure classes	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Deducted**		
1	Central governments or central banks	20.72						28.61			**49.33**	
2	Regional government or local authorities	1,896.52	512.89								**2,409.42**	
3	Public sector entities	56.25	33.16								**89.41**	
4	Multilateral development banks	104.67									**104.67**	
5	International organisations	204.94									**204.94**	
6	Institutions		0.08								**0.08**	
7	Corporates	3.07	50.59	10.44		771.48		5.01			**840.59**	*779.56*
8	Retail				7.75						**7.75**	*7.75*
9	Secured by mortgages on immovable property			13.62		76.06					**89.68**	*89.68*
10	Exposure in default					6.08	10.20				**16.27**	
11	Exposures associated with particularly high risk					0.30	25.31				**25.60**	
12	Covered bonds											
13	Institutions and corporates with a short-term credit assessment											
14	Collective investment undertakings											
15	Equity							23.02			**23.02**	*23.02*
16	Other items	239.36				216.08			223.20		**678.64**	
17	**TOTAL**	**2,525.54**	**596.72**	**24.07**	**7.75**	**1.069.99**	**35.50**	**56.65**	**223.20**		**4,539.42**	***900.01***

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

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Central Government and Central Banks	0.00%to < 0.15%	6,613.89	212.17	99.66%	7,535.65	0.01%	82	6.48%	2.50	134.85	0.02	0.08	(17,62)
	0.15% to < 0.25%	0.00	0.00										
	0.25% to < 0.50%	0.00	0.00										
	0.50% to < 0.75%	0.00	0.00										
	0.75% to < 2.50%	0.00	0.00										
	2.5% to < 10%	0.00	0.00										
	10% to < 100%	0.09	0.00	99.22%	0.09	30.87%	3	7.01%	1.86	0.04	0.42	0.00	0,00
	100% (Default)	0.00	0.00										
	SUBTOTAL	**6,613.98**	**212.17**	**99.66%**	**7,535.74**	**0.01%**	**85**	**6.48%**	**2.50**	**134.89**	**0.02**	**0.09**	**(17,62)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Institutions	0.00%to < 0.15%	3,116.08	149.98	99.98%	2,886.10	0.05%	115	44.61%	2.94	431.96	0.15	0.43	(6.76)
	0.15% to < 0.25%	172.07	33.00	100.00%	205.07	0.18%	14	12.23%	2.79	48.29	0.24	0.06	(0.48)
	0.25% to < 0.50%	110.04	3.62	100.00%	113.66	0.34%	10	0.75%	1.79	36.88	0.32	0.08	(0.27)
	0.50% to < 0.75%	41.53	16.05	100.00%	57.58	0.71%	3	19.26%	1.66	21.94	0.38	0.08	(0.13)
	0.75% to < 2.50%	72.06	5.91	100.00%	77.97	0.88%	3	22.02%	1.27	31.60	0.41	0.15	(0.18)
	2.5% to < 10%	0.58	1.20	100.00%	1.78	4.24%	4	85.18%	1.00	5.54	3.12	0.06	0.00
	10% to < 100%	343.43	7.12	100.00%	31.99	30.87%	47	4.88%	2.66	12.26	0.38	0.55	(0.07)
	100% (Default)	0.00	0.00										
	SUBTOTAL	**3,855.78**	**216.88**	**99.98%**	**3,374.15**	**0.39%**	**196**	**39.85%**	**2.83**	**588.47**	**0.17**	**1.42**	**(7.90)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Corporates - SME	0.00%to < 0.15%												
	0.15% to < 0.25%	0.50		100.00%	0.50	0.23%	1	17.17%	1.00	0.07	13.83%	0.00	0.00
	0.25% to < 0.50%												
	0.50% to < 0.75%	40.75	34.83	95.61%	81.94	0.60%	31	14.36%	3.64	24.38	29.76%	0.07	(0.19)
	0.75% to < 2.50%	358.07	349.82	89.20%	471.26	1.59%	495	7.78%	3.18	91.30	19.37%	0.57	(1.10)
	2.5% to < 10%	329.84	194.96	91.50%	399.45	4.31%	268	5.99%	2.60	73.51	18.40%	1.05	(0.94)
	10% to < 100%	91.83	45.67	96.55%	100.41	19.80%	104	6.02%	3.29	29.26	29.14%	1.56	(0.24)
	100% (Default)	134.50	14.32	98.87%	132.61	100.00%	56	7.05%	2.19	82.88	62.50%	37.32	(37.32)
	SUBTOTAL	**955.48**	**639.59**	**92.13%**	**1,186.18**	**14.98%**	**955**	**7.40%**	**2.91**	**301.41**	**25.41%**	**40.57**	**(39.78)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Corporates - Other	0.00%to < 0.15%	400.78	62.54	97.70%	420.04	0.06%	24	38.49%	3.37	111.28	26.49%	0.10	(0.98)
	0.15% to < 0.25%	318.04	54.98	99.93%	296.15	0.18%	20	46.30%	3.64	176.85	59.71%	0.25	(0.69)
	0.25% to < 0.50%	319.86	48.10	97.17%	335.94	0.34%	23	46.57%	3.18	254.20	75.67%	0.53	(0.79)
	0.50% to < 0.75%	375.19	169.87	97.49%	387.76	0.71%	33	54.80%	3.07	467.17	120.48%	1.51	(0.91)
	0.75% to < 2.50%	338.11	186.26	91.33%	398.63	1.15%	68	33.05%	3.50	348.71	87.48%	1.33	(0.93)
	2.5% to < 10%	102.13	119.26	86.18%	137.92	3.31%	41	43.77%	1.81	178.98	129.77%	1.78	(0.32)
	10% to < 100%	0.05	3.27	52.26%	1.19	13.43%	5	10.89%	1.84	0.76	64.11%	0.02	(0.00)
	100% (Default)	17.27		100.00%	17.27	100.00%	3	63.83%	1.05	10.79	62.50%	13.95	(13.95)
	SUBTOTAL	**1,871.44**	**644.28**	**95.83%**	**1,994.90**	**1.57%**	**217**	**43.66%**	**3.22**	**1,548.74**	**77.64%**	**19.46**	**(18.58)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Retail - Secured by immovable property SME	0.00%to < 0.15%			100.00%	0.09	0.23%	1	10.00%		0.00	0.05	0.00	0.00
	0.15% to < 0.25%	0.08	0.01										
	0.25% to < 0.50%												
	0.50% to < 0.75%	30.29	2.26	99.84%	32.49	0.59%	52	10.88%		3.34	10.28%	0.02	(0.08)
	0.75% to < 2.50%	71.05	9.52	97.23%	75.28	1.64%	216	11.52%		12.40	16.47%	0.14	(0.18)
	2.5% to < 10%	90.77	10.71	98.35%	96.89	4.47%	236	11.39%		25.66	26.48%	0.49	(0.23)
	10% to < 100%	84.81	3.94	99.37%	87.34	23.33%	179	11.17%		37.35	42.76%	2.25	(0.20)
	100% (Default)	5.94	0.23	99.75%	6.13	100.00%	39	0.23%		3.83	62.50%	1.73	(1.73)
	SUBTOTAL	**282.94**	**26.68**	**98.56%**	**298.23**	**10.82%**	**723**	**11.07%**		**82.58**	**27.69%**	**4.64**	**(2.42)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Retail - Secured by immovable property non-SME	0.00%to < 0.15%	1,056.12	90.24	99.92%	1,145.27	0.10%	5,062	10.61%		32.63	2.85%	0.12	(2.68)
	0.15% to < 0.25%	187.27	19.07	99.70%	205.63	0.23%	459	10.76%		11.52	5.60%	0.05	(0.48)
	0.25% to < 0.50%	975.11	49.55	99.98%	1,024.45	0.34%	3,085	10.52%		74.26	7.25%	0.37	(2.40)
	0.50% to < 0.75%	1,870.26	99.54	99.98%	1,969.23	0.65%	4,531	10.62%		224.58	11.40%	1.35	(4.61)
	0.75% to < 2.50%	1,018.17	70.18	99.80%	1,085.72	1.94%	2,121	10.63%		241.42	22.24%	2.23	(2.54)
	2.5% to < 10%	1,290.89	66.97	99.95%	1,357.12	4.68%	2,639	10.85%		427.17	31.48%	6.88	(3.18)
	10% to < 100%	317.03	10.32	99.95%	327.18	16.28%	641	10.66%		173.75	53.11%	5.68	(0.77)
	100% (Default)	194.73	5.84	99.82%	200.15	100.00%	343	0.22%		125.09	62.50%	31.92	(31.92)
	SUBTOTAL	**6,909.57**	**411.72**	**99.92%**	**7,314.76**	**4.86%**	**18,881**	**10.37%**		**1,310.42**	**17.91%**	**48.61**	**(48.58)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Retail - Other SME	0.00%to < 0.15%	0.11	0.07	100.00%	0.18	0.06%	15	17.17%		0.01	3.10%	0.00	(0.00)
	0.15% to < 0.25%	2.41	1.88	99.81%	4.29	0.23%	308	16.96%		0.34	8.04%	0.00	(0.01)
	0.25% to < 0.50%												
	0.50% to < 0.75%	12.81	11.82	97.33%	23.07	0.62%	1,021	13.49%		2.68	11.61%	0.02	(0.05)
	0.75% to < 2.50%	84.33	69.64	88.96%	114.47	1.59%	2,029	12.36%		16.44	14.36%	0.22	(0.27)
	2.5% to < 10%	46.26	33.25	92.16%	61.65	4.95%	1,273	12.77%		11.69	18.97%	0.38	(0.14)
	10% to < 100%	43.64	17.20	94.95%	49.28	20.75%	924	12.42%		13.17	26.72%	1.27	(0.12)
	100% (Default)	22.07	1.47	99.26%	22.11	100.00%	652	17.05%		13.82	62.50%	13.66	(13.66)
	SUBTOTAL	**211.63**	**135.32**	**92.45%**	**275.05**	**13.59%**	**6,222**	**13.01%**		**58.14**	**21.14%**	**15.55**	**(14.25)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Retail - Other non-SME	0.00%to < 0.15%	269.11	475.61	90.87%	570.49	0.09%	35,076	9.45%		16.43	2.88%	0.05	(1.34)
	0.15% to < 0.25%	22.52	37.45	91.49%	46.38	0.23%	1,484	10.21%		2.88	6.21%	0.01	(0.11)
	0.25% to < 0.50%	264.35	164.09	95.58%	380.38	0.34%	14,582	11.32%		31.50	8.28%	0.14	(0.89)
	0.50% to < 0.75%	295.16	133.18	97.17%	393.86	0.64%	12,224	12.43%		54.57	13.86%	0.31	(0.92)
	0.75% to < 2.50%	508.61	268.52	95.22%	668.74	2.04%	5,994	15.67%		170.46	25.49%	2.17	(1.57)
	2.5% to < 10%	758.03	275.89	94.86%	880.81	4.67%	9,060	13.12%		214.81	24.39%	5.53	(2.06)
	10% to < 100%	77.29	18.28	99.50%	88.73	15.42%	2,226	30.65%		65.74	74.09%	4.03	(0.21)
	100% (Default)	122.19	11.89	99.12%	132.13	100.00%	3,269	17.53%		82.58	62.50%	67.64	(67.64)
	SUBTOTAL	**2,317.24**	**1,384.91**	**94.85%**	**3,161.53**	**6.48%**	**83,915**	**13.33%**		**638.97**	**20.21%**	**79.88**	**(74.73)**

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Equity – PD/LGD APPROACH	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%	24.80		100.00%	24.80	1.26%	6	90.00%	5.00	73.60	2.97	0.28	
	2.5% to < 10%	0.07		100.00%	0.07	9.53%	1	90.00%	5.00	0.46	6.36	0.01	
	10% to < 100%	0.00		100.00%	0.00	30.87%	5	90.00%	5.00	0.00	6.03	0.00	
	100% (Default)	-											
	SUBTOTAL	**24.87**		**100.00%**	**24.87**	**1.28%**	**12**	**90.00%**	**5.00**	**74.06**	**2.98**	**0.29**	

		a	b	c	d	e	f	g	h	i	j	k	l
(in EUR million)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
Other items	0.00%to < 0.15%	2.13		100.00%	2.13	0.01%	14	8.13%	1.00	0.00			-0.00
	0.15% to < 0.25%												
	0.25% to < 0.50%												
	0.50% to < 0.75%	0.01		100.00%	0.01	0.71%	2	34.66%	1.00	0.00			-0.00
	0.75% to < 2.50%	0.00		100.00%	0.00	1.15%	1	50.00%	1.00	0.00			-0.00
	2.5% to < 10%	0.00		100.00%	0.00	3.95%	1	55.00%	1.00	0.00			-0.00
	10% to < 100%	7.60		100.00%	7.60	30.87%	8	5.12%	1.00	0.00			-0.02
	100% (Default)												
	SUBTOTAL	**9.73**		**100.00%**	**9.73**	**24.10%**	**26**	**5.82%**	**1.00**	**0.00**			**-0.02**

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 2020 and Q2 2020.

TABLE EU CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES

		a	b
(in EUR million)		RWA amounts	Capital requirements
31/03/2020	**Credit Risk RWAs (ADV+STD+TIT with CCR) as at the end of the previous reporting period**	**8,120.30**	**649.62**
1	**Total adjustments from Standardised Approach (with CCR)**	**(161.21)**	**(12.90)**
1.1	*Adjustment from Asset size*	*(151.99)*	*(12.16)*
1.2	*Adjustment from Model updates*	*(9.78)*	*(0.78)*
2	**Total adjustments from Advanced Approach (with CCR)**	**(53.72)**	**(4.30)**
2,1	*Adjustment from Asset size*	*109.82*	*8.79*
2,2	*Adjustment from Asset quality*	*(100.75)*	*(8.06)*
2,3	*Adjustment from Model updates*	*(61.42)*	*(4.91)*
2.3.1	*Add-on NDD*	*(61.42)*	*(4.91)*
2,4	*Adjustment from Methodology and policy*		
2,5	*Adjustment from Acquisitions and disposals*		
2,6	*Adjsutment from Foreign exchange movements*		
2,7	*Adjustment from Other*	*(1.38)*	*(0.11)*
3	**Total adjustments from Credit Valuation Adjustment (CVA)**	**5.45**	**0.44**
4	**Total adjustments from Securitisation**	**(0.89)**	**(0.07)**
30/06/2020	RWAs as at the end of the reporting period	7,909.92	632.79

2.6 Provisions

The overall results of the ECLs calculation for BIL in June 2020 are as follows:

	30/06/2020			
(in EUR million)	ECL		EAD	
Stage 1	19%	60,48	94%	17,346.09
Stage 2	6%	18,13	6%	1,029.49
Stage 3	75%	236,5303	2%	288,05
TOTAL		315,1403		18,633.63

The ECL in Stage 3 includes both statistically calculated ECL (EUR 7.28 million) and specific provisions.

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 does not apply such a phase-in alternative for end of June figures.

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

		a	b	c	d	e	f	g
	(in EUR million)	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		71.20	85.20			156.40	25.11
2	Original exposure							
3	Standardised approach							
4	IMM (for derivatives and SFTs)							
5	Of which securities financing transactions							
6	Of which derivatives and long settlement transactions							
7	Of whichfrom contractual cross-product netting							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)							
10	VaR for SFTs							
11	TOTAL		71.20	85.20			156.40	25.11

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

		a	b
	(in EUR million)	**Exposure value**	**RWAs**
1	Total portfolios subject to the advanced method		
2	(i) VaR component (including the 3x multiplier)		
3	(ii) SVaR component (including the 3x multiplier)		
4	All portfolios subject to the standardised method	123.47	23.25
EU4	Based on the original exposure method		
5	**Total subject to the CVA capital charge**	**123.47**	**23.25**

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

		a	b
	(in EUR million)	**EAD post CRM**	**RWAs**
1	**Exposures to QCCPs (total)**	**78.28**	**3.13**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives	78.28	3.13
4	(ii) Exchange-traded derivatives		
5	(iii) SFTS		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Prefunded defaut fund contributions		
10	Alternative calculation of own funds requirements for exposures		
11	**Exposures to non-QCCPs (total)**	**2,238.28**	**54.86**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives	156.40	25.11
14	(ii) Exchange-traded derivatives		
15	(iii) SFTS	2,081.89	29.76
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded defaut fund contributions		
20	Unfunded defaut 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 Institution (ECAI) is not available and they therefore receive the standard risk weight according to their exposure classes as described in the CRR.

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

	Exposure classes	Risk Weight				Total	*Of which unrated*
		4%	50%	100%	Others		
1	Institutions	78.28				78.28	
2	Corporates			1.62		1.62	*1.62*
3	Institutions and corporates with a short-term credit assessment		0.05			0.05	
4	Other items			0.01		0.01	*0.01*
5	**Total**	**78.28**	**0.05**	**1.63**		**79.96**	***1.63***

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

		a	b	c	d	e	f	g
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Institutions	0.00% to < 0.15%	1,693.13	0.04%	40	0.04%	0.57	19.71	1.16%
	0.15% to < 0.25%	2.46	0.18%	6	0.00%	1.09	0.76	30.92%
	0.25% to < 0.50%	494.62	0.34%	6	0.00%	0.25	27.27	5.51%
	0.50% to < 0.75%	0.00	0.71%	1	31.49%	1.00	0.00	51.49%
	0.75% to < 2.50%	22.85	0.88%	1	0.00%	0.08		0.00%
	2.5% to < 10%		2.68%	1	0.00%	1.00		0.00%
	10% to < 100%	0.27	30.87%	6	0.00%	4.90	0.66	245.72%
	100% (Default)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SUBTOTAL	**2,213.33**	**0.12%**	**61**	**0.03%**	**0.50**	**48.40**	**2.19%**

		a	b	c	d	e	f	g
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Corporates – SME	0.00% to < 0.15%							
	0.15% to < 0.25%							
	0.25% to < 0.50%							
	0.50% to < 0.75%							
	0.75% to < 2.50%							
	2.5% to < 10%							
	10% to < 100%	0.04	0.27	2.00	0.13	1.00	0.03	0.84
	100% (Default)							
	SUBTOTAL	**0.04**	**27.04%**	**2.00**	**13%**	**1.00**	**0.03**	**83.91%**

		a	b	c	d	e	f	g
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Corporates – Other	0.00% to < 0.15%	17.37	0.05%	2.00	24%	3.57	2.46	14.17%
	0.15% to < 0.25%	1.35	0.18%	1.00	50%	5.00	1.08	79.51%
	0.25% to < 0.50%	0.01	0.34%	1.00	50%	1.00	0.00	52.17%
	0.50% to < 0.75%	0.43	0.71%	3.00	61%	1.00	0.41	95.56%
	0.75% to < 2.50%	0.29	1.95%	2.00	13%	1.00	0.10	35.31%
	2.5% to < 10%	0.14	2.68%	3.00	72%	1.00	0.27	190.22%
	10% to < 100%		0.00%	4.00	0%			0.00%
	100% (Default)		0.00%					0.00%
	SUBTOTAL	**19.58**	**0.12%**	**16.00**	**27%**	**3.56**	**4.32**	**22.07%**

		a	b	c	d	e	f	g
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Retail – Other SME	0.00% to < 0.15%		0.00%					0.00%
	0.15% to < 0.25%		0.00%	1.00				0.00%
	0.25% to < 0.50%		0.00%					0.00%
	0.50% to < 0.75%	0.06	0.65%	4.00	0.17		0.01	15.17%
	0.75% to < 2.50%	0.16	1.87%	2.00	0.14		0.03	18.21%
	2.5% to < 10%	0.00	3.75%	1.00	0.17		0.00	26.27%
	10% to < 100%	-	0.00%	-	-		-	0.00%
	100% (Default)	-	0.00%	-	-		-	0.00%
	SUBTOTAL	**0.23**	**1.58%**	**8.00**	**0.15**		**0.04**	**17.56%**

		a	b	c	d	e	f	g
(in EUR million)	PD scale	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Retail – Other non SME	0.00% to < 0.15%	0.61	0.11%	45.00	13.28%		0.03	4.90%
	0.15% to < 0.25%		0.00%	2.00	0.00%			0.00%
	0.25% to < 0.50%	0.35	0.33%	18.00	13.28%		0.04	10.47%
	0.50% to < 0.75%	0.01	0.59%	9.00	17.17%		0.00	19.00%
	0.75% to < 2.50%	1.13	2.09%	144.00	0.45%		0.01	0.81%
	2.5% to < 10%	1.23	4.69%	32.00	13.28%		0.33	27.26%
	10% to < 100%		0.00%		0.00%			0.00%
	100% (Default)		0.00%		0.00%			0.00%
	SUBTOTAL	**3.32**	**2.50%**	**250.00**	**8.94%**		**0.41**	**12.39%**

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

	a	b	c	d	e
(in EUR million)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	130.95	42.73	88.22	14.62	73.60
SFTs	**2,827.57**	**741.60**	**2,085.96**	**1,923.13**	**162.83**
TOTAL	**2,958.51**	**784.33**	**2,174.18**	**1,937.74**	**236.43**

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

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

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
(in EUR million)	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	14.53		98.75		1,660.86	433.95
Bonds	0.02				262.27	
Equity securities	0.06					
Mutual Fund						
TOTAL	**14.61**		**98.75**		**1,923.13**	**433.95**

3. Market risk

3.1 Financial market risk exposure

In the first half of 2020, BIL Group's financial risk indicators remained stable compared to end 2019.

FINANCIAL MARKETS

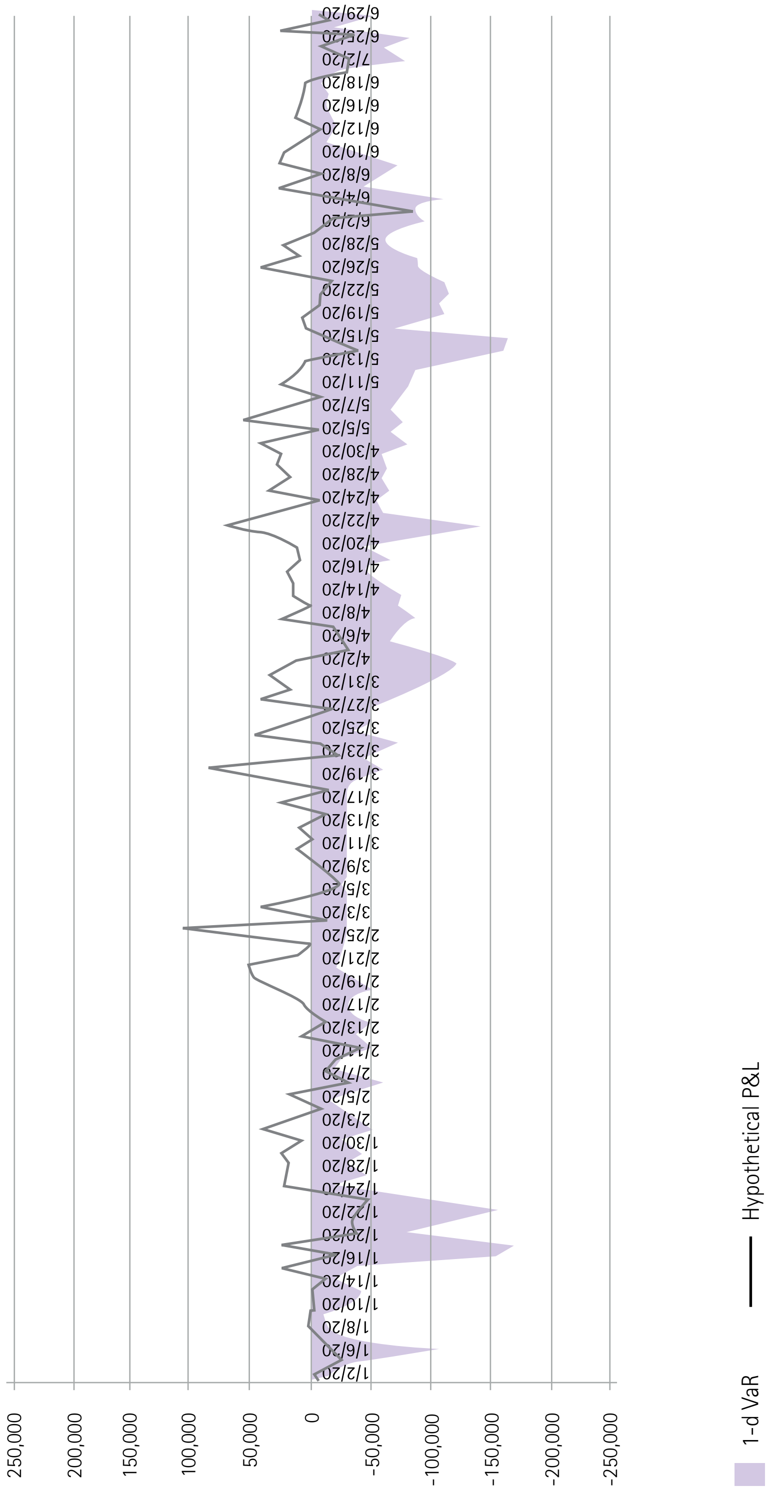
VaR (10 days, 99%) (in EUR million)	31/12/2019	30/06/2020
Average	0.23	0.19
End of period	0.09	0.03
Maximum	0.79	0.55
Limit	2	2

BIL continues to follow a prudent approach in the context of low rates and the COVID-19 crisis.

During the first half of 2020, two downward back-testing exceptions occurred:

VaR date	1-d VaR (EUR)	Hypothetical P&L (EUR)	Comment
03/06/2020	(84,183.52)	(89,400.65)	Downward back testing exception on global trading perimeter. The main sources of this hypothetical loss are due to FX Spot & Forward and FX Derivatives perimeters. These hypothetical losses are mainly due to impact of currencies variations especially in EUR/USD and in EUR/JPY.
19/06/2020	(19,209.28)	(30,769.07)	Downward back testing exception on global trading perimeter. These hypothetical losses are mainly due to impact of currencies variations especially in EUR/USD and in EUR/JPY

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



3.2 Liquidity risk

The LCR increased from 139% as at 31 December 2019 to 167% as at 30 June 2020 due to the increase of the excess of liquidity.

(in EUR billion)	31/12/2019	30/06/2020
Stock of HQLA	6.34	6.72
Net Cash Outflows	4.55	4.03
LCR ratio	139%	167%
Regulatory limit	100%	
Internal limit	110%	
Internal Trigger	115%	

The NSFR remained stable during the first half of 2020.

(in EUR billion)	31/12/2019	30/06/2020
Available Stable Funding (ASF)	17.76	19.69
Required Stable Funding (RSF)	16.01	17.46
NSFR ratio	111%	113%
Regulatory Limit	100%	
Internal limit	104%	
Internal trigger	106%	

[1] Asset encumbrance ratio = (Encumbered assets + Collateral received re-used) / (Total assets + Total collateral received).
[2] Assets and collateral received available for encumbrance.
[3] Additional amount of encumbered assets resulting from a decrease by 30% of the fair value of encumbered assets.

The level of asset encumbrance increased compared to 31 December 2019. This evolution mainly comes from the repurchase agreement (from 1,318 to 2,214 million EUR).

(in EUR million)	Indicator	Q1 2020	Q2 2020
Level of asset encumbrance	Encumbered assets	2,969	3,641
	Collateral received re-used	326	270
	Total amount	3,294	3,912
	Ratio[1]	**11%**	**13%**
	Limit	**25%**	**25%**
Credit quality of unencumbered debt securities[2]	Step 1 (AAA to AA-)	3,361	3,376
	of which eligible as LA for LCR	*3,174*	*3,284*
	Step 2 (A+ to A-)	1,534	1,332
	of which eligible as LA for LCR	*1,307*	*1,205*
	Step 3 (BBB+ to BBB-)	989	863
	of which eligible as LA for LCR	*953*	*829*
	Non-rated securities	636	699
	of which eligible as LA for LCR	*77*	*122*
	Total amount	**6,521**	**6,271**
	of which eligible as LA for LCR	***5,511***	***5,440***
Sources of encumbrance	OTC Derivatives	567	523
	Collateralised deposits	1,526	2,214
	Collateral swaps	1,003	941
	Securities Lending	2	7
	Central Bank Reserves	196	194
	Total amount	**3,293**	**3,878**
Contingent encumbrance[3]	OTC Derivatives	163	161
	Collateralised deposits	459	664
	Collateral swaps	306	282
	Securities Lending	1	6
	Total amount	**928**	**1,113**

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 the end of June 2020, in comparison with the number at the end of 2019.

TABLE EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

		31 December 2019		30 June 2020	
		RWAs	Capital requirements	RWAs	Capital requirements
	OUTRIGHT PRODUCTS				
1	Interest rate risk (general and specific)	32.04	2.56	42.38	3.39
2	Equity risk (general and specific)	0.21	0.02	0.02	0
3	Foreign exchange risk	16.64	1.33	14.34	1.15
4	Commodity risk				
	Options				
5	Simplified approach				
6	Delta-plus method				
7	Scenario approach				
8	Securitisation (specific risk)				
9	**TOTAL**	**48.88**	**3.91**	**56.74**	**4.54**

4. Main events after end of June 2020

4.1 BIL reinforced its compliance framework

Banque Internationale à Luxembourg is constantly updating its policies and processes to adapt to changing anti-money laundering (AML) and counter-terrorism financing (CTF) regulations. The Bank is committed to ensuring the highest level of compliance standards at all times when it comes to the fight against money laundering and financing of terrorism, fully supporting the "Commission de Surveillance du Secteur Financier" (CSSF) in its supervisory mission.

During on-site inspections in 2017 and 2018, the CSSF identified certain weaknesses in the Bank's processes which were in place at the time. These inspections concerned a sample of clients from the Commonwealth of Independent States, thus representing a limited segment of customers whose inherent risk is generally to be considered high. As a result, the CSSF decided to impose an administrative sanction as mentioned in the CSSF publication dated on 12th August 2020. No money laundering or terrorism financing activity was identified.

With the support of the new shareholder structure and under the leadership of the new CEO, BIL promptly took appropriate measures to remediate the identified weaknesses. The Bank has since defined a new and strict AML Risk Appetite Statement and related Wealth Management Compliance Guiding Principles, recruited additional compliance specialists and increased AML/CTF training and awareness. Compliance tools, i.e. the AML scoring engine, were implemented.

4.2 BIL closes Dubai branch to focus on strategic goals

Following extensive strategic considerations the Bank has decided to withdraw from Dubai. This is in line with the Bank´s strategic plan Create Together 2025 which aims to increase efficiency, increase focus on stable and sustainable growth and to ensure management attention focus on the China strategic development (including the Greater Bay Area). For BIL´s national and international Wealth Management activities, this means further developing its two main hubs, Luxembourg and Switzerland, and refocusing on markets where BIL is in a position to provide value to its clients.

Middle Eastern clients will remain a key client group for BIL, but will be served out of Switzerland or Luxembourg, whatever place is the best place to serve in the interest of these clients.

5. Focus on COVID-19 situation

In view of the COVID-19 pandemic and the protective measures announced by the Luxembourgish Government, the Bank has taken measures to protect the safety and health of employees and clients, whilst ensuring its business continuity. These measures include restricting business trips, splitting teams between different buildings, additional hygiene measures and remote working coupled with a presence by team with strict social distancing.

- As one of the major banks in Luxembourg, BIL is supporting Government and Central Bank actions and remains accessible to all retail, private and corporate clients. Financing facilities are available to clients to minimise the negative effect of the economic slowdown on their activities. The business teams accompanied by the credit risk teams are currently working on the best solutions for the Bank's counterparts notably regarding the end of the period for the moratoria in order to support the economy;
- The adverse macroeconomic outlook will impact all market participants, businesses and the banking industry. As a result, the Bank is expecting an impact on 2020 financials with lower revenues and higher costs of risk;
- The Bank's capital and liquidity positions remain solid with buffers in excess of regulatory requirements;
- With the support of the two main shareholders of the Bank: Legend Holdings and the State of Luxembourg, the Management closely monitors the situation, while further deploying the Create Together 2025 Strategy, aiming at sustainable growth.

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