Pillar 3 Semi-Annual Report 2021

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
ESG	Environmental, Social and Governance
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
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
WAL	Weighted Average Life

EBA semi-annual tables and templates[1]

Reference	Name	Regulation (EU) No 575/2013 (CRR) articles	Section of the semi-annual report
EU KM1	Key metrics (at consolidated group level)	Article 447 (a) to (g) and point (b) of Article 438	Section 1
EU OV1	Overview of RWAs	Article 438 (c)-(f)	Section 1.1.1
EU CR10	IRB (specialized lending and equities)	Article 153 (5) or 155 (2), Article 438	Section 1.1.2
EU INS1	Non-deducted participations in insurance undertakings	Article 438 (c)-(d) & article 49 (1)	Section 1.1.3
EU CR1-A	Credit quality of exposures by exposure class and instrument	Article 442 (g)-(h)	Section 2.1.1
EU CR1-B	Credit quality of exposures by industry or counterparty types	Article 442 (g)	Section 2.1.1
EU CR1-C	Credit quality of exposures by geography	Article 442 (g)	Section 2.1.2
EU CR1-D	Ageing of past-due exposures	Article 442 (g)	Section 2.2.1
EU CR1-E	Non-performing and forborne exposures	Article 442 (g)-(i)	Section 2.2.2
EU CR2-A	Changes in the stock of general and specific credit risk adjustments	Article 442 (i)	Section 2.2.3
EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Article 442 (i)	Section 2.2.4
EU CR3	CRM techniques – Overview	Article 453 (f) - (g)	Section 2.3.1
EU CR4	Credit risk exposure and CRM effects	Article 453 (f) - (g)	Section 2.4.1
EU CR5	Standardised approach	Article 444 (e)	Section 2.4.2
EU CR6	Qualitative disclosure requirements related to IRB models	Article 452 (e) - (h)	Section 2.5.1
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.
EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Article 438 (d) & Article 92 (3)	Section 2.5.2
EU CCR1	Analysis of CCR exposure by approach	Article 439 (e), (f), (i) & article 92 (3)	Section 2.7.1
EU CCR2	CVA capital charge	Article 439 (e) - (f)	Section 2.7.2
EU CCR8	Exposures to CCPs	Article 439 (e) - (f)	Section 2.7.3
EU CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk	Article 444 (e)	Section 2.7.4

[1] Following BIL Group's decision to separate from its Danish onshore activities to focus on its core activities, an agreement was found to transfer the business activities of BIL Denmark to Ringkjøbing Landbobank A/S. The closing took place on 1st July 2021 and the transfer period of clients ended as of 30th September 2021. Closure of the branch is expected to be completed in Q1 2022.

Reference	Name	Regulation (EU) No 575/2013 (CRR) articles	Section of the semi-annual report
EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	Article 452 (e)	Section 2.7.5
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.
EU CCR5-A	Impact of netting and collateral held on exposure values	Article 439 (e)	Section 2.7.6
EU CCR5-B	Composition of collateral for exposures to CCR	Article 439 (e)	Section 2.7.6
EU CCR6	Credit derivatives exposures	Article 439 (g) - (h)	N/A. The Bank does not have any credit derivatives.
EU MR1	Market risk under the standardised approach	Article 445	Section 3.1
EU MR2-A	Market risk under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Article 455 (e)	N/A. The Bank uses the standardised approach.
EU MR3	IMA values for trading portfolios	Article 455 (d)	N/A. The Bank uses the standardised approach.
EU MR4	Comparison of VaR estimates with gains/losses	Article 455 (g)	The Bank uses the standardised approach. Analyze in Section 3.2

Introduction

This document gives additional information on the risk management of Banque Internationale à Luxembourg (hereafter "BIL" or "the Bank") as of 30 June 2021. 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 center of Luxembourg, Switzerland, Denmark, and China.[1]

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 2021 Pillar 3 Report in 2022.

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

[1] To note that the Bank is engaged in a process of the sales of BIL Denmark.

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.[1]

As of 30 June 2021, the breakdown of prudential capital requirement is as follows:

	30/06/2021
Mimimum requirements (Pillar 1): CET1	4.50%
Pillar 2 requirement: CET1	0.98%
Combined buffer requirement	3.34%
of which capital conservation buffer	*2.50%*
of which O-SII buffer	*0.50%*
of which countercyclical capital buffer	*0.34%*
OVERALL CET1 CAPITAL REQUIREMENT	**8.82%**
Mimimum requirements (Pillar 1): Tier 1	6.00%
Pillar 2 requirement: Tier 1	1.31%
Combined buffer requirement	3.34%
OVERALL TIER 1 CAPITAL REQUIREMENT	**10.65%**
Mimimum requirements (Pillar 1): Total capital	8.00%
Pillar 2 requirement: Total capital	1.75%
Combined buffer requirement	3.34%
OVERALL TOTAL CAPITAL REQUIREMENT	**13.09%**

As of 30 June 2021, the CET1 ratio of the Bank stands at 13.14%[2] and the total capital ratio at 16.18%. Compared to year-end 2020 (table below), the CET1 ratio's decrease (-0.29%) is mainly due to Risk Weighted Assets growth (+10.20%, with the increase of 940 million EUR compared to 31/12/2020) whose negative impact is mitigated by higher own funds (+7.80%). The capital increase is mainly due to the inclusion of H2 2020 net profit and Other Comprehensive Income contributions partially offset by prudential filters increase.

Half-Year Capital Ratios (Solvency Ratio)		
	31/12/2020	**30/06/2021**
Common Equity Tier 1 Ratio	13.44%	13.14%
Tier 1 Ratio	15.33%	14.87%
Capital Adequacy Ratio	16.76%	16.18%

[1] The CET1 ratio was amended from 13.18% to 13.14% following additional adjustments in October 2021 (the Total Capital ratio was also adjusted accordingly).

[2] BIL holds a 13.14% equity stake in Luxair which is the only material level 3 asset of the bank and which is currently valued at EUR 136 M. Level 3 assets expose the bank to heightened valuation risk and are therefore valued particularly prudently. In terms of the sensitivity of the bank, if the value of the shares were to increase or decrease by 20% the CET1 ratio would be impacted by 27bps, i.e. the CET1 ratio would change to 13.41% or 12.87% respectively.

The table below provides a comprehensive view of key prudential metrics by quarter covering the Bank's available capital (including buffer requirements and ratios), its risk-weighted assets (RWA), leverage ratio (LR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

TABLE KM1: KEY METRICS (AT CONSOLIDATED GROUP LEVEL)

(in EUR million)

		30/06/2021
	Available capital (amounts)	
1	Common Equity Tier 1 (CET1)	1,335
1a	Fully loaded ECL accounting model	1,316
2	Tier 1	1,510
2a	Fully loaded ECL accounting model Tier 1	1,491
3	Total capital	1,644
3a	Fully loaded ECL accounting model total capital	1,624
	Risk-weighted assets (amounts)	
4	Total risk-weighted assets (RWA)	10,160
4a	Fully Loaded Total risk-weighted assets (RWA)	10,149
	Risk-based capital ratios as a percentage of RWA	
5	Common Equity Tier 1 ratio (%)	13.14%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	12.97%
6	Tier 1 ratio (%)	14.87%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.69%
7	Total capital ratio (%)	16.18%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.01%
	Additional CET1 buffer requirements as a percentage of RWA	
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%
9	Countercyclical buffer requirement (%)	0.34%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.34%
12	CET1 available after meeting the bank's minimum CET1 buffer requirements (%)	9.84%
	Basel III leverage ratio	
13	Total Basel III leverage ratio exposure measure	32, 574
13a	Fully Loaded Total Basel III leverage ratio exposure measure	32, 554
14	Basel III leverage ratio (%) (row 2 / row 13)	4.64%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13a)	4.58%
	Liquidity Coverage Ratio	
15	Total HQLA	9,902
16	Total net cash outflow	6,460
17	LCR ratio (%)	153%
	Net Stable Funding Ratio	
18	Total available stable funding	20,270
19	Total required stable funding	16,140
20	NSFR ratio	126%

1.1. Regulatory capital adequacy (Pillar I)

1.1.1 Risk Weighted Assets

In accordance with Article 138 (c) to (f) of 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
			30/06/2021 (T)	31/03/2021 (T-1)	30/06/2021 (T)
	1	**Credit risk (excluding CCR)**	**8,468.44**	**8,161.82**	**677.47**
Article 438(c)(d)	2	Of which the standardised approach	1,351.57	1,493.15	108.13
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	2,446.63	2,303.93	195.73
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	4,670.24	4,364.74	373.62
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	**481.46**	**271.59**	**38.52**
Article 107 Article 438(c)(d)	6	CCR	**202.46**	**139.21**	**16.20**
Article 438(c)(d)	7	Of which mark to market	57.86	122.52	4.63
Article 438(c)(d)	8	Of which original exposure			
	9	Of which the standardised approach	124.85		
	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	19.74	16.69	1.58
Article 438(e)	13	Settlement risk			
Article 449 (o)(i)	14	Securitisation exposures in the banking book (after the cap)	**7.11**	**6.46**	**0.57**
	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	7.11	6.46	0.57
Article 438(e)	19	Market risk	**26.76**	**38.00**	**2.14**
	20	Of which the standardised approach	26.76	38.00	2.14
	21	Of which CVA			
Article 438(e)	22	Large exposures			
Article 438(f)	23	Operational risk	**962.70**	**962.70**	**77.02**
	24	Of which basic indicator approach			
	25	Of which standardised approach	962.70	962.70	77.02
	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			
	29	Other risk exposure amount*	**11.12**	**11.12**	**0.89**
	30	**TOTAL**	**10,160.05**	**9,590.89**	**812.80**

The Bank's total RWAs amounted to EUR 10.16 billion as 30 June 2021, compared to EUR 9.59 billion as of 31 March 2021. The overall increase of EUR 569.16 million mainly reflects increase in credit risk RWA.

Market risk RWA decreased slightly by EUR 11.23 million and operational RWA remained unchanged from Q1 to Q2 in 2021.

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.ratios.

For credit risk, BIL Group has decided to use the Advanced-Internal Rating Based (A-IRB) approach for its main counterparties (i.e. SMEs and Retail) to compute associated risk weighted assets (RWA). The Bank started to adopt the Advanced – Foundation (A-FOU) approach on the Institutions and Large Corporates exposures while Sovereign related exposures are subject to Standardised method. 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 of 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	32.37	58.12	50%	50.23	23.82	
	Equal to or more than 2.5 years	235.66	206.98	70%	340.74	236.26	1.36
Category 2	Less than 2.5 years	544.93	213.35	70%	574.18	406.77	2.30
	Equal to or more than 2.5 years	954.80	468.70	90%	1,216.47	1,130.49	9.73
Category 3	Less than 2.5 years	35.85	14.41	115%	36.72	43.67	1.03
	Equal to or more than 2.5 years	52.83	20.10	115%	63.18	74.04	1.77
Category 4	Less than 2.5 years			250%			
	Equal to or more than 2.5 years			250%			
Category 5	Less than 2.5 years	2.26			2.26		1.13
	Equal to or more than 2.5 years	1.44	1.44		2.19		1.10
TOTAL	**Less than 2.5 years**	**615.41**	**285.88**		**663.39**	**474.26**	**4.46**
	Equal to or more than 2.5 years	**1,244.73**	**697.22**		**1,622.58**	**1,440.79**	**13.96**

	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	39.61		190%	39.61	75.27	6.02
Exchange-traded equity exposures			290%			
Other equity exposures	2.67		370%	2.67	9.87	0.79
TOTAL	**42.28**	**0**		**42.28**	**85.14**	**6.81**

1.1.3 Non-deducted participations in financial sector

The Bank hereby discloses the information required by Article 438(c) and (d) of 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 Articles 46 and 48 of the Regulation (EU) No 575/2013 (CRR)) to not deduct their holdings of own funds instruments.

TABLE EU INS1 – NON-DEDUCTED PARTICIPATIONS IN FINANCIAL SECTOR

	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)	7.23
TOTAL RWAS	**28.92**

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%. According to the adjustment set out in section 5 of ECB's press release dated 18th June 2021, only the central bank exposures newly accumulated since the beginning of the pandemic (end-2019) effectively benefit from this leverage ratio relief. A bank which decides to exclude central bank exposures from its total exposure measure needs to recalibrate its 3% leverage ratio requirement, meaning its leverage ratio requirement won't be 3% anymore but a bit higher.

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.

At 30 June 2021, BIL Group's leverage ratio stood at 4.58% (fully phased-in definition), compared with year-end 2020 level of 4.32%. 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	31/12/2020	30/06/2021
Tier 1 Capital	1,380.88	1,490.90
Total Exposure	31,966.45	32,554.29
LEVERAGE RATIO	**4.32%**	**4.58%**

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.

[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).

2.1.1 Credit quality of exposures

In the application of Article 442 (g) of 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. They are composed with 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] 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.

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

		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							
2	Institutions		2,420.38	-0.05	-0.86			2,419.47
3	Corporates	241.72	7,462.38	-78.05	-52.74			7,573.31
4	*Of which: Specialised lending*	*5.15*	*2,838.08*	*-2.36*	*-29.04*			*2,811.83*
5	*Of which: SMEs*	*134.92*	*1,420.23*	*-51.77*	*-2.23*			*1,501.15*
6	Retail	411.49	12,475.41	-109.77	-13.82			12,763.31
7	Secured by real estate property	269.41	8,644.34	-30.74	-4.17			8,878.84
8	SMEs	15.54	267.46	-1.08	-0.11			281.81
9	Non-SMEs	253.87	8,376.88	-29.66	-4.06			8,597.03
10	Qualifying revolving							
11	Other retail	142.08	3,831.07	-79.03	-9.65			3,884.47
12	SMEs	20.86	327.68	-11.76	-0.95			335.83
13	Non-SMEs	121.22	3,503.39	-67.27	-8.70			3,548.64
14	Equity	3.37	191.04					194.41
15	Other non-affected (newly added)							
16	***Total IRB approach***	***656.58***	***22,549.21***	***-187.87***	***-67.42***			***22,950.50***

		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		7,923.98	-1.73	-0.08			7,922.17
18	Regional governments or local authorities		3,219.96		-1.14			3,218.82
19	Public sector entities		295.08		-1.06			294.02
20	Multilateral development banks		183.37	-1.00	-0.09			182.28
21	International organisations		208.31					208.31
22	Institutions		183.52		-0.02			183.50
23	Corporates		1,705.64		-4.96			1,700.68
24	*Of which: SMEs*		*562.42*		*-1.21*			*561.21*
25	Retail		15.64		-0.02			15.62
26	*Of which: SMEs*							
27	Secured by mortgages on immovable property		80.09		-1.91			78.18
28	*Of which: SMEs*		*76.19*		*-1.84*			*74.35*
29	Exposures in default	71.56		-55.46				16.10
30	Items associated with particularly high risk	0.39	7.21		-0.02			7.58
31	Covered bonds							
32	Claims on institutions and corporates with a short-term credit assessment		2.52					2.52
33	Collective investments undertakings							
34	Equity exposures		28.33					28.33
35	Other exposures		427.93		-0.03			427.90
36	***Total standardised approach***	***71.95***	***14,281.58***	***-58.19***	***-9.33***			***14,286.01***
37	**TOTAL**	**728.53**	**36,830.79**	**-246.06**	**-76.75**			**37,236.51**
38	*Of which: Loans*	*671.16*	*18,408.48*	*-223.69*	*-65.36*			*18,790.59*
39	*Of which: Debt securities*	*21.99*	*8,369.84*	*-17.60*	*-3.39*			*8,370.84*
40	*Of which: Off-balance-sheet exposures*	*31.87*	*5,394.79*	*-4.75*	*-7.94*			*5,413.97*

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	17.35	157.61	-7.19	-0.40			167.37
Agriculture. forestry and fishing	2.56	164.27	-0.44	-0.20			166.19
Mining and quarrying		7.75		-0.03			7.72
Manufacturing	19.40	932.83	-4.46	-3.76			944.01
Electricity. gas. steam and air conditioning supply	29.64	196.72	-17.50	-0.88			207.98
Financial and insurance activities	303.50	18,495.95	-116.95	-17.69			18,664.81
Water supply	0.02	11.78	-0.01	-0.01			11.78
Construction	19.54	2,524.19	-10.98	-10.14			2,522.61
Wholesale and retail trade	27.79	892.02	-12.10	-1.53			906.18
Transport and storage	12.93	339.67	-4.40	-0.71			347.49
Accommodation and food service activities	61.61	502.89	-3.65	-6.73			554.12
Information and communication	13.33	282.68	-8.53	-0.75			286.73
Real estate activities	153.26	3,134.94	-30.13	-28.85			3,229.22
Professional. scientific and technical activities	51.46	725.61	-22.00	-2.56			752.51
Public admnistration and defence. compulsory social security	1.21	6,828.80	-2.42	-1.34			6,826.25
Education	1.11	58.91	-0.06	-0.03			59.93
Human health services and social work activities	4.98	639.20	-1.17	-0.60			642.41
Arts. entertainment and recreation	6.03	74.46	-3.30	-0.19			77.00
Other services	2.81	890.26	-0.80	-0.36			891.91
TOTAL	**728.53**	**36,860.54**	**-246.09**	**-76.76**			**37,266.22**

2.1.2 Credit quality of exposures by geographical area

In the application of Article 442 (h) of 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

		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	680.40	33,646.46	-210.61	-74.13			34,042.12
2	*Of which: Luxembourg*	*387.05*	*19,519.59*	*-115.69*	*-49.83*			*19,741.12*
3	*Of which: France*	*139.19*	*3,596.68*	*-55.13*	*-15.38*			*3,665.36*
4	*Of which: Switzerland*	*16.62*	*2,414.84*	*-7.54*	*-0.20*			*2,423.72*
5	*Of which: Belgium*	*16.26*	*2,472.25*	*-2.38*	*-1.18*			*2,484.95*
6	*Of which: Germany*	*33.78*	*1,865.67*	*-22.10*	*-3.32*			*1,874.03*
7	United States and Canada	0.07	942.09	-0.05	-0.36			941.75
8	South and Central America	0.01	51.92	-0.01	-0.10			51.82
9	Asia	9.08	970.68	-0.12	-0.90			978.74
10	Other geographical areas	38.97	1,249.39	-35.30	-1.27			1,251.79
11	**TOTAL**	**728.53**	**36,860.54**	**-246.09**	**-76.76**			**37,266.22**

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 in mid- 2021.

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	45.32	34.10	186.86
2	Debt securities			
3	**TOTAL EXPOSURES**	**45.32**	**34.10**	**186.86**

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 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 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.

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

		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	8,598.85			22.13	21.99	22.13		-3.81		-15.35	-	4.39	
020	Loans and advances	17,111.85	24.31	611.28	691.24	687.79	691.16	356.39	-66.04	-16.73	-224.49	-75.82	415.46	783.55
030	Off-balance-sheet exposures	4,577.92		28.81	35.30	33.95	35.30	17.98	-7.90	-0.63	-1.90	-0.09		

2.2.3 Changes in the stock of specific credit risk adjustments

In the application of Article 442 (i) of 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 2020**	**236.87**	**79.26**
2	Increases due to amounts set aside for estimated loan losses during the period	26.07	
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	-7.41	
5	Transfers between credit risk adjustment		
6	Impact of exchange rate differences		
7	Business combinations. including acquisitions and disposals of subsidiaries		
8	Other adjustments	0.97	-2.50
9	**At 30 June 2021**	**246.09**	**76.76**
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	-10.41	

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

In the application of Article 442 (i) of 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 2021 (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 2020**	**823.00**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	32.97
3	Returned to non-defaulted status	-21.98
4	Amounts written off	-10.45
5	Other changes	-67.23
6	**30 June 2021**	**756.31**

2.3 Credit risk mitigation

2.3.1 Overview of credit risk mitigation techniques

In the application of Article 453 (f) and (g) of 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	8,390.97	9,952.97	9,708.51	244.45	
2	Total debt securities	7,370.86	1,003.37		1,003.37	
3	Total exposures	15,761.83	10,956.34	9,708.51	1,247.82	
4	*Of which defaulted*	*194.45*	*281.54*	*281.54*		

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	6,986.38	90.46	7,732.17	40.52	87.07	8707%
2	Regional government or local authority	2,763.22	74.03	3,144.17	46.98	139.01	4%
3	Public sector entities	618.25	55.35	289.93	2.44	5.90	2%
4	Multilateral development banks	165.11		175.49	1.00		0%
5	International organisations	203.10		203.10			0%
6	Institutions	29.27	0.18	0.01	0.04	7.35	14787%
7	Corporates	1,062.54	808.50	634.31	119.33	753.54	100%
8	Retail	3.56	12.18	3.49	1.65	3.75	73%
9	Secured by mortgages on immovable property	80.09	-	80.04	-	71.42	89%
10	Exposures in default	16.88	0.25	16.88	0.12	18.55	109%
11	Exposures associated with particularly high risk	4.88	2.72	4.87	2.72	11.38	150%
12	Covered bonds						0%
13	Insitutions and corporates with a short-term credit assessment	2.22		0.03		0.17	651%
14	Collective investment undertakings						0%
15	Equity	28.32		28.32		70.80	250%
16	Other items	425.93	1.99	425.87	0.87	195.85	46%
17	**TOTAL**	**12,389.76**	**1,045.66**	**12,738.66**	**215.67**	**1,364.78**	**11%**

[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	7,673.65	69.79					29.24			**7,772.68**	
2	Regional government or local authorities	2,496.09	695.06								**3,191.15**	
3	Public sector entities	262.88	29.49								**292.37**	
4	Multilateral development banks	176.49									**176.49**	*7.32*
5	International organisations	203.10									**203.10**	
6	Institutions		0.05								**0.05**	
7	Corporates	2.79		10.25		735.59		5.01			**753.64**	*743.39*
8	Retail				5.14						**5.14**	*5.14*
9	Secured by mortgages on immovable property			10.45	1.17	68.42					**80.04**	*80.04*
10	Exposure in default					13.90	3.10				**17.00**	
11	Exposures associated with particularly high risk						7.59				**7.59**	
12	Covered bonds											
13	Institutions and corporates with a short-term credit assessment					0.03					**0.03**	
14	Collective investment undertakings											
15	Equity							28.32			**28.32**	*28.32*
16	Other items	230.91				195.83			135.32		**562.05**	
17	**TOTAL**	**11,045.91**	**794.38**	**20.70**	**6.30**	**1,013.77**	**10.69**	**62.57**	**135.32**		**13,089.65**	**864.21**

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) of 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.

It should be noted that Corporates-Specialised Lending exposure class is not reported here. For Specialised Lending Income Producing Real Estate (IPRE) and Land Acquisition, Development and Construction (ADC) exposures, even though they are treated under the slotting methodology which falls into a category of the A-IRB Approach, they don't have PD or LGD data, and supervisory slotting risk weights are applied. The EAD and RWA of Specialised Lending exposures as of June 2021 are EUR 2,285.99 million and EUR 1,915.05 million respectively.

Additionally, Equity – Simple Risk Weight Approach exposure is also treated under the A-IRB Approach, while risk weights (190%, 290% and 370%) are applied and PD/LGD data is not available. This type of exposure has EUR 42.28 million and EUR 85.14 million in Q2 2021.

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%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.15% to < 0.25%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.25% to < 0.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.50% to < 0.75%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.75% to < 2.50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2.5% to < 10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	10% to < 100%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	100% (Default)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SUBTOTAL	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

		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%	1,476.26	133.50	98.58%	1,524.88	0.08%	78	45.00%	2.50	488.07	0.32	0.43	(0.05)
	0.15% to < 0.25%	529.62	4.23	99.91%	530.57	0.22%	12	37.95%	0.00	100.95	0.19	0.15	0.00
	0.25% to < 0.50%	8.57	3.06	94.46%	9.65	0.41%	3	45.00%	0.00	9.33	0.97	0.02	0.00
	0.50% to < 0.75%	0.15	0.00	0.00%	0.00	0.00%	0	0.00%	0.00	0.00			0.00
	0.75% to < 2.50%	66.47	10.07	97.64%	68.97	0.87%	10	45.00%	2.50	47.10	0.68	0.17	0.00
	2.5% to < 10%	2.12	1.60	50.13%	0.60	3.22%	2	0.00%	2.50	1.13	1.87	0.01	0.00
	10% to < 100%	30.78	1.80	98.90%	31.43	37.04%	37	33.74%	2.50	31.33	1.00	1.66	0.00
	100% (Default)	0.21	0.00	0.00%	0.00	0.00%	0	0.00%	0.00	0.00			0.00
	SUBTOTAL	**2,114.20**	**154.26**	**98.85%**	**2,166.11**	**0.68%**	**142.00**	**43.10%**	**1.88**	**677.91**	**0.31**	**2.44**	**(0.05)**

		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%			0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0.00%		
	0.15% to < 0.25%	21.87	0.07	100.00%	0.86	0.23%	4	17.17%	1.00	0.12	13.83%	0.00	
	0.25% to < 0.50%			0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0.00%		
	0.50% to < 0.75%	33.95	30.33	97.19%	77.19	0.62%	42	16.06%	0.00	21.60	27.98%	0.08	
	0.75% to < 2.50%	334.31	248.16	91.11%	457.61	1.59%	524	6.95%	3.19	60.83	13.29%	0.50	
	2.5% to < 10%	346.61	223.78	92.40%	444.97	4.31%	345	5.91%	0.00	73.70	16.56%	1.11	
	10% to < 100%	153.40	24.03	97.98%	165.22	17.94%	135	2.57%	0.00	18.38	11.13%	0.86	
	100% (Default)	127.28	7.92	98.82%	131.39	100.00%	58	7.44%	0.00	82.12	62.50%	46.17	-46.16
	SUBTOTAL	**1,017.41**	**534.30**	**93.62%**	**1,277.24**	**14.72%**	**1,108.00**	**6.63%**	**1.14**	**256.75**	**20.10%**	**48.73**	**-46.16**

		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%	681.41	91.29	97.88%	749.39	0.07%	44	45.00%	0.00	232.40	31.01%	0.23	
	0.15% to < 0.25%	317.17	54.58	99.97%	352.33	0.19%	18	39.09%	0.00	177.33	50.33%	0.25	
	0.25% to < 0.50%	353.17	17.99	99.07%	386.36	0.34%	28	45.00%	0.00	299.51	77.52%	0.59	
	0.50% to < 0.75%	284.04	163.05	95.07%	322.75	0.71%	30	42.19%	2.50	328.79	101.87%	0.97	
	0.75% to < 2.50%	214.56	180.72	90.78%	302.25	1.25%	54	25.45%	0.00	214.50	70.97%	0.83	
	2.5% to < 10%	322.09	120.21	94.69%	392.22	3.40%	55	37.09%	2.43	561.22	143.09%	4.63	-3.00
	10% to < 100%	12.04	6.96	87.62%	11.26	24.01%	9	32.56%	2.47	26.41	234.50%	1.03	
	100% (Default)	98.11	6.73	98.74%	99.97	100.00%	10	44.84%	2.50	0.00	0.00%	19.35	-19.35
	SUBTOTAL	**2,282.59**	**641.54**	**96.68%**	**2,616.54**	**4.76%**	**248.00**	**40.35%**	**0.78**	**1,840.17**	**70.33%**	**27.87**	**-22.35**

		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%			0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%		
	0.15% to < 0.25%	0.05	0.01	100.00%	0.06	0.23%	2	10.57%	0.00	0.00	4%	0.00	
	0.25% to < 0.50%			0.00%	0.00	0.00%	0	0.00%	0.00	0.00	0%		
	0.50% to < 0.75%	20.08	4.84	98.41%	24.47	0.60%	53	7.78%	2.85	3.11	13%	0.02	
	0.75% to < 2.50%	66.27	12.97	96.96%	76.03	1.68%	213	7.22%	0.00	10.79	14%	0.15	
	2.5% to < 10%	80.90	10.68	98.81%	90.12	4.30%	222	6.98%	4.52	24.88	28%	0.46	
	10% to < 100%	68.71	2.93	99.52%	71.19	20.52%	145	8.13%	3.58	35.85	50%	1.64	
	100% (Default)	15.49	0.04	99.99%	15.53	100.00%	39	0.06%	4.77	9.71	63%	1.09	-1.09
	SUBTOTAL	**251.51**	**31.49**	**98.51%**	**277.41**	**12.77%**	**674.00**	**7.03%**	**2.91**	**84.34**	**30.40%**	**3.35**	**-1.09**

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

According to Article 438 (d) of the Regulation (EU) No 575/2013 (CRR), the following table provides a flow statement explaining variations in the credit RWAs between Q1 2021 and Q2 2021.

TABLE EU CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES

	a	b
(in EUR million)	RWA amounts	Capital requirements
Credit Risk RWAs (ADV+STD +TIT with CCR as at the end of the previous reporting period (31/12/2020)	**8,590.20**	**687.22**
Total adjustments from Standardised Approach (with CCR)	**-135.68**	**-10.85**
Adjustment from Asset size (mostly Matured)	-115.88	
Adjustment from Model updates	-19.80	
aju model CRR2	*-34.53*	
aju model RFO	*14.73*	
Total adjustments from IRB – Advanced & Foundation Approach (with CCR)	**713.49**	**57.08**
Adjustment from Asset size	337.18	
Adjustment from Asset quality	167.64	
Adjustment from Model updates	208.67	
aju model CRR2	*88.75*	
aju model RFO	*119.92*	
Adjustment from Methodology and policy		
Adjustment from Acquisitions and disposals		
Adjsutment from Foreign exchange movements		
Adjustment from Other		
Total adjustments from CVA	**3.05**	**0.24**
Total adjustments from Securitisation	**0.65**	**0.05**
Total adjustments from FTA new management overlay		
RWAs as at the end of the reporting period (30/06/2021)	**9,171.71**	**731.32**

2.6 Provisions

The overall results of the ECLs (excluding specific provision in stage 3) calculation for BIL in June 2021 are as follows:

	30/06/2021			
(in EUR million)	ECL		EAD	
Stage 1	51%	42.27	92%	15,710
Stage 2	33%	27.25	7%	1,263
Stage 3	16%	13.31	0%	31
TOTAL		**82.76**		**17,005**

For the data of End June 2021, the statistically calculated ECL accounted for EUR 13.31 million as showed in the table, and the specific provisions for EUR 236.71 million, with the total ECL in stage 3 amounting to EUR 250 million; the statistically calculated EAD accounted for EUR 31 million as showed in the table, and the specific provisions for EUR 388 million, with the total EAD in stage 3 amounting to EUR 419 million.

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) of 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, due to the new European Capital Requirements Regulation (CRRII) since June 2021, the Bank uses the SA-CCR method to measure the exposure value of derivatives subject to capital requirements for CCR. Due to CRR II impact, the exposure of derivatives is subject to an increase of about EUR 108 million in Q2 compared to Q1 2021. The CCR calculation methodology for SFT remains unchanged as does to the mark-to-market.

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							
2	Original exposure (for derivatvies)							
3	Standardised approach (for derivatvies)		32.51			1.4	152.91	117.52
4	IMM (for derivatives and SFTs)							
5	*Of which securities financing transactions*							
6	*Of which derivatives and long settlement transactions*							
7	*Of which from contractual cross-product netting*							
8	Financial collateral simple method (for SFTs)							
9	Financial collateral comprehensive method (for SFTs)						342.23	57.86
10	VaR for SFTs						495.13	175.38
11	**TOTAL**							

2.7.2 CVA capital charge

In the application of Article 439 (f) of 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	126.61	19.74
EU4	Based on the original exposure method		
5	**Total subject to the CVA capital charge**	**126.61**	**19.74**

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)**	**183.33**	**7.33**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives	183.33	7.33
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)**	**495.13**	**175.38**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives	152.91	117.52
14	(ii) Exchange-traded derivatives		
15	(iii) SFTS	342.23	57.86
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) of 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

	Exposure classes	Risk Weight					Total	*Of which unrated*
		4%	20%	50%	100%	Others		
1	Institutions	183.33	0.02				183.35	
2	Corporates				5.71		5.71	
3	Institutions and corporates with a short-term credit assessment			0.30			0.30	
4	Other items				0.02		0.02	*0.02*
5	**Total**	**183.33**	**0.02**	**0.30**	**5.73**		**189.37**	***0.02***

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

According to Article 444 (e) of 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.

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%	109.02	0.08%	19	45.00%	1.28	30.87	28.31%
	0.15% to < 0.25%	1.13	0.22%	3	0.00%	2.50	0.82	71.90%
	0.25% to < 0.50%	18.45	0.41%	4	0.00%	2.50	18.08	98.01%
	0.50% to < 0.75%		0.00%	0	0.00%			0.00%
	0.75% to < 2.50%	10.59	0.85%	5	11.84%	1.34	6.25	58.99%
	2.5% to < 10%	0.20	3.22%	1	45.00%	2.50	0.31	154.09%
	10% to < 100%		0.00%	3	0.00%			0.00%
	100% (Default)	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
	SUBTOTAL	**139.41**	**0.19%**	**35.00**	**36.16%**	**1.46**	**56.33**	**40.41%**

		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%	0.07	18.51%	2.00	13%	1.00	0.04	53%
	100% (Default)							
	SUBTOTAL	**0.07**	**18.51%**	**2.00**	**13%**	**1.00**	**0.04**	**53%**

		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%	43.58	0.08%	11.00	45%	2.50	18.04	41.40%
	0.15% to < 0.25%	18.74	0.21%	8.00	45%		13.22	70.53%
	0.25% to < 0.50%	270.33	0.41%	4.00	45%		43.72	16.17%
	0.50% to < 0.75%	0.02	0.71%	1.00	45%		0.02	108.76%
	0.75% to < 2.50%	0.76	1.69%	3.00	13%	1.00	0.25	32.96%
	2.5% to < 10%		0.00%					0.00%
	10% to < 100%	11.41	30.87%	7.00	45%	2.50	38.10	334.03%
	100% (Default)		0.00%					0.00%
	SUBTOTAL	**344.83**	**1.37%**	**34.00**	**45%**	**0.40**	**113.35**	**32.87%**

		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%					
	0.15% to < 0.25%		0.00%	1.00				0.00%
	0.25% to < 0.50%		0.00%					0.00%
	0.50% to < 0.75%	0.21	0.65%	2.00	0.17		0.04	15.17%
	0.75% to < 2.50%	0.04	1.97%	2.00	0.13		0.01	18.21%
	2.5% to < 10%	0.01	3.75%	1.00	0.17	1.00	0.00	26.27%
	10% to < 100%		0.00%					0.00%
	100% (Default)		0.00%					0.00%
	SUBTOTAL	**0.26**	**0.93%**	**6.00**	**16.51%**	**0.02**	**0.05**	**19.65%**

		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%	0.67	0.10%	29.00	13.81%		0.03	4.90%
	0.15% to < 0.25%	0.02	0.23%	5.00	17.17%		0.00	0.00%
	0.25% to < 0.50%	2.74	0.27%	12.00	13.28%		0.25	10.47%
	0.50% to < 0.75%	0.25	0.66%	9.00	13.31%		0.04	19.00%
	0.75% to < 2.50%	0.06	2.12%	1.00	13.28%		0.01	0.81%
	2.5% to < 10%	1.92	4.69%	30.00	13.28%		0.52	27.26%
	10% to < 100%		0.00%		0.00%			0.00%
	100% (Default)		0.00%		0.00%			0.00%
	SUBTOTAL	**5.66**	**1.78%**	**86.00**	**13.36%**		**0.86**	**15.19%**

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

According to Article 439 (e) of 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	125.87		125.87		125.87
SFTs	**1,968.24**	**1,626.01**	**342.23**	**206.80**	**135.42**
TOTAL	2,094.11	1,626.01	468.10	206.80	261.29

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			52.99		0.12	367.24
Bonds					206.68	
Equity securities						
Mutual Fund						
TOTAL			52.99		206.80	367.24

3. Market risk

3.1 Financial market risk exposure

In the first half 2021, BIL Group's financial risk indicators remained stable compared to end 2020.

FINANCIAL MARKETS

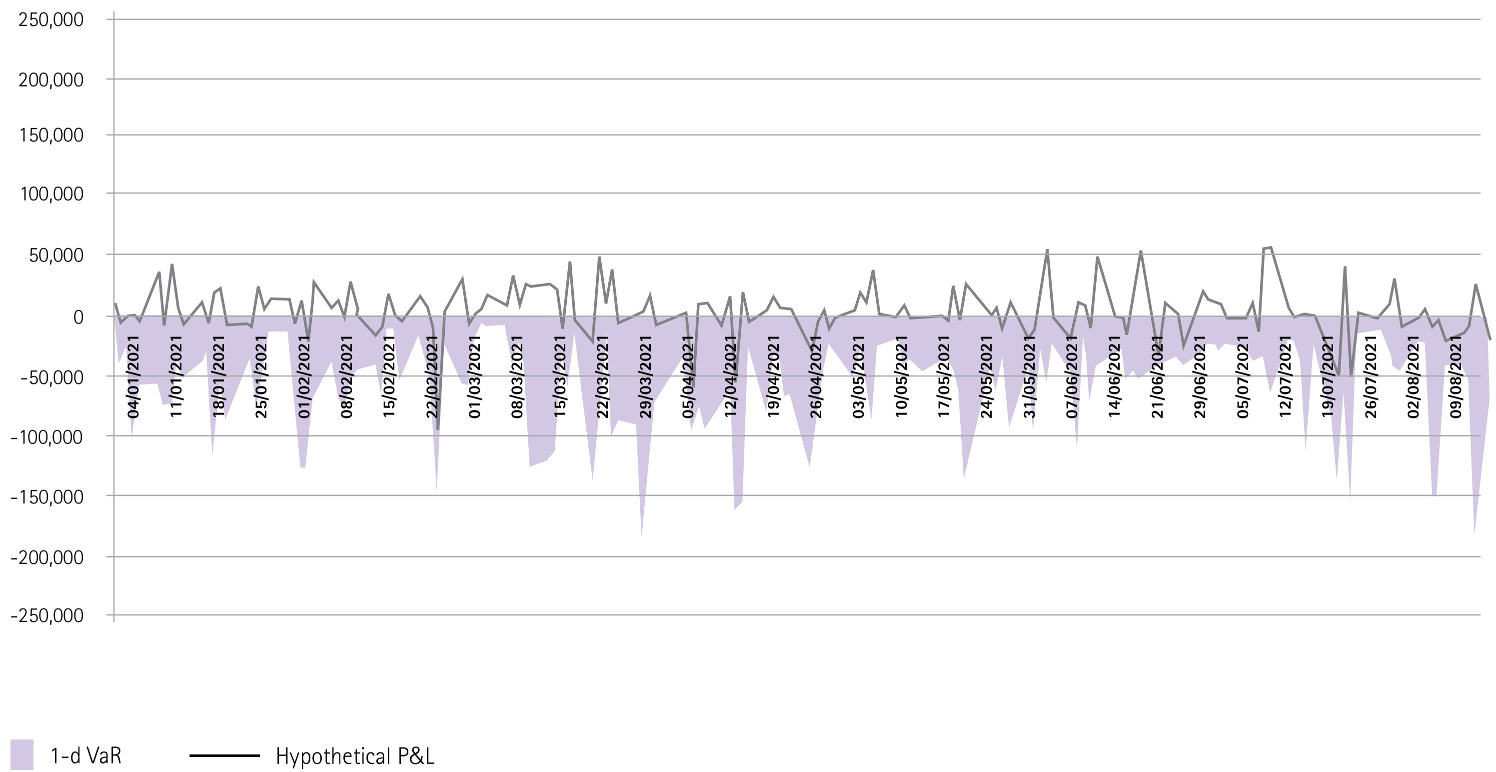
VaR (10 days, 99%) (in EUR million)	31/12/2020	30/06/2021
Average	0.17	0.16
End of period	0.03	0.08
Maximum	0.65	0.53
Limit	2	2

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

During the first half of 2021, one downward back-testing exceptions occurred:

VaR date	1-d VaR (EUR)	Hypothetical P&L (EUR)	Comment
21/06/2021	-35,434.72	-36,832.41	The back-testing breach on the global trading perimeter was mainly caused by the variation of EUR/USD exchange rate (+0.46%) impacting the FX options portfolio.

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



3.2 Liquidity risk

The LCR decreased from 174% as at 31 December 2020 to 153% as at 30 June 2021, despite an excess increase of liquidity, due to the reclassification of the daily SNB deposit from "inflows / money due from central banks" to "HQLA assets / withdrawable central bank reserves", starting from end of January 2021.

(in EUR billion)	**31/12/2020**	**30/06/2021**
Stock of HQLA	7.28	9.90
Net Cash Outflows	4.19	6.46
LCR ratio	174%	153%
Regulatory limit	100%	
Internal limit	110%	
Trigger	115%	

The NSFR increased during the first half of 2021, due both to new sources of funding and methodological changes linked to entry into force of CRR II regulation.

(in EUR billion)	**31/12/2020**	**30/06/2021**
Available Stable Funding (ASF)	19.28	20.27
Required Stable Funding (RSF)	16.11	16.14
NSFR ratio	120%	126%
Regulatory Limit	100%	
Internal limit	104%	
Internal trigger	106%	

The liquidity ratios as of 30/06/2021 take into account a methodological change regarding the modelling of "crédits de caisse". A portion of these instruments are now based on their defined contractual end date. They were previously modelled as open maturity contracts.

The level of asset encumbrance decreased compared to 31 December 2020. This evolution comes from each of the different sources of encumbrance.

(in EUR million)	Indicator	Q1 2021	Q2 2021
Level of asset encumbrance	Encumbered assets	3,342	2,851
	Collateral received re-used	246	198
	Total amount	3,588	3,049
	Ratio[1]	**11%**	**10%**
	Limit	**25%**	**25%**
Credit quality of unencumbered debt securities[2]	Step 1 (AAA to AA-)	3,268	3,214
	of which eligible as LA for LCR	*3,222*	*3,167*
	Step 2 (A+ to A-)	1,834	2,000
	of which eligible as LA for LCR	*1,564*	*1,610*
	Step 3 (BBB+ to BBB-)	687	811
	of which eligible as LA for LCR	*669*	*789*
	Non-rated securities	581	584
	of which eligible as LA for LCR	*17*	*19*
	Total amount	**6,370**	**6,609**
	of which eligible as LA for LCR	***5,472***	***5,585***
Sources of encumbrance	OTC Derivatives	500	376
	Collateralised deposits	2,290	1,954
	Collateral swaps	832	683
	Securities Lending	0	1
	Central Bank Reserves	0	0
	Total amount	**3,622**	**3,014**
Contingent encumbrance[3]	OTC Derivatives	145	128
	Collateralised deposits	685	584
	Collateral swaps	246	202
	Securities Lending	0	0
	Total amount	**1,076**	**915**

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.

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 at the End June 2021, in comparison with the number at the End 2020.

TABLE EU MR1 – MARKET RISK UNDER THE STANDARDISED APPROACH

		31 December 2020		30 June 2021	
		RWAs	Capital requirements	RWAs	Capital requirements
	OUTRIGHT PRODUCTS				
1	Interest rate risk (general and specific)	26.26	2.10	13.87	1.11
2	Equity risk (general and specific)	0.00	0.00	0.00	0.00
3	Foreign exchange risk	4.74	0.38	12.89	1.03
4	Commodity risk				
	Options				
5	Simplified approach				
6	Delta-plus method				
7	Scenario approach				
8	Securitisation (specific risk)				
9	TOTAL	31.01	2.48	26.76	2.14

4. Focus on COVID-19 situation

The first half of 2021 remained overshadowed by the COVID-19 pandemic in Luxembourg and worldwide. All BIL Group entities continued to take measures to protect the safety and health of employees and clients, whilst ensuring business continuity.

- As one of the major banks in Luxembourg, BIL strongly supported Government and Central Bank actions and remained fully engaged in supporting its customers in their business activities while emerging from the health crisis. At the peak of the pandemic in early 2020, financing facilities were made available to clients most affected by the crisis, in order to minimize the negative effect of the economic slowdown on their activities. The business teams accompanied by the credit risk teams worked on the best solutions for the Bank's counterparts notably regarding the end of the period for moratoria granted in order to support the economy. At the end of June 2021, almost all of the moratoria granted in response to the pandemic, have already expired, and an overwhelming majority of clients were able to resume the normal course of repayments.

- The adverse macroeconomic outlook has impacted all market participants, businesses and the banking industry. Throughout early 2021, the Bank remained somewhat impacted by the continuous lockdown situations across European countries and by the low interest margins. The outlook for the second half of 2021 remains closely linked to the evolution of the pandemic, vaccination campaign progress and the continuous economic recovery.

- 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. Indeed, during early 2021, the Bank revisited its strategic plan Create Together 2025, to reflect the new reality that is faced, emerge stronger in the post-pandemic world and make its business model more sustainable in the long-term

5. Focus on ESG framework

On Risk matters, the Bank has started to set up and deploy several initiatives linked to the ESG Risk framework. In February, a gap analysis and a self-assessment have been realised regarding the 2020 ECB Climate Risk Guide. Following this self-assessment, a remediation plan has been set up covering several dimensions as the strategy, the risk appetite, the risk assessment framework, or the disclosure. This plan will be deployed until 2024. To note that in September 2021, the ECB has judged the remediation plan as well designed and adequate.

This plan notably covers the following elements[1]:

- **Risk Cartography & Business Environment:** Within the ICAAP/ILAAP remediation plan, the Risk Cartography approach has been reviewed with a greater focus on ESG Risk. The exercise has started in September 2021. The first outcomes of the Risk Cartography assessments are expected by December 2021 focused on ESG. (The complete outcome in January 2022).

- **Risk Assessments:** Different initiatives have been launched to start assessing climate risks:
  - *Portfolio alignment method:* (i) PACTA (Paris Agreement Capital Transition Assessment), which assesses the Bank exposures (investment and lending portfolios) and customer portfolios with the Paris Agreement criteria's and, (ii) Measurement of Carbon Footprint. Both results are expected from November to January
  - *Exposure method :* Use of SASB Materiality Map[2] to capture ESG impacts across different sectors of activity. In a first step, a focus on credit risk exposures is done. It could be enlarged afterward

- **Risk Management Frameworks:** ESG part of RAS/RAF will be updated in S1 2022 than in Q4 2021. It will notably encompass sectoral Credit Risk Appetite and potential measures linked to the outcomes of ESG Impact analysis via SASB Map, PACTA/Carbon footprint and the ECB Climate Stress Testing exercise. A structured project regarding the ESG Risk roadmap is being set-up with the help of the Project Management team. Target is to launch project in September

- **ESG Strategy** has been defined and validated by ExCo in July. Strategy now has to be declined through ESG initiatives across the Bank

- **ESG Data Governance and Reporting:** It is deployed in several streams of which (i) Identify data requirements with notably the request from proposal to external providers, (ii) Define data strategy and, (iii) Data implementation

- **Analyses and designs of the ESG feature inclusion in the different risk frameworks of which:** Market Risk (General definition encompassing notably Liquidity Risk), Operational Risk (strong links with and Reputational Risk and Liability Risk, Credit Risk models: Capacity to project in a long-term horizon the Credit Risk parameters (distorted migration matrix) or other parameters. Moreover, Credit Risk teams will analyse counterparties notably through SASB Materiality Map. It also includes the review of Credit Guide Charter and credit policies and procedures to ensure alignment with ESG strategy and Loan Origination and Monitoring regulatory requirements

- **Stress Testing framework:** It is notably focussed on 2022 ECB Climate Risk Stress Testing Exercise. The Risk teams are currently preparing the exercise with different BIL stakeholders as Finance or Strategy in order to be ready in Q4 2022

- **Enhanced ESG Disclosures:** It encompasses several frameworks of which EBA Pillar III disclosure requirements. Between 2022 and 2024 a set of templates has to be fulfilled according to EBA requirements: Tables for qualitative disclosures on environmental, social and governance risks, templates with quantitative disclosure on climate change transitional risk, Templates with quantitative disclosures on climate change physical risk, templates with quantitative information and KPIs on climate change mitigating measures, including the green asset ratio (GAR) on taxonomy-aligned activities and other mitigating actions

[1] A structured project regarding the ESG Risk roadmap is being set-up with the help of the Project Management team. Target is to launch project in start of October
[2] External provider

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