Semi-annual Report
as at June 30, 2019

BIL 1856

BANQUE INTERNATIONALE À LUXEMBOURG

Semi-annual Report

as at June 30, 2019

Consolidated management report

Corporate governance (as of June 30, 2019)

Board of Directors

Chairman

Luc Frieden

Vice-Chairman

Peng Li

Members

Hugues Delcourt	Director (up to April 26, 2019) and CEO (up to April 30, 2019)
Marcel Leyers	Director and CEO (as from June 11, 2019)
Maurice Lam	Director
Jing Li	Director
Pierrot Rasqué	Director
Christian Schaack	Director
Vincent Thurmes	Director
Chris Van Aeken	Director
Michel Scharff	Director, Staff Representative
Serge Schimoff	Director, Staff Representative
Marc Terzer	Director, Staff Representative
Fernand Welschbillig	Director, Staff Representative

Board Strategy Committee

Chairman	*Members*
Jing Li	Luc Frieden
	Vincent Thurmes

Board Audit and Compliance Committee

Chairman	*Members*
Maurice Lam	Jing Li
	Pierrot Rasqué

Board Risk Committee

Chairman	*Vice-Chairman*	*Members*
Christian Schaack	Jing Li	Luc Frieden Vincent Thurmes Chris Van Aeken

Board Remuneration and Nominations Committee

Chairman	*Members*
Peng Li	Jing Li Vincent Thurmes Fernand Welschbillig (sub-meeting Remuneration)

Executive Committee

Chairman

Hugues Delcourt[1]	Chief Executive Officer (up to April 30, 2019)
Marcel Leyers[1]	Chief Executive Officer (as from June 11, 2019)

Members

Stéphane Albert[1]	Chief Risk Officer
Yves Baguet[1]	Chief Operating Officer
Hans-Peter Borgh[1]	Head of Wealth Management and International Corporate Development
Olivier Debehogne[1]	Head of Retail, Private Banking Luxembourg and Digital
Martin Freiermuth	Head of Products and Markets
Emilie Hoël	Head of Strategy, Corporate Development and Marketing (up to April 14, 2019)
Erwin Liebig	Head of Strategy, Marketing and Data (as from April 15, 2019)
Marcel Leyers[1]	Head of Corporate and Institutional Banking (up to April 30, 2019)
Jeffrey Dentzer	Head of Corporate and Institutional Banking (as from May 1, 2019)
Bernard Mommens[1]	Secretary General & General Counsel
Nico Picard[1]	Chief Financial Officer
Karin Scholtes[1]	Global Head of People, Culture and Communication

Permanent Invitees

Pia Haas	Chief Internal Auditor
Marie Bourlond	Chief Compliance Officer

[1] Authorised Management Board Members.

Business Review and Results

1. Highlights of the first half of 2019

In the first half of 2019, Banque Internationale à Luxembourg ("BIL", "BIL group", the "Bank") continued to implement a more modern processing environment as well as to review and adapt its commercial setup to take advantage of market opportunities.

GOVERNANCE

The first two quarters of 2019 saw a senior management reshuffle at BIL with Marcel Leyers taking over the helm as CEO of the Bank from Hugues Delcourt. At the same time, Erwin Liebig was appointed Head of Strategy while Jeffrey Dentzer took on the role of Head of Corporate and Institutional Banking.

In addition to the personnel changes, BIL's subsidiary Experta changed its name to BIL Fund and Corporate Services on February 15. This rebranding emphasises the reorientation of the product offering towards the fast-growing alternative fund industry. It also reflects the close cooperation between BIL Fund and Corporate Services, BIL Luxembourg and BIL Manage Invest in the provision of asset structuring, private equity and real estate services.

SUPPORTING INNOVATIVE COMPANIES IN LUXEMBOURG AND ABROAD

Throughout the first six months of 2019, BIL continued to support innovative companies in Luxembourg. In April for example, the InnovFin guarantee agreement that was signed by the European Investment Fund and BIL in 2015 was extended to allow BIL to expand its lending to innovative Luxembourgish small and medium-sized businesses and small mid-caps. The InnovFin facility now covers up to EUR 80 million in total.

In another move to promote lending to entrepreneurs, BIL signed a framework agreement with Office du Ducroire (ODL) on May 13 aimed at increasing lending to Luxembourgish companies to boost their international trade. ODL is a public institution that provides financial support to Luxembourgish companies to help cover their promotion and exhibition costs. ODL also offers them insurance solutions for international trade and investment risks. This is the first agreement of its kind between ODL and a bank.

But of course BIL does not only support innovative companies in Luxembourg, the Bank is happy to also support innovation internationally when the opportunity arises. For example, BIL is participating in a European pilot project for instant cross-border payments together with six other banks, SWIFT and the European Central Bank (ECB). While it can currently take several days to transfer funds between different countries, this setup tests real-time cross-border payments using the ECB's TARGET Instant Payments Settlement (TIPS) platform. In June, BIL participated in a similar test for the Singaporean market.

ON THE ROAD TO CHINA

The acquisition of the majority stake in BIL by Legend Holdings in 2018 opened up many opportunities in the increasingly attractive Chinese market. China has become the second largest wealth management market of the world after the United States of America (USA) and these wealthy individuals are increasingly interested in diversifying their portfolio by investing overseas in European and Asian markets such as Hong Kong.

This presents an opportunity for BIL as the Bank's longstanding experience in private and corporate banking paired with Legend Holdings' extensive network and excellent reputation in China constitutes a competitive advantage. Wealth Management is therefore a key factor in the development of BIL's China strategy and the Bank is currently beefing up its capacity to service High Net Worth Individual (HNWI) clients as well as business owners. As a first step, two dedicated wealth management China desks were opened in Luxembourg and Switzerland in early 2019.

It should be noted that BIL can provide more than just private banking services for Chinese clients, BIL also offers holistic services for businesses wishing to establish a presence in Luxembourg. The Bank can also help investors to benefit from the Luxembourgish investment fund hub, thereby acting as an investment bridge between China and Europe. For example, BIL is the administrator of the first Chinese innovation private equity fund domiciled in Luxembourg, the "China-Luxembourg Innovation Investment Fund" (CLIIF). The fund was officially launched at BIL's headquarters on April 26 in the presence of representatives of the Luxembourgish government, the Chinese ambassador to Luxembourg and senior representatives of major Chinese banks.

INTRODUCTION OF OPEN BANKING SERVICES

In addition to investing in these ongoing improvements of the Bank's services, BIL continues to devote significant resources to regulatory compliance. One of the main regulations to enter into force in the first six months of 2019 was the second European Payment Services Directive (PSD2), which encourages banks to open their information systems up to third party providers. Accordingly, BIL launched its new Open Banking platform in June to collaborate with these third parties (online merchants, fintechs, partner companies, etc.) and to offer even more services to clients.

Of course, this collaboration is completely transparent and secure for clients. They choose the service they wish to use and their consent is needed for a third party to access their information or to initiate a payment. These third parties must also be certified by a financial regulator of a European Union member (EU) country.

In practice, the Bank offers external developers an initial application programming interface (API), giving access to account information (balance and transactions) and enabling payments. Developers will be able to test and use this API to offer BIL clients account aggregation and payment services.

A STRONG COMMITMENT TO CSR

BIL sees open banking as an opportunity for accelerating innovation in financial and non-financial services. And indeed, innovation is one of the Bank's priorities in general. For example, BIL's Corporate Social Responsibility (CSR) policy focuses on innovation, education, art and culture as well as health. Several CSR initiatives were launched throughout the first six months of 2019. In the area of art and culture, the highlights included the exhibition "ECCO" by Elisabeth Calmes in the Independence Gallery at BIL's headquarters from March 8 to May 24 as well as the awarding of the Independence grant.

Created by the National Cultural Fund, the "Fondation Indépendance" and BIL, the Independence grant supports innovative works in the field of digital arts and new technologies. The jury chose to award the grant to Steve Gerges for his "ONE" project on the creation of the universe, social interaction between humans as well as interactions between humans and machines. His project will be on display from October 24 onwards and will combine video, light and interactivity.

In the area of innovation, teams from BIL took part in the Design and Project Booster Day organised by the non-profit organisation WIDE (Women in Digital Empowerment) in collaboration with Technoport on January 17. In a further bid towards encouraging female inclusion and more specifically female entrepreneurship in Luxembourg, BIL hands out the BIL Business Woman of the Year award every two years. This year, the award with a cash prize of EUR 10,000 was presented to Stéphanie Jauquet, the founder of the restaurant chain Cocottes, on June 5.

In addition to promoting external initiatives, the Bank also encourages employees to get involved in non-profit organisations. On April 25, five employees were presented with a cheque of EUR 4,000 for projects they support, ranging from food donations to Venezuela to the provision of sports equipment for disabled children in Luxembourg.

EXTERNAL RECOGNITION

The high quality of BIL's products and services received positive feedback on the market on several occasions in early 2019. In April, Global Finance named BIL the Best Bank in Luxembourg 2019 for the third year in a row. BIL was also judged favourably by rating agencies: on June 18, Fitch upgraded BIL's short-term rating to F1 following a review of their criteria linking short-term to long-term ratings. Fitch's new approach takes funding and liquidity factors as principal determinants which resulted in BIL's more favourable rating.

A further indicator of BIL's good standing on the market is the ease with which the Bank manages to place bonds. For example, BIL issued CHF 150 million of senior non-preferred bonds in Switzerland in June. The bonds were issued to comply with the Bank Recovery and Resolution Directive (BRRD), which requires banks to maintain a sufficient buffer of capital and reserves, subordinated bonds and senior non-preferred bonds to absorb potential losses. The fact that the bonds were purchased by 60 institutional investors within less than two hours shows the confidence investors place in the Bank and in its shareholders.

COMMERCIAL FRANCHISES

The "Retail, Corporate and Wealth Management" business areas delivered a good performance during the first semester:

- Assets under Management (AuM) increased by 6% reaching EUR 41.9 billion compared with EUR 39.5 billion at the end of 2018. This increase resulted from new net inflows of EUR 0.7 billion attributable to the three business areas and from a highly positive market effect of EUR 1.7 billion following the negative market conditions observed during the last quarter of 2018.
- Customer deposits increased by 6.1% reaching EUR 18.3 billion compared with EUR 17.3 billion at year-end 2018.
- Customer loans increased by 4.6% to EUR 14 billion, mainly due to the commercial activities by EUR 0.6 billion (+4.4% compared with year-end 2018 excluding impairment), as well as a slight increase of institutional banking clients' loans from Financial Markets.

PROFITABILITY

BIL reported a net income after tax of EUR 45 million in June 2019, compared with EUR 62 million in June 2018 after restatement.

Net income before tax amounted to EUR 61 million, down by EUR 23 million compared with the first half of 2018, influenced by a negative evolution of the cost of risk of EUR 10 million and lower results linked to the non-recurring items of EUR 13 million.

The non-recurring items were mainly composed of the fair value revaluation of investment properties for EUR 7 million in June 2018 (restated according to BIL's accounting policies) and lower capital gains from the Bank's Investment Portfolio of EUR 5 million (EUR 10 million in June 2019 compared with EUR 15 million in June 2018).

Provisions on loans and advances and provisions for legal litigations amounted to EUR 8 million in June 2019 compared with a positive net write back of provisions on loans by EUR 3 million in June 2018, mainly due to a positive IFRS 9 impact on the loan book. Nevertheless, the level of provisions on loans in June 2019 remains consistent with the previous year, reflecting the low risk profile of the Bank's commercial activities.

The core gross operating income remains stable at EUR 59 million mainly due to efficient cost control and the good achievement of the core operating revenues despite low interest rates and negative market effects during the last quarter of 2018.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In June 2019, Fitch upgraded BIL's Short-Term (ST) Rating from F2 to F1 following the application of updated ST criteria and confirmed BIL's sound liquidity profile. In July 2019, Standard & Poor's affirmed BIL's ratings (A-/Stable/A-2) subsequent to the revised "Group Rating Methodology" criteria. Moody's ratings remain unchanged compared with 2018 (A2/stable/P-1).

BIL group	December 2018	June 2019	Outcome
Moody's	A2 P-1 Stable	A2 P-1 Stable	Ratings confirmed with outlook revised to Stable on May 7, 2018
S&P	A- A-2 Stable	A- A-2 Stable	Ratings affirmed on July 16, 2019
Fitch	BBB+ F2 Positive	BBB+ F1 Positive	Positive outlook confirmed on November 23, 2018 and an upgrade of the short-term rating on June 18, 2019

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of BIL group for the first half of 2019 were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union. The main accounting principles are described in Note 1 of the interim condensed consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

BIL group has applied the new accounting standard "IFRS 16 – Leases" as from January 1, 2019. In accordance with the provisions of this new standard, the interim condensed consolidated financial statements for the six-month period ended June 30, 2018 have not been restated and apply the former accounting standard on leases "IAS 17 – Leases".

The detailed impacts of the transition to IFRS 16 are included in Note 1 of the interim condensed consolidated financial statements for the six-month period ended June 30, 2019.

In the 2018 financial statements, the Bank changed its accounting policies for both the measurement of property held for investment and provisions for pensions. The impacts of the changed accounting policies have been applied retrospectively to June 2018 published results which are restated below.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

(in EUR million)	30/06/18 as published	30/06/18 after restatement	30/06/19	Change versus 2018 after restatement	%
Income	268	278	265	(14)	(5)%
Expenses	(198)	(198)	(196)	1	(1)%
Gross operating income	**71**	**81**	**68**	**(12)**	**(15)%**
Cost of risk and provisions for legal litigation	3	3	(8)	(10)	ns.
Net income before tax	**73**	**83**	**61**	**(23)**	**(27)%**
Tax expenses	(18)	(21)	(16)	5	(24)%
Net income	**55**	**62**	**45**	**(18)**	**(28)%**

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

(in EUR million)	Commercial activities and Financial Markets		Group Center		Total		Change versus 2018 after restatement	%
	30/06/18 after restatement	30/06/19	30/06/18 after restatement	30/06/19	30/06/18 after restatement	30/06/19		
Income	285	280	(7)	(15)	278	265	(14)	(5)%
of which core operating income	*270*	*269*	*(17)*	*(15)*	*253*	*254*	*1*	*0%*
Expenses	(185)	(189)	(13)	(7)	(198)	(196)	1	(1)%
of which core operating expenses	*(185)*	*(189)*	*(10)*	*(6)*	*(195)*	*(195)*	*(1)*	*0%*
Gross operating income	100	91	(20)	(22)	81	68	(12)	(15)%
of which core gross operating income	*85*	*80*	*(26)*	*(21)*	*59*	*59*	*0*	*0%*
Cost of risk and provisions for legal litigation	3	(8)	0	(0)	3	(8)	(10)	ns.
of which core operating cost of risk	*3*	*(8)*	*0*	*(0)*	*3*	*(8)*	*(10)*	*ns.*
Net income before tax	103	83	(20)	(22)	83	61	(23)	(27)%
of which core operating net income before tax	*88*	*73*	*(26)*	*(21)*	*61*	*51*	*(10)*	*(17)%*
Tax expenses					(21)	(16)	5	(24)%
Net income					**62**	**45**	**(18)**	**(28)%**

Income

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

Income reached EUR 265 million at the end of June 2019 compared with EUR 278 million at the end of June 2018 after restatement.

The decrease of EUR 14 million was essentially due to the revaluation of investment properties by EUR 7 million in June 2018 and a reduction in capital gains by EUR 5 million.

Core operating income reached EUR 254 million - stable compared with EUR 253 million in June 2018.

Commercial activities' contributions to the core operating income decreased by EUR 7 million specifically in the Wealth Management activities as is the general trend observed in the Private Banking industry in a challenging market environment (e.g. MiFID II regulations, negative interest rates, market volatility weighing on transactional activity). Nevertheless, the diversification in different activities of Retail and Corporate Banking enabled the Bank to mitigate income levels.

Financial Markets' contributions to the core operating income increased by EUR 6 million thanks to the Investment Portfolio and to a good performance in bonds' activities. The Investment Portfolio's size indeed increased during the first semester 2019 (+9% compared with end of December 2018) in line with deposit growth, leading to additional interest margin income.

Group Center activities generated a negative contribution to the core operating income of EUR 15 million lower compared with EUR 17 million in June 2018. Group Center was notably composed of the Deposit Guarantee Scheme (DGS) and Resolution Funds' contributions which decreased from EUR 17.4 million in June 2018 to EUR 13.5 million in June 2019 offset by the increased funding costs related to the issuance of senior non-preferred debts.

Expenses

Expenses totalled EUR 196 million, down by 1% compared with June 2018 (EUR 198 million).

Core operating expenses (excluding non-recurring items such as limited restructuring costs) remained stable at EUR 195 million as did the core cost-income ratio.

Staff costs increased by EUR 4 million following the full effect of new employees hired during 2018 to reinforce the skills in connection with the strategic plan (e.g. business growth, digital banking, regulatory projects) and the salary indexation in August 2018. General expenses decreased by EUR 5 million following the application of IFRS 16 on January 1, 2019 (detailed effect described in Note 1) and cost containment measures in several areas. Depreciation & amortization remained stable despite IFRS 16 due to accelerated depreciation accounted in June 2018.

Gross operating income

Gross operating income amounted to EUR 68 million compared with EUR 81 million in June 2018 (-15%). Excluding non-recurring items, the core gross operating income remained stable at EUR 59 million.

Cost of risk

BIL group recorded net provisions on loans and advances and provisions for legal litigations of EUR 8 million compared with a positive net write back of provisions on loans of EUR 3 million in June 2018. During the first half of 2018, the Bank recorded a net write back of provisions due to a positive IFRS9 impact on the loan book driven by a reduction of past-due exposures. The level of provisions at the end of June 2019 remains limited and reflects the low risk profile of the Bank's core commercial activities.

Net income before tax

Net income before tax stood at EUR 61 million compared with EUR 83 million in June 2018. Core operating net income before tax reached EUR 51 million, a decrease of EUR 10 million compared with June 2018, mainly due to the cost of risk evolution.

Tax

2019 tax expenses stood at EUR 16 million. The evolution of tax expenses is partly explained by the tax rate decrease in Luxembourg and the partial write back of impairments on tax losses carried forward.

Net income

Despite a challenging market environment, the Bank reported a net income of EUR 45 million lower compared with the first half of 2018 largely influenced by the non-recurring items.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET[1]

(in EUR billion)	31/12/18	30/06/19	Change versus 2018	%
ASSETS	**25.5**	**26.7**	**1.2**	**4.8%**
Cash at central banks and Loans and advances to credit institutions	4.4	4.3	(0.1)	(1.5)%
Loans and advances to customers	13.4	14.0	0.6	4.6%
Financial investments	6.5	7.1	0.6	9.0%
Positive fair value of derivative products	0.3	0.2	(0.1)	(29.1)%
Other assets	0.9	1.1	0.2	18.8%
LIABILITIES	**25.5**	**26.7**	**1.2**	**4.8%**
Amounts due to credit institutions	2.9	2.9	(0.1)	(1.9)%
Amounts due to customers	17.3	18.3	1.0	6.1%
Negative fair value of derivative products	0.5	0.5	0.0	0.9%
Debt securities	2.8	2.9	0.1	3.6%
Subordinated debts	0.3	0.3	0.0	0.1%
Other liabilities	0.3	0.4	0.1	21.8%
Shareholders' equity	1.4	1.4	0.1	3.9%

ASSETS MOVEMENTS

"Loans and advances to customers" rose by EUR 0.6 billion at the end of June 2019 (+4.6%). Commercial activities' loans rose by EUR 0.6 billion (+4.4% compared with year-end 2018 excluding impairment). Outstanding mortgage loans increased by EUR 0.2 billion (+4.7%) and investment loans by EUR 0.2 billion (+3.5%).

"Financial investments" reached EUR 7.1 billion (+9%) at the end of June 2019, as a consequence of an increase in BIL's excess cash (stemming from an increase in client deposits). The Investment Portfolio is made up mainly of assets eligible for refinancing by the European Central Bank (ECB) qualifying as liquidity reserves under Basel III and the CRD IV Directive. These assets enable the Bank to fully comply with liquidity ratio requirements.

LIABILITIES MOVEMENTS

"Amounts due to customers" increased by EUR 1 billion (+6.1%). This evolution stems mainly from an increase of EUR 0.6 billion in current accounts and EUR 0.3 billion in term deposits.

"Debt Securities" increased by EUR 0.1 billion (+3.6%). Following the first senior non-preferred bond issued in September 2018 for EUR 300 million, the Bank is pursuing its long-term financing programme in this debt class and issued a further senior non-preferred bond on the Swiss market for CHF 150 million with a settlement date in July.

"Shareholders' equity" increased by EUR 54 million (+3.9%). This increase was mainly due to the 2019 half-year net profit of EUR 45 million and the increase of EUR 18 million in the revaluation reserves on financial instruments at fair value through other comprehensive income.

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

3. Outlook

BIL's Board of Directors approved its next five-year strategic plan in July 2019 in the continuity of the BIL 2020 plan.

This plan not only maps the overall strategic aims for BIL group but also defines the key priorities for the different business lines for the period from 2020 to 2025. Both Legend Holdings and the Grand Duchy of Luxembourg are committed to providing the necessary support for the implementation of the plan.

In Luxembourg, which will continue to be BIL's core market, the Bank intends to defend its strong market share thanks to organic and semi-organic growth in all business areas. More specifically, BIL aims to enhance its reputation as an entrepreneur-friendly bank as well as an asset manager and trusted advisor.

Internationally, BIL intends to leverage the network and expertise of Legend Holdings to launch dedicated Wealth Management and CIB services. Concerning Wealth Management services more broadly, the Bank's expertise will be focused on key countries and key customer segments and a more selective approach will be applied to those with a lower growth potential.

All above mentioned initiatives will be supported by a new, reliable, modern core banking system. By streamlining internal processes, efficiency gains will be delivered over the next five years, improving the cost-income ratio of the Bank.

Risk Management

1. KEY EVENTS OF THE FIRST HALF OF 2019

Corporate structure and risk profile

In order to achieve a sound risk management, the Bank has set up a risk organisation encompassing the relevant risks induced by its activities. Some important strategic initiatives have been undertaken at a group-wide level. These have been carefully followed by the Bank's risk management department whose main objective is to oversee their implementation by ensuring, on an on-going basis, that the related risks are under control and compatible with the institution's risk appetite. Main events having impacted the Bank's risk profile evolution during the first semester of 2019 are described in the management report in the "Business Review and Results" section.

Regulatory environment

During the first half of 2019, BIL continued to invest time and resources to remain compliant with regulatory standards, notably regarding the A-IRB framework (Advanced Internal Ratings-Based Approach for credit risk weighting). In this context, BIL has been working on different topics related to Pillar I internal models used by significant institutions within the Single Supervisory Mechanism (SSM). Within this framework, the risk teams reviewed some specific A-IRB models including the Loss Given Default (LGD) for small and medium counterparties (SME).

In the context of the Basel III revisions, some topics were published by the Basel Committee in order to introduce the so-called Basel IV requirements. During the first half of 2019, the Bank continued to invest resources to comply with these new requirements. In particular, the risk teams addressed the Basel IV quantitative impact studies (QIS) stemming from the ECB.

During the first half of 2019, BIL also kept working on the new definition of default issued by the European Banking Authority (EBA) and the European Central Bank (ECB). This project encompasses the estimation, the calibration and the validation of the credit risk parameters according to this new default definition. Moreover, it leads to important IT deployments.

The risk teams are currently addressing the ECB guidelines published at the end of the 2018 on the Pillar II assessment and expect the Bank to achieve compliance in the coming months.

The Bank has worked on the Interest Rate Risk in the Banking Book (IRRBB), which refers to the current or prospective risk to a bank's capital and its earnings, arising from the impact of adverse movements in interest rates in the banking book. The new standard is applicable from June 2019 as per the EBA guidelines published in July 2018.

Moreover, the risk teams are working on the design and deployment of the new interest rate curves linked to the so-called Benchmark Regulation (BMR) which notably requires a redefinition of reference rates.

The Bank is also implementing a project for managing initial margins for non-centrally cleared over-the-counter (OTC) derivative exposures in line with upcoming regulatory requirements.

The Bank Recovery and Resolution Directive (2014/59/EU), published in May 2014, was transposed into Luxembourgish law in late 2015. In this context, in 2019, the Bank is elaborating its fifth Recovery Plan, which will be sent to the regulators in late September 2019. Regarding the resolution part, BIL is participating in different meetings with the Single Resolution Board. Moreover, in May 2019, the Bank provided general information on its governance, legal contracts and balance sheet items. Finally, it is worth mentioning that the Bank frequently meets the Resolution Authority to discuss the Minimum Requirement for own funds and Eligible Liabilities (MREL). The Bank fulfills this requirement.

Concerning liquidity topics, the Bank participated in the ECB Sensitivity Analysis of Liquidity Risk – Stress Test 2019 (LiST). The stress test ran from February to July 2019 and the outcomes were discussed with the supervisor in July 2019 during a Supervisory Review and Evaluation Process (SREP) dialogue meeting.

Finally, the Bank is also actively preparing the next EU-wide stress testing exercise that will take place during the first semester of 2020.

2. CREDIT RISK

In this report, credit risk exposure refers to the Bank's internal concept of Maximum Credit Risk Exposure (MCRE):
- The net carrying value of balance sheet assets other than derivative products (i.e. the carrying value after deduction of specific provisions);
- The mark-to-market valuation of derivative products;
- The total off-balance sheet commitments corresponding to unused lines of liquidity or to the maximum amount that BIL is committed to as a result of guarantees issued to third parties.

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

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

As at end of June 2019, the Bank's total credit risk exposure amounted to EUR 29.9 billion compared with EUR 28.3 billion at the end of 2018.

The main increases are concentrated on Central Governments (EUR +140 million), Corporate (EUR +422 million), Individual, SME & Self Employed (EUR +606 million) and Financial Institutions (EUR +489 million) while exposures towards Securitisation and Others decreased by EUR 44 million and EUR 1 million, respectively.

Please note that from December 2018, exposures to regional governments and local authorities which were previously part of Public Sector Entities are now included in the Central Governments segment.

The tables below illustrate these exposure evolutions, broken down by both counterparty type and geographic axes.

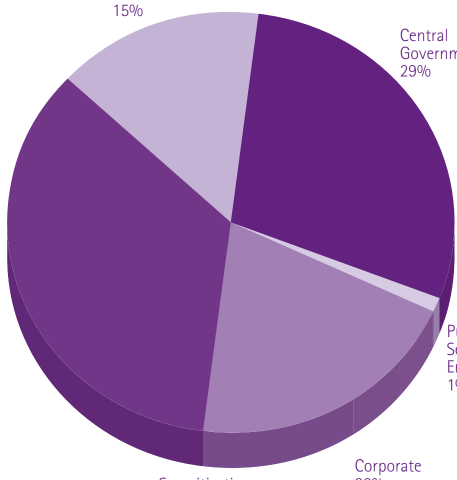
Exposure by type of counterparty

As at June 30, 2019, and in line with BIL group's business model and strategy, the Individuals, SME and Self Employed segment remained the Bank's largest portfolio, representing around 35% of the overall exposure.

The Central Governments exposure weighting increased slightly compared with year-end 2018 and remained the second largest segment of the Bank's portfolio, representing 29% of the overall exposure.

Exposures by counterparty category (in EUR million)	**30/06/18**	**31/12/18**	**30/06/19**	Variation
Central Governments	9,078	8,358	8,498	140
Public Sector Entities	525	393	398	5
Corporate	5,648	5,642	6,064	422
Securitisation	190	140	96	(44)
Individuals, SME & Self Employed	9,675	9,907	10,513	606
Financial Institutions	3,568	3,861	4,350	489
Others	2	4	3	(1)
TOTAL	**28,686**	**28,305**	**29,922**	**1,617**

As at 30/06/2019



Exposure by geographical region

As at June 30, 2019, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (48%), Switzerland (11%), France (10%), Belgium (6%) and Germany (5%).

Exposures by geographic region (in EUR million)	**30/06/18**	**31/12/18**	**30/06/19**	Variation
Belgium	1,519	1,608	1,832	224
France	2,807	2,955	3,043	88
Germany	1,179	1,199	1,421	222
Ireland	420	434	415	(19)
Italy	29	32	25	(7)
Luxembourg	13,417	13,822	14,390	568
Spain	846	856	804	(52)
Other EU countries	1,645	1,640	1,815	175
Switzerland	4,106	2,911	3,214	303
Rest of Europe	603	647	629	(18)
United States and Canada	777	722	833	111
Asia	182	297	334	37
Middle East	640	713	694	(19)
Australia	257	260	262	2
Others	259	209	211	2
TOTAL	**28,686**	**28,305**	**29,922**	**1,617**

Exposure to Ireland and Spain

(in EUR million)	31/12/18	30/06/19												
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2031	TOTAL
Ireland	336	0	0	0	0	0	74	13	90	0	60	64	26	**326**
Spain	664	9	22	66	54	25	75	43	81	30	161	34	0	**600**
TOTAL	**1,000**	**9**	**22**	**66**	**54**	**25**	**149**	**56**	**171**	**30**	**221**	**98**	**26**	**926**

The Bank's portfolio exposure towards Ireland and Spain has decreased compared with year-end 2018. This can be explained by the fact that market levels of Irish and Spanish sovereign bonds were considered less attractive and while some profit-taking was realised, reinvestment was kept low. The Bank remains confident about the economic outlook in Ireland and Spain. At the end of June 2019, the Bank has no investment in Portuguese, Greek, and Italian government bonds.

Forbearance

As at June 30, 2019, BIL group's forborne exposures remained stable and amounted to EUR 291.4 million (including EUR 1.2 million as given banking guarantees) compared with EUR 293 million at year-end 2018 (including EUR 2 million as given banking guarantees).

Credit quality of forborne financial assets

Information on forborne financial assets broken down by category (i.e. neither past due nor impaired, past due but not impaired and impaired) and counterparty type is disclosed in the following table:

(in EUR million)	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Corporate	34.52	3.41	42.15	80.08
Individuals, SME & Self Employed	143.81	40.98	23.05	207.84
Institutional clients	3.46	0.00	0.00	3.46
TOTAL	**181.80**	**44.39**	**65.19**	**291.38**

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Forborne assets split by industry sector and geographical region

The breakdown of the forborne financial assets by industry sector and geographical region is disclosed hereafter:

SECTOR (in EUR million)	BELGIUM	FRANCE	GERMANY	LUXEMBOURG	REST OF EUROPE	OTHERS	TOTAL
Accommodation and food service activities	-	-	0.34	4.06	-	-	4.40
Administrative and support service activities	-	-	0.70	0.60	-	-	1.30
Agriculture, forestry and fishing	-	-	-	5.33	-	-	5.33
Arts, entertainment and recreation	-	0.36	1.57	0.03	-	-	1.96
Construction	0.07	-	0.03	20.70	-	-	20.80
Electricity, gas, steam and air conditioning supply	-	-	-	31.00	-	-	31.00
Financial and insurance activities	-	-	-	48.71	8.93	1.45	59.09
Human health and social work activities	-	-	0.14	5.32	-	-	5.46
Information and communication	-	-	-	5.90	0.56	-	6.46
Manufacturing	-	-	-	3.13	-	-	3.13
Other service activities	-	-	-	0.21	-	-	0.21
Professional, scientific and technical activities	-	0.70	-	1.80	-	-	2.50
Real estate activities	5.86	23.14	2.22	24.97	44.90	-	101.09
Transportation and storage	-	-	-	0.20	-	-	0.20
Undefined activities	1.28	12.87	0.74	9.44	13.84	-	38.17
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	0.09	0.38	9.81	-	-	10.28
TOTAL	**7.21**	**37.16**	**6.12**	**171.21**	**68.23**	**1.45**	**291.38**

3. MARKET RISK

Treasury and Financial Markets

VaR (10 days, 99%) per activity (in EUR million)	30/06/18	31/12/18	30/06/19		
	TOTAL		IR[1] & FX[2] (trading and banking)[3]	Equities Trading	TOTAL
Average	0.36	0.30	0.40	0.01	0.40
End of period	0.26	0.12	0.27	0.00	0.27
Maximum	0.74	0.75	0.71	0.05	0.72
Limit	8		8		

Given the market environment (low interest rates, FX volatility, high level of stock market), the Bank has a low exposure.

Investment Portfolio

BIL continued investing in the portfolio during the first semester of 2019. The interest-rate risk of the Investment Portfolio is transferred and managed by the Treasury department or by the ALM department, depending on various criteria (i.e. maturity, sector).

The investment bond portfolio had a total nominal exposure of EUR 6.3 billion as at June 30, 2019 (against EUR 5.9 billion as at December 31, 2018).

The majority of the bonds are classified in the Held-to-collect (HTC) portfolio: EUR 5.2 billion as of June 30, 2019 (against EUR 4.6 billion as at December 31, 2018). The remaining part is classified in Held-to-collect & sell (HTC&S) portfolio: EUR 1.1 billion (EUR 1.3 billion as at December 31, 2018).

As far as the HTC&S classified bond portfolio is concerned, the sensitivity of fair value (and the OCI reserve), to a one basis point widening of the spread, was EUR -0.5 million as at June 30, 2019 (compared with EUR -0.6 million per basis point as at December 31, 2018).

The following table discloses the sensitivity of the Investment Portfolio including HTC&S and HTC books.

(in EUR million)	Notional amount			Rate bpv			Spread bpv		
	30/06/18	31/12/18	30/06/19	30/06/18	31/12/18	30/06/19	30/06/18	31/12/18	30/06/19
Treasury	2,204	2,370	2,616	(0.07)	(0.06)	(0.08)	(0.96)	(1.01)	(1.18)
ALM	3,476	3,541	3,702	(1.17)	(1.02)	(0.91)	(2.25)	(2.16)	(2.23)

[1] IR: interest rate.
[2] FX: foreign exchange.
[3] Excluding asset & liability management (ALM).

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4. ASSET QUALITY[1]

(in EUR million)	31/12/18	30/06/19
Gross amount of non credit-impaired loans to customers	13,362	13,590
Credit-impaired loans to customers	292	319
Specific provisions	224	219
Asset quality ratio[2]	2.14%	2.30%
Coverage ratio[3]	76.65%	68.60%

5. SOLVENCY MONITORING

See Note 13 of the interim condensed consolidated financial statements.

[1] Rounding differences and percentages calculated on exact numbers.
[2] Credit-impaired loans as a percentage of total loans.
[3] The coverage ratio measures specific provisions recognised for loans and receivables in relation to total outstanding impaired loans and advances to customers.

Interim condensed consolidated financial statements

Report of the "réviseur d'entreprises agréé" on the review of the interim condensed consolidated financial statements

To the Shareholders of Banque Internationale à Luxembourg S.A.
69, route d'Esch
L-2953 Luxembourg
Grand Duchy of Luxembourg

INTRODUCTION

We have reviewed the accompanying consolidated balance sheet of Banque Internationale à Luxembourg S.A. as of June 30, 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and the notes thereon (collectively, the "interim condensed consolidated financial statements").

The Board of Directors is responsible for the preparation and the fair presentation of the interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, as adopted by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

August 27, 2019

Consolidated balance sheet

ASSETS (in EUR)		**Notes**	**31/12/18**	**30/06/19 (unaudited)**
I.	Cash, balances with central banks and demand deposits	11	3,281,434,826	3,182,122,235
II.	Financial assets held for trading	11	126,889,819	236,998,542
III.	Financial investments measured at fair value		1,498,024,806	1,323,879,422
	Financial assets at fair value through other comprehensive income	*4, 11*	*1,476,561,341*	*1,299,454,622*
	Financial assets designated at fair value through profit or loss	*11*	*0*	*0*
	Non-trading financial assets mandatorily at fair value through profit or loss	*11*	*21,463,465*	*24,424,800*
IV.	Loans and advances to credit institutions	4, 11	1,075,243,576	1,107,879,182
V.	Loans and advances to customers	4, 11	13,386,056,162	13,999,278,040
VI.	Financial investments measured at amortised cost	4, 11	5,039,541,719	5,801,263,716
VII.	Derivatives	11	290,313,542	205,928,985
VIII.	Fair value revaluation of portfolios hedged against interest rate risk	11	1,470,569	744,647
IX.	Investments in subsidaries, joint ventures and associates		24,580,236	25,307,418
X.	Investment property		800,000	800,000
XI.	Property, plant and equipment		106,587,651	142,581,962
XII.	Intangible fixed assets and goodwill		194,083,757	211,001,588
XIII.	Current tax assets		201,980	512,433
XIV.	Deferred tax assets		225,453,739	212,771,443
XV.	Other assets		62,015,329	82,422,235
XVI.	Non-current assets and disposal groups held for sale	5	171,859,785	172,275,273
TOTAL ASSETS			**25,484,557,496**	**26,705,767,121**

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

LIABILITIES (in EUR)		Notes	31/12/18	30/06/19 (unaudited)
I.	Amounts due to credit institutions	11	2,945,818,913	2,889,034,523
II.	Amounts due to customers	11	17,267,224,127	18,315,578,081
III.	Other financial liabilities		0	37,275,878
IV.	Financial liabilities measured at fair value through profit or loss	6, 11	832,445,114	1,031,051,223
	Liabilities held for trading		*0*	*2,887,772*
	Liabilities designated at fair value		*832,445,114*	*1,028,163,451*
V.	Derivatives	11	503,183,727	507,761,136
VI.	Fair value revaluation of portfolios hedged against interest rate risk	11	24,826,064	19,815,749
VII.	Debt securities	6, 11	1,933,985,745	1,836,865,415
VIII.	Subordinated debts	6, 11	285,345,888	285,668,828
IX.	Provisions and other obligations	12	53,116,313	52,426,614
X.	Current tax liabilities		1,878,972	1,625,006
XI.	Deferred tax liabilities		4,876,126	5,699,274
XII.	Other liabilities		245,969,510	284,315,592
XIII.	Liabilities included in disposal groups held for sale	5	1,335,413	391,975
TOTAL LIABILITIES			**24,100,005,912**	**25,267,509,294**

SHAREHOLDERS' EQUITY (in EUR)		31/12/18	30/06/19 (unaudited)
XIV.	Subscribed capital	141,212,330	141,212,330
XV.	Additional paid-in capital	708,216,940	708,216,940
XVI.	Treasury shares	(1,455,000)	(1,455,000)
XVII.	Reserves and retained earnings	400,677,236	523,722,185
XVIII.	Net income for the year / period	130,814,616	44,651,867
CORE SHAREHOLDERS' EQUITY		**1,379,466,122**	**1,416,348,322**
XIX.	Gains and losses not recognised in the consolidated statement of income	5,085,462	21,909,505
	Financial instruments at fair value through other comprehensive income	*37,378,103*	*55,602,312*
	Other reserves	*(32,292,641)*	*(33,692,807)*
GROUP EQUITY		**1,384,551,584**	**1,438,257,827**
XX.	Non-controlling interests	0	0
TOTAL SHAREHOLDERS' EQUITY		**1,384,551,584**	**1,438,257,827**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**25,484,557,496**	**26,705,767,121**

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

Consolidated statement of income

(in EUR)		Notes	30/06/18[1] (unaudited)	30/06/19 (unaudited)
I.	Interest and similar income		276,460,903	300,608,145
	of which: Interest revenue calculated using the effective interest method		*191,997,925*	*214,694,023*
II.	Interest and similar expenses		(120,049,312)	(145,588,622)
III.	Dividend income		428,171	69,558
IV.	Net income from associates		811,624	2,250,731
V.	Net trading income		750,387	55,328,175
VI.	Net income on financial instruments measured at fair value and net result of hedge accounting		20,684,907	(44,353,960)
VII.	Net income on derecognition of financial instruments at amortised cost		2,123,789	11,413,192
VIII.	Fee and commission income		120,737,334	115,735,391
IX.	Fee and commission expenses		(21,203,530)	(20,276,398)
X.	Other net income		(2,283,988)	(10,525,502)
INCOME		**9**	**278,460,285**	**264,660,710**
XI.	Staff expenses		(106,987,748)	(111,247,626)
XII.	General and administrative expenses		(66,450,464)	(61,235,953)
XIII.	Amortisation of tangible and intangible fixed assets		(24,431,769)	(23,896,906)
EXPENSES		**9**	**(197,869,981)**	**(196,380,485)**
GROSS OPERATING INCOME			**80,590,304**	**68,280,225**
XIV.	Impairments on financial instruments and provisions for credit commitments	8	2,646,727	(7,774,192)
NET INCOME BEFORE TAX			**83,237,031**	**60,506,033**
XV.	Tax expenses	9	(20,826,355)	(15,854,166)
NET INCOME FOR THE PERIOD			**62,410,676**	**44,651,867**
	Net income - Group share		62,410,676	44,651,867
	Non-controlling interests		0	0

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

[1] Restated. Refer to note 1.2.3 for the details of restatements.

Consolidated statement of comprehensive income

(in EUR)	30/06/18[1] (unaudited)	30/06/19 (unaudited)
NET INCOME FOR THE PERIOD RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**62,410,676**	**44,651,867**
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**(16,740,352)**	**16,824,042**
Items that will not be reclassified to profit or loss	**3,334,999**	**16,146,834**
Actuarial gains (losses) on defined benefit pension plans	(1,048,720)	(132,859)
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	(112,791)	(54,879)
Fair value changes of equity instruments measured at fair value through other comprehensive income	4,243,675	16,524,819
Tax on items that will not be reclassified to profit or loss	252,835	(190,247)
Items that may be reclassified to profit or loss	**(20,075,351)**	**677,208**
Gains (losses) on net investment hedge	(39,372)	(42,555)
Translation adjustments	(685,152)	(824,677)
Gains (losses) on cash flow hedge	(3,146,462)	(307,832)
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(23,011,832)	2,100,756
Tax on items that may be reclassified to profit or loss	6,807,467	(248,484)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**45,670,324**	**61,475,909**
Attributable to equity holders of the parent company	**45,670,324**	**61,475,909**
Attributable to non-controlling interests	**0**	**0**

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

[1] Restated. Refer to note 1.2.3 for the details of restatements.

Consolidated statement of changes in equity

CORE SHAREHOLDERS' EQUITY (in EUR) (unaudited)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings[1]	Net income for the period	Core shareholders' equity
As at 01/01/18	**141,212,330**	**708,216,940**	**(1,455,000)**	**281,279,589**	**130,518,531**	**1,259,772,390**
Classification of income 2017				130,518,531	(130,518,531)	0
Interest on contingent convertible bond				(7,299,442)		(7,299,442)
Realised performance on equities at fair value through other comprehensive income				(732)		(732)
Net income for the period[2]					62,410,676	62,410,676
As at 30/06/18	**141,212,330**	**708,216,940**	**(1,455,000)**	**404,497,946**	**62,410,676**	**1,314,882,892**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR) (unaudited)	Financial instruments at fair value through other comprehensive income	Derivatives (cash flow hedge)	Associates	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/18	**46,131,161**	**(4,712,064)**	**0**	**(6,755,715)**	**(10,028,467)**	**24,634,915**
Net change in fair value through equity - fair value through other comprehensive income	(1,854,851)			(754,262)		(2,609,113)
Net change in fair value through equity - cash flow hedges		(2,521,457)				(2,521,457)
Translation adjustments	(4,685)	0		(104,109)	(685,148)	(793,942)
Cancellation of fair value following fair value through other comprehensive income disposals	(10,980,094)	0		0		(10,980,094)
Cash flow hedge + Break in hedging	0	164,258		0		164,258
As at 30/06/18	**33,291,531**	**(7,069,263)**	**0**	**(7,614,086)**	**(10,713,615)**	**7,894,567**

NON-CONTROLLING INTERESTS (in EUR) (unaudited)	Core shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/18	**0**	**0**	**0**
Other transfers	0	0	0
As at 30/06/18	**0**	**0**	**0**

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

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 1.4 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] Restated. Refer to note 1.2.3 for the details of restatements.
[3] As at June 30, 2018, translation adjustments comprise an amount of EUR -43,684,632 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

CORE SHAREHOLDERS' EQUITY (in EUR) (unaudited)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings [1]	Net income for the period	Core shareholders' equity
As at 01/01/19	**141,212,330**	**708,216,940**	**(1,455,000)**	**400,677,236**	**130,814,616**	**1,379,466,122**
Classification of income 2018				130,814,616	(130,814,616)	0
Interest on contingent convertible bond				(7,405,182)		(7,405,182)
Changes in scope of consolidation				(309,269)		(309,269)
Realised performance on equities at fair value through other comprehensive income				(55,216)		(55,216)
Net income for the period					44,651,867	44,651,867
As at 30/06/19	**141,212,330**	**708,216,940**	**(1,455,000)**	**523,722,185**	**44,651,867**	**1,416,348,322**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR) (unaudited)	Financial instruments at fair value through other comprehensive income	Derivatives (cash flow hedge)	Associates	Other reserves	Translation adjustments [2]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/19	**37,378,103**	**(5,783,524)**	**0**	**(13,635,487)**	**(12,873,630)**	**5,085,462**
Net change in fair value through equity - fair value through other comprehensive income	18,807,302					18,807,302
Net change in fair value through equity - cash flow hedges		(346,639)				(346,639)
Translation adjustments	388			(99,645)	(864,232)	(963,489)
Cancellation of fair value following fair value through other comprehensive income disposals	(583,481)					(583,481)
Net change in other reserves				(129,206)		(129,206)
Changes in scope of consolidation					39,556	39,556
As at 30/06/19	**55,602,312**	**(6,130,163)**	**0**	**(13,864,338)**	**(13,698,306)**	**21,909,505**

NON-CONTROLLING INTERESTS (in EUR) (unaudited)	Core shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/19	**0**	**0**	**0**
Other transfers	0	0	0
As at 30/06/19	**0**	**0**	**0**

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

[1] Of which legal reserve for EUR 1.4 million.

[2] As at June 30, 2019, translation adjustments comprise an amount of EUR -49,210,295 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	30/06/18[1] (unaudited)	30/06/19 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	62,410,676	44,651,867
Adjustment for :		
- Depreciation and amortisation	24,431,769	23,896,906
- Impairment on bonds, equities and other assets	(6,674,699)	(1,083,699)
- Net gains / (losses) on investments	(292,024)	0
- Provisions (including ECL)	(1,880,222)	2,807,866
- Change in unrealised gains / (losses)	(6,492,346)	132,955
- Income / (expense) from associates	(811,624)	(2,250,731)
- Dividends from associates	1,214,280	1,214,280
- Deferred taxes	20,381,575	15,584,332
- Other adjustments	0	(1,393,923)
Changes in operating assets and liabilities	1,366,588,837	(189,965,825)
NET CASH FLOW FROM OPERATING ACTIVITIES	**1,458,876,222**	**(106,405,972)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(32,671,350)	(36,326,159)
Sale of fixed assets	743,288	0
Sales of non-consolidated shares	10	29,609
NET CASH FLOW FROM INVESTING ACTIVITIES	**(31,928,052)**	**(36,296,550)**
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on lease liabilties	0	(3,753,738)
NET CASH FLOW FROM FINANCING ACTIVITIES	**0**	**(3,753,738)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**1,426,948,170**	**(146,456,260)**
CASH & CASH EQUIVALENT AT THE BEGINNING OF YEAR	**2,972,154,330**	**3,552,363,665**
Net cash flow from operating activities	1,458,876,222	(106,405,972)
Net cash flow from investing activities	(31,928,052)	(36,296,550)
Net cash flow from financing activities	0	(3,753,738)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents	3,054,648	2,914,204
CASH & CASH EQUIVALENT AT THE END OF THE PERIOD	**4,402,157,148**	**3,408,821,609**
ADDITIONAL INFORMATION		
Taxes paid	(151,259)	(828,941)
Dividends received	428,171	69,558
Interests received	271,102,943	318,673,230
Interests paid	(117,416,968)	(163,391,049)

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

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

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

[1] Restated. Refer to note 1.2.3 for the details of restatements.

CASH FLOW FROM OPERATING ACTIVITIES

(in EUR) (unaudited)	As at 01/01/18	Acquisition – Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 30/06/18
Subordinated debts	**283,347,225**	0	0	2,452,861	0	**285,800,086**
Non-subordinated debts	**0**	0	0	0	0	**0**
Subscribed capital	**141,212,330**	0	0	0	0	**141,212,330**
Additional paid-in capital	**708,216,940**	0	0	0	0	**708,216,940**
Treasury shares	**(1,455,000)**	0	0	0	0	**(1,455,000)**

(in EUR) (unaudited)	As at 01/01/19	Acquisition – Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 30/06/19
Subordinated debts	**287,412,587**	0	0	406,856	0	**287,819,443**
Non-subordinated debts	**0**	0	0	0	0	**0**
Subscribed capital	**141,212,330**	0	0	0	0	**141,212,330**
Additional paid-in capital	**708,216,940**	0	0	0	0	**708,216,940**
Treasury shares	**(1,455,000)**	0	0	0	0	**(1,455,000)**

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

Notes to the interim condensed consolidated financial statements

Preliminary note:

Presentation of the interim condensed consolidated financial statements

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

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

GENERAL INFORMATION

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

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

The object of BIL is to undertake all banking and financial operations, for its own account or for the account of third parties, in Luxembourg or abroad – including the establishment of subsidiaries, branches and representative offices – and to carry out all financial, industrial and commercial operations, as well as to take deposits of funds and to hold items of value on deposit. These interim condensed consolidated financial statements were approved by the Management Board on July 29, 2019 and by the Board of Directors on August 16, 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

1. ACCOUNTING RULES AND METHODS

1.1 Basis of accounting

1.1.1 Statement of compliance

BIL's interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to June 30, 2019.

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

A summary of the main accounting policies is provided in the consolidated financial statements as at December 31, 2018. Nevertheless, the accounting policies related to leases have been amended since January 1, 2019 following the entry into force of IFRS 16. Therefore, the section 1.22.1 of the annual report as at December 31, 2018 is replaced by the section 1.4 of this report.

1.1.2 Accounting estimates and judgements

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

Judgements are made principally in the following areas:
- Determination on whether BIL group controls the investee, including special purpose entities;
- Classification of financial instruments into the appropriate category ("Held-to-Collect", "Held-to-Collect-and-Sell", "Held-for-Trading", "Designated at Fair Value through P&L" and "Mandatorily at Fair Value through P&L") for measurement purposes based on the instrument's characteristics and BIL's intention;
- Measurement of the expected credit loss allowance;
- Financial instruments for which no quoted market prices on active markets are available are valued by means of valuation techniques. The determination as to whether or not there is an active market is based on criteria such as number of contributors, bid offer spread and issue size;
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques;

- Appropriateness of designating derivatives as hedging instruments; and
- Existence of a present obligation with probable outflows in the context of litigation.

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

Estimates are principally made in the following areas:
- Determination of the market value correction to adjust for market value and model uncertainty;
- The measurement of hedge effectiveness in hedging relations;
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets and determination of the lease term of the lease contracts;
- Estimation of the recoverable amount of cash-generating units for goodwill impairment;
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets; and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets.

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

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

The overview of the texts below is made up to the reporting date of June 30, 2019.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2019

- IFRS 16 "Leases" (issued on January 13, 2016, and endorsed on October 31, 2017) replaces IAS 17 Leases (and related interpretations) and is effective as from January 1, 2019. The standard specifies how an IFRS reporter recognises, measures, presents and discloses leases. Refer to notes 1.3 and 1.4 for the changes brought by the standard and the related impacts;
- Amendments to IFRS 9 "Prepayments Features with Negative Compensation" (issued on October 12, 2017). This amendment is applicable as from January 1, 2019 and does not impact BIL;
- IFRIC 23 "Uncertainty over income tax treatments" (issued on June 7, 2017). This standard is applicable as from January 1, 2019. The requirements prescribed by the interpretation are already applied by the Bank;
- Amendments to IAS 28 "Long-term interests in associates and joint ventures" (issued on October 12, 2017). This standard is applicable as at January 1, 2019. No impact for BIL;
- Annual improvements to IFRS standards 2015-2017 Cycle (issued on December 12, 2017). These improvements are applicable as from January 1, 2019. No impact for BIL;
- Amendments to IAS 19 "Plan amendment, curtailment or settlement" (issued on February 7, 2018). These amendments are applicable as from January 1, 2019. No impact for BIL.

1.2.2 IASB and IFRIC texts issued during previous periods and neither endorsed nor applicable as at January 1, 2019

- IFRS 17, "Insurance contracts" (issued on May 18, 2017). The standard is applicable as from January 1, 2022 and may impact BIL;
- Amendments to References to the Conceptual Framework in IFRS standards (issued on March 29, 2018). These amendments are applicable as from January 1, 2020. No impact for BIL;
- Amendments to IFRS 3 "Business Combinations" (issued on October 22, 2018). These amendments are applicable as from January 1, 2020. No impact for BIL;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on October 31, 2018). These amendments are applicable as from January 1, 2020. No impact for BIL.

1.2.3 Restatements made in accordance with IAS 8

In the second semester of 2018, BIL changed its accounting policies for the measurement of property held for investment and corrected the calculations of the provisions for pensions. The impacts of the restatements are detailed in the note 1.2.7 of the consolidated financial statements as at December 31, 2018.

In accordance with IAS 8, the changes made have been applied retrospectively and has impacted the consolidated statement of income as at June 30, 2018 which has been restated as follows in this report:

(in EUR million)	30/06/18 (As published)	30/06/18 (Restated)
Other net income	(12,294,556)	(2,283,988)
Tax expenses	(18,222,606)	(20,826,355)
Net income	**55,003,857**	**62,410,676**

The changes in other net income are explained by the reversal of depreciation on investment properties for EUR 3,354,687 and the revaluation of investment properties for EUR 6,655,881. The restatement of provisions for pensions had no material impact for the six-month period ended June 30, 2018.

1.3. Impact of the IFRS 16 standard applicable as from January 1, 2019

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where BIL is the lessor.

BIL adopted IFRS 16 using the modified retrospective method where comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

In particular, BIL used the following practical expedients of IFRS 16 for transition:

- BIL relies on its assessment of whether leases are onerous by applying IAS37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review;
- BIL elects to apply the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within 12 months of the date of initial application;
- BIL has excluded initial direct costs from the measurement of the Right-of-Use (ROU) asset at the date of initial application.

The effect of adoption of IFRS 16 is as follows:

BIL has analysed the existing leases (as lessee) within the Group that meet the recognition requirements of IFRS 16 and concluded these are mainly property leases taken such as bank agencies and administrative offices.

BIL only entered into operating leases (as lessee).

The effect of IFRS 16 as at January 1, 2019

Effect of IFRS 16 on January 1, 2019	
Right-of-use assets recognised on January 1, 2019 (A) *(included in property, plant and equipment)*	39,939,979
Deferred expenses (B)	(96,629)
Lease liabilities recognised on January 1, 2019 (C) *(included in Other financial liabilities)*	41,078,150
Reversal of provision recognised before January 1, 2019 and accounted for impairment of right-of-use under IFRS 16 (D)	(1,234,800)
Impact on Equity on January 1, 2019 (A+B-C-D)	**0**

Reconciliation of lease liabilities

Minimum operating lease commitments disclosed as at December 31, 2018	**44,392,851**
(-) Short-term leases recognised on a straight-line basis as expense	(127,408)
(-) Low-value leases recognised on a straight-line basis as expense	(1,456,288)
+/(-) Adjustments due to reassessment of the nature of the contract	(773,736)
+/(-) Adjustments as a result of a different treatment of extension/termination options	855,458
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,812,727)
Lease liabilities recognised as at January 1, 2019	**41,078,150**

Effect of IFRS 16 on operating lease expenses

	IAS 17	IFRS 16	
Impact of IFRS 16 as at June 30, 2019	**30/06/18**	**30/06/19**	**Difference**
Operating leases (included in General and administrative expenses)	(4,688,174)	(303,864)	(4,384,310)
Amortisation of right-of-use assets		(3,958,912)	3,958,912
Interest expenses on lease liabilities		(241,911)	241,911
TOTAL	**(4,688,174)**	**(4,504,687)**	**(183,487)**

As at June 30, 2019, operating leases expenses accounted under IFRS 16 requirements decreased by EUR 183,487 compared to June 30, 2018. The difference is mainly explained by:

- an exceptional expense on one lease contract of EUR 570,000 accounted during half-year 2018;
- an increase of lease expenses of EUR 387,000 for the half-year 2019 due to (a) an indexation of property leases, (b) the exchange rate effect and (c) the IFRS 16 effect.

Weighted average lessee's borrowing rate

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated balance sheet as at January 1, 2019 is 1.22%.

1.4 Change in accounting policies for leases (as lessee)

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value

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

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

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

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

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

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

Note 2: Material changes in scope of consolidation since January 1, 2019

A. Companies consolidated for the first time or no longer consolidated

Companies fully consolidated for the first time
N/A

Companies no longer fully consolidated
Selskabet af 18 December 2013 A/S (liquidated on May 31, 2019)

Companies accounted for by the equity method for the first time
N/A

Companies no longer accounted for by the equity method
N/A

B. Main changes in the Group's interest percentage

N/A

C. Changes in corporate names

BIL Fund & Corporate Services SA (formerly Experta Corporate and Fund Services SA, as from February 15, 2019)

Note 3: Business Reporting

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

On October 1, 2018, the Bank put in place a new organisation to meet new challenges and benefit from new opportunities and foster collective intelligence and agility.

"Treasury and Financial Markets" (TFM) activities were reallocated to Banking Book Management and Products & Markets. The Institutional Banking desk under TFM was transferred to Corporate & Institutional Banking to enhance synergies. In terms of segmentation, Banking Book Management and Products & Markets are now reported under **"Financial Markets"** in the business reporting.

"Retail Banking, Corporate & Institutional Banking and Wealth Management" were slightly impacted by the new organisation. The main changes were the centralisation of institutional activities under Corporate & Institutional Banking. "Retail Banking, Corporate & Institutional Banking and Wealth Management" are divided into three business lines: Retail, Private Banking Luxembourg & Digital Banking, Corporate & Institutional Banking, and Wealth Management & International Corporate Development.

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

As of January 1, 2019, the new organisation was reflected in the business reporting segmentation and 2018 has been restated accordingly.

INCOME (in EUR thousands)	**30/06/18 (after restatement)**			
	Income	***of which net income from associates***	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	261,947	*0*	*151,166*	87,503
Financial Markets	23,344	*0*	*7,075*	15,418
Group Center	(6,831)	*812*	*(1,401)*	(19,684)
TOTAL	**278,460**	***812***	***156,840***	**83,237**
Net income before tax				83,237
Tax expenses				(20,826)
NET INCOME				**62,411**

	30/06/19			
	Income	***of which net income from associates***	***of which net interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	255,056		*150,967*	68,367
Financial Markets	24,824		*10,739*	14,508
Group Center	(15,219)	*2,251*	*(7,141)*	(22,369)
TOTAL	**264,661**	***2,251***	***154,565***	**60,506**
Net income before tax				60,506
Tax expenses				(15,854)
NET INCOME				**44,652**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/18		30/06/19	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	13,386,056	18,630,887	13,999,278	19,698,358
Financial Markets	11,247,617	4,508,116	11,774,046	4,350,056
Group Center	850,884	961,002	932,443	1,219,095
TOTAL	**25,484,557**	**24,100,005**	**26,705,767**	**25,267,509**

Relations between product lines, in particular commercial product lines, financial markets and production and service centres are subject to retrocessions and/or analytical transfers, carried out according to market conditions. The results of each product line also include:

- earnings from commercial transformation, including the management costs of this transformation;
- cost of financing.

Tangible and intangible fixed assets are allocated to the "Group Center" segment, except when they are directly managed by a commercial or financial product line.

Note 4: Quality of financial assets

LOANS AND SECURITIES BY STAGES	31/12/18			
	Net carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to credit institutions	1,065,766,106	9,477,470	0	1,075,243,576
Loans and advances to customers	10,763,102,717	2,258,098,579	364,854,865	13,386,056,161
Debt securities	6,176,753,371	282,790,847	12,682,055	6,472,226,273
Debt securities measured at amortised cost	*4,929,948,551*	*96,911,113*	*12,682,055*	*5,039,541,719*
Debt securities measured at fair value through other comprehensive income	*1,246,804,820*	*185,879,734*	*0*	*1,432,684,554*
TOTAL	**18,005,622,194**	**2,550,366,896**	**377,536,920**	**20,933,526,010**

ANALYSIS OF NORMAL AND IMPAIRED LOANS AND SECURITIES BY STAGES	31/12/18						
	Gross carrying amount			Accumulated impairments			Net carrying amount
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans and advances to credit institutions	1,065,800,938	9,499,212	0	(34,832)	(21,742)	0	1,075,243,576
Loans and advances to customers	10,783,624,201	2,275,003,373	595,720,394	(20,521,484)	(16,904,794)	(230,865,529)	13,386,056,161
Debt securities	6,177,867,641	283,293,650	19,917,195	(1,114,270)	(502,803)	(7,235,140)	6,472,226,273
Debt securities measured at amortised cost	*4,931,023,953*	*97,413,902*	*19,917,195*	*(1,075,402)*	*(502,789)*	*(7,235,140)*	*5,039,541,719*
Debt securities measured at fair value through other comprehensive income	*1,246,843,688*	*185,879,748*	*0*	*(38,868)*	*(14)*	*0*	*1,432,684,554*
TOTAL	**18,027,292,780**	**2,567,796,235**	**615,637,589**	**(21,670,586)**	**(17,429,339)**	**(238,100,669)**	**20,933,526,010**

LOANS AND SECURITIES BY STAGES	30/06/19			
	Net carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to credit institutions	1,098,456,355	9,422,827	0	1,107,879,182
Loans and advances to customers	11,397,335,003	2,156,663,492	445,279,545	13,999,278,040
Debt securities	6,688,098,558	339,761,813	12,407,006	7,040,267,377
Debt securities measured at amortised cost	*5,536,990,135*	*251,866,575*	*12,407,006*	*5,801,263,716*
Debt securities measured at fair value through other comprehensive income	*1,151,108,423*	*87,895,238*	*0*	*1,239,003,661*
TOTAL	**19,183,889,916**	**2,505,848,132**	**457,686,551**	**22,147,424,599**

ANALYSIS OF NORMAL AND IMPAIRED LOANS AND SECURITIES BY STAGES	30/06/19						
	Gross carrying amount			Accumulated impairments			Net carrying amount
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans and advances to credit institutions	1,098,482,411	9,498,669	0	(26,056)	(75,842)	0	1,107,879,182
Loans and advances to customers	11,418,899,105	2,171,560,811	674,022,709	(21,564,102)	(14,897,319)	(228,743,164)	13,999,278,040
Debt securities	6,689,239,552	341,118,248	20,666,607	(1,140,994)	(1,356,435)	(8,259,601)	7,040,267,377
Debt securities measured at amortised cost	*5,538,108,433*	*253,140,411*	*20,666,607*	*(1,118,298)*	*(1,273,836)*	*(8,259,601)*	*5,801,263,716*
Debt securities measured at fair value through other comprehensive income	*1,151,131,119*	*87,977,837*	*0*	*(22,696)*	*(82,599)*	*0*	*1,239,003,661*
TOTAL	**19,206,621,068**	**2,522,177,728**	**694,689,316**	**(22,731,152)**	**(16,329,596)**	**(237,002,765)**	**22,147,424,599**

Note 5: Non-current assets held for sale

Following the decision of the relevant decision-making bodies to sell Red Sky SA, this entity is presented as "Non-current asset and disposal groups held for sale" in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The sale is expected to occur within twelve months from closing date December 31, 2018. As at June 30, 2019, the Bank is under negotiation with potential buyers for a sale expected before December 31, 2019. The Bank continues to maintain Red Sky SA as held for sale according to IFRS 5.

Red Sky SA is currently presented under the segment "Group Center" and its main asset is the building "Les Terres Rouges" which was classified as investment property before transferring it to held for sale.

The table below provides details of the assets held for sale and liabilities directly associated with the assets held for sale in the balance sheet as at June 30, 2019.

	31/12/18	30/06/19
Investment property	169,960,000	169,960,000
Other assets	1,899,785	2,315,273
Total assets held for sale	**171,859,785**	**172,275,273**
Other liabilities	1,335,413	391,975
Total liabilities directly associated with the assets held for sale	**1,335,413**	**391,975**

Note 6: Subordinated debts and debt securities

Subordinated debts

A. ANALYSIS BY NATURE	31/12/18	30/06/19
Non-convertible subordinated debts[1]	135,720,308	136,034,332
Contingent convertible bond (compound instrument)[2]	149,625,580	149,634,496
TOTAL	**285,345,888**	**285,668,828**

Debt securities

A. ANALYSIS BY NATURE	31/12/18	30/06/19
Certificates of deposit	19,480,219	27,856,207
Non-convertible bonds	1,914,505,526	1,809,009,208
TOTAL	**1,933,985,745**	**1,836,865,415**

Debt securities held for trading

A. ANALYSIS BY NATURE	31/12/18	30/06/19
Other bonds	0	2,887,772
TOTAL	**0**	**2,887,772**

Financial liabilities designated at fair value through profit or loss

A. ANALYSIS BY NATURE	31/12/18	30/06/19
Non-subordinated liabilities	832,445,114	1,028,163,451
TOTAL	**832,445,114**	**1,028,163,451**

[1] List available upon request.
[2] On June 30, 2014 the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital.

Note 7: Exchange rates

The main exchange rates used are the following:

		30/06/18		31/12/18		30/06/19	
		Closing rate	**Average rate**	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Australian Dollar	AUD	1.5770	1.5705	1.6228	1.5828	1.6238	1.5979
Canadian Dollar	CAD	1.5351	1.5463	1.5621	1.5320	1.4897	1.5030
Swiss Franc	CHF	1.1566	1.1648	1.1274	1.1505	1.1122	1.1287
Danish Krone	DKK	7.4505	7.4479	7.4681	7.4534	7.4637	7.4647
Pound Sterling	GBP	0.8846	0.8796	0.8929	0.8853	0.8951	0.8723
Hong Kong Dollar	HKD	9.1454	9.4587	8.9601	9.2398	8.8921	8.8659
Japanese Yen	JPY	128.9623	130.8119	125.7542	129.9485	122.6095	124.1520
Norwegian Krone	NOK	9.5221	9.5957	9.9419	9.6262	9.7148	9.7072
Polish Zloty	PLN	4.3738	4.2426	4.2996	4.2689	4.2477	4.2828
Swedish Krona	SEK	10.4506	10.2391	10.2323	10.2985	10.5586	10.5148
Singapore Dollar	SGD	1.5892	1.6020	1.5590	1.5894	1.5415	1.5346
US Dollar	USD	1.1655	1.2065	1.1440	1.1787	1.1387	1.1308

Note 8: Impairment on loans and provisions for credit commitments

Stage 1	30/06/18		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(45,636)	43,578	(2,058)
Loans and advances to customers measured at amortised cost	(8,602,994)	11,506,933	2,903,939
Normal debt securities measured at amortised cost	(577,267)	960,297	383,030
Financial assets measured at amortised cost	**(9,225,897)**	**12,510,808**	**3,284,911**
Normal debt securities measured at fair value through other comprehensive income	(9,000)	50,870	41,870
Financial assets measured at fair value through other comprehensive income	**(9,000)**	**50,870**	**41,870**
Off-balance sheet commitments	**(3,331,879)**	**3,404,109**	**72,230**
TOTAL IMPAIRMENTS STAGE 1	**(12,566,776)**	**15,965,787**	**3,399,011**

Stage 2	30/06/18		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(222)	2,569	2,347
Loans and advances to customers measured at amortised cost	(11,988,347)	11,185,137	(803,210)
Normal debt securities measured at amortised cost	(1,309,565)	745,182	(564,383)
Financial assets measured at amortised cost	**(13,298,134)**	**11,932,888**	**(1,365,246)**
Normal debt securities measured at fair value through other comprehensive income	0	145,305	145,305
Financial assets measured at fair value through other comprehensive income	**0**	**145,305**	**145,305**
Off-balance sheet commitments	**(1,363,821)**	**1,309,605**	**(54,216)**
TOTAL IMPAIRMENTS STAGE 2	**(14,661,955)**	**13,387,798**	**(1,274,157)**

Stage 3	30/06/18				
	Allowances	Write-backs	Losses	Recoveries	Total
Impaired loans and advances to customers measured at amortised cost	(24,230,649)	33,687,001	(6,631,253)	0	2,825,099
Impaired debt securities measured at amortised cost	(2,866,913)	0	0	0	(2,866,913)
Impaired financial assets measured at amortised cost	**(27,097,562)**	**33,687,001**	**(6,631,253)**	**0**	**(41,814)**
Other receivables	**(152,320)**	**181,113**	**(70,210)**	**0**	**(41,417)**
Off-balance sheet commitments	**(376,862)**	**981,966**	**0**	**0**	**605,104**
TOTAL IMPAIRMENTS STAGE 3	**(27,626,744)**	**34,850,080**	**(6,701,463)**	**0**	**521,873**

TOTAL IMPAIRMENTS	**2,646,727**

Stage 1	30/06/19		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(21,250)	30,005	8,755
Loans and advances to customers measured at amortised cost	(8,948,632)	7,906,708	(1,041,924)
Normal debt securities measured at amortised cost	(689,497)	646,628	(42,869)
Financial assets measured at amortised cost	**(9,659,379)**	**8,583,341**	**(1,076,038)**
Normal debt securities measured at fair value through other comprehensive income	(243)	16,463	16,220
Financial assets measured at fair value through other comprehensive income	**(243)**	**16,463**	**16,220**
Off-balance sheet commitments	**(4,805,154)**	**3,301,527**	**(1,503,627)**
TOTAL IMPAIRMENTS STAGE 1	(14,464,776)	11,901,331	(2,563,445)

Stage 2	30/06/19		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(71,156)	16,727	(54,429)
Loans and advances to customers measured at amortised cost	(11,170,446)	13,181,539	2,011,093
Normal debt securities measured at amortised cost	(1,194,535)	423,487	(771,048)
Financial assets measured at amortised cost	**(12,436,137)**	**13,621,753**	**1,185,616**
Normal debt securities measured at fair value through other comprehensive income	(82,599)	15	(82,584)
Financial assets measured at fair value through other comprehensive income	**(82,599)**	**15**	**(82,584)**
Off-balance sheet commitments	**(1,457,799)**	**932,183**	**(525,616)**
TOTAL IMPAIRMENTS STAGE 2	(13,976,535)	14,553,951	577,416

Stage 3	30/06/19				
	Allowances	Write-backs	Losses	Recoveries	Total
Impaired loans and advances to customers measured at amortised cost	(11,188,448)	13,280,922	(6,119,849)	0	(4,027,375)
Impaired debt securities measured at amortised cost	(1,000,000)	0	0	0	(1,000,000)
Impaired financial assets measured at amortised cost	**(12,188,448)**	**13,280,922**	**(6,119,849)**	**0**	**(5,027,375)**
Other receivables	**(8,775)**	**0**	**(96,559)**	**0**	**(105,334)**
Off-balance sheet commitments	**(948,487)**	**293,033**	**0**	**0**	**(655,454)**
TOTAL IMPAIRMENTS STAGE 3	(13,145,710)	13,573,955	(6,216,408)	0	(5,788,163)

TOTAL IMPAIRMENTS					(7,774,192)

Note 9: Material items in the statement of income

For the period ending June 30, 2019, the material items in the statement of income are the following:

- Total income reached EUR 265 million at the end of June 2019 compared with EUR 278 million at the end of June 2018 after restatement. This decrease is essentially due to non-recurring items such as the revaluation of reinvestment properties and a reduction in capital gains from the Investment Portfolio;
- General expenses totalled EUR 196 million as at June 30, 2019, showing a modest decrease of 1% compared with June 2018. Staff expenses increased as a result of new employees and a salary indexation applied in August 2018. The Bank recorded net provisions on loans and advances of EUR 8 million in June 2019;
- Net income before tax amounted to EUR 61 million, down by EUR 23 million compared with the first half 2018, influenced by a negative evolution of the cost of risk of EUR 10 million and lower results linked to the non-recurring items of EUR 13 million;
- Tax expenses have been negatively impacted for EUR 9.6 million following the decrease of the standard tax rate applicable in Luxembourg from 26.01% to 24.94%, mainly due to the reassessment of tax losses brought forward.

Note 10: Post-balance sheet events

There was no significant post-balance sheet event likely to have a major impact on the interim condensed consolidated financial statements of BIL.

Note 11: Fair value

A. BREAKDOWN OF FAIR VALUE

A.1. Fair value of financial assets	31/12/18			30/06/19		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	3,281,434,826	3,281,434,826	0	3,182,122,235	3,182,122,235	0
Financial assets held for trading	126,889,819	126,889,819	0	236,998,542	236,998,542	0
Financial investments measured at fair value	1,498,024,806	1,498,024,806	0	1,323,879,422	1,323,879,422	0
Financial assets at fair value through other comprehensive income	*1,476,561,341*	*1,476,561,341*	*0*	*1,299,454,622*	*1,299,454,622*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*21,463,465*	*21,463,465*	*0*	*24,424,800*	*24,424,800*	*0*
Loans and advances to credit institutions	1,075,243,576	1,075,245,656	2,080	1,107,879,182	1,107,875,520	(3,662)
Loans and advances to customers	13,386,056,162	13,490,121,628	104,065,466	13,999,278,040	14,246,909,025	247,630,985
Financial investments measured at amortised cost	5,039,541,719	5,061,074,631	21,532,912	5,801,263,716	5,886,832,636	85,568,920
Derivatives	290,313,542	290,313,542	0	205,928,985	205,928,985	0
Fair value revaluation of portfolios hedged against interest rate risk	1,470,569	1,470,569	0	744,647	744,647	0
TOTAL	**24,698,975,019**	**24,824,575,477**	**125,600,458**	**25,858,094,769**	**26,191,291,012**	**333,196,243**

A.2. Fair value of financial liabilities	31/12/18			30/06/19		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	2,945,818,913	2,952,578,679	6,759,766	2,889,034,523	2,895,346,342	6,311,819
Amounts due to customers	17,267,224,127	17,274,062,938	6,838,811	18,315,578,081	18,328,272,024	12,693,943
Financial liabilities measured at fair value through profit or loss	832,445,114	832,445,114	0	1,031,051,223	1,031,051,223	0
Derivatives	503,183,727	503,183,727	0	507,761,136	507,761,136	0
Fair value revaluation of portfolios hedged against interest rate risk	24,826,064	24,826,064	0	19,815,749	19,815,749	0
Debt securities	1,933,985,745	1,968,339,248	34,353,503	1,836,865,415	1,876,789,231	39,923,816
Subordinated debts	285,345,888	291,844,874	6,498,986	285,668,828	291,407,341	5,738,513
TOTAL	**23,792,829,578**	**23,847,280,644**	**54,451,066**	**24,885,774,955**	**24,950,443,046**	**64,668,091**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value.

With the exception of the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”, the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

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B. ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as level 2.

B.1. Assets	31/12/18			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	62,286,498	60,877,274	3,726,047	126,889,819
Financial assets measured at fair value	1,244,264,981	210,000,654	43,759,171	1,498,024,806
Derivatives	0	278,543,667	11,769,875	290,313,542
TOTAL	**1,306,551,479**	**549,421,595**	**59,255,093**	**1,915,228,167**

	30/06/19			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	49,631,953	65,752,543	121,614,046	236,998,542
Financial assets measured at fair value	1,078,332,493	185,231,690	60,315,239	1,323,879,422
Derivatives	0	198,093,045	7,835,940	205,928,985
TOTAL	**1,127,964,446**	**449,077,278**	**189,765,225**	**1,766,806,949**

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

B.2. Liabilities	31/12/18			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair Value	0	656,127,715	176,317,399	832,445,114
Derivatives	0	450,529,078	52,654,649	503,183,727
TOTAL	**0**	**1,106,656,793**	**228,972,048**	**1,335,628,841**

	30/06/19			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	0	2,887,772	0	2,887,772
Financial liabilities designated at fair Value	0	707,820,983	320,342,468	1,028,163,451
Derivatives	0	501,553,579	6,207,557	507,761,136
TOTAL	**0**	**1,212,262,334**	**326,550,025**	**1,538,812,359**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1. Assets

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2018 and the first semester of 2019.

C.2. Liabilities

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2018 and the first semester of 2019.

D. LEVEL 3 RECONCILIATION

D.1. Assets	31/12/18				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income	Purchase	Sale
Financial assets held for trading	2,645,350	733,351	0	1,348,900	(1,001,554)
Financial assets measured at fair value	82,207,847	(122,270)	16,380,410	2,340,732	0
Derivatives	19,828,321	(14,602,353)	0	6,543,907	0
TOTAL	**104,681,518**	**(13,991,272)**	**16,380,410**	**10,233,539**	**(1,001,554)**

	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	0	0	0	0	0	3,726,047
Financial assets measured at fair value	(57,047,548)	0	0	0	0	43,759,171
Derivatives	0	0	0	0	0	11,769,875
TOTAL	**(57,047,548)**	**0**	**0**	**0**	**0**	**59,255,093**

D.1. Assets	30/06/19				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income	Purchase	Sale
Financial assets held for trading	3,726,047	(245,743)	0	120,322,550	(2,188,808)
Financial assets measured at fair value	43,759,171	186	16,486,300	207,819	(4,977)
Derivatives	11,769,875	(5,409,263)	0	1,475,328	0
TOTAL	**59,255,093**	**(5,654,820)**	**16,486,300**	**122,005,697**	**(2,193,785)**

	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	0	0	0	0	0	121,614,046
Financial assets measured at fair value	(133,260)	0	0	0	0	60,315,239
Derivatives	0	0	0	0	0	7,835,940
TOTAL	**(133,260)**	**0**	**0**	**0**	**0**	**189,765,225**

D.2. Liabilities	31/12/18				
	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale
Financial liabilities held for trading	0	0	0	0	0
Financial liabilities designated at fair value	199,524,925	(8,572,412)	140,062,162	(154,888,904)	0
Derivatives	41,422,793	(22,248,685)	33,480,541	0	0
TOTAL	**240,947,718**	**(30,821,097)**	**173,542,703**	**(154,888,904)**	**0**

	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	0	191,628	176,317,399
Derivatives	0	0	0	52,654,649
TOTAL	**0**	**0**	**191,628**	**228,972,048**

D.2. Liabilities	30/06/19				
	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale
Financial liabilities held for trading	0	0	0	0	0
Financial liabilities designated at fair value	176,317,399	1,181,017	212,080,732	(72,472,770)	0
Derivatives	52,654,649	(46,852,862)	405,770	0	0
TOTAL	**228,972,048**	**(45,671,845)**	**212,486,502**	**(72,472,770)**	**0**

	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	0	3,236,090	320,342,468
Derivatives	0	0	0	6,207,557
TOTAL	**0**	**0**	**3,236,090**	**326,550,025**

BIL has elaborated a procedure defining the criteria for an active market and the notions of observable and non-observable inputs. These definitions have led the Bank to reconsider the levels of existing positions and led to changes in the levels of some banking and structured bonds activities.

Banking bonds

For each position, the FRM department has obtained from Bloomberg the following information:
- the bid and ask spread;
- the issue size (with type of issuer and currency);
- number of contributors providing a direct observable price.

Following these criteria, FRM has submitted a level for advice to a market expert.

The market expert has pointed out that some instruments are still in an active market even though all the criteria are not filled. Therefore, we need to consider the following information:
a) The rarity of the issue: when the overall issuer debt is relatively low, or in the case of securities issued by issuers outside the Eurozone. This is the case of issues from Poland, the Czech Republic (EUR -area size and debt) , Slovakia and Lithuania (loan size). The bid/ask spread observed on these bonds can be relatively low as well as the number of contributors;
b) Securitisations: prices are not available on Bloomberg, therefore there is no spread, nor any contributor. However, they are reported on a daily basis by traders and there are at least five contributors per security;
c) The investors "buy and hold" behaviour: some bonds are sought by investors but retained in their portfolio, therefore there are less sellers than buyers and as a result the bid/ask spread is low and there are sometimes limited contributors. This is particularly the case for issues from Qatar, Abu Dhabi and Luxembourg.

Structured bonds

Finalyse communicates for each product the type of data required for the valuation as well as whether these data are observable or not.

Moreover, the market expert is requested to evaluate the impact of the non observability of the forward data.

The "Total gains and losses in the statement of income" column cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3.

It should be noted that Level 3 financial instruments held for trading are the result of buybacks of BIL issues.

E. Sensitivity of Level 3 valuation to alternative scenarios

BIL uses a discounted cash flow model to determine the mark-to-model price. Sensitivity is a measurement of the fair value impact of alternative scenarios relating to the model's unobservable parameters at the closing date.

With regard to the spread valuation, in cases where BIL uses its own models, alternative scenarios relating to unobservable parameters were taken into consideration, in particular for:
- credit spreads: by considering credit spreads available on a single counterpart or, failing that, on similar counterparts or counterparts belonging to similar sectors, or by using credit spreads indexed to liquid Credit Default Swap (CDS);
- liquidity premiums: by considering the different levels of premiums primarily used in determining the fair value of bonds, and which depend in particular on the eligibility of the security for refinancing with the central banks;
- the illiquidity of the financial instrument: by considering a change in the estimated liquidity of the market for a single instrument or similar products and/or by incorporating an analysis of the bid/ask spread for real transactions.

Tests were carried out on all financial instruments classified under Level 3.

The effects of sensitivity are mainly felt at the level of structured issues recognised at fair value through profit and loss. These effects are, however, offset by a reverse sensitivity at the level of activity-related hedging derivatives.

The most significant stand-alone level 3 instrument is BIL's participation in Luxair SA. The sensitivity test leads to a minor impact in the OCI reserve. Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair SA valuation.

Note 12: Litigation

Banque Internationale à Luxembourg SA and Banque Internationale à Luxembourg (Suisse) SA

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

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

With regard to the proceedings initiated by the liquidators of certain feeder funds, on January 13, 2017, the redeemer defendants as a group filed a consolidated motion to dismiss all claims on various grounds. After a briefing was completed in 2017, the Court heard oral arguments with respect to the motion to dismiss on January 25, 2018. On August 6, 2018, the Court issued a decision addressing two threshold jurisdictional issues. After the parties agreed that the Court could address other issues while reserving judgement on the personal jurisdiction issue, the Court entered a second decision on December 6, 2018 granting in part and denying in part the consolidated motion to dismiss. As of today, the Court has not yet entered a final order implementing its decisions on the consolidated motion to dismiss.

The claims initiated by the liquidator of BLMIS were initially dismissed and were appealed to the Court of Appeals on a consolidated basis with other defendants. On February 25, 2019 the Court of Appeals reversed the initial Bankruptcy Court's decision, holding that the actions should not be dismissed based on comity or extraterritoriality. On April 23, 2019, the Court of Appeals granted a motion to stay the mandate pending disposition of a petition for a writ of certiorari to the United States Supreme Court. The certiorari petition enables the consolidated defendants to ask the Supreme Court for a review of the Court of Appeals' decision and needs to be filed by August 30, 2019.

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

As at June 30, 2019, no material provision for clawback actions has been made. Some clients who invested in products linked to Mr Madoff have also brought legal proceedings against Banque Internationale à Luxembourg SA.

Note 13: Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/18	30/06/19
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,254,871,420**	**1,294,253,797**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**967,458,833**	**1,006,434,354**
Capital, share premium and own shares	847,974,270	847,974,270
Reserves, retained earnings and eligible result	519,264,559	586,531,689
Regulatory and transitional adjustments[1]	(399,779,996)	(428,071,605)
ADDITIONAL TIER 1 CAPITAL (AT1)	**150,000,000**	**150,000,000**
Contingent convertible bond (issued on June 30, 2014)	150,000,000	150,000,000
TIER 2 CAPITAL (T2)	**137,412,587**	**137,819,443**
Subordinated liabilities	137,412,587	137,819,443
IRB excess	0	0
RISK WEIGHTED ASSETS	**8,034,382,645**	**8,576,473,627**
Credit Risk	7,110,863,203	7,640,847,359
Market Risk	62,019,811	76,226,192
Operational Risk	836,575,711	836,575,711
Credit Value Adjustments	24,923,920	22,824,365
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	12.04%	11.73%
Tier 1 ratio	13.91%	13.48%
Capital Adequacy ratio	15.62%	15.09%

[1] REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	31/12/18	30/06/19
Goodwill and intangible assets	(194,083,757)	(211,001,588)
Deferred tax assets that rely on future probability	(201,638,424)	(185,655,066)
Fair value reserves related to gains or losses cash flow hedges	4,812,604	5,113,260
Gains or losses on liabilities at FV resulting from own credit	(380,283)	(325,404)
Additional Value Adjustment	(3,050,125)	(2,993,709)
IRB shortfall	0	(18,757,379)
Defined benefit pension fund assets	(4,430,001)	(4,491,719)
AGDL reserves	(1,010,010)	0
Unrealised gains or losses measured at fair value	0	(9,960,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**(399,779,996)**	**(428,071,605)**

The figures are computed according to Basel III rules (CRR 575/2013 and CSSF Regulation 18-03).

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

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