Semi-annual Report

as at June 30, 2021

BANQUE
INTERNATIONALE
À LUXEMBOURG

Semi-annual Report

as at June 30, 2021

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Corporate governance (as of June 30, 2021)

Board of Directors and Executive Committee

The Board of Directors has the overall responsibility for Banque Internationale à Luxembourg (BIL). Among its missions, the Board of Directors is responsible for setting and overseeing the overall business and risk strategy and policy including the risk tolerance/appetite and the risk management framework. The Board of Directors is assisted by four specialised committees: the Board Strategy Committee, the Board Risk Committee, the Board Audit and Compliance Committee and the Board Remuneration and Nominations Committee.

The Board of Directors has delegated the daily management of BIL to the Management Board and the Chief Executive Officer (CEO).

The overall objective of the Management Board is to lead, direct and manage BIL in order to achieve the strategy and the business objectives set by the Board of Directors. The Management Board is composed of the Authorised Management members and is collegially responsible for the effective day-to-day management of BIL and typically decides on matters of strategic importance and significant impact in line with the regulatory framework. It meets on a weekly basis as an integral part of the Executive Committee and on an ad-hoc basis, as needed.

The Executive Committee consists of the CEO and the Management Board members and the heads of other support and business lines. It is in charge of running BIL and meets on a weekly basis with a majority of Management Board members.

The Management Board respectively the Executive Committee exercises its duties under the supervision of the Board of Directors.

Board of Directors

Chairman

Luc Frieden	Independent Director

Vice-Chairman

Peng Li	Director

Members

Ashley Glover	Director, Staff Representative
Maurice Lam	Independent Director
Marcel Leyers	Director and Chief Executive Officer
Charles Q. Li	Independent Director (as from May 14, 2021)
Jing Li	Director
Pierrot Rasqué	Director, State Representative
Christian Schaack	Independent Director (up to April 29, 2021)
Michel Scharff	Director, Staff Representative
Serge Schimoff	Director, Staff Representative
Marc Terzer	Director, Staff Representative
Vincent Thurmes	Director, State Representative
Chris Van Aeken	Independent Director

Board Strategy Committee

Chairman

Jing Li

Members

Luc Frieden
Vincent Thurmes

Board Audit and Compliance Committee

Chairman	*Members*
Maurice Lam	Jing Li Pierrot Rasqué

Board Risk Committee

Chairman	*Vice-Chairman*	*Members*
Chris Van Aeken	Jing Li	Luc Frieden Charles Q. Li (as from May 14, 2021) Christian Schaack (up to April 29, 2021) Vincent Thurmes

Board Remuneration and Nominations Committee

Chairman	*Members*
Peng Li	Jing Li Serge Schimoff (Remuneration matters) Vincent Thurmes

Executive Committee

Chairman

Marcel Leyers[1]	Chief Executive Officer

Members

Hans-Peter Borgh	Group Head International
Olivier Debehogne[1]	Chief Transformation Officer
Jeffrey Dentzer[1]	Chief of the Luxembourg Market and Corporate and Institutional Banking
Helmut Glemser[1]	Chief Risk Officer
Emilie Hoël	Head of Wealth Management
Bernard Mommens[1]	Secretary General and General Counsel
Jérôme Nèble	Head of Financial Markets[2]
Nico Picard[1]	Chief Financial Officer
Karin Scholtes[1]	Global Head of People, Culture and Communication

Permanent Invitees

Marie Bourlond	Chief Compliance Officer
Olivier Gorin	Head of Strategy and Marketing[3]
Pia Haas	Chief Internal Auditor

[1] Member of the Management Board (Authorised Management).
[2] Jérôme Nèble became Head of Financial Markets following the change of name of the Products and Markets business line as from February 10, 2021.
[3] As from August 1, 2021, Olivier Gorin becomes a member of the Executive Committee.

Business Review and Results

1. Highlights of the first half of 2021

In 2020, the COVID-19 pandemic brought the global economy to a standstill, followed by various states of stop-and-go throughout early 2021, as the sanitary situation evolved. BIL quickly adapted its operations to the new situation with effective and efficient ways of working. Nevertheless, the commercial activities were impacted and some key projects had to be delayed.

As the environment remained uncertain throughout the first half of 2021 on the health and economic fronts, BIL stayed focused on supporting its customers in emerging from the crisis and adapting its strategic plan Create Together 2025. To emerge stronger in the post-pandemic world and to make its business model more sustainable in the long-term, the Bank decided to accelerate the roll-out of its five-year strategic plan and focus its efforts on five defining objectives:

- Be the best bank for entrepreneurs in Luxembourg thanks to its unique position and its wide service offering, at the intersection of retail, private and corporate banking;
- Bridge Europe and China, by serving European clients looking to invest in China, and serving Chinese clients wanting to invest in Europe;
- Strengthen its wealth management business and dynamise its profitability;
- Deliver its new core banking system that will lay the foundations for BIL's transformation;
- Adapt its operating model and work environment to embrace future changes and challenges.

To reflect these key projects and priorities, BIL implemented a new organisation effective on January 1, 2021. In order to further increase client support across channels and increase cross-selling, all commercial activities in the Luxembourg market, i.e. retail, private banking Luxembourg and corporate banking were brought under one leadership. The Transformation Office was created, to support all digital transformation projects and especially the replacement of the core banking system. To lead the Bank's efforts to include Environmental, Social and Governance (ESG) principles into the different business activities, BIL created a new role in charge of Sustainable Development. With this new structure in place, BIL is aiming for greater efficiency, responsibility and accountability.

ADAPTING OUR DIGITAL AND PHYSICAL FOOTPRINTS

In Luxembourg, BIL continued to roll out its omnichannel distribution combining an optimised branch network for in-person service, strengthened teams for phone services, and digital services of its BILnet online banking platform. The branch network is constantly being adapted and upgraded to the new branch formats introduced in 2020 i.e. BIL Office, BIL Shop and BIL House. During the first half of 2021, two new branches opened, BIL Shop Pétange in the south of Luxembourg and BIL Office "Philharmonie" in the Kirchberg business district of Luxembourg city. With the pandemic and travel restrictions, the use of digital banking services skyrocketed. To assist less digitally savvy clients, and provide support with their day-to-day operations, BIL strengthened the BIL Direct Centre team, the Bank's call centre. This allowed to improve services and keep up with the increasing volume of calls. In line with the Create Together 2025 strategy, the Bank will continue to expand its digital service offering and to digitally transform its working environment by creating effective and efficient internal processes and client journeys.

BIL'S INTERNATIONAL FOOTPRINT ON THE MOVE

With regard to its national and international Wealth Management activities, BIL is further developing its two main centres of excellence, Luxembourg and Switzerland.

The Bank continues to focus its commercial reach on markets where it has the strengths to provide value to its clients, such as, China, the Middle East, Western Europe, Eastern Europe, Russia and on specific client targets such as entrepreneurs and business owners.

With now two locations in China, BIL expanded its network in 2020, connecting Luxembourg and Switzerland, with Beijing and Hong Kong.

BIL Wealth Management Limited is BIL Group's primary operating entity in Asia Pacific and a key part of BIL Group's China strategy. Bridging China and Europe, BIL Wealth Management Limited will foster Chinese client acquisitions, strengthen BIL Group's investment capacity and diversify product offering for European and Chinese entrepreneurs and HNWI (High Net Worth Individual) clients. With its dedicated China investment and research team, it will reinforce the diversification of BIL Group's product portfolio for clients, identifying and creating accesses to Chinese investment opportunities to broaden BIL Group's offerings.

BIL also increasingly focused on adapting its set-up in the markets where it lacked scale or competitive advantage. The Bank decided to centralise its Middle East market desk in Switzerland and will close its Dubai branch effective in the second half of 2021.

BIL'S CHANGES IN SCOPE OF CONSOLIDATION

On March 23, 2021, BIL signed a Sale and Purchase Agreement (SPA) with ZEDRA, a leading fund formation and administration provider for its fund and corporate services subsidiary, BIL Fund & Corporate Services (BFCS). Once the transaction is fully approved by the regulatory authorities, BFCS will become a part of ZEDRA.

In June 2021, BIL and Ringkjøbing Landbobank signed an agreement for the transfer of BIL Denmark's business. The transaction was closed on July 1, 2021. The concerned business will be transferred to Ringkjøbing Landbobank during the third quarter of 2021.

FULL SUITE OF ASSET MANAGEMENT SERVICES

Throughout the first half 2021, the Bank pursued strategic initiatives to strengthen its reputation as an asset manager and a trusted investment advisor through products which add value to clients' portfolios and partnerships.

BIL has joined Leonteq's structured investment products platform for fully white labelled issuers. Several months of development and cooperation have reinforced the partnership initiated in 2020. Through the platform, BIL issued products are available for distribution in more than 30 markets. This new milestone will greatly enhance the Bank's structured product issuance capabilities and efficiency and its visibility across key international markets.

BIL's push in alternative investment, private equity and real estate, is giving the first signs of success. BIL PE I (private equity I), launched in 2019, achieved a good performance at the end of 2020. Despite an unprecedented global crisis, its yearly Net Asset Value went up by 15%. With the experience and knowledge gathered during the past three years, and the strong performance of BIL PE I, the Bank is now working on launching a similar private equity product.

In terms of sustainable finance, the Bank has also set up a structure to effectively address Environmental, Social and Governance (ESG) issues and develop its product offer following a thorough review of its discretionary management and investment advisory activities. In 2020, BIL partnered with asset management firm Candriam to access ESG data. The Bank reviewed its discretionary management and investment advisory activities in order to integrate sustainability risks into its investment decisions, and to consider the negative sustainability impacts of its investments. BIL's Socially Responsible Investment (SRI) approach combines a policy of exclusion and ESG criteria integration in the selection of assets that will make up the lists of instruments recommended by the Bank.

2. COVID-19

The first half of 2021 was overshadowed by the coronavirus pandemic in Luxembourg and worldwide. Early 2021, protective measures had been extended, and banks were required to stay open as their services were considered essential.

The Bank continued to adapt its working environment by maintaining a high number of employees in remote working and by continuing to broaden its digital offer to serve clients. The vaccination campaigns picked up speed during the second quarter of 2021 in many countries, with sanitary situations showing signs of improvement. After many months of remote working, employees started gradually coming back to the workplace. Hybrid work, i.e., a combination of remote and on-site working, will be the norm going forward from October 1, 2021.

BIL'S PROTECTIVE MEASURES

Since the beginning of 2021, and in view of a resurgence of the virus, all BIL Group entities continued to take extensive measures to protect the health and safety of employees and clients whilst ensuring business continuity. This included restricting face-to-face meetings, splitting teams between different buildings, additional hygiene measures and remote working.

These extensive protective measures contributed in keeping the number of infected employees low and all departments and Group entities remained fully operational.

Moreover, the Bank remained fully engaged in supporting its customers in their business activities. Since the beginning of the pandemic, an Exit Strategy Committee was created to assess the situation on a weekly basis, to apply measures in line with the instructions of the State of Luxembourg and to prepare for the post COVID-19 set-up.

After many months spent working remotely, COVID-19 cases are in decline and restrictions are being gradually lifted. BIL is pleased to be able to plan a gradual return to the office. The plan, called "good to see you again", started in June 2021, asking people to come back two days a week minimum to the office; three days a week as from July 15, and finally four days a week as from October 1, so that employees can return to a certain normality.

As from October 1, and provided the sanitary situation allows for it, "the New Way of Working" will apply, taking into account best practices and lessons learned during the pandemic. In the meantime, as long as necessary, strict sanitary measures are maintained to protect staff, monitoring of contamination is still in place, an anonymous and voluntary internal survey has been launched to measure vaccination rates among staff, self-tests provided by the government were distributed to all staff and employees are encouraged to use them before coming to the office.

LUXEMBOURG GOVERNMENT MEASURES

At the height of the pandemic in April 2020, the Luxembourgish Government rolled out extensive financing and support measures to counteract the economic impact of the lockdown: in particular, an unprecedented economic stabilisation package of EUR 8.8 billion had been decided to help Luxembourg businesses cope with the impact of the COVID-19 crisis.

In response to the continued economic turbulence caused by a resurgence of the pandemic in late 2020 and early 2021, including a prolonged shutdown of non-essential activities, the Luxembourgish Government extended several business and employment support measures and widened the scope of vulnerable businesses able to benefit.

In April 2021, a gradual reopening and easing of restrictions began. As a continuation of the economic stabilisation programme, and post COVID-19 economic recovery strategy "Neistart Lëtzebuerg", the Luxembourgish Government has further extended certain support schemes throughout 2021 and will continue to offer relief for businesses in the hardest hit sectors. Indeed, a separate state support scheme for companies in the hospitality, events, culture and entertainment sectors has been extended until the end of October 2021.

The State-backed guaranteed loan scheme introduced in April 2020 has also been extended until the end of 2021. EUR 2.5 billion were earmarked for the scheme, that foresees a state guarantee for 85% and a guarantee by the participating banks of 15% of the credit line. BIL is a participating bank in this scheme with an envelope of EUR 470 million to be used for business loans.

At the end of June 2021, the short-time working scheme introduced as one of the measures in response to COVID-19 has come to an end. From July 1, 2021, access to short-time working is again governed by the provisions of the Labour code. However, companies belonging to crisis-stricken sectors or encountering economic or structural difficulties will still be granted relief.

BIL'S CLIENT MEASURES

Moratorium credits

As one of the major banks in Luxembourg, BIL strongly supported Government and Central Bank actions by making financing solutions available to clients affected by the crisis. In this context, more than EUR 1 billion in moratoria have been approved. At the end of June 2021, the moratoria granted in response to the pandemic have almost all expired with EUR 29 million (77 cases) remaining outstanding. With regards to the moratoria granted, the rate of resumption of contractual payments is an overwhelming 96.7%.

The moratorium credits are subject to frequent reviews on the basis of information collected by the relationship managers (RMs) and objective indicators selected by the risk management function in order to determine their correct classification. At this stage, these reviews have led the Bank to reclassify EUR 304 million of outstanding loans as forborne, of which EUR 77 million are forborne non-performing (Stage 3).

Loan guarantees

At the end of June 2021, BIL has granted a total of EUR 43 million State-backed guaranteed COVID-19 loans within the scheme set up by the Luxembourgish Government and which was extended until December 2021.

MACROECONOMIC ENVIRONMENT

Advanced economies experienced their most severe business cycle contraction in 2020 due to the COVID-19 pandemic, exceeding the impacts of the financial crisis a decade ago (e.g. -6.6% for the euro area real GDP growth, compared to -4.5% in 2009). Gladly, the global decline observed was ultimately less than expected and the recovery a priori quicker than expected. Industrial production and international trade in goods rebounded well in the second half of 2020, albeit with some supply difficulties (STATEC *Note de conjoncture* June 2021). The European Commission expects a GDP growth in Luxembourg of 6% in 2021 and 3.5% in 2022.

Although the vaccination campaign advanced rather well in Europe in the second quarter of 2021 after initial difficulties and with an average of more than 40% of the population being fully vaccinated in most EU countries, new COVID-19 variants and rising infection numbers raise concern and make macroeconomic forecasts more difficult. The COVID-19 restrictions will continue to limit mobility and heavily weigh on activities involving high levels of social and physical interaction (e.g. the hotel, restaurant and catering sector).

In Luxembourg, the COVID-19 restrictions particularly affected performance in several categories of non financial services (trade, transport, hotel and catering and the temporary employment sector, among others). Construction prices have continued to rise massively, partially due to high raw material prices following shortages. European natural gas prices reached a new high in June 2021. However, this has still not yet affected consumer prices as Luxembourgish gas prices generally lag behind international trends.

According to STATEC (*Conjoncture Flash* July 2021), the outlook for the second half of 2021 remains closely linked to the evolution of the pandemic that is still ongoing. While certain indicators (like business and household confidence indicators) show a significant economic recovery, unemployment has not reached a before crisis level in Germany and Belgium for example, and the stock markets remain sensitive to new COVID-19 restrictions.

The extent of the downturn will depend on (i) the effectiveness of the vaccine, the vaccination rates and the ongoing measures against the virus propagation and (ii) how policymakers will respond to a possible new wave due to virus variants. On the monetary front, significant shifts are unlikely, and the months ahead will see further consolidation through quantitative easing measures to maintain low borrowing costs.

Luxembourg has supported economic players predominantly through social benefits and capital financing. In 2021, social benefits relating to COVID-19 measures are expected to end in October. Following forced closures, the hotel, restaurant and catering sector is the most severely hit. Together with the construction, trade, business services and industry sectors, this sector accounts for 80% of paid short-time working support and benefits from the most Government aid. The European "Next Generation EU" recovery plan foresees a total amount of EUR 750 billion that can be borrowed from the capital markets and distributed as loans and subsidies to Member States from 2021 to 2023. The US recovery plan adopted in March 2021 includes an aid package of USD 1.9 trillion for households, education, local authorities and small businesses.

In light of the great uncertainty surrounding the economic outlook, BIL takes several macroeconomic scenarios into account when carrying out sensitivity analyses of its cost of risk and more specifically the IFRS 9 expected credit losses.

EARLY 2021- MAJOR FINANCIAL IMPACTS

Commercial activities

Commercial activities have remained somewhat impacted by the continuous lockdown situations across most European countries throughout early 2021 and by the low interest margins. Nevertheless, in the first half of 2021 commercial activities' loans increased by 3% (compared with December 2020) across all business lines. Assets under Management also increased during the first half of 2021 by 4% thanks to a positive market effect of EUR 1.4 billion and Net New Asset growth of EUR 0.4 billion.

Cost of Risk

BIL Group recorded net provisions of EUR 19 million in the first half of 2021 compared with EUR 29 million in June 2020 or EUR 63 million at the end of 2020, excluding impairment on right-of-use assets (please refer to the "analysis of the consolidated statement of income" section for further information). The half-year 2021 core cost of risk (excluding non-recurring items) amounted to EUR 20 million and can be broken down mainly into specific provisions of EUR 22 million and an expected credit losses (ECL) decrease of EUR 2 million including the recalibration of the management overlays. In a prudent and forward-looking manner, at the end of 2020, BIL defined IFRS 9 ECL management overlays of EUR 13.8 million to anticipate expected credit loss downgrades in the near future. As at the end of June 2021, the management overlays amount to a total of EUR 8.5 million based on a one-notch downgrade of all exposures benefitting from a moratorium (whether matured or ongoing) as well as all Mid-Corporate exposures not already benefitting from a moratorium.

Group Assets

Other than the impacts described above, there have been no specific impacts related to the valuation of the assets of the Group such as goodwill where no impairment indicators were identified.

3. ESG (Environmental, Social and Governance)

In the first half year, BIL finalised its ESG Strategy. The ESG strategy definition takes into account the main expectations of the most important stakeholders and focuses on the engagement and inclusion of all BIL employees and decision bodies. BIL committed to sign the United Nations (UN) Global Compact and the UN Principles of Responsible Banking (PRB) during the second half of 2021 and identified 10 priority Sustainable Development Goals (SDG). The ESG strategy will closely be linked to the Bank's Corporate Social Responsibility (CSR) activities at corporate level.

On the investment side, to comply with the European Regulation (EU) 2019/2088, the so-called Sustainable Finance Disclosure Regulation (SFDR), BIL disclosed on its website, on March 10, 2021 its Sustainable and Responsible Investment Statement, describing how sustainability risks are integrated into its investment decision processes via an exclusion list targeting individual companies and countries and by integrating Environmental, Social and Governance considerations into its investment products and services.

In terms of the classification of products and services, BIL has decided to adopt a prudent approach in order to avoid any greenwashing. To ensure complete transparency - given the lack of maturity and best-practices regarding ESG data - BIL decided to initiate the journey towards sustainable investment by classifying four of its BIL Invest Sicav Patrimonial sub-funds as promoting Environmental and/or Social characteristics under article 8 of the SFDR. Further enhancement of BIL products and services towards article 8 eligibility will remain a priority for the Bank in the coming months. Details can be found on *https://www.bil.com/en/bil-group/documentation/Pages/sfdr.aspx*.

Regarding, the management of ESG risks, the following initiatives have been taken by BIL's Risk Management teams:

- Further to a self-assessment regarding the 2020 European Central Bank (ECB) Climate Risk Guide, a gap analysis was performed and a remediation plan has been set up covering the most important dimensions such as strategy, risk appetite, the risk assessment framework and disclosures. This plan will gradually be deployed until 2024.
- More precisely, the Risk Management teams, within the ICAAP/ILAAP framework, are currently working on several axes including:
  - Enhancement of the Risk Cartography: inclusion of ESG risk features in an improved risk cartography process;
  - ECAP ESG risk models review;
  - The participation of the Bank in the 2022 ECB Climate Risk Stress Test.

With respect to the Bank's Investment Portfolio, on June 30, 2021, the Investment Portfolio held EUR 742 million of green, social and sustainable bonds, of which the majority have been invested in sustainable public sector bonds. The proportion of these bonds in the overall portfolio has continued to rise, with ESG assets currently reaching a 9.6% share of the total portfolio.

Finally, in order to reduce the carbon footprint of its company cars and onboard employees in the ESG journey, BIL has defined a CO_2 cap for all future car orders.

4. Business Line Segmentation

In January 2021, in order to further increase client support across channels, increase cross-selling in our domestic market and to support Energise Create Together 2025, the Bank decided to bring all activities in the Luxembourg market under one leadership.

- **"Retail Banking, Corporate & Institutional Banking (CIB) and Wealth Management"** were renamed and are now reported as **"Luxembourg Market & CIB"** and **"Wealth Management"** and divided into three business lines: Luxembourg Market & CIB (i.e. Retail Banking, Private Banking Luxembourg and CIB including the international dimension of the CIB business line), Wealth Management Luxembourg and Wealth Management international.
- **"Financial Markets"** and **"Group Center"** remain unchanged compared with the 2020 Annual Report (please refer to the 2020 Annual Report for further details).

5. Key Figures

COMMERCIAL FRANCHISES

In spite of the global health crisis, the "Luxembourg Market & CIB" and "Wealth Management" business areas delivered a good performance during the first semester:

- Assets under Management (AuM) reached EUR 45.5 billion compared with EUR 43.7 billion at the end of 2020. This increase resulted from a positive market effect and Net New Asset (NNA) inflows of EUR 1.4 billion and EUR 0.4 billion respectively;
- Customer deposits increased by 2.7% to EUR 20.3 billion compared with EUR 19.8 billion at year-end 2020, mainly driven by an increase in current accounts;
- Customer loans increased by 3% or EUR 0.5 billion to EUR 15.9 billion, mainly in Luxembourg and Switzerland.

PROFITABILITY

BIL reported a net income after tax of EUR 47 million in June 2021, compared with EUR 40 million in June 2020, up by 18%.

Net income before tax amounted to EUR 50 million, up by 14% (EUR 6 million) compared with June 2020, influenced by a positive evolution of the non-recurring items of EUR 10 million and a cost of risk decrease of EUR 11 million.

Non-recurring items (EUR 10 million) were mainly composed of the capital gains from the Bank's Investment Portfolio and COVID-19 expenses. Capital gains increased from EUR 9.9 million in June 2020 to EUR 15.3 million in June 2021 and COVID-19 expenses decreased by EUR 4 million compared with June 2020 following investments made at the peak of the pandemic.

Core gross operating income (excluding non-recurring items) decreased by EUR 15 million and totalled EUR 53 million in June 2021. This decrease was mainly influenced by an increase of core operating expenses of EUR 11 million (+5%) to support the strategic plan, to address regulatory requirements and to accommodate changing to the new core banking system. Core operating revenues decreased by EUR 4 million (-2%) driven by Wealth Management (which was positively influenced in 2020 by performance and matchmaking fees) and by the continuity of the low interest rates environment.

Core operating net income before tax totalled EUR 35 million in June 2021 compared with EUR 39 million in June 2020, which represents a decrease of EUR 4 million driven by the core gross operating income decrease (EUR 15 million) offset by a positive evolution of the cost of risk (EUR 10 million).

LONG-TERM COUNTERPARTY CREDIT RATINGS

As at the end of June 2021, BIL's ratings by both Moody's and Standard & Poor's remain unchanged compared with December 31, 2020, at A2/Stable/P-1 and A-/Stable/A-2 respectively.

BIL Group	June 2021	Outcome
Moody's	A2 Stable P-1	On October 21, 2020, Moody's Investors Service completed a periodic review of the ratings of the Bank and confirmed the ratings affirmed on May 7, 2018.
S&P	A- Stable A-2	On November 23, 2020, S&P Global Ratings affirmed BIL's ratings and published a fully updated rating report in December 2020.

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

6. 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 2021 were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union. The main accounting principles are described in Note 1 to the interim condensed consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

(in EUR million)	30/06/20	30/06/21	Change versus June 2020	%
Revenues	**275**	**277**	**1**	**0%**
Interests and dividend income	159	145	(14)	(9)%
Fees income	110	113	3	3%
Other income	6	19	13	203%
Expenses	**(202)**	**(209)**	**(7)**	**3%**
Staff expenses	(110)	(110)	0	(0)%
General expenses	(65)	(71)	(6)	10%
Amortisation	(27)	(28)	(1)	3%
Gross operating income	**73**	**68**	**(6)**	**(8)%**
Cost of risk and provisions for legal litigation	(29)	(19)	11	ns.
Operating Income	**44**	**49**	**5**	**11%**
Net Income from associates	0	2	1	345%
Net income before tax	**44**	**50**	**6**	**14%**
Tax expenses	(9)	(8)	1	(14)%
Net income of continuing operations	**35**	**43**	**8**	**22%**
Discontinued operations (net of tax)	5	4	(0)	(6)%
Net income	**40**	**47**	**7**	**18%**

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

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

(in EUR million)	Commercial activities and Financial Markets		Group Center		Total		Change versus June 2020	%
	30/06/20	30/06/21	30/06/20	30/06/21	30/06/20	30/06/21		
Revenues	299	298	(23)	(21)	275	277	1	0%
of which core operating revenues	*289*	*282*	*(25)*	*(22)*	*264*	*260*	*(4)*	*(2)%*
Expenses	(194)	(199)	(8)	(10)	(202)	(209)	(7)	3%
of which core operating expenses	*(193)*	*(199)*	*(4)*	*(8)*	*(197)*	*(207)*	*(11)*	*5%*
Gross operating income	105	98	(32)	(31)	73	68	(6)	(8)%
of which core gross operating income	*96*	*83*	*(28)*	*(30)*	*68*	*53*	*(15)*	*(22)%*
Cost of risk and provisions for legal litigation	(29)	(20)	0	1	(29)	(19)	11	ns.
of which core operating cost of risk	*(29)*	*(20)*	*0*	*0*	*(29)*	*(20)*	*10*	*ns.*
Operating income	75	79	(32)	(30)	44	49	5	11%
of which core operating income	*67*	*64*	*(28)*	*(30)*	*38*	*33*	*(5)*	*(13)%*
Net Income from associates	0	0	0	2	0	2	1	345%
Net income before tax	75	79	(31)	(28)	44	50	6	14%
of which core operating net income before tax	*67*	*64*	*(28)*	*(28)*	*39*	*35*	*(4)*	*(10)%*
Tax expenses					(9)	(8)	1	(14)%
Discontinued operations (net of tax)					5	4	(0)	(6)%
Net income					**40**	**47**	**7**	**18%**

Revenues

In June 2021, total revenues amounted to EUR 277 million, stable with June 2020 (EUR 275 million). Excluding the aforementioned non-recurring items evolution, core operating revenues stood at EUR 260 million compared with EUR 264 million in June 2020, a decrease of EUR 4 million (-2%).

Commercial activities' contribution to the core operating revenues decreased by 2 million (-0.6%) compared with June 2020. Since 2020, all commercial activities have been significantly impacted by the COVID-19 crisis.

Despite a low interest rate environment, Luxembourg Market & CIB realised a EUR 5 million increased contribution thanks to higher fees and commission income supported by a growth in mortgage loans and increased management fees stemming from AuM evolution.

Following certain measures taken by the Bank, along with outflows during 2020 and the first semester of 2021, Wealth Management revenues suffered, leading to a lower contribution of EUR 7 million. This decrease was mainly driven by Switzerland and Luxembourg, due to the negative EUR and decreasing USD interest rates which pushed down the interest margin on deposits, it being noted that 2020 was also positively influenced by a real estate transaction realised by the family office.

Financial markets contribution to the core operating revenues (excluding capital gains) decreased by EUR 5 million. This deviation is related to debt securities issuance and stock, which increased from EUR 3.6 billion in June 2020 to EUR 4.3 billion in June 2021 with a funding cost growth of EUR 2 million and by a lower contribution from the treasury desk of EUR 3 million.

Group Center activities generated negative core operating revenues of EUR 22 million compared with EUR 25 million in June 2020. Group Center is notably composed of the Deposit Guarantee Scheme (DGS) & Resolution Funds' contributions, the funding costs related to the issuance of Tier 2 debt, senior non-preferred debts and other items not attributable to the commercial business lines. The positive evolution of EUR 3 million is due to a good contribution from BIL Reinsurance which permitted to offset the DGS & Resolution funds' contributions which increased from EUR 18 million to EUR 22 million in June 2021.

Expenses

Expenses amounted to EUR 209 million, up by 3% compared with June 2020 (EUR 202 million). The major evolution concerned general expenses, which increased by EUR 6 million.

The majority of this increase (EUR 4 million), in Luxembourg, is driven by regulatory requirements, notably related to risk regulation enhancement (e.g. models roadmap, stress test, recovery plan) and the transition costs to the new core banking system.

In Switzerland, BIL Suisse continued to develop the new strategy "Marco Polo" launched during the second semester of 2020, leading to an increase of EUR 3 million.

At BIL Group level, staff costs and depreciation and amortisation remained stable compared with June 2020.

Consolidated management report

Interim condensed consolidated financial statements

Gross operating income

Gross operating income amounted to EUR 68 million compared with EUR 73 million in June 2020 (-8%). Excluding non-recurring items, core gross operating income decreased by EUR 15 million, influenced by a decrease of core operating revenues of EUR 4 million and an increase of core operating expenses of EUR 11 million.

Cost of risk

BIL Group recorded net provisions on loans and advances and provisions for legal litigations of EUR 19 million (EUR 29 million in June 2020).

Reflecting anticipations of corporate loans consequently suffering from COVID-19, the Bank recognised net specific value adjustments of EUR 22 million adopting a prudent approach in line with the ECB guidance on progressive full provisioning of aged Non-Performing Loans (NPL).

As previously mentioned in the 2020 Annual Report, the Bank granted moratoria to clients in financial difficulty enabling them to postpone loan repayments. These moratoria may have led to temporary improvements in counterparties' situations and creditworthiness and hence, potentially better than expected ratings. In light of this and in a prudent and forward-looking manner, BIL defined IFRS 9 ECL management overlays to anticipate increases in ECL due to rating downgrades in the near future. The reassessment of the management overlays has led to a decrease of EUR 5 million in stage 1 ECL partially offset by an increase of modelled stage 1 ECL of EUR 3 million.

In the Risk Management section, the Bank has published an overview of the asset quality by stage focused on loans and advances to customers. The total impairment of gross customer loans decreases slightly at 1.84% compared with year-end 2020 at 1.86%. BIL's Stage 3 asset quality ratio[1] equated to 4.28% versus 4.69% positively influenced by several reimbursements.

Net income before tax

Net income before tax amounted to EUR 50 million, up by EUR 6 million (14%) compared to the first semester of 2020, largely influenced by the cost of risk.

Tax

As at June 2021, tax expenses amounted to EUR 8 million. The evolution of tax expenses in June 2021 compared with June 2020 is mainly explained by a write back of impairment of tax losses carried forward recognised since 2017.

Discontinued operations

Net income from discontinued operations (net of tax) amounted to EUR 4 million in June 2021 versus EUR 5 million in June 2020 and corresponds to the business activity of the BIL Denmark branch in the scope of the BTA[2] with Ringkjøbing Landbobank.

BIL Denmark business activities are therefore classified as a "disposal group" meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at June 30, 2021 (please refer to Note 1.17 of the 2020 Annual Report for related accounting policy).

Net income

The Bank reported a net income of EUR 47 million showing considerable resilience when compared with June 2020 (EUR 40 million) despite the ongoing health crisis and the uncertain economic situation.

[1] Asset quality ratio: total Stage 3 outstanding divided by total gross loans and advances to customers
[2] Business Transfer Agreement

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET[1]

(in EUR billion)	31/12/20	30/06/21	Change versus 2020	%
ASSETS	**30.6**	**31.3**	**0.7**	**2.3%**
Cash at central banks and loans and advances to credit institutions	5.4	5.7	0.3	6.4%
Loans and advances to customers	15.4	15.9	0.5	3.0%
Financial investments	8.8	8.6	(0.2)	(2.4)%
Positive fair value of derivative products	0.2	0.1	(0.1)	(39.7)%
Other assets	0.7	1.0	0.2	28.4%
LIABILITIES AND SHAREHOLDERS' EQUITY	**30.6**	**31.3**	**0.7**	**2.3%**
Amounts due to credit institutions	4.2	3.6	(0.6)	(14.1)%
Amounts due to customers	19.8	20.3	0.5	2.7%
Negative fair value of derivative products	0.6	0.4	(0.3)	(41.4)%
Debt securities	3.7	4.3	0.6	16.5%
Subordinated debts	0.1	0.2	0.1	78.0%
Other liabilities	0.3	0.5	0.2	66.9%
Shareholders' equity	1.8	2.0	0.1	6.3%

ASSET MOVEMENTS

"Loans and advances to customers" amounted to EUR 15.9 billion compared with EUR 15.4 billion, up by EUR 0.5 billion (+3.0%) compared with December 2020. Commercial activities' loans increased with a positive contribution from all business lines. Outstanding mortgage loans increased by EUR 0.4 billion (+7.0%) and investment loans by EUR 0.1 billion (+1.8%). The Bank continued to support the local economy despite the current environment impacted by the COVID-19 crisis.

"Financial investments" reduced by EUR 0.2 billion to EUR 8.6 billion following the sales generated during the first semester of 2021 partially compensated by the increase in fair value of some investments. The Investment Portfolio is mainly made up of assets eligible for refinancing by the European Central Bank (ECB) and qualifying as liquidity reserves under the regulatory framework. These assets enable the Bank to fully comply with liquidity ratio requirements, keeping a comfortable liquidity position translating into a Liquidity Coverage Ratio (LCR) of 159% as of June 30, 2021 in line with previous months.

"Cash at central banks and loans and advances to credit institutions" amounted to EUR 5.7 billion, up by EUR 0.3 billion (+6.4%). This positive trend is mainly correlated to the growth of "Debt securities".

LIABILITY MOVEMENTS

"Amounts due to credit institutions" reached EUR 3.6 billion, down by 0.6 billion (-14.1%) driven by a reduction in repurchase agreements. TLTRO outstanding at the end of June 2021 totalled EUR 1.5 billion, unchanged with the situation at the end of December 2020.

"Amounts due to customers" totalled EUR 20.3 billion in June 2021, representing a growth of 2.7% versus end of 2020. This growth occurred mainly in current accounts (EUR 0.6 billion) from Luxembourg retail and institutional clients.

"Debt securities" reached EUR 4.3 billion which represents an increase of +16.5% versus 2020. The Bank continued its long-term financing programme and issued a senior preferred debt of EUR 300 million in March 2021, EUR 182 million thanks to the partnership with Leonteq's structured investment products platform and EUR 158 million of BIL Structured Products in the retail network.

"Subordinated debts" increased by EUR 0.1 billion following a debt issuance in May 2021 for EUR 100 million maturing in 2031 and subject to prudential approval for its eligibility as Tier 2 capital. The aim of issuing such subordinated debt is to fill the regulatory Tier 2 capital bucket and to strengthen the total capital ratio.

"Shareholders' equity" increased by EUR 115 million (+6.3%). This increase was mainly due to the 2021 net profit of EUR 47 million and the positive evolution of revaluation reserves of EUR 68 million.

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

7. Post-balance sheet events

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

8. Outlook

During the first months of 2021, BIL revisited its strategic plan Create Together 2025 to reflect the new reality that is faced, resulting in the "Energise Create Together 2025" strategic plan.

This updated strategy focuses on 5 key priorities, where the Bank believes it can best use its unique capabilities and has a strong right to win:

- Luxembourg will remain BIL's core market, where it can enhance its unique business model at the intersection of Retail, Private and Corporate and Institutional Banking to deliver added value to entrepreneurial clients and to continue bolstering its strong position as one of the leading banks in Luxembourg;
- BIL will continue to develop its Chinese business on a step-by-step basis, with the ambition to become a leading bank for clients wanting to do business across China and Europe;
- BIL's Wealth Management is an essential activity in the Bank's diversified business model and will continue to play a key role in enabling growth and resilience. BIL will develop this business from its wealth management booking centres in Luxembourg and Switzerland with a clear focus on core entrepreneurial client segments in its core markets;

These business initiatives will be supported by:

- A new and reliable core banking system; and
- The design and implementation of a new target operating model and culture to create a robust and dynamic bank ready to face the future.

Risk Management

1. Key events of the first half of 2021

CORPORATE STRUCTURE AND RISK PROFILE

Strategic initiatives are regularly undertaken at Group level. Each initiative is carefully monitored by the Bank's risk management department whose main objective is to ensure that risks are continuously monitored and managed, and that they are consistent with the institution's risk appetite. The main evolutions are described in the "Business Review and Results" section of the management report.

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

During the first half of 2021, BIL continued to invest significant time and resources to ensure continued compliance with regulatory standards:

- To enhance their soundness, BIL has been monitoring the adequacy of its approved Pillar I internal models. The reviews relate to models that include the new definition of default and enhancements related to ECB supervision. In addition, the Bank has submitted documentation to the ECB for approval supporting an agreement to adopt the Standard approach for Pillar I credit Risk-Weighted Assets (RWA) for financial institution exposures;

- As part of its review of the Basel III framework, in the first half of 2021, the Bank analysed the various impacts of the reforms and submitted its findings to the ECB. In a nutshell, the impacts of the so-called "Basel IV" reform remain limited for BIL in terms of RWA increase;

- In July 2018, the European Banking Authority (EBA) published its final guidelines on the management of interest rate risk arising from non-trading book activities (IRRBB). In 2021, the Bank continued to develop its related framework of which: (i) the enhancements of the modelling of the non-maturing deposits and the prepayment models, (ii) the interest rate margin projections including a dynamic balance sheet assumption and on a long-term horizon and, (iii) more globally, on the governance of the framework notably through the review of the guidances and procedures;

- In the context of the Bank Recovery and Resolution Directive, in the first semester of 2021, the Bank is working on its annual recovery plan, which will be submitted to the supervisory authorities at the end of September. Regarding the resolution part, BIL participated in various workshops with the resolution authority (the Single Resolution Board; SRB). A working program has been set up for 2021 including specific analyses on (i) the liquidity framework in case of resolution, (ii) the assessment of data and valuation capabilities and, (iii) the finalisation of the bail-in framework (bail-in being the preferred resolution strategy for the Bank);

- The Bank is also fully committed to the BCBS 239 principles and has further structured its related initiative in three sections: (i) overarching governance and infrastructure, (ii) risk data aggregation capabilities and (iii) risk reporting practices. The first two sections have been accelerated by the Data programme (Risk Foundation Master ("RFO Master"), data quality management and data exploitation capabilities) and the Data Office (committees, governance). Specifically, on the RFO Master (the common database for Finance and Risk), the credit RWA and provisions are in production mode and the IRRBB and liquidity parts will start a parallel run mode in order to go into production during the second semester of 2021;

- The Bank also took part in the 2021 EU-wide stress test exercise;

- The Risk Management teams in collaboration with other departments of which Finance, IT and Internal Audit have set up an enhancement plan regarding the ICAAP/ILAAP framework with notably (i) a review of Risk Cartography and the Risk Appetite Framework, (ii) the Economic Capital (ECAP) model redesign, (iii) the enhancement of the Stress Testing framework and, (iv) a review of the documentation and (v) a strengthening of the model validation process;

- Risk Projects Steering Committee: Given the prioritisation of the Transformation Plan at BIL and the substantial number of Risk Management projects in the pipeline, whether regulatory projects or enhancement projects, Risk Management decided to further strengthen its projects monitoring to ensure their timely delivery by creating a monthly Risk Projects Steering Committee. This framework allows for better prioritisation and more efficient resources allocation. The Risk Projects Steering Committee monitors:
  - Projects related to the Transformation Plan and in particular Risk Management contributions to it (Value Chain Risk and Value Chain Lending within CBS/T24, RFO Master, RFO Exploitation and BCBS 239);
  - Risk Management regulatory projects, with or without IT intervention (including those without direct ownership but imperative for Risk Management); and
  - Risk Management key priorities: important Risk Management deliveries requiring transversal contributions and/or specific retro planning (e.g. ICAAP/ILAAP reports);

- Risk Management Group Entities Oversight: since the beginning of 2021, Risk Management has reinforced the governance and formalisation of its oversight of BIL's Group entities for Risk Management matters. The oversight addresses various matters linked to Credit Risk, Market and Liquidity Risk, Operational Risk, Information Security Risk and more transversal topics such as the Risk Cartography, the Risk Appetite Statement, the reports provided by the entities and stress testing on specific exposures;

- ESG framework: please refer to section 3. ESG in the Business Review and Results section.

2. Credit risk

Credit risk exposure refers to the Bank's internal concept of Maximum Credit Risk Exposure (MCRE):
- The net carrying value of balance sheet assets other than derivative products (i.e. the carrying value after deduction of specific provisions);
- The mark-to-market valuation of derivative products;
- The total off-balance sheet commitments corresponding to unused lines of credit or to the maximum amount that BIL is committed to as a result of guarantees issued to third parties;
- The netting and financial collaterals (including cash, bond and other financial security) are deducted from net carrying amount for repurchase/reverse repurchase agreements; The netting and cash collateral amounts are deducted for other types of products;
- For derivatives a potential future exposure (PFE) add-on is added to account for potential future changes in the value of the trades.

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

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

Unless otherwise stated, all figures are expressed in euros (EUR).

As at June 30, 2021, the Bank's total credit risk exposure amounted to EUR 35.66 billion compared with EUR 34.63 billion at the end of 2020.

The main exposure increase is observed in Individuals, SME and Self-Employed (EUR 666 million), Central Governments (EUR 329 million) and Corporate (EUR 291 million) offset by a decrease of Financial Institutions (EUR 310 million).

EXPOSURE BY TYPE OF COUNTERPARTY

As at June 30, 2021, 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 36% of overall exposure.

The Central Governments exposure weight remained unchanged at 32.3% of the overall exposure compared with the end of 2020 and remained the second largest segment of the Bank's portfolio.

Finally, it is also worth noting that exposures to Financial Institutions decreased compared with the end of 2020, representing 12.1% (13.3% year-end 2020).

Exposures by counterparty category (in EUR million)	**30/06/20**	**31/12/20**	**30/06/21**	**Variation**
Central Governments	10,461	11,183	11,512	329
Public Sector Entities	299	334	402	68
Corporate	6,438	6,282	6,573	291
Securitisation	45	36	30	(6)
Individuals, SME & Self Employed	11,471	12,163	12,829	666
Financial Institutions	4,934	4,617	4,307	(310)
Others	9	18	9	(9)
TOTAL	**33,657**	**34,633**	**35,662**	**1,029**

EXPOSURE BY GEOGRAPHICAL REGION

As at June 30, 2021, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (54.8%), France (10.1%), Switzerland (8.4%), Belgium (6.8%) and Germany (5.4%).

Exposures by geographic region (in EUR million)	**30/06/20**	**31/12/20**	**30/06/21**	**Variation**
Belgium	2,329	2,393	2,420	27
France	3,457	3,639	3,598	(41)
Germany	1,928	1,987	1,925	(62)
Ireland	313	271	265	(6)
Italy	14	26	37	11
Luxembourg	17,172	17,564	19,538	1,974
Spain	701	780	799	19
Other EU countries	1,633	1,749	1,472	(277)
Rest of Europe	577	585	545	(40)
Switzerland	3,132	3,534	2,990	(544)
United States and Canada	938	882	942	60
Middle East	669	371	368	(3)
Asia	385	448	518	70
Australia	238	207	85	(122)
Others	171	197	160	(37)
TOTAL	**33,657**	**34,633**	**35,662**	**1,029**

Losses on Immovable Property

The following table displays the limited losses recorded as at June 30, 2021 on exposures collateralised by residential and commercial immovable property regarding retail counterparties. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of euros.

(in EUR million)	30/06/20		30/06/21	
Collateralised by:	**Sum of overall losses**	**Sum of the exposures**	**Sum of overall losses**	**Sum of the exposures**
Residential property	0.93	6,975	1.79	7,972
Commercial immovable property	0.00	462	0.00	488

3. Market risk

TREASURY AND FINANCIAL MARKETS ACTIVITIES

VaR (10 days, 99%) per activity	**30/06/20**	**31/12/20**	**30/06/21**			
(in EUR million)	**TOTAL**		**Fixed Income**	**FOREX**	**Equity**	**TOTAL**
			Trading			
Average	0.19	0.17	0.08	0.13	0.00	0.16
End of period	0.29	0.03	0.02	0.08	0.00	0.08
Maximum	0.55	0.65	0.25	0.52	0.01	0.53
Limit	2.00	2.00	1.00	1.50	0.10	2.00

Regarding Fixed Income as at June 30, 2021:

- The directional spread sensitivity (+1bp) is EUR -10,825 for a limit set at EUR 30,000 (EUR -11,882 as at December 2020); and
- The absolute spread sensitivity (+1bp) is EUR 12,182 for a limit set at EUR 60,000 (EUR 15,772 as at December 2020).

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

As at June 30, 2021, Treasury sensitivity was EUR 3.11 million compared with EUR 3.39 million in December 2020.

Investment Portfolio

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

The Investment Portfolio had a total nominal exposure of EUR 7.7 billion as at June 30, 2021 (compared with EUR 7.9 billion as at December 31, 2020).

Most of the bonds are classified in the "Hold-to-Collect" (HTC) portfolio measured at amortised cost: EUR 6.9 billion as at June 30, 2021 (EUR 7 billion as at December 31, 2020). The remaining portion is classified in the "Hold-to-Collect and Sell" (HTC&S) portfolio measured at fair value through OCI: EUR 0.8 billion as at June 30, 2021 (EUR 0.9 billion as at December 31, 2020).

The fair value sensitivity of the HTC&S portfolio to a 1 basis point widening of the spread (booked to the OCI reserve), was EUR -0.3 million as at June 30, 2021 (EUR 0.3 million per basis point as at December 31, 2020).

INVESTMENT PORTFOLIO HTC&S (IN EUR MILLION)

(in EUR million)	Notional amount			Rate bpv			Spread bpv		
	30/06/20	31/12/20	30/06/21	30/06/20	31/12/20	30/06/21	30/06/20	31/12/20	30/06/21
Treasury	185	229	195	0.00	(0.00)	(0.00)	(0.02)	(0.07)	(0.10)
ALM	700	720	650	(0.02)	(0.01)	(0.01)	(0.29)	(0.25)	(0.21)

BIL's liquidity remained solid throughout the first half of 2021. The consolidated Liquidity Coverage Ratio (LCR) amounted to 159% (as at June 30, 2021) and the Net Stable Funding Ratio (NSFR) amounted to 125% (as at June 30, 2021).

4. Asset quality[1]

		31/12/20	30/06/21
Net loans and advances to customers	a	15,412	15,869
ECL stage 1,2,3	b	292	298
Gross loans and advances to customers	c=a+b	**15,704**	**16,167**
ECL stage 1,2,3 / Gross loans and advances to customers	b/c	1.86%	1.84%
FOCUS ON STAGE 3			
Total stage 3 outstanding amount	d	736	691
ECL stage 3	e	224	232
Coverage ratio stage 3	e/d	**30.50%**	**33.63%**
Total collateral and guarantees	g	430	415
Coverage ratio stage 3 including collateral	(e+g)/d	**88.88%**	**93.74%**
Asset quality ratio (stage 3 / Gross loans and advances to customers)	d/c	**4.69%**	**4.28%**
ECL stage 3 / total ECL (stage 1,2,3)	e/b	**76.94%**	**78.00%**
FOCUS ON STAGE 1 AND STAGE 2			
Total stage 1 outstanding amount	g	12,211	12,989
ECL stage 1	h	42	40
Coverage ratio stage 1	h/g	**0.34%**	**0.31%**
Total stage 2 outstanding amount	i	2,757	2,487
ECL stage 2	j	**25**	**26**
Coverage ratio stage 2	j/i	**0.91%**	**1.04%**
ECL (stage 1,2) / total ECL (stage 1,2,3)	(h+j)/b	**23.06%**	**22.00%**
FOCUS ON COST OF RISK (ALL STAGES)			
Net impairment on loans and advances to customers	k	11	17
Cost of Risk (in bps - annualised)	k/c	**7**	**21**
Net impairment on loans and advances to customers excl. non-recurring items	l	59	18
Cost of risk excluding non-recurring items (in bps - annualised)	l/c	**37**	**22**

5. Solvency monitoring

See Note 14 of the interim condensed consolidated financial statements.

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

Interim condensed consolidated financial statements

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Report on Review of interim condensed consolidated financial statements

To the Board of Directors of
Banque Internationale à Luxembourg S.A.

We have reviewed the accompanying interim condensed consolidated financial statements of Banque Internationale à Luxembourg (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 30 June 2021, the consolidated statement of income and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and the notes to the interim condensed consolidated financial statements that include a summary of significant accounting policies and other explanatory information.

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

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

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

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

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

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

CONCLUSION

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

Luxembourg,
24 August 2021

PricewaterhouseCoopers, Société coopérative
Represented by

Rima Adas

Julie Batsch

Consolidated balance sheet

ASSETS (in EUR)		Notes	31/12/20	30/06/21 (unaudited)
I.	Cash, balances with central banks and demand deposits	4,12	4,245,324,853	4,747,207,975
II.	Financial assets held for trading	12	55,716,122	69,092,550
III.	Financial investments measured at fair value		1,129,363,614	1,100,776,398
	Financial assets at fair value through other comprehensive income	*4,12*	*1,108,358,280*	*1,060,412,091*
	Non-trading financial assets mandatorily at fair value through profit or loss	*12*	*21,005,334*	*40,364,307*
IV.	Loans and advances to credit institutions	4,12	1,105,696,451	944,241,847
V.	Loans and advances to customers	4,12	15,412,310,898	15,869,149,281
VI.	Financial investments measured at amortised cost	4,12	7,685,128,526	7,498,604,001
VII.	Derivatives	12	235,263,017	141,880,628
VIII.	Fair value revaluation of portfolios hedged against interest rate risk	12	191,221	141,953
IX.	Investments in associates		28,635,871	29,120,473
X.	Investment property		23,405,067	23,408,481
XI.	Property, plant and equipment		113,840,658	113,087,197
XII.	Intangible fixed assets and goodwill		255,721,393	271,229,187
XIII.	Current tax assets		1,524,745	1,365,850
XIV.	Deferred tax assets		183,982,345	177,374,427
XV.	Other assets		81,161,194	105,235,792
XVI.	Non-current assets and disposal groups held for sale	5	0	165,625,498
TOTAL ASSETS			**30,557,265,975**	**31,257,541,538**

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

LIABILITIES (in EUR)		Notes	31/12/20	30/06/21 (unaudited)
I.	Amounts due to credit institutions	12	4,172,955,910	3,584,063,795
II.	Amounts due to customers	12	19,773,966,458	20,312,914,886
III.	Other financial liabilities		27,932,339	28,098,286
IV.	Financial liabilities measured at fair value through profit or loss	6,12	934,551,568	1,148,181,024
	Liabilities designated at fair value		*934,551,568*	*1,148,181,024*
V.	Derivatives	12	642,789,763	376,442,764
VI.	Fair value revaluation of portfolios hedged against interest rate risk	12	2,433,523	151,224
VII.	Debt securities	6,12	2,783,103,377	3,181,541,960
VIII.	Subordinated debts	6,12	130,620,187	232,565,592
IX.	Provisions and other obligations	11	42,892,641	38,207,616
X.	Current tax liabilities		2,190,023	1,404,994
XI.	Deferred tax liabilities		7,311,883	8,889,367
XII.	Other liabilities		196,595,562	266,678,738
XIII.	Liabilities included in disposal groups held for sale	5	0	122,944,566
TOTAL LIABILITIES			**28,717,343,234**	**29,302,084,812**

SHAREHOLDERS' EQUITY (in EUR)		31/12/20	30/06/21 (unaudited)
XIV.	Subscribed capital	146,108,270	146,108,270
XV.	Share premium	760,527,961	760,527,961
XVI.	Other equity instruments	173,592,617	173,592,617
XVII.	Reserves and retained earnings	617,488,137	714,272,627
XVIII.	Net income	101,361,017	47,016,147
SHAREHOLDERS' EQUITY		**1,799,078,002**	**1,841,517,622**
XIX.	Gains and losses not recognised in the consolidated statement of income	40,844,739	113,939,104
	Financial instruments at fair value through other comprehensive income	*64,168,148*	*131,757,978*
	Other reserves	*(23,323,409)*	*(17,818,874)*
GROUP EQUITY		**1,839,922,741**	**1,955,456,726**
XX.	Non-controlling interests	0	0
TOTAL SHAREHOLDERS' EQUITY		**1,839,922,741**	**1,955,456,726**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,557,265,975**	**31,257,541,538**

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

Consolidated statement of income

(in EUR)		Notes	30/06/20 (unaudited)	30/06/21 (unaudited)
I.	Interest and similar income		272,739,271	233,493,927
	of which : interest revenue calculated using the effective interest method		*209,620,026*	*188,191,097*
II.	Interest and similar expenses		(113,586,960)	(88,461,966)
III.	Dividend income		5,686	16,219
IV.	Net trading income		(9,218,550)	6,544,110
V.	Net income on financial instruments measured at fair value and net result of hedge accounting		15,701,947	3,842,908
VI.	Net income on derecognition of financial instruments at amortised cost		13,548,830	26,677,377
VII.	Fee and commission income		135,633,179	135,944,184
VIII.	Fee and commission expenses		(25,614,928)	(23,076,347)
IX.	Other net income		(13,855,665)	(18,321,637)
REVENUES		**9**	**275,352,810**	**276,658,775**
X.	Staff expenses		(110,366,462)	(110,000,168)
XI.	General and administrative expenses		(64,709,658)	(71,030,727)
XII.	Amortisation of tangible, intangible and right-of-use assets		(27,151,248)	(28,035,116)
EXPENSES		**9**	**(202,227,368)**	**(209,066,011)**
GROSS OPERATING INCOME		**9**	**73,125,442**	**67,592,764**
XIII.	Impairments	8	(29,416,399)	(18,870,855)
	Net impairment on financial instruments and provisions for credit commitments	*8*	*(29,538,020)*	*(18,799,916)*
	Net impairment of tangible, intangible and right-of-use assets		*121,621*	*(70,939)*
OPERATING INCOME			**43,709,043**	**48,721,909**
XIV.	Net income from associates		381,665	1,698,882
NET INCOME BEFORE TAX			**44,090,708**	**50,420,791**
XV.	Tax expenses		(9,136,685)	(7,842,918)
NET INCOME OF CONTINUING OPERATIONS			**34,954,023**	**42,577,873**
XVI.	Discontinued operations, net of tax	5	4,746,090	4,438,274
NET INCOME			**39,700,113**	**47,016,147**

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

Consolidated statement of comprehensive income

(in EUR)	30/06/20 (unaudited)	30/06/21 (unaudited)
NET INCOME FOR THE PERIOD RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	39,700,113	47,016,147
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	(24,030,262)	73,094,366
Items that will not be reclassified to profit or loss	**(24,009,742)**	**75,451,088**
Actuarial gains (losses) on defined benefit pension plans	(4,739,058)	6,866,487
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	201,328	(225,971)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(20,368,433)	70,381,056
Tax on items that will not be reclassified to profit or loss	896,421	(1,570,484)
Items that may be reclassified to profit or loss	**(20,520)**	**(2,356,722)**
Gains (losses) on net investment hedge	(62,515)	51,356
Translation adjustments	(1,177,253)	221,610
Gains (losses) on cash flow hedge	6,304,087	233,278
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(4,711,518)	(3,716,984)
Tax on items that may be reclassified to profit or loss	(373,321)	854,018
TOTAL COMPREHENSIVE INCOME, NET OF TAX	15,669,851	120,110,513

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

Consolidated statement of changes in equity

SHAREHOLDERS' EQUITY, GROUP (in EUR) (unaudited)	Subscribed capital	Share Premium	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/20	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**516,327,625**	**112,150,341**	**1,708,706,814**
Classification of income 2019					112,150,341	(112,150,341)	0
Interest on contingent convertible bond					(6,140,267)		(6,140,267)
Net income for the period						39,700,113	39,700,113
As at 30/06/20	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**622,337,699**	**39,700,113**	**1,742,266,660**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR) (unaudited)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Associates	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/20	**43,971,017**	**(3,695,248)**	**0**	**(13,532,673)**	**(15,377,016)**	**11,366,080**
Net change in fair value through equity - fair value through other comprehensive income	(24,129,050)					(24,129,050)
Net change in fair value through equity - cash flow hedges		4,684,924				4,684,924
Translation adjustments	1,111			(185,445)	5,191,154	5,006,820
Net change in other reserves	0			(3,224,549)		(3,224,549)
As at 30/06/20	**19,843,078**	**989,676**	**0**	**(16,942,667)**	**(10,185,862)**	**(6,295,775)**

NON-CONTROLLING INTERESTS (in EUR) (unaudited)	Shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/20	**0**	**0**	**0**
Other transfers	0	0	0
As at 30/06/20	**0**	**0**	**0**

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

1 On November 14, 2019, BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as “other equity instrument” in accordance with IAS 32. It qualifies as AT1 regulatory capital under the Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
2 Of which legal reserve for EUR 14.6 million.
3 As at June 30, 2020, translation adjustments comprise an amount of EUR -57,897,611 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

SHAREHOLDERS' EQUITY, GROUP (in EUR) (unaudited)	Subscribed capital	Share Premium	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/21	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**617,488,137**	**101,361,017**	**1,799,078,002**
Classification of income 2020					101,361,017	(101,361,017)	0
Coupon on Additional Tier One Instrument					(4,593,750)		(4,593,750)
Realised performance on equities at fair value through other comprehensive income					17,223		17,223
Net income for the period						47,016,147	47,016,147
As at 30/06/21	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**714,272,627**	**47,016,147**	**1,841,517,622**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR) (unaudited)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Associates	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/21	**64,168,148**	**(963,970)**	**0**	**(7,315,062)**	**(15,044,377)**	**40,844,739**
Net change in fair value through equity - fair value through other comprehensive income	67,591,683				0	67,591,683
Net change in fair value through equity - cash flow hedges		213,646				213,646
Translation adjustments	(1,853)			121,799	221,609	341,555
Net change in other reserves				4,947,481		4,947,481
As at 30/06/21	**131,757,978**	**(750,324)**	**0**	**(2,245,782)**	**(14,822,768)**	**113,939,104**

NON-CONTROLLING INTERESTS (in EUR) (unaudited)	Shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/21	**0**	**0**	**0**
Other transfers	0	0	0
As at 30/06/21	**0**	**0**	**0**

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

[1] On November 14, 2019, BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as "other equity instrument" in accordance with IAS 32. It qualifies as AT1 regulatory capital under the Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
[2] Of which legal reserve for EUR 14.6 million.
[3] As at June 30, 2021, translation adjustments comprise an amount of EUR -38,786,334 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	30/06/20 (unaudited)	30/06/21 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	39,700,113	47,016,147
Adjustment for :		
- Depreciation and amortisation	27,151,248	28,035,116
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill	(121,621)	70,939
- Impairment on bonds, equities and other assets	357,712	9,226,722
- Net gains / (losses) on investments	(768,073)	28,268
- Provisions (including ECL)	15,903,750	(3,146,153)
- Change in unrealised gains / (losses)	(616,584)	(56,729)
- Income / (expense) from associates	(381,665)	(1,698,882)
- Dividends from associates	1,418,342	1,214,280
- Deferred taxes	8,256,256	7,475,143
- Other adjustments	47,145,909	(367,758)
Changes in operating assets and liabilities	480,500,255	290,704,641
Transactions related to interbank and customers transactions	*795,160,673*	*(455,671,539)*
Transactions related to other financial assets and liabilities	*(339,537,222)*	*696,322,622*
Transactions related to other non-financial assets and liabilities	*24,876,804*	*50,053,558*
NET CASH FLOW FROM OPERATING ACTIVITIES	**618,545,642**	**378,501,734**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(34,952,262)	(39,079,668)
Sale of fixed assets	1,631,710	(24,120)
Purchase of non-consolidated shares	0	(41,048)
Sale of non-consolidated shares	0	25,233
Acquisition of subsidiaries	(2,741,993)	0
NET CASH FLOW FROM INVESTING ACTIVITIES	**(36,062,545)**	**(39,119,603)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of subordinated debts	0	100,000,000
Reimbursement of subordinated debts	(31,100,000)	0
Payments on lease liabilities	(4,281,228)	(3,189,327)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(35,381,228)**	**96,810,673**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**547,101,869**	**436,192,804**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**3,785,288,673**	**4,478,121,951**
Net cash flow from operating activities	618,545,642	378,501,734
Net cash flow from investing activities	(36,062,545)	(39,119,603)
Net cash flow from financing activities	(35,381,228)	96,810,673
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents	9,337,097	(9,467,957)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4,341,727,639**	**4,904,846,799**
ADDITIONAL INFORMATION		
Taxes paid	(1,245,009)	(1,008,581)
Dividends received	5,686	16,219
Interest received	323,969,690	243,992,710
Interest paid	(149,817,911)	(98,184,089)

BIL group decided to classify operations relating to 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 shares.

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

Consolidated management report

Interim condensed consolidated financial statements

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

(in EUR) (unaudited)	As at 01/01/20	Acquisition / (Reimbursement)	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 30/06/20
Subordinated debts	**170,198,766**	(31,100,000)	0	11,909	0	**139,110,675**
Subscribed capital	**146,108,270**	0	0	0	0	**146,108,270**
Share Premium	**760,527,961**	0	0	0	0	**760,527,961**
Other equity instruments	**173,592,617**	0	0	0	0	**173,592,617**

(in EUR) (unaudited)	As at 01/01/21	Acquisition / (Reimbursement)	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 30/06/21
Subordinated debts	**131,596,018**	100,000,000	0	2,735,235	0	**234,331,253**
Subscribed capital	**146,108,270**	0	0	0	0	**146,108,270**
Share Premium	**760,527,961**	0	0	0	0	**760,527,961**
Other equity instruments	**173,592,617**	0	0	0	0	**173,592,617**

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

Notes to the interim condensed consolidated financial statements

Preliminary note

Presentation of the interim condensed consolidated financial statements:

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

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

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

Note 2
Material changes in scope of consolidation since January 1, 2021

Note 3
Business Reporting

Note 4
Quality of financial assets

Note 5
Non-current assets and disposal groups held for sale

Note 6
Subordinated debts and debt securities

Note 7
Exchange rates

Note 8
Net impairment allowances on financial assets

Note 9
Material items in the statement of income

Note 10
Post-balance sheet events

Note 11
Litigation

Note 12
Fair value

Note 13
Credit risk

Note 14
Solvency ratios

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

GENERAL INFORMATION

The parent company of BIL Group is Banque Internationale à Luxembourg, a Luxembourgish public limited company (hereafter "BIL" or the "Bank"). Its registered office is situated at 69, route d'Esch, L- 1470 Luxembourg.

BIL Group is integrated in the consolidated financial statements of Legend Holdings Corporation, comprising the largest body of undertakings of which BIL forms part as a subsidiary. The registered office of Legend Holdings Corporation is located at Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing, the People's Republic of China. BIL Group is integrated in the consolidated financial statements of Beyond Leap Limited, comprising the smallest body of undertakings of which BIL forms part as a subsidiary. The registered office of Beyond Leap Limited is located at 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 August 11, 2021 and by the Board of Directors on August 18, 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

ACCOUNTING RULES AND METHODS

Basis of accounting

Statement of compliance

BIL's interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to June 30, 2021.

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, 2020.

Accounting estimates and judgments

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

Judgments are made principally in the following areas:
- Determination on whether BIL controls the investee, including special purpose entities (refer to note 1.3*);
- Financial instruments for which no quoted market prices on active markets are available are valued by means of valuation techniques. The determination as to whether or not there is an active market is based on criteria such as number of contributors, bid offer spread and issue size (refer to note 1.7* and refer to note 12);
- 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 lease contracts (refer to notes 1.15*, 1.16*,1.20*); and
- Existence of a present obligation with probable outflows in the context of litigation (refer to note 1.24* and refer to note 11).

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

Estimates are principally made in the following areas:
- Measurement of the expected credit loss allowance (refer to note 1.6.5* and refer to notes 8 and 13);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques and determination of the market value correction to adjust for market value and model uncertainty (refer to note 1.7* and refer to note 12);
- The measurement of hedge effectiveness in hedging relations (refer to note 1.13*);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (refer to note 1.18*);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (refer to note 1.22*); and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (refer to note 1.23*).

**Above references are made to Note 1 of the consolidated financial statements included in the 2020 Annual Report.*

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

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

The overview of the texts below is made up to the reporting date of June 30, 2021.

IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2021

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on August 27, 2020). These amendments may impact BIL. Refer to the below section "Benchmark Reform and IFRS related amendments";
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on June 25, 2020). No impact for BIL.

IASB and IFRIC texts issued during previous periods and not yet endorsed nor applicable as at January 1, 2021

- IFRS 17, "Insurance contracts" (issued on May 18, 2017). The standard is applicable as from January 1, 2023 and may impact BIL;
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued on May 14, 2020). No impact for BIL;
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract (issued on May 14, 2020). No impact for BIL;
- Amendments to IFRS 3: Reference to the Conceptual Framework (issued on May 14, 2020). No impact for BIL;
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (issued on May 14, 2020). No impact for BIL;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as Current or Non-current - Deferral of effective date (issued on January 23, 2020 and July 15, 2020 respectively). No impact for BIL.

IASB and IFRIC texts issued during the current period but not yet endorsed by the European Commission

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on February 12, 2021). No impact for BIL;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on February 12, 2021). No impact for BIL;
- Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond June 30, 2021 (issued on March 31, 2021). No impact for BIL;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 6, 2021). No impact for BIL.

Benchmark Reform and IFRS related amendments

Many financial instruments and financial contracts are valued using benchmarks. A benchmark determination which is accurate, robust and integer is crucial. In 2013, IOSCO (International Organization of Securities Commissions) published a set of principles for financial benchmarks. These principles are intended to promote the reliability of benchmark determinations and improve governance, quality and accountability mechanisms. In the euro area, the benchmark reform was accelerated by the adoption of the European Regulation (EU) 2016/1011 (the "Benchmark Regulation" or "BMR") which codifies the IOSCO Principles into EU law.

This Benchmark Regulation introduces "a common framework to ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds in the Union".

It has as an objective:
- To contribute to the proper functioning of the internal market;
- To achieve a high level of consumer and investor protection;
- To restore confidence in benchmarks; and
- To improve the quality and governance of benchmarks produced and used in the EU.

The Regulation applies to providers of benchmarks, the contributors of input data and the users of a benchmark within the Union.

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

Banque Internationale à Luxembourg, as a Benchmark user, is required to comply with the Benchmark Regulation and ensure that it only uses benchmarks issued by authorised administrators.

The following financial products issued and commercialised by BIL are mainly impacted by the Benchmark Reform:
- Interest Rate Derivatives referencing LIBOR and EURIBOR (classified under "Derivatives");
- Floating Rate Note Assets referencing LIBOR and EURIBOR (classified under "Financial Investments measured at amortised cost" and under "Financial investments measured at fair value");
- EMTN Issuances referencing LIBOR and EURIBOR (classified under "Debt securities" and "Subordinated debts");
- Structured Products referencing LIBOR and EURIBOR (classified under "Financial liabilities measured at fair value through profit or loss");
- Loans referencing LIBOR and EURIBOR (classified under "Loans and advances to credit institutions" and "Loans and advances to customers");
- Sight Deposits referencing EONIA (classified under "Amounts due to credit institutions" and "Amounts due to customers").

NET ASSET EXPOSURE OF HEAD OFFICE

(in EUR million)	**NET EXPOSURE 30/06/21**				
Beyond IBOR cessation date	2021[1]	2022	H1 2023	H2 2023	Beyond 2023
EURIBOR	**1,940**	**418**	**2**	**170**	**7,426**
o.w. interest rate derivatives	*46*	*516*	*295*	*184*	*5,483*
USD LIBOR	**420**	**251**	**20**	**100**	**153**
o.w. interest rate derivatives	*43*	*45*	*30*	*22*	*122*
GBP LIBOR	**19**	**13**	**0**	**17**	**177**
o.w. interest rate derivatives	*0*	*4*	*0*	*0*	*130*
CHF LIBOR	**53**	**4**	**8**	**0**	**4**
JPY LIBOR	**4**	**0**	**0**	**0**	**2**

In order to ensure compliance with the Benchmark Regulation and successful implementation of the Benchmark Reform, BIL Group has set up a project aimed at ensuring, that all aspects of the regulation, development and implementation receive appropriate senior level oversight and approval.

The initiatives of the Bank comprise:
- Including robust fallback clauses in our contracts;
- Integration of regulatory requirements in our prospectuses;
- Signature of the ISDA Fallback Protocol;
- Benchmark exposure management and limits;
- Discussions and negotiations with clients and counterparties;
- Communications with all involved Business Lines;
- IT Implementation;
- Membership in the Luxembourg Banker's Association ("ABBL") Working Group.

[1] Including open maturity products.

IFRS and reporting impacts

In the context of the Benchmark Reform, the impacts on the financial instruments are covered by the two following sets of IFRS amendments:

IBOR Reform (Phase 1) amendments:

In September 2019, the IASB published the "Phase 1" amendments to IAS 39 and IFRS 7, amending the hedge accounting requirements so that hedges affected by the IBOR reform can continue despite the uncertainty before the hedged and hedging items are modified to comply with the new benchmark rates at transition date.

These amendments are applied since December 31, 2019.

IBOR Reform (Phase 2) amendments:

In August 2020, the IASB published the "Phase 2" amendments to IFRS 9, IAS 39 and IFRS 7. These amendments introduce changes that are applicable on transition date to the new benchmark rates.

In particular:
- For financial instruments at amortised cost, it allows to treat the changes in contractual cash-flows as any variable rate if some conditions (changes strictly limited to IBOR reform) are respected;
- For hedge accounting, it notably allows continuation of hedging relationships subject to modification of hedging documentation and provides some relief in respect of separately identifiable risk components and of hedge ineffectiveness tests.

These amendments have been applied by the Group since January 1, 2021.

As at June 30, 2021, the impacts of IBOR Reform on the interim condensed financial statements are immaterial. Potential financial impacts in the scope of the "IBOR Reform" amendments are considered within the internal project set up within the Group.

Note 2: Material changes in scope of consolidation since January 1, 2021

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
N/A

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

N/A

D. Changes in Branches

Opening
None

Closing
None[1]

[1] The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai branch is expected to close down by end of year 2021.

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.

In January 2021, in order to further increase client support across channels, increase cross-selling in our domestic market and to support Energise Create Together 2025, the Bank decided to bring all activities in the Luxembourg market under one leadership.

"Retail Banking, Corporate & Institutional Banking and Wealth Management" were renamed and are now reported as **"Luxembourg Market & CIB" and "Wealth Management"** and divided into three business lines: Luxembourg Market & CIB (i.e. Retail Banking, Private Banking Luxembourg and CIB including the international dimension of the CIB business line), Wealth Management Luxembourg and Wealth Management international.

"Financial Markets" is divided into the Banking Book Management (namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management) and Products and Markets activities (Investment Management and Market Access).

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

INCOME (in EUR thousands)	**30/06/20**				
	Revenues	***of which interest and dividend income***	***of which fees income***	***of which other income***	**Net income before tax**
Retail, Corporate and Wealth Management	270,753	*153,770*	*109,562*	*7,422*	57,345
Products & Markets	28,092	*12,690*	*308*	*15,094*	18,017
Group Center	(23,492)	*(7,302)*	*148*	*(16,339)*	(31,271)
TOTAL	**275,353**	***159,158***	***110,018***	***6,177***	**44,091**
Net income before tax					44,091
Tax expenses					(9,137)
Discontinued operations (net of tax)					4,746
NET INCOME					**39,700**

	30/06/21				
	Revenues	***of which interest and dividend income***	***of which fees income***	***of which other income***	**Net income before tax**
Luxembourg Market & CIB and Wealth Management	269,234	*149,008*	*112,265*	*7,961*	59,495
Products & Markets	28,488	*7,797*	*493*	*20,198*	19,347
Group Center	(21,063)	*(11,757)*	*110*	*(9,416)*	(28,421)
TOTAL	**276,659**	***145,048***	***112,868***	***18,743***	**50,421**
Net income before tax					50,421
Tax expenses					(7,843)
Discontinued operations (net of tax)					4,438
NET INCOME					**47,016**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/20		30/06/21	
	Assets	Liabilities	Assets	Liabilities
Luxembourg Market & CIB and Wealth Management	15,412,311	21,110,250	15,869,149	21,062,766
Products & Markets	14,359,259	6,435,220	14,314,287	6,145,848
Group Center	785,696	1,171,873	1,074,106	2,093,471
TOTAL	**30,557,266**	**28,717,343**	**31,257,542**	**29,302,085**

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

4.1 Loans and securities by stages

	31/12/20		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash, balances with central banks and demand deposits	4,245,324,853	0	4,245,324,853
Loans and advances to credit institutions	1,081,871,134	(266,911)	1,081,604,223
Loans and advances to customers	12,210,773,551	(42,110,586)	12,168,662,965
Debt securities	8,302,367,503	(2,839,544)	8,299,527,959
STAGE 1	**25,840,337,041**	**(45,217,041)**	**25,795,120,000**
Cash, balances with central banks and demand deposits	0	0	0
Loans and advances to credit institutions	24,209,177	(116,949)	24,092,228
Loans and advances to customers	2,757,383,349	(25,176,550)	2,732,206,799
Debt securities	411,902,573	(1,074,350)	410,828,223
STAGE 2	**3,193,495,099**	**(26,367,849)**	**3,167,127,250**
Cash, balances with central banks and demand deposits	0	0	0
Loans and advances to credit institutions	0	0	0
Loans and advances to customers	735,931,551	(224,490,417)	511,441,134
Debt securities	21,985,297	(15,350,335)	6,634,962
STAGE 3	**757,916,848**	**(239,840,752)**	**518,076,096**
TOTAL	**29,791,748,988**	**(311,425,642)**	**29,480,323,346**

	30/06/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash, balances with central banks and demand deposits	4,711,354,965	(14,853)	4,711,340,112
Loans and advances to credit institutions	933,365,204	(92,455)	933,272,749
Loans and advances to customers	12,989,068,949	(40,125,577)	12,948,943,372
Debt securities	7,989,077,140	(2,034,415)	7,987,042,725
STAGE 1	**26,622,866,258**	**(42,267,300)**	**26,580,598,958**
Cash, balances with central banks and demand deposits	35,933,640	(65,777)	35,867,863
Loans and advances to credit institutions	10,969,098	0	10,969,098
Loans and advances to customers	2,487,290,901	(25,817,089)	2,461,473,812
Debt securities	421,606,929	(1,362,474)	420,244,455
STAGE 2	**2,955,800,568**	**(27,245,340)**	**2,928,555,228**
Cash, balances with central banks and demand deposits	0	0	0
Loans and advances to credit institutions	0	0	0
Loans and advances to customers	691,160,616	(232,428,519)	458,732,097
Debt securities	21,985,297	(17,596,888)	4,388,409
STAGE 3	**713,145,913**	**(250,025,407)**	**463,120,506**
TOTAL	**30,291,812,739**	**(319,538,047)**	**29,972,274,692**

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

	2020				2021			
	Outstanding amounts				Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**7,243,754,534**	**242,247,705**	**21,759,703**	**7,507,761,942**	**8,302,367,503**	**411,902,573**	**21,985,297**	**8,736,255,373**
From Stage 1 to Stage 2	(308,493,284)	308,493,284		0	(76,881,547)	76,881,547		0
From Stage 2 to Stage 1	144,263,405	(144,263,405)		0	66,170,318	(66,170,318)		0
From Stage 2 to Stage 3		0	0	0		0	0	0
From Stage 3 to Stage 2		0	0	0		0	0	0
From Stage 1 to Stage 3	0		0	0	0		0	0
From Stage 3 to Stage 1	0		0	0	0		0	0
Origination	0	0	0	0	0	0	0	0
Purchase	2,879,391,518	37,562,910	0	2,916,954,428	699,964,729	5,118,795	0	705,083,524
Derecognition during the period other than write-offs	(1,679,217,891)	(30,060,000)	0	(1,709,277,891)	(897,444,513)	0	0	(897,444,513)
Changes in interest accrual	(5,964,180)	946,009	0	(5,018,171)	(10,141,414)	834,841	0	(9,306,573)
Changes in premium / discount	12,779,913	(4,712,134)	0	8,067,779	(3,909,935)	(1,303,730)	0	(5,213,665)
Changes in fair value	67,849,229	6,138,984	0	73,988,213	(104,827,524)	(6,564,845)	0	(111,392,369)
Write-offs	0	0	0	0	(1,323,748)	0	0	(1,323,748)
Conversion difference (FX change)	(51,995,741)	(4,450,780)	225,594	(56,220,927)	15,103,271	908,066	0	16,011,337
Other movements	0	0	0	0	0	0	0	0
DEBT SECURITIES AS AT DECEMBER 31/AS AT JUNE 30	**8,302,367,503**	**411,902,573**	**21,985,297**	**8,736,255,373**	**7,989,077,140**	**421,606,929**	**21,985,297**	**8,432,669,366**

	2020				2021			
	Outstanding amounts				Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,132,634,036**	**2,470,852,862**	**573,920,973**	**16,177,407,871**	**13,292,644,685**	**2,781,592,526**	**735,931,551**	**16,810,168,762**
From Stage 1 to Stage 2	(941,407,840)	941,407,840		0	(426,096,310)	426,096,310		0
From Stage 2 to Stage 1	550,065,666	(550,065,666)		0	447,624,147	(447,624,147)		0
From Stage 2 to Stage 3		(111,137,982)	111,137,982	0		(56,168,070)	56,168,070	0
From Stage 3 to Stage 2		18,028,632	(18,028,632)	0		13,730,541	(13,730,541)	0
From Stage 1 to Stage 3	(194,354,395)		194,354,395	0	(13,762,103)		13,762,103	0
From Stage 3 to Stage 1	29,860,291		(29,860,291)	0	6,789,997		(6,789,997)	0
Origination	4,222,777,178	444,666,485	32,447,576	4,699,891,239	2,883,540,502	160,535,564	65,559,559	3,109,635,625
Derecognition during the period other than write-offs	(3,469,334,204)	(431,476,640)	(112,027,463)	(4,012,838,307)	(2,091,259,135)	(378,192,696)	(150,276,208)	(2,619,728,039)
Changes in interest accrual	(2,815,152)	(161,001)	0	(2,976,153)	5,588,834	662,581	0	6,251,415
Changes in premium / discount	114,063	0	0	114,063	0	0	0	0
Changes in fair value	(2,287,961)	6,505,541	0	4,217,580	(245,985)	(2,074,467)	0	(2,320,452)
Write-offs	(20,960,195)	0	(13,976,772)	(34,936,967)	0	0	(10,445,807)	(10,445,807)
Conversion difference (FX change)	(11,646,802)	(7,027,545)	(2,036,217)	(20,710,564)	1,930,097	1,568,627	412,141	3,910,865
Other movements	0	0	0	0	(184,320,576)	(1,866,770)	569,745	(185,617,601)
LOANS AND ADVANCES AS AT DECEMBER 31/AS AT JUNE 30	**13,292,644,685**	**2,781,592,526**	**735,931,551**	**16,810,168,762**	**13,922,434,153**	**2,498,259,999**	**691,160,616**	**17,111,854,768**

	2020				2021			
	Outstanding amounts				Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND DEMAND DEPOSITS AS AT JANUARY 1	**3,541,542,203**	**0**	**0**	**3,541,542,203**	**4,245,324,853**	**0**	**0**	**4,245,324,853**
From Stage 1 to Stage 2	0	0		0	(34,808,687)	(13,609,667)		(48,418,354)
From Stage 2 to Stage 1	0	0		0	0	0		0
From Stage 2 to Stage 3		0	0	0		0	0	0
From Stage 3 to Stage 2		0	0	0		0	0	0
From Stage 1 to Stage 3	0		0	0	0		0	0
From Stage 3 to Stage 1	0		0	0	0		0	0
Origination	703,782,650	0	0	703,782,650	1,327,627,772	52,849,194	0	1,380,476,966
Derecognition during the period other than write-offs	0	0	0	0	(834,049,151)	(2,742,861)	0	(836,792,012)
Changes in interest accrual	0	0	0	0	0	0	0	0
Changes in premium / discount	0	0	0	0	0	0	0	0
Changes in fair value	0	0	0	0	0	0	0	0
Write-offs	0	0	0	0	0	0	0	0
Conversion difference (FX change)	0	0	0	0	6,092,526	(563,026)	0	5,529,500
Other movements	0	0	0	0	1,167,652	0	0	1,167,652
CASH, BALANCES WITH CENTRAL BANKS AND DEMAND DEPOSITS AS AT DECEMBER 31 / AS AT JUNE 30	**4,245,324,853**	**0**	**0**	**4,245,324,853**	**4,711,354,965**	**35,933,640**	**0**	**4,747,288,605**

Note 5: Non-current assets and disposal groups held for sale

BIL Denmark branch

On June 23, 2021, BIL has signed a Business Transfer Agreement with Ringkjøbing Landbobank where all the client's activity (Assets under management, loans and deposits) of BIL Denmark branch is transferred to the counterparty on July 1, 2021. BIL Denmark activities are classified as a disposal group meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at June 30, 2021. BIL is expected to terminate the operational transfer of all clients' assets and loans by the end of 2021.

On June 30, 2021 and in accordance with IFRS 5, the disposal group is measured at the lower between its carrying amount and its fair value less cost to sell. No gain or loss is recognised as at June 30, 2021.

BIL Denmark activities are reported under the segment "Luxembourg Market & CIB" and "Wealth Management" in accordance with IFRS 8 (refer to note 3 "Business Reporting").

	30/06/21
Loans and advances to customers	160,834,252
of which impairments	*(556,720)*
Other assets	4,791,246
TOTAL ASSETS HELD FOR SALE	**165,625,498**
Amounts due to customers	122,921,380
Provisions for credit commitments	23,186
TOTAL LIABILITIES INCLUDED IN DISPOSAL GROUPS HELD FOR SALE	**122,944,566**

	30/06/20	**30/06/21**
Interest and similar income	1,152,616	922,979
Fee and commission income	3,552,550	3,175,011
Interest and similar expenses	0	(10,464)
Fee and commission expenses	(105,605)	(105,717)
Net impairment on financial instruments and provisions for credit commitments	146,529	456,465
DISCONTINUED OPERATIONS, NET OF TAX	**4,746,090**	**4,438,274**

Net cash provided by operating activities	35,877,005	2,894,199
Net cash provided by investing activities	0	0
Net cash provided by financing activities	0	0

BIL Fund & Corporate Services

On March 23, 2021, BIL signed a Sale and Purchase Agreement with ZEDRA to sell its consolidated subsidiary BIL Fund & Corporate Services S.A. (BFCS). The closing of the transaction is expected by the end of 2021. No classification under IFRS 5 "Non-current assets and disposal group" has been processed in the interim condensed consolidated financial statements as BIL considered this classification and the related disclosures as immaterial.

Note 6: Subordinated debts and debt securities

Subordinated debts

ANALYSIS BY NATURE	31/12/20	30/06/21
Non-convertible subordinated debts[1 2]	130,620,187	232,565,592
TOTAL	130,620,187	232,565,592

Debt securities

ANALYSIS BY NATURE	31/12/20	30/06/21
Certificates of deposit	17,155,810	15,255,678
Non-convertible bonds	2,765,947,567	3,166,286,282
TOTAL	2,783,103,377	3,181,541,960

Financial liabilities designated at fair value through profit or loss

ANALYSIS BY NATURE	31/12/20	30/06/21
Non-subordinated liabilities	934,551,568	1,148,181,024
TOTAL	934,551,568	1,148,181,024

[1] List available upon request.
[2] On May 6, 2021, BIL issued a subordinated debt for a notional amount of EUR 100 million.

Note 7: Exchange rates

The main exchange rates used are the following:

		30/06/20		31/12/20		30/06/21	
		Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.6324	1.6851	1.5847	1.6575	1.5818	1.5666
Canadian Dollar	CAD	1.5323	1.5129	1.5591	1.5381	1.4672	1.4970
Swiss Franc	CHF	1.0653	1.0626	1.0804	1.0705	1.0977	1.0967
Danish Krone	DKK	7.4521	7.4626	7.4408	7.4530	7.4362	7.4366
Pound Sterling	GBP	0.9094	0.8759	0.8977	0.8880	0.8579	0.8657
Hong Kong Dollar	HKD	8.6976	8.5689	9.5025	8.8988	9.2081	9.3339
Japanese Yen	JPY	120.8778	119.0088	126.2991	121.9215	131.4637	130.5168
Norwegian Krone	NOK	10.8717	10.8277	10.4588	10.7764	10.1972	10.1945
Polish Zloty	PLN	4.4404	4.4301	4.5681	4.4652	4.5210	4.5427
Swedish Krona	SEK	10.4694	10.6585	10.0230	10.4744	10.1303	10.1565
Singapore Dollar	SGD	1.5665	1.5465	1.6197	1.5790	1.5945	1.6020
US Dollar	USD	1.1222	1.1040	1.2256	1.1473	1.1858	1.2024

Note 8: Net impairment allowances on financial assets

	30/06/20			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and other demand deposits	**0**	**0**	**0**	**0**
Financial assets measured at amortised cost	**(15,862,937)**	**(3,180,417)**	**(7,007,947)**	**(26,051,301)**
Loans and advances to credit institutions measured at amortised cost	(82,882)	(25,406)	0	(108,288)
Loans and advances to customers measured at amortised cost	(14,714,066)	(3,431,196)	(5,007,947)	(23,153,209)
Debt securities measured at amortised cost	(1,065,989)	276,185	(2,000,000)	(2,789,804)
Financial assets measured at fair value through other comprehensive income	**(36,105)**	**67,480**	**0**	**31,375**
Debt securities measured at fair value through other comprehensive income	(36,105)	67,480	0	31,375
Other receivables	**0**	**0**	**(155,443)**	**(155,443)**
Off-balance sheet commitments	**(2,641,960)**	**(124,131)**	**(596,560)**	**(3,362,651)**
TOTAL IMPAIRMENTS	**(18,541,002)**	**(3,237,068)**	**(7,759,950)**	**(29,538,020)**

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

[1] Including (i) the reversal of the "moratory" overlay for a total amount of EUR 5,240,000 composed of EUR 4,730,000 on corporates exposures and EUR 510,000 on retail exposures and (ii) the increase of the "MidCorp" overlay for EUR - 200,000 on corporate exposures. Refer to the section "ECL Management Overlays of note 13.1 of the interim condensed consolidated financial statements.

[2] Including (i) the reversal of the the "moratory" overlay for a total amount of EUR 190,000 composed of EUR 140,000 on corporates exposures and EUR 50,000 on retail exposures and (ii) the reversal of the "MidCorp" overlay for EUR 30,000 on corporate exposures. Refer to the section "ECL Management Overlays of note 13.1 of the interim condensed consolidated financial statements.

Note 9: Material items in the statement of income

For the period ending June 30, 2021, the material items in the statement of income are the following:

- Revenues amounted to EUR 277 million at the end of June 2021 remaining stable, compared with EUR 275 million at the end of June 2020. Margin income decreased by 9% from EUR 159 million to EUR 145 million due to the negative EUR and decreasing USD interest rates which pushed down mainly the interest margin on deposits. Fees income totalled EUR 113 million, up by +3% compared with June 2020 positively influenced by a real estate transaction realised by the family office. Other income increased driven by a capital gains increase from EUR 9.9 million in June 2020 to EUR 15.3 million in June 2021 and an increase in BIL Reinsurance revenues by EUR 2 million.
- Expenses totalled EUR 209 million up by 3%, compared with June 2020. General expenses explain this evolution in support of the Group strategic plan, to address regulatory requirements and to accommodate the transition to the new core banking system.
- BIL recorded net provisions on loans and advances and provisions for legal litigations of EUR 19 million in June 2021 compared with EUR 29 million in June 2020. The cost of risk can be broken down into specific provisions of EUR 22 million and an expected credit losses decrease of EUR 2 million including the recalibration of the IFRS 9 management overlays.
- In June 2021, BIL reported a net income after tax of EUR 47 million, up by 18% compared with EUR 40 million in June 2020, mainly influenced by a resilient performance in terms of revenues from commercial activities, despite the pandemic, and by a positive evolution of the cost of risk.

Note 10: Post-balance sheet events

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

Note 11: Litigation

Banque Internationale à Luxembourg S.A. and Banque Internationale à Luxembourg (Suisse) S.A.

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

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

With regards to the legal proceedings initiated by the liquidators of certain feeder funds: The Bankruptcy Court dismissed the Common Law Claims and the Contract Claims, but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The Bankruptcy Court also declined to dismiss claims for constructive trust against so-called Knowledge Defendants, i.e., specific defendants alleged to have had knowledge of the Madoff fraud. BIL is alleged to be Knowledge Defendant in two cases because, it is alleged, the knowledge of a specific intermediary should be attributed to BIL (among many other defendants). The decision to dismiss the Common Law Claims and the Contract Claims is on appeal to the District Court (Judge Broderick). Briefing on this appeal was completed in April 2020, but no decision has been issued yet. In the meantime, the defendants filed a second motion to dismiss directed at the BVI Insolvency Claims and the Bankruptcy Court has decided to dismiss those claims as well. This decision is expected to be appealed to the District Court. The only claim remaining against BIL is a claim for constructive trust (based on the allegation that BIL is a Knowledge Defendant). This claim is expected to be addressed in a cross-appeal to the District Court, and there may also be another motion to dismiss in the Bankruptcy Court as to this claim.

With regards to the Madoff subsequent transferee action: This action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality but the Second Circuit Court of Appeals reversed in a decision in February 2019. Following an unsuccessful petition for certiorari (permission to appeal) to the US Supreme Court, this action has now been returned to the Bankruptcy Court for further proceedings. Although no formal stay has been entered, there has been no activity in the case because the Bankruptcy Court appears to be waiting for the outcome of appeals in two other cases dealing with the "good faith" defence. Those appeals are likely to be decided in the second half of 2021.

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

As at June 30, 2021, no material provision for clawback actions has been made. One client is remaining from those who invested in products linked to Mr Madoff and who also have brought legal proceedings against Banque Internationale à Luxembourg S.A.

Note 12: Fair value

12.1 Breakdown of fair value

12.1.1 Fair value of financial assets	31/12/20			30/06/21		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	4,245,324,853	4,245,324,853	0	4,747,207,975	4,747,207,975	0
Financial assets held for trading	55,716,122	55,716,122	0	69,092,550	69,092,550	0
Financial investments measured at fair value	1,129,363,614	1,129,363,614	0	1,100,776,398	1,100,776,398	0
Financial assets at fair value through other comprehensive income	*1,108,358,280*	*1,108,358,280*	*0*	*1,060,412,091*	*1,060,412,091*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*21,005,334*	*21,005,334*	*0*	*40,364,307*	*40,364,307*	*0*
Loans and advances to credit institutions	1,105,696,451	1,105,697,301	850	944,241,847	944,241,847	0
Loans and advances to customers	15,412,310,898	15,679,870,690	267,559,792	15,869,149,281	16,045,782,770	176,633,489
Financial investments measured at amortised cost	7,685,128,526	7,804,223,624	119,095,098	7,498,604,001	7,601,871,232	103,267,231
Derivatives	235,263,017	235,263,017	0	141,880,628	141,880,628	0
Fair value revaluation of portfolios hedged against interest rate risk	191,221	191,221	0	141,953	141,953	0
TOTAL	**29,868,994,702**	**30,255,650,442**	**386,655,740**	**30,371,094,633**	**30,650,995,353**	**279,900,720**

12.1.2 Fair value of financial liabilities	31/12/20			30/06/21		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	4,172,955,910	4,180,174,073	7,218,163	3,584,063,795	3,585,434,805	1,371,010
Amounts due to customers	19,773,966,458	19,775,067,685	1,101,227	20,312,914,886	20,318,231,006	5,316,120
Financial liabilities measured at fair value through profit or loss	934,551,568	934,551,568	0	1,148,181,024	1,148,181,024	0
Derivatives	642,789,763	642,789,763	0	376,442,764	376,442,764	0
Fair value revaluation of portfolios hedged against interest rate risk	2,433,523	2,433,523	0	151,224	151,224	0
Debt securities	2,783,103,377	2,812,246,428	29,143,051	3,181,541,960	3,201,504,536	19,962,576
Subordinated debts	130,620,187	164,926,220	34,306,033	232,565,592	265,143,803	32,578,211
TOTAL	**28,440,420,786**	**28,512,189,260**	**71,768,474**	**28,835,861,245**	**28,895,089,162**	**59,227,917**

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.

12.2 Analysis of the fair value of financial assets and liabilities

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

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

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

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

12.2.1 Assets	31/12/20			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	25,911,562	24,532,590	5,271,970	55,716,122
Financial investments measured at fair value	978,821,492	74,069,693	76,472,429	1,129,363,614
Derivatives	0	231,164,276	4,098,741	235,263,017
TOTAL	**1,004,733,054**	**329,766,559**	**85,843,140**	**1,420,342,753**

	30/06/21			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	22,119,267	40,316,881	6,656,402	69,092,550
Financial investments measured at fair value	894,536,451	58,912,120	147,327,827	1,100,776,398
Derivatives	0	129,039,884	12,840,744	141,880,628
TOTAL	**916,655,718**	**228,268,885**	**166,824,973**	**1,311,749,576**

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

12.2.2 Liabilities	31/12/20			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	727,359,649	207,191,919	934,551,568
Derivatives	8,138,311	629,508,370	5,143,082	642,789,763
TOTAL	**8,138,311**	**1,356,868,019**	**212,335,001**	**1,577,341,331**

	30/06/21			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	886,657,323	261,523,701	1,148,181,024
Derivatives	0	371,596,882	4,845,882	376,442,764
TOTAL	**0**	**1,258,254,205**	**266,369,583**	**1,524,623,788**

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

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12.3 Transfer between Level 1 and Level 2

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2020 and in the first half of 2021.

12.4 Level 3 reconciliation

12.4.1 Assets	31/12/20				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale
Financial assets designated held for trading	3,836,776	897,851	0	2,613,886	(2,076,543)
Financial assets measured at fair value	51,805,327	(7,503)	24,024,029	692,808	(9,226)
Derivatives	4,333,258	(1,702,372)	0	1,467,855	0
TOTAL	**59,975,361**	**(812,024)**	**24,024,029**	**4,774,549**	**(2,085,769)**

	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	5,271,970
Financial assets measured at fair value	(33,006)	0	0	0	0	76,472,429
Derivatives	0	0	0	0	0	4,098,741
TOTAL	**(33,006)**	**0**	**0**	**0**	**0**	**85,843,140**

12.4.1 Assets	30/06/21				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale
Financial assets designated held for trading	5,271,970	1,660,676	0	976,279	(1,252,523)
Financial assets measured at fair value	76,472,429	5,470	70,387,550	672,678	0
Derivatives	4,098,741	4,849,945	0	3,892,058	0
TOTAL	**85,843,140**	**6,516,091**	**70,387,550**	**5,541,015**	**(1,252,523)**

	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	6,656,402
Financial assets measured at fair value	(210,300)	0	0	0	0	147,327,827
Derivatives	0	0	0	0	0	12,840,744
TOTAL	**(210,300)**	**0**	**0**	**0**	**0**	**166,824,973**

12.4.2 Liabilities	31/12/20				
	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale
Financial liabilities designated at fair value	195,309,974	(43,580,660)	156,776,018	(116,772,755)	0
Derivatives	3,593,159	(695,319)	2,245,242	0	0
TOTAL	**198,903,133**	**(44,275,979)**	**159,021,260**	**(116,772,755)**	**0**

	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	15,459,342	207,191,919
Derivatives	0	0	0	5,143,082
TOTAL	**0**	**0**	**15,459,342**	**212,335,001**

12.4.2 Liabilities	30/06/21				
	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale
Financial liabilities designated at fair value	207,191,919	1,625,709	135,292,949	(82,799,652)	0
Derivatives	5,143,082	(3,406,604)	3,109,404	0	0
TOTAL	**212,335,001**	**(1,780,895)**	**138,402,353**	**(82,799,652)**	**0**

	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	212,776	261,523,701
Derivatives	0	0	0	4,845,882
TOTAL	**0**	**0**	**212,776**	**266,369,583**

12.5 Valuation techniques used for Level 2 and Level 3 instruments

Description	Valuation techniques (Level 2 and Level 3 instruments)
Unlisted equity securities	- Net equity method - Discounted cash-flow analysis - Multiple of comparable companies
Derivatives and Structured Bonds	- Use of quoted market prices or dealer quotes for similar instruments - Discounted cash-flow models - For interest rate swaps, present value of the estimated future cash flows based on observable yield curves - For foreign currency forwards, present value of future cash flows based on the forward exchange rates at the balance sheet date - For foreign currency options, options pricing models (Black-Scholes, Garman-Kohlhagen and others models)

12.6 Valuation techniques, valuation inputs and relationships used for Level 3 instruments

Description	Unobservable inputs (Level 3 instruments)	Impact on valuation and sensitivity of level (Level 3 instruments)
Unlisted equity securities	- Multiples of comparable companies - Discount rate used for discounting cash-flows - Expected cash-flows - Discount / haircut	The most significant stand-alone level 3 equity instruments is BIL's participation into Luxair group whose valuation is determined based on observable and unobservable inputs. In 2020, BIL has reviewed its valuation methodology from a full market approach based on multiples of comparable companies to a combination of market and income approaches considering the impact of the COVID-19 crisis on the participation. A sensitivity analysis on unobservable inputs may lead to significant variations.
Derivatives and Structured Bonds[1 2]	- Credit spreads - Liquidity premiums - Illiquidity adjustment	The effects of sensitivity mostly impact structured issuances recognised at fair value through profit or loss (Fair-value option). These effects are however offset by a reverse sensitivity at the level of the economic hedge measured at fair value through profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

[1] The Bank has developed a procedure to define the notions of an active market (such as the bid & ask) spread, the issuance size, the number of prices, contributors and of observable and non-observable inputs.

[2] Level 3 financial assets held for trading are the result of buy backs of the bank's structured bonds issued.

Note 13: Credit risk

13.1 IFRS 9 expected credit losses measurement

Expected Credit Losses (ECL) methodology

Refer to the note 12.2.1 of the Consolidated Financial Statements for the year ended December 31, 2020 for the Expected Credit Losses methodology.

ECL Sensitivity

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

(in EUR million)	Scenarios weights			31/12/20			30/06/21		
	Baseline	**Upside**	**Downside**	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Reported ECL[1]	60%	20%	20%	38	27	**65**	41	28	**69**
Stressed ECL	100%	0%	0%	33	26	**59**	32	27	**59**
	0%	100%	0%	21	25	**46**	25	26	**51**
	0%	0%	100%	72	32	**104**	86	35	**121**
	80%	0%	20%	41	27	**68**	43	28	**71**
	60%	0%	40%	49	29	**78**	53	30	**83**

Macroeconomic forecasts

BIL uses external macroeconomic scenarios. These scenarios are built according to a combination of statistical and econometric methods and compared with other external sources (e.g. IMF, ECB, EC, STATEC).

In accordance with IFRS 9, the following different scenarios are considered:
- A baseline (central) scenario which describes the most likely path of the economy over the projection horizon. Projections are provided for key markets of BIL Group, through main macroeconomic indicators (e.g. GDP, unemployment rate, consumer prices, residential property prices etc.) which are drivers for risk parameter models;
- A downside (adverse) scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path. More precisely, this downside scenario corresponds to a recession period which is materialised by the following sequence of events: financial asset prices plummet, real GDP growth becomes negative and labour market conditions strongly deteriorate with a surge in unemployment;
- The upside (optimistic) scenario reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path.

[1] Reported ECL excluding impact of management overlays as at December 31, 2020 and as at June 30, 2021 (refer to section Management Overlays of note 13.1)

		LUXEMBOURG						EUROZONE					
		December 2020			June 2021			December 2020			June 2021		
In %		Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2020	-5.3	-5.3	-5.3	-1.3	-1.3	-1.3	-7.4	-7.4	-7.4	-6.7	-6.7	-6.7
	2021	2.0	4.7	-2.3	5.5	6.6	4.2	4.1	6.7	-0.1	3.9	5.0	2.6
	2022	5.5	5.9	5.6	5.0	7.5	0.7	3.7	3.7	3.4	3.7	5.3	-0.3
	2023	2.0	1.4	2.8	3.8	3.3	4.2	2.7	2.5	3.0	2.6	2.4	3.0
	2024	2.9	2.5	3.2	2.7	2.2	3.7	2.1	2.0	2.5	2.2	1.9	3.0
	2025	3.9	3.8	4.2	2.4	2.1	3.0	1.7	1.7	2.4	1.8	1.7	2.4
	2026	3.8	3.8	4.1	2.2	2.0	2.3	1.4	1.3	1.7	1.5	1.4	1.6
Unemployment	2020	6.4	6.4	6.4	6.3	6.3	6.3	8.1	8.1	8.1	8.0	8.0	8.0
	2021	7.2	7.1	7.5	6.4	6.4	6.4	9.7	9.2	11.2	8.4	8.2	8.8
	2022	7.2	6.9	8.2	6.1	5.9	6.8	9.1	8.5	11.5	8.5	7.9	10.4
	2023	6.6	6.2	7.7	5.7	5.3	7.0	8.5	8.0	10.7	8.1	7.5	10.5
	2024	5.9	5.6	6.8	5.7	5.3	6.9	8.0	7.8	9.7	7.8	7.3	9.9
	2025	5.7	5.5	6.4	5.7	5.4	6.6	7.8	7.7	8.9	7.6	7.4	9.1
	2026	5.7	5.6	6.2	5.7	5.5	6.4	7.7	7.6	8.5	7.5	7.4	8.6
Consumer Prices	2020	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3
	2021	0.4	1.4	-1.0	2.4	2.8	1.9	0.6	1.8	-1.2	2.0	2.5	1.4
	2022	1.1	1.6	-0.1	1.2	2.1	-0.3	1.1	1.7	-0.8	1.1	2.3	-1.1
	2023	1.4	1.5	0.8	1.4	1.7	0.5	1.1	1.3	0.5	1.2	1.5	0.0
	2024	1.4	1.4	1.1	1.4	1.5	1.0	1.2	1.2	0.9	1.3	1.3	0.7
	2025	1.7	1.7	1.6	1.7	1.7	1.5	1.5	1.5	1.5	1.6	1.6	1.4
	2026	1.9	1.9	1.8	1.9	1.9	1.8	1.8	1.8	1.8	1.9	1.9	1.8
Stock Prices	2020	-22.7	-22.7	-22.7	-19.8	-19.8	-19.8	-6.0	-6.0	-6.0	-5.3	-5.3	-5.3
	2021	7.6	28.6	-27.9	37.6	46.6	17.3	6.8	19.1	-22.4	21.2	26.2	6.7
	2022	1.9	10.9	6.3	-2.5	17.3	-24.3	2.3	4.6	8.9	-1.2	8.5	-18.8
	2023	-6.2	-13.4	-1.5	-4.3	-6.6	4.1	-3.9	-7.7	6.7	-1.9	-4.2	11.1
	2024	3.0	-3.1	7.1	4.0	-3.7	8.6	2.3	-1.9	7.9	3.1	-0.7	11.3
	2025	8.9	7.8	11.9	7.6	3.9	10.9	7.3	5.6	10.0	6.3	3.1	9.6
	2026	3.1	3.2	5.2	1.7	1.8	4.2	4.5	4.2	6.0	3.6	2.8	5.7
Residential Property Prices	2020	18.0	18.0	18.0	19.3	19.3	19.3	4.8	4.8	4.8	5.2	5.2	5.2
	2021	0.4	4.1	-3.8	-1.2	-0.1	-2.7	-1.2	0.7	-5.2	5.1	5.9	3.6
	2022	0.4	2.6	-2.2	1.2	5.5	-3.3	2.1	4.0	-3.7	3.6	6.3	-2.9
	2023	2.8	1.5	2.5	3.5	3.5	2.2	4.1	4.7	1.3	4.0	5.2	-0.3
	2024	2.9	1.7	4.2	2.7	1.2	3.3	4.2	4.1	4.1	3.7	3.8	2.8
	2025	3.0	2.3	3.9	2.9	1.9	4.1	4.3	4.4	5.2	3.7	3.7	4.2
	2026	3.0	2.8	3.6	2.9	2.5	3.7	4.1	4.3	5.4	3.6	3.7	4.8

ECL Management Overlays

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. As a consequence the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio/segment.

As a result, adjustments to the modelled ECL are required under the form of management overlays.

The Bank implemented two management overlays to modelled ECL as of December 31, 2020 affecting Stage 1 and Stage 2 exposures classified under Loans and Advances to Customers:

- A "Moratory" overlay that results in a one-notch downgrade for exposures that have benefitted in 2020 from moratoria;
- A "MidCorp" overlay that results in a one-notch downgrade from exposures under the Medium Corporate model of probability of default.

These two management overlays are still applicable as at June 30, 2021. Their main evolution as at June 30, 2021 is related to the "Moratory" Overlay where its decrease between December 31, 2020 and June 30, 2021 is related to a large credit file on which the application of the one-notch downgrade as at June 30, 2021 resulted in a limited impact, without significant increase in credit risk compared to December 31, 2020.

The Moratory overlay is explained by model limitations to capture the effect of moratoria on credit worthiness of concerned exposures.

The MidCorp overlay is extended to all exposures under the MidCorp model given that related exposures are globally affected by the crisis but the effect of crisis is not fully reflected in ratings mostly based on last financial statements of exposures.

The overlays are not cumulative for MidCorp exposures that benefitted or are benefitting from moratoria.

Other models are not concerned by management overlays. In particular, the Large Corporate model, which includes the most affected sectors, is deemed as appropriate given the strong monitoring and dynamic review of ratings performed by the Bank throughout 2020.

Management overlays made in estimating the reported ECL are set out in the following table:

			31/12/20			
	Model	Stage	Modelled ECL	"Moratory" overlay	"MidCorp" overlay	Reported ECL
Loans and advances to customers	Corporate	Stage 1	21,885,035	9,880,000	1,200,000	32,965,035
		Stage 2	14,865,867	1,160,000	150,000	16,175,867
	Retail	Stage 1	8,265,551	880,000	0	9,145,551
		Stage 2	8,490,683	510,000	0	9,000,683
TOTAL			**53,507,136**	**12,430,000**	**1,350,000**	**67,287,136**

			30/06/21			
	Model	Stage	Modelled ECL	"Moratory" overlay	"MidCorp" overlay	Reported ECL
Loans and advances to customers	Corporate	Stage 1	21,026,703	5,150,000	1,400,000	27,576,703
		Stage 2	17,278,700	1,020,000	120,000	18,418,700
	Retail	Stage 1	12,178,874	370,000	0	12,548,874
		Stage 2	6,938,389	460,000	0	7,398,389
TOTAL			**57,422,666**	**7,000,000**	**1,520,000**	**65,942,666**

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13.2 Credit risk exposures

Exposures by geographic region (in EUR million)	31/12/20	30/06/21
Belgium	2,393	2,420
France	3,639	3,598
Germany	1,987	1,925
Ireland	271	265
Italy	26	37
Luxembourg	17,564	19,538
Spain	780	799
Other EU countries	1,749	1,472
Switzerland	3,534	2,990
Rest of Europe	585	545
United States and Canada	882	942
Asia	448	518
Middle East	371	368
Australia	207	85
Others	197	160
TOTAL	**34,633**	**35,662**

Exposures by counterparty category (in EUR million)	31/12/20	30/06/21
Central Governments	11,183	11,512
Public Sector Entities	334	402
Corporate	6,282	6,573
Securitisation	36	30
Individuals, SME & Self Employed	12,163	12,829
Financial Institutions	4,617	4,307
Others	18	9
TOTAL	**34,633**	**35,662**

Geographic region is determined according to the risk country of the counterparty. Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items. Risks are evaluated after taking into account the effect of guarantees and impairment. The risks relate to all entities in which BIL is a majority shareholder.

Credit risk exposure is shown as follows:

- Balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of any provision);
- Derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- Off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments correspond to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposures by stage and ratings

Stage 1 Credit Risk Exposure (in EUR million)	31/12/20						30/06/21					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	134	383	311	804	0	1,632	132	511	752	349	0	1,744
Commitments in respect of loans granted	333	1,543	599	478	0	2,953	265	1,533	733	352	0	2,883
Financial investments at FVOCI (excluding variable income securities)	809	57	0	0	0	866	630	104	0	32	0	766
Financial investments at amortised cost	5,397	1,490	6	288	0	7,181	4,724	2,228	9	133	0	7,094
Loans and advances at amortised cost	4,611	7,035	3,363	2,219	0	17,228	5,163	7,596	5,076	798	0	18,633
Other financial instruments at amortised cost	321	54	85	6	0	466	7	58	0	295	0	360
TOTAL Stage 1 Exposures	**11,605**	**10,562**	**4,364**	**3,795**	**0**	**30,326**	**10,921**	**12,030**	**6,570**	**1,959**	**0**	**31,480**

Stage 2 Credit Risk Exposure (in EUR million)	31/12/20						30/06/21					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	15	59	5	0	79	2	11	100	9	0	122
Commitments in respect of loans granted	2	50	284	26	0	362	1	48	290	35	0	374
Financial investments at FVOCI (excluding variable income securities)	143	0	0	0	0	143	143	0	0	0	0	143
Financial investments at amortised cost	200	43	20	0	0	263	148	84	48	0	0	280
Loans and advances at amortised cost	14	609	1,931	62	0	2,616	13	569	1,740	77	0	2,399
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL Stage 2 Exposures	**359**	**717**	**2,294**	**93**	**0**	**3,463**	**307**	**712**	**2,178**	**121**	**0**	**3,318**

Stage 3 Credit Risk Exposure (in EUR million)	31/12/20						30/06/21					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	4	0	0	0	10	14	3	0	0	0	5	8
Commitments in respect of loans granted	0	0	9	0	35	44	3	0	0	0	20	23
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	7	7	0	0	0	0	4	4
Loans and advances at amortised cost	8	0	1	0	512	521	16	0	0	0	442	458
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0		0
TOTAL Stage 3 Exposures	**12**	**0**	**10**	**0**	**564**	**586**	**22**	**0**	**0**	**0**	**471**	**493**

Credit Risk Exposure without staging (in EUR million)	31/12/20						30/06/21					
	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Derivatives	102	128	1	2	0	233	25	293	2	29	0	349
Financial assets held-for-trading	22	1	0	2	0	25	18	0	0	4	0	22
TOTAL Exposures without staging	**124**	**129**	**1**	**4**	**0**	**258**	**43**	**293**	**2**	**33**	**0**	**371**
TOTAL All Stages	**12,100**	**11,408**	**6,669**	**3,892**	**564**	**34,633**	**11,293**	**13,035**	**8,750**	**2,113**	**471**	**35,662**

[1] Loans and advances at amortised cost classified under the "non-investment grade" category are mainly linked to financing facilities granted to Luxembourg SMEs, private individuals and corporates. The non-investment grade ratings related to these exposures are not provided by external credit assessment institutions but derive from the Bank's quantitative models to estimate a counterparty's probability of default. In some cases, the output of these models has been modified by the competent decision-making authority ("rating overrides") to include downgrades linked to the pandemic. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

13.3 Collateral and other credit enhancements

31/12/20 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2] Guarantee	Netting agreements[3]	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	1,010	0	0	0	0	0	1,010	0
Financial assets held-for-trading	26	0	0	0	0	0	26	0
Loans and advances at amortised cost	21,927	241	713	1,728	8,072	10,754	11,173	279
Financial investments at amortised cost	7,466	977	0	0	0	977	6,489	19
Derivatives	497	0	208	55	0	263	234	0
Other financial instruments at amortised cost	1,934	0	1,360	107	0	1,467	467	0
Commitments in respect of guarantees given	1,796	11	0	84	19	114	1,682	2
Commitments in respect of loans granted	3,708	75	108	808	537	1,528	2,180	10
TOTAL	**38,364**	**1,304**	**2,389**	**2,782**	**8,628**	**15,103**	**23,261**	**310**

30/06/21 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2] Guarantee	Netting agreements[3]	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	909	0	0	0	0	0	909	0
Financial assets held-for-trading	22	0	0	0	0	0	22	0
Loans and advances at amortised cost	22,953	241	555	1,808	8,621	11,225	11,728	290
Financial investments at amortised cost	7,396	1,003	0	0	0	1,003	6,393	21
Derivatives	349	0	0	0	0	0	349	0
Other financial instruments at amortised cost	1,455	0	993	102	0	1,095	361	0
Commitments in respect of guarantees given	1,943	10	0	85	12	107	1,837	3
Commitments in respect of loans granted	3,608	71	78	796	592	1,539	2,070	10
TOTAL	**38,636**	**1,326**	**1,626**	**2,791**	**9,225**	**14,968**	**23,668**	**324**

[1] Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.
[2] Credit risk mitigation eligible as per internal policies.
[3] Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

13.4 Past due but not impaired financial assets

	31/12/20		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	33,473,471	28,455,787	5,697,347
TOTAL	**33,473,471**	**28,455,787**	**5,697,347**

	30/06/21		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	42,346,850	26,415,167	12,859,574
TOTAL	**42,346,850**	**26,415,167**	**12,859,574**

BIL has defined three types of past due loans:

- "Technical" past due financial assets;
- "Operational" past due financial assets;
- "Credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

13.5 Credit risk mitigation for credit-impaired assets

	31/12/20			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(15,350,335)	6,634,962	6,634,962
Loans and advances measured at amortised cost	735,931,551	(224,490,417)	511,441,134	429,635,862
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**757,916,848**	**(239,840,752)**	**518,076,096**	**436,270,824**

	30/06/21			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(17,596,888)	4,388,409	4,388,409
Loans and advances measured at amortised cost	691,160,616	(232,428,519)	458,732,097	415,458,755
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**713,145,913**	**(250,025,407)**	**463,120,506**	**419,847,164**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/20	30/06/21
Cash	24,701,438	6,465,047
Debt instruments	1,797,889	240,950
Property plant and equipement	0	1,222,545
Other assets	9,505,798	2,892,694
TOTAL	**36,005,125**	**10,821,236**

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

13.6 Movements in allowances for credit losses

	As at 01/01/20	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/20	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)	**(43,184,433)**	**(11,633,109)**	**6,061,897**	**3,400,485**	**0**	**0**	**0**	**138,119**	**(45,217,041)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(1,560,181)	(724,109)	187,290	(671,535)	0	0	0	4,988	(2,763,547)	n.a	n.a
Debt securities at fair value through other comprehensive income	(23,139)	(19,527)	8,163	(42,270)	0	0	0	777	(75,996)	n.a	n.a
Loans and advances at amortised cost	(41,601,113)	(10,889,473)	5,866,444	4,114,290	0	0	0	132,355	(42,377,498)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(14,069,950)**	**0**	**3,403,633**	**(15,612,899)**	**0**	**0**	**0**	**(88,633)**	**(26,367,849)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(638,938)	0	132,574	(572,333)	0	0	0	4,346	(1,074,350)	n.a	n.a
Debt securities at fair value through other comprehensive income	(67,480)	0	0	67,480	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(13,363,532)	0	3,271,059	(15,108,046)	0	0	0	(92,979)	(25,293,499)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(236,775,823)**	**(2,978,148)**	**4,586,209**	**(25,218,134)**	**0**	**742,911**	**14,260,082**	**5,542,151**	**(239,840,752)**	**21,770,986**	**(14,585,423)**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(12,566,385)	0	0	(2,700,000)	0	0	0	(83,950)	(15,350,335)	0	0
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(224,209,438)	(2,978,148)	4,586,209	(22,518,134)	0	742,911	14,260,082	5,626,101	(224,490,417)	21,770,986	(14,585,423)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(294,030,206)**	**(14,611,257)**	**14,051,739**	**(37,430,548)**	**0**	**742,911**	**14,260,082**	**5,591,637**	**(311,425,642)**	**21,770,986**	**(14,585,423)**
Commitments and financial guarantees given (Stage 1)	(6,533,913)	(6,728,526)	2,809,431	5,396,891	0	0	0	27,986	(5,028,130)	0	0
Commitments and financial guarantees given (Stage 2)	(1,783,070)	(1,091,815)	965,868	(704,962)	1,351	0	0	10,391	(2,602,237)	0	0
Commitments and financial guarantees given (Stage 3)	(890,794)	(61,512)	203,797	(1,156,012)	0	0	0	0	(1,904,521)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,207,777)**	**(7,881,853)**	**3,979,096**	**3,535,917**	**1,351**	**0**	**0**	**38,377**	**(9,534,888)**	**0**	**0**

	As at 01/01/21	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 30/06/21	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without significant increase in credit risk since initial recognition (Stage 1)	**(45,217,041)**	**(2,278,363)**	**1,073,868**	**3,524,103**	**0**	**630,133**	**(42,267,300)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	7,747	0	(22,600)	(14,853)	n.a	n.a
Debt securities at amortised cost	(2,763,547)	(243,331)	86,756	933,476	0	(1,505)	(1,988,151)	n.a	n.a
Debt securities at fair value through other comprehensive income	(75,996)	(11,367)	5,612	35,785	0	(297)	(46,263)	n.a	n.a
Loans and advances at amortised cost	(42,377,498)	(2,023,665)	981,500	2,547,095	0	654,535	(40,218,033)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(26,367,849)**	**0**	**874,991**	**(1,532,413)**	**0**	**(220,069)**	**(27,245,340)**	**n.a**	**n.a**
Cash, balances with central banks and demand deposits	0	0	0	61,298	0	(127,075)	(65,777)	n.a	n.a
Debt securities at amortised cost	(1,074,350)	0	0	(288,198)	0	74	(1,362,474)	n.a	n.a
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(25,293,499)	0	874,991	(1,305,513)	0	(93,068)	(25,817,089)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(239,840,752)**	**(295,927)**	**826,252**	**(20,303,479)**	**10,512,328**	**(923,829)**	**(250,025,407)**	**317,878**	**(11,299,813)**
Cash, balances with central banks and demand deposits	0	0	0	0	0	0	0	n.a	n.a
Debt securities at amortised cost	(15,350,335)	0	0	(2,246,553)	0	0	(17,596,888)	0	0
Debt securities at fair value through other comprehensive income	0	0	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(224,490,417)	(295,927)	826,252	(18,056,926)	10,512,328	(923,829)	(232,428,519)	317,878	(11,299,813)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(311,425,642)**	**(2,574,290)**	**2,775,111**	**(18,311,789)**	**10,512,328**	**(513,765)**	**(319,538,047)**	**317,878**	**(11,299,813)**
Commitments and financial guarantees given (Stage 1)	(5,028,130)	(1,439,798)	619,898	549,176	0	53,883	(5,244,972)	0	0
Commitments and financial guarantees given (Stage 2)	(2,602,237)	(156,929)	400,811	(295,155)	0	(5,020)	(2,658,530)	0	0
Commitments and financial guarantees given (Stage 3)	(1,904,521)	(386,768)	18,673	584,073	0	73,334	(1,615,209)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,534,888)**	**(1,983,495)**	**1,039,382**	**838,094**	**0**	**122,196**	**(9,518,711)**	**0**	**0**

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

	As at 31/12/20			
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	934,551,568	141,604	(241,792)	1,838,104

	As at 30/06/21			
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,148,181,024	225,971	(15,821)	1,650,447

In 2020 and in the first half of 2021, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For financial liabilities measured at fair value through profit or loss, BIL's own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

13.8 Information on forborne exposures

BIL monitors closely its forborne exposures, in respect of the regulatory requirements.

Forborne exposures are debt contracts in respect of which forbearance measures have been extended.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). These measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

In case these criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the "Gestion Intensive et Particulière" (GIP) team.

In order to comply with the regulatory requirements, BIL Group has set up procedures (1) to identify the criteria leading to the forborne classification, (2) to classify the Bank's existing exposures between forborne and non-forborne and (3) implementing these criteria across the systems.

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition. The granting of forbearance measures is likely to constitute an impairment trigger aligned with IFRS 9 requirements.

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

As at June 30, 2021, BIL Group's forborne exposures amounted to EUR 1,015 million (EUR 1,059 million in 2020) including EUR 47 million (EUR 63 million in 2020) as given banking guarantees.

Note 14: Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios.

	31/12/20	30/06/21
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,545,334,665**	**1,643,810,602**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,238,738,647**	**1,335,300,987**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	694,532,875	828,211,731
Regulatory and transitional adjustments	(362,430,459)	(399,546,974)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**131,596,018**	**133,509,615**
Subordinated liabilities	131,596,018	133,509,615
RISK WEIGHTED ASSETS	**9,219,579,108**	**10,131,043,590**
Credit Risk	8,204,306,871	9,121,840,113
Market Risk	31,005,559	26,764,091
Operational Risk	962,695,041	962,695,041
Credit Value Adjustments	21,571,637	19,744,345
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	13.44%	13.18%
Tier 1 ratio	15.33%	14.91%
Capital Adequacy ratio	16.76%	16.23%

REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	31/12/20	30/06/21
Goodwill and intangible assets	(202,932,961)	(221,169,003)
Deferred tax assets that rely on future probability	(153,657,377)	(148,343,705)
Fair value reserves related to gains or losses cash flow hedges	(122,668)	(297,766)
Gains or losses on liabilities at fair value resulting from own credit risk	(181,489)	(11,875)
Other regulatory adjustments	(27,066,175)	(29,702,096)
Additional Value Adjustment	(2,600,966)	(2,523,071)
Transitional provisions related to introduction of IFRS9[1]	32,861,178	19,404,949
IRB shortfall	0	(1,670,224)
Defined benefit pension fund assets	(8,730,001)	(15,234,182)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	**(362,430,459)**	**(399,546,974)**

The figures are computed in accordance with the Basel III rules, the Capital Requirements Regulation (CRR) 575/2013 as amended and the CSSF Regulation 18-03.

[1] The solvency ratios are calculated in accordance with the transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873) applied starting September 30, 2020.

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