Annual Report 2023

BIL 1856

Foreword

“In 2024 and for the years to come, BIL will continue to be the reliable partner it has always been for all its clients, for the economy and for society as a whole. This is rooted in our DNA since the inception of the Bank in 1856.”

With a net profit of EUR 202 million, BIL delivered a sound financial performance in 2023. In a context of high inflation and the implementation of a massive IT transformation project that mobilised all our employees, solid revenue growth was the main driver coupled with limited increase of expenses and of costs of risk. With a CET-1 ratio at 13.37% (before 2023 profit allocation), and the liquidity coverage ratio at 174%, asset quality is sound, liquidity levels are good, BIL is robust. Behind the mere numbers, which do reflect BIL's durability, it is essential to understand the complexities of 2023, be they geopolitical, macroeconomic or specific to BIL's development.

After the robust post-pandemic expansion in 2021 and 2022, the economy lost momentum in 2023. Europe faced multiple macroeconomic challenges, induced by on-going conflict in Eastern Europe and in the Middle East. Uncertainty was a marker of 2023 and it should remain high as key elections are due in many countries in 2024. The rate hike campaigns launched in 2022 by monetary authorities to curb inflation reached a peak during the second half of 2023, contributing to the slowdown of economic activity. In Luxembourg, the construction sector has been affected by the current downturn in the real estate market and as a consequence, the lending activity has slowed down.

In this challenging context, BIL delivered a good financial performance thanks to business resilience and a sound risk management culture. Commercial activities revenues reached EUR 692 million, demonstrating the Bank's commitment towards its clients, be they individuals, small and large businesses and entrepreneurs, and the Luxembourgish economy. In addition, the prudent approach adopted by the Bank limited the increase of the cost of risk which, at EUR 26 million in 2023, remained in line with pre-pandemic levels.

As uncertainty and a fast-paced business environment have become the new normal, agility is essential to adapt. At BIL, we chose to invest and to transform to be better equipped for the future. In 2023, BIL successfully completed the changeover of its Core Banking System, a project of unprecedented scale. This new system will create opportunities, with the ability to integrate the latest technologies. It will ease day-to-day operations and management of the Bank. However, a good system is nothing without a clear vision and an efficient organisation in place. The new executive team will complete the successful roll out of our strategic plan Energise Create Together 2025 and define where the bank will go for the years to come. While market dynamics are constantly evolving, clients remain at the centre of everything we do and their satisfaction and success will guide our future decisions and actions. We will continue to enhance our universal bank business model with the ambition to be the best bank for entrepreneurs in Luxembourg. We will continue to develop our international business, to leverage the new capabilities offered by our new Core Banking System, to strengthen our ESG governance and to develop our ESG products and services offering.

In 2024 and for the years to come, BIL will continue to be the reliable partner it has always been for all its clients, for the economy and for society as a whole. This is rooted in our DNA since the inception of the Bank in 1856.

Jing Li
Chair of the Board

Marcel Leyers
Chief Executive Officer

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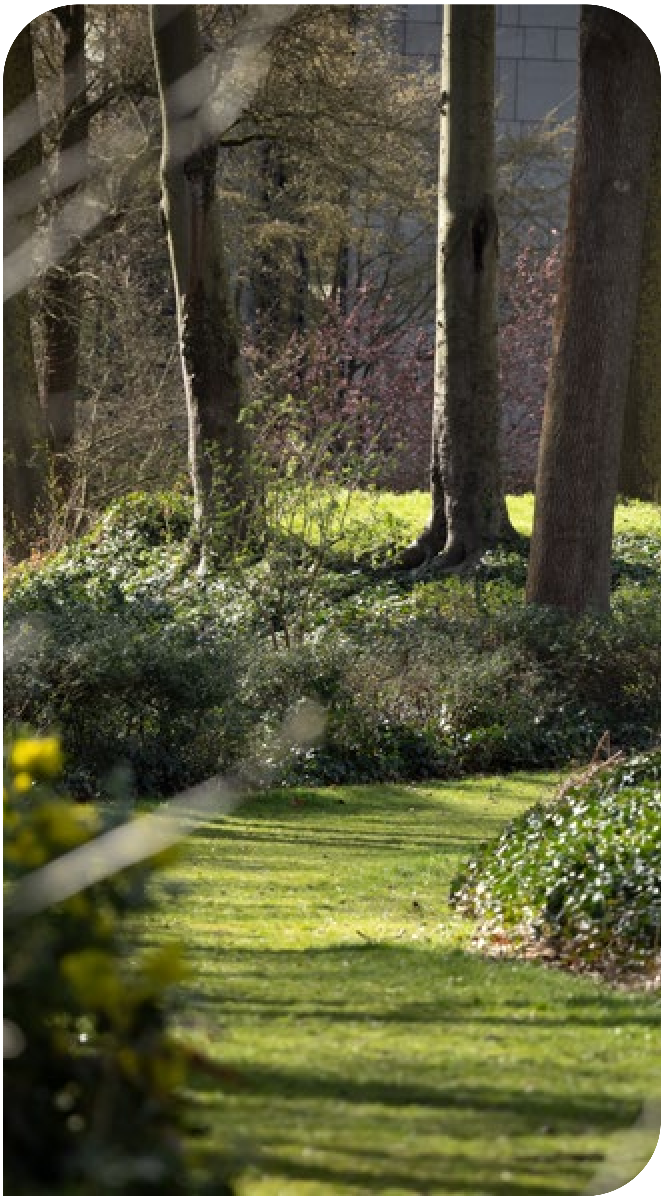
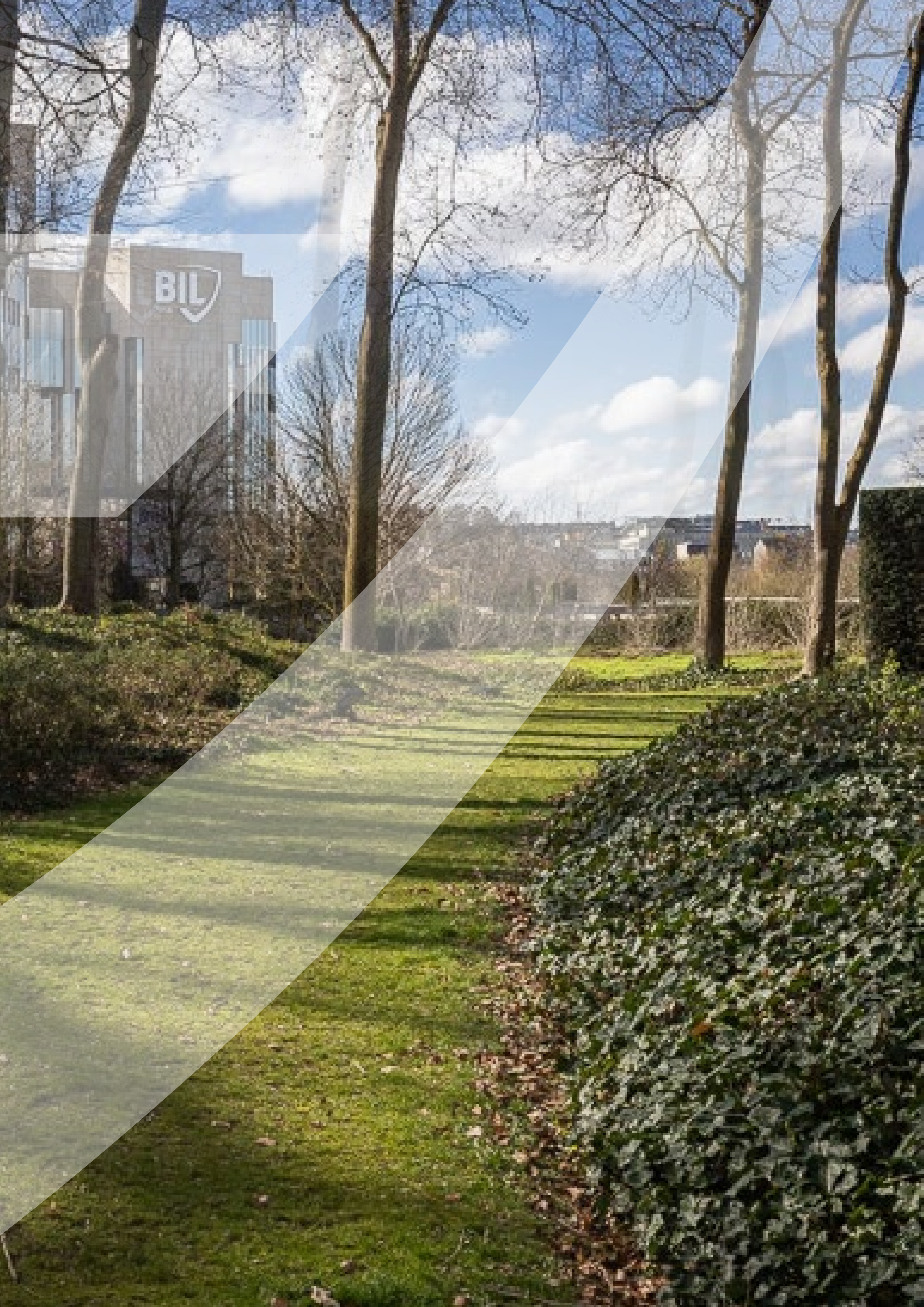


01. Consolidated management report



Corporate governance
(as of 31 December 2023)

The Corporate Governance Charter of BIL aims to ensure a coherent and efficient corporate governance framework, to enable BIL Group to effectively manage business operations in line with the strategic priorities as defined by the Board. BIL's corporate governance complies with the high standards laid down in the applicable laws and recognises the importance of good and solid corporate governance.

The Corporate Governance defines the functions, responsibilities and authorities of BIL corporate bodies and their members and constitutes BIL Group's primary governance guidelines to be applied to all subsidiaries, branches (if any) and representative offices of BIL Group and which shall prevail in case of conflicting rules, without prejudice to mandatory local law.

The principles set out in the Corporate Governance Charter are applicable groupwide and should be adjusted to the specific situation of the relevant Group entity, taking the proportionality principle into account, without prejudice to approving their own policies based on mandatory local regulations.

In accordance with Luxembourg regulations, BIL has a robust central administration in Luxembourg, which comprises, in a broad sense, the supervision, the management, the execution and the control functions which enable the Bank to retain control over all its activities. The administrative centre of BIL includes in particular a sound administrative, accounting and IT organisation which ensures, at all times, proper administration of securities and assets, accurate and complete recording of operations and production of accurate, complete, relevant and understandable management information available without delay.

The corporate governance of BIL is articulated around the below organs:

GENERAL MEETING OF SHAREHOLDERS (GM)

The GM has the widest powers to adopt or ratify any action related to BIL.

The annual GM receives a management report from the Board on the Company's activities in the previous financial year and approves the balance sheet and profit and loss account.

The annual GM also proceeds to appoint the directors and, where necessary, their replacements, without prejudice to the legal provisions on the representation of salaried staff or the statutory right for the directors, in case of vacancy, to appoint a new director temporarily.

The extraordinary GM has the authority as described in the applicable laws, among others to amend the Company's corporate object or legal form or to decide on any other amendments to the articles of association, such as those arising from capital increases or reductions.

BOARD OF DIRECTORS (THE BOARD)

The Board has the overall responsibility for BIL. It defines, monitors and bears the responsibility for the implementation of robust central administration, governance and internal control arrangements ensuring a sound and prudent management of the Bank. Among its missions, the Board is responsible for setting and overseeing the overall business and risk strategy including the risk appetite statements and the risk appetite framework of BIL Group.

The Board is assisted by four specialised committees:

Board Audit and Compliance Committee (BACC)

Monitors and controls the effective implementation and proper adherence to the Bank's approved charters, policies and procedures, accounting standards as well as legal and regulatory requirements such as but not limited to the AML Risk Appetite Statement and accordingly makes recommendations to the Board or to the CEO and/or the Management Board.

Board Strategy Committee (BSC)

Assists the Board in setting the strategic direction. It advises the Board on the overall Bank's strategy and budget and gives recommendations to the Board in this respect.

Board Risk Committee (BRC)

Ensures that all material risk matters are addressed and oversees all current and anticipated risks, even indirect, within the BIL Group that could jeopardise the Bank's financial and liquidity capacities and its ability to conduct its activities in a sound manner and in line with the approved risk appetite. Among others, the BRC is responsible for reviewing and challenging the Internal Capital and Liquidity Adequacy Assessment Processes (ICLAAP) and their conclusions for recommendation to the Board, at least on a yearly basis or more often if deemed necessary.

Board Remuneration and Nominations Committee (BRNC)

Sits separately in nomination and remuneration matters. The role of the BRNC is to assist and advise the Board on topics such as the definition of a global remuneration charter of the Bank. It also assists and advises the Board on matters such as the suitability assessment and the appointment/dismissal/revocation process of the members of the Board or Management Board as well as the suitability assessment of the members of the Executive Committee (ExCo).

MANAGEMENT BOARD AND EXECUTIVE COMMITTEE

The Board delegated the daily management of the Bank to the Management Board (MB) and the CEO. The MB consists of the MB members authorised by the Supervisor. The overall objective of the MB is to lead, direct and manage BIL, in order to implement the strategy and achieve the business objectives in line with the risk appetite set by the Board. The MB is collegially responsible for the effective day-to-day management of the Bank. It meets in principle on a weekly basis as an integral part of the ExCo and on an ad-hoc basis, as needed.

The ExCo consists of the MB members, as well as designated heads of support functions and business lines. The ExCo and the MB are chaired by the CEO. The Chief Compliance Officer as well as the Chief Internal Auditor are permanent invitees to the ExCo, with direct reporting lines to the Board Chair and to the Chair of the BACC (amongst other Directors).

The MB Members acting as a collegial body, are jointly responsible for the overall management of the Bank and are co-responsible for all the decisions made by the MB.

MB Members are recommended by the BRNC-N in its sub-meeting dedicated to nomination matters for election by the Board subsequent to a positive suitability assessment carried out in accordance with the standards defined in the Suitability & Succession Charter.

ExCo members are recommended by the BRNC-N in its sub-meeting dedicated to nomination matters for election by the MB subsequent to a positive suitability assessment carried out in accordance with the standards defined in the Suitability & Succession Charter.

MANAGEMENT COMMITTEES

In order to further enhance its effectiveness on transversal topics within the MB scope, which are either technical and/or require a specific emphasis, the MB delegated its decision-making power in certain areas to a number of Management Committees composed of MB members and technical experts.

BOARD OF DIRECTORS

Chair

Luc Frieden	Independent Director (up to 17 March 2023)
Jing Li	Director, VP, Managing Director of Overseas Investment of Legend Holdings Corporation (Chair ad interim as from 17 March 2023)

Vice-Chair

Peng Li	Director, Chief Executive Officer of Legend Holdings Corporation

Members

Ashley Glover	Director, Staff Representative
Maurice Lam	Independent Director
Marcel Leyers	Director and Chief Executive Officer
Michel Scharff	Director, Staff Representative (up to 16 June 2023)
Benoît Migeaux	Director, Staff Representative (as from 1 August 2023)
Charles Q. Li	Independent Director
Pierrot Rasqué	Director, Luxembourg State Representative
Claude Steffen	Director, Staff Representative
Marc Terzer	Director, Staff Representative
Vincent Thurmes	Director, Luxembourg State Representative
Chris Van Aeken	Independent Director

BOARD STRATEGY COMMITTEE

Chair	Members
Jing Li	Luc Frieden (up to 17 March 2023)
	Vincent Thurmes

BOARD AUDIT AND COMPLIANCE COMMITTEE

Chair	Members
Maurice Lam	Jing Li
	Pierrot Rasqué

BOARD RISK COMMITTEE

Chair	Vice-Chair	Members
Chris Van Aeken	Jing Li	Luc Frieden (up to 17 March 2023)
		Charles Q. Li
		Vincent Thurmes

BOARD REMUNERATION AND NOMINATIONS COMMITTEE

Chair

Peng Li (up to 27 October 2023)

Jing Li (as from 27 October 2023)

Members

Jing Li (up to 27 October 2023)

Michel Scharff (Remuneration matters)
(up to 16 June 2023)

Claude Steffen (Remuneration matters)
(as from 16 June 2023)

Vincent Thurmes

Peng Li (as from 27 October 2023)

EXECUTIVE COMMITTEE[1]

Chair

Marcel Leyers*	Chief Executive Officer

Members

Hédi Ben Mahmoud*	Chief Risk Officer (as from 20 April 2023)[2]
Hans-Peter Borgh	Group Head International
Jeffrey Dentzer*	Chief of the Luxembourg Market and Corporate and Institutional Banking
Olivier Gorin	Chief Transformation Officer
Emilie Hoël	Head of Wealth Management
Helen Liang	Head of China Market (as from 1 November 2023)
Bernard Mommens*	Secretary General and General Counsel
Jérôme Nèble	Head of Strategy and Financial Markets
Nico Picard*	Chief Financial Officer
Karin Scholtes*	Global Head of People, Culture and Communication
Xin Chen	Head of China Market (up to 27 January 2023)

Permanent Invitees

Marie Bourlond	Chief Compliance Officer
Pia Haas	Chief Internal Auditor

* Member of the Management Board

[1] On 1 January 2024, BIL announced a reorganisation of the Executive Committee. For further details, please refer to the governance section available on www.bil.com/en/BIL-group/the-bank/Governance.aspx.

[2] Hédi Ben Mahmoud has been appointed designated Chief Risk Officer as of 16 January 2023 and member of the MB as approved by the ECB on 20 April 2023.

Statement of conformity

Luxembourg, 28 March 2024,

Subject: Statement of conformity in relation to the consolidated financial statements and management report in accordance with Article 3 of the Transparency Law of 11 January 2008 (as amended)

We hereby inform you that, to the best of our knowledge, the annual consolidated financial statements as at 31 December 2023 of Banque Internationale à Luxembourg, established in accordance with the IFRS Accounting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss, and that the management report includes a fair review of the development and performance of the business and the position of Banque Internationale à Luxembourg and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

On behalf of the Management Board,

Marcel Leyers
Chief Executive Officer

Nico Picard
Chief Financial Officer

BIL
1856
BANQUE
INTERNATIONALE
À LUXEMBOURG

Business Review and Results

1. Highlights of 2023 and early 2024

In 2023, following a robust post-pandemic expansion in 2021 and 2022, the economy lost momentum. Europe faced multiple macroeconomic challenges, induced by on-going conflicts, in Ukraine and in the Middle East. The rate hike campaigns launched in 2022 by monetary authorities to curb inflation reached a peak during the second half of 2023. In the eurozone, the higher interest rates had the effect of reducing the financing capacity of households and businesses, thus contributing to the slowdown of economic activity. In Luxembourg, this translated into a downward trend in industry and construction. Construction has been affected by the current downturn in the real estate sector and consequently, slowed down lending activity.

In this ever-changing business environment, BIL has risen to these external challenges by remaining committed to its transformation and, true to form, to its mission: support the development of its clients and Luxembourg's economy. Case in point, BIL is one of the main Luxembourg banks to participate in the state-guaranteed loan scheme set up by the Law of 15 July 2022 in favour of the Luxembourg economy in the context of the conflict in Ukraine. By participating in this scheme, whose objective is to meet the liquidity needs of companies affected by the consequences of the conflict, BIL reaffirms its support for Luxembourg companies and the national economy. At the end of December 2023, the total amount of loans granted by BIL was equivalent to EUR 11 million.

BIL's 2023 results reflect this environment and continue to demonstrate the resilience of the Bank's commercial franchise and the relevance of its five-year strategic plan Energise Create Together 2025. Indeed, in 2023, BIL successfully completed the changeover of its Core Banking System, a project of unprecedented scale, while continuing to cater to clients' needs and to defend its market share amidst this challenging environment.

As 2024 is expected to bring slow global growth and a high level of uncertainty with regards to the geopolitical situation, BIL will continue its transformation by focusing on its clients and the improvement of operations, thanks to the launch of its strategic target operating model review programme.

INTEGRATING PHYSICAL AND DIGITAL BANKING SERVICES

To provide a seamless experience to its clients, BIL is moving from an omnichannel approach to a deeper integration of its physical and digital services on its domestic market. With its "phygital" approach, the Bank aims to meet its clients where they are, adapting to their preferences.

In 2023, BIL continued to optimise the location of its branches throughout Luxembourg, to ensure its physical presence where it is most convenient for its clients. The new branch located on Boulevard Royal, one of Luxembourg city's main thoroughfares, was inaugurated in March 2023. The Bank also decided to join forces with five other financial institutions to create a shared, national network of ATMs in Luxembourg. This project was announced in November 2023. The objective is twofold: to improve service, thanks to newer, modern machines located strategically throughout Luxembourg, and to optimise costs. This shared ATM network will be operational by the end of 2025 and will guarantee proximity and access to self-service banking to individuals, retailers and businesses at no additional costs.

The Bank continued to expand its digital services by adding Google Pay to its mobile payment services in May 2023. Google Pay allows clients to store their BIL Visa credit card within Google Wallet and make payments anywhere contactless payments are accepted using Android and WearOS devices. Now with Google Pay, in addition to Apple Pay, Payconiq, Fitbit Pay and Garmin Pay, BIL offers one of the broadest selections of mobile payment solutions to its clients.

Finally, to improve client servicing, BIL included in its massive core banking system overhaul the implementation of a standard market Client Relationship Management (CRM) solution, allowing for improved efficiency in many of the Bank's workflows.

EXPAND ITS HIGH-VALUE SERVICE OFFERING TO ENTREPRENEURS AND INVESTORS

Thanks to a wide range of services developed in recent years aimed at its entrepreneurial clientele, BIL continued to grow its Corporate and Wealth Management businesses, on track with its Energise Create Together 2025 strategy. BIL Corporate Finance, BIL Group's corporate finance advisory platform launched in 2022, brings together the expertise of both its Luxembourg and Switzerland teams. It provides a unique service offering to entrepreneurs and family-owned corporate clients in lending and advisory services for strategic transactions such as acquisition, major investment, transmission and management buy-out.

In many respects, 2023 was a pivotal year with the closing of some significant deals. Case in point, BIL was mandated as lead arranger for a EUR 112.5 million financing to support the development of a global marketing and communications group for luxury and lifestyle industry leaders. The Bank was also appointed sole coordinator, agent and co-lender for the EUR 120 million financing to support the growth of an independent and global financial group headquartered in Luxembourg.

Throughout 2023, BIL Group also developed its fund services dedicated to asset managers, pension funds, insurance companies and family offices. As a universal bank, BIL offers these clients access to a full range of products and services in the alternative investments funds sector, with at its core Alternative Investment Fund Management (AIFM) and depositary services with central administration services offered by selected preferred partners. The Bank also proposes services and solutions such as bridge financing, global custody, treasury management and wealth management. Through its subsidiary BIL Manage Invest, BIL offers Management Company services.

The world of financial markets can be daunting for investors, be they experienced or not. Having a trusted advisor by your side is an absolute necessity, when high volatility has become the norm in a global economic environment marked by heightened uncertainty and increased regulatory pressure. This is the ambition of BIL, which continues to expand and upgrade its investment products offering. Sustainable finance is a field that continues to mature as client demand increases and the regulatory framework evolves. In 2023, two additional funds, BIL Invest Equities Europe and BIL Invest Bonds EUR Corporate Investment Grade, were added to the existing MiFID-ESG compliant in-house funds eligible as Article 8 products under the Sustainable Finance Disclosure Regulation (SFDR) product offering. To enhance transparency on its responsible investment practices, the Bank also received the LuxFLAG ESG label accreditation for six of its BIL Invest SICAV funds and the LuxFLAG Discretionary Mandate label for its Serenio ESG mandate.

Furthermore, in line with its open architecture strategy, BIL is expanding its investment offering with more sophisticated products. In 2022, BIL entered a partnership with BlackRock. With this collaboration, the Bank gains access to an extensive range of private market products and benefits from expert support in selecting the most appropriate products for its Wealth Management clients. BIL offered clients exclusive access to fully funded BlackRock Private Equity ELTIF funds. The first closings that occurred in 2023 were positive, showing clear interest in such products.

A NEW CORE BANKING SYSTEM FIT FOR THE FUTURE

BIL's new Core Banking System (CBS) was successfully deployed on the 2 October 2023 and represents BIL's most significant undertaking in 2023. After months of development and testing, BIL Luxembourg migrated its legacy CBS to its new banking platform (Temenos T24). This migration involved transferring an important volume of information to Temenos T24, tailoring Temenos to support the Bank's activities and implementing new controls to ensure the operational performance of the Bank. The new CBS supports most of the Banks' activities, serving as the new backbone for data aggregation, transaction processing, accounting, reporting, regulatory compliance, internal controls and risk management among others.

In a context of everchanging market conditions and regulatory framework, this transformation of an unprecedented scale, an essential pillar of BIL's 5-year strategic plan, will provide a solid backbone for future development and bring more flexibility, reliability, and efficiency to the Bank's operations.

In order to tackle any potential issues that the Bank had anticipated during the first months of post go-live operations, a comprehensive "hypercare" organisation was put in place. This setup covered both the identification and prioritisation of any possible issues, issue resolution and most importantly client support in case services were affected. Once the initial run-in phase is complete, the Bank will be able to introduce innovative products faster, enhance its efficiency and client service experience and remain at the forefront of the banking industry.

ORGANISATIONAL CHANGE TO PREPARE FOR THE FUTURE

Implementing a new Target Operating Model (TOM) is one of the five pillars of BIL's Energise Create Together 2025 strategy. After the successful completion of the Core Banking System change, the TOM aims at improving the Bank's organisation and operations. Client-centricity, people-centricity, efficiency and robustness are the key levers of the programme. It was launched in 2023 and will be rolled out throughout 2024, starting with a new structure put in place in January 2024.

At the core of this new organisation, the commercial franchise. On 1 January 2024, Karin Scholtes was appointed Head of Luxembourg Market and CIB, replacing Jeffrey Dentzer who was appointed Deputy CEO. Claude Eyschen was appointed Head of Wealth Management, replacing Emilie Hoël who became Head of the CEO Office. Helen Liang, who joined the Bank and the Executive Committee (ExCo) in November 2023, is Head of China Market and Hans-Peter Borgh, CEO of BIL Suisse.

2. Russia – Ukraine conflict

BIL Group is closely monitoring the ongoing conflict between Russia and Ukraine. In response to these events, the Group is rigorously applying the measures necessary to strictly enforce all international sanctions and restrictions as and when they are announced.

From a risk management perspective BIL's exposure to Russia remains relatively small. The direct impacts of the conflict on the 2023 consolidated financial statements remain limited. Credit exposure towards Russia represents 0.3% of total exposures as at 31 December 2023 (0.3% of total exposures as at 31 December 2022). All exposures are well collateralised and all collateral is located in Western Europe.

3. ESG (Environmental, Social and Governance)

BIL's ExCo and Board of Directors (the Board) are fully aware of the strategic role BIL, as a financial actor, must play in the transition to a sustainable world. BIL is committed to the sustainable development of its activities and those of its clients by making efforts in its own operations and by encouraging its customers to reduce their emissions and invest sustainably.

The Bank has a clear sustainability strategy, that is fully integrated in the Bank's Energise Create Together 2025 Strategy and is making indisputable progress in the sustainable action that it takes, through the progressive implementation of its ESG Programme.

In 2023:

- The Bank strengthened its overall ESG governance and defined initial targets which will be monitored at ExCo and Board level through a dedicated ESG Dashboard. BIL's Risk management function progressively integrated the management of ESG risks, with a special focus on climate related risks, throughout the whole organisation via its global risk framework.
- A wider range of ESG products and services was developed, and investment advisors were trained to address customer sustainability preferences when advising on investments. In 2023, the emphasis was on the credit side, in line with the Bank's ambition to be a "transition facilitator" for its customers. All Housing Advisors have been specifically trained to support homeowners in their renovation projects. In parallel, work is ongoing to evaluate the transition plan assessment of BIL's high-emitting clients. BIL measures and screens its balance sheet and investment portfolios to manage exposure to various ESG risks and support the strategic commitments to sustainability.

ESG STRATEGY AND GOVERNANCE

- Creation of the ESG Strategic Steering Committee: With the creation of the ESG Strategic Steering Committee in January 2023, BIL ensures that ESG-related topics are addressed at top level management bodies. Indeed, the ESG Steering Committee is composed of seven permanent members, all of whom are members of the ExCo (of which four are members of the Authorised Management) and the Group Head of Sustainability.
- ESG Targets & ESG Dashboard: In July 2022, BIL set its ESG Business ambition "to be a key transition facilitator". In 2023, BIL began to translate this high-level ambition into tangible targets and in October 2023 approved an initial set of ESG targets for the Bank. Although BIL has not yet set a specific, time-limited decarbonisation target, intermediate targets have been identified and addressed:
- To improve the monitoring of the Bank's impacts and to calculate its carbon footprint (particularly for financed emissions, in line with double materiality), to systematically collect and monitor ESG data and to engage with customers to assess their transition readiness.
- In parallel with the definition of its ESG targets, BIL also defined a first version of an ESG Dashboard aimed at monitoring key qualitative and quantitative indicators in relation to ESG risks and to ensure that ESG opportunities are monitored and seized. The dashboard serves as a centralised hub, providing a complete insight into the Bank's ESG performance and is presented twice a year to the Management Bodies, namely the ExCo and the Board.
- Materiality Assessment: as part of the Global Reporting Initiative (GRI) reporting standard and the upcoming Corporate Sustainability Reporting Directive (CSRD) guidelines, the Bank has reconducted its stakeholder engagement plan (the last exercise was performed in 2021) to identify the material sustainability topics for the Bank, under the requested double-materiality perspective. Overall, the new materiality matrix confirmed that the Bank's ESG strategy addresses issues that are considered important by its main stakeholders, and that it is therefore appropriate to continue along this path without any major overhaul. The Materiality Assessment will be revisited in 2024 with a more in-depth view on the concepts of double materiality. BIL will ensure that the assessment is conducted in line with the European Sustainability Reporting Standards (ESRS) guidelines as conveyed by the Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council along with the upcoming Implementation Guidelines on Double Materiality by the European Financial Reporting Advisory Group (EFRAG).
- ESG Risks: In accordance with the European Central Bank (ECB) and European Banking Authority (EBA) guidelines[3], Risk Management teams continued to integrate ESG risk drivers into the Risk Management framework. This integration is summarised below:
  - BIL conducted an ESG risks materiality identification and assessment through its 2023 ESG Risk Cartography, with the intent to further analyse the transmission channels of climate-related risk drivers to financial and non-financial risks, considering a medium- to long-term horizon.
  - BIL improved the coverage of its ESG data, created qualitative and quantitative indicators in internal reporting to monitor the impact of climate change and environmental degradation on its business

[3] Respectively (1) Guide on climate-related and environmental risks supervisory expectations relating to risk management and disclosure - November 2020 and, (2) Report on Environmental, Social and Governance (ESG) risks management and supervision - June 2021.

activities, relevant economic sectors and portfolios, comprehensively reflected in the above-mentioned ESG Dashboard.
  - BIL applied in 2023 ESG stress testing scenarios for the first time to identify potential weaknesses, challenge the business strategy and gain insight into the impacts of the ESG drivers on credit, market, liquidity and non-financial risks.
  - BIL set ESG objectives and financial targets in the context of climate risk, considering the relevance of client-specific mitigation measures following scientific transition pathways.
- UNPRB and UNGC:
  - In 2021, BIL became a signatory to the United Nations Global Compact (UNGC), which encourages companies to voluntarily apply the universal principles of sustainable development. By following the UNGC guidelines and benefitting from its training resources and feedback, BIL is gradually gaining maturity in the implementation of its sustainability strategy. BIL submitted its first Communication on Progress (CoP) report in 2023.
  - In 2021, BIL also signed the United Nations Principles for Responsible Banking (UNPRB) and continued its work to define, measure and transparently communicate clear greenhouse gas (GHG) emission reduction targets within four years of joining, in line with the Paris Agreement ambitions and based on the latest climate science.
- External Rating: In July 2023, BIL had its ESG performance assessed by an external company, with the intent to have an independent view on its ESG implementation and understand how it compares with its competitors and peers. BIL chose to be assessed by Sustainalytics, a Morningstar Company, and leading independent firm in the field of ESG and corporate governance research, ratings, and analytics. In total, six material topics were identified for BIL:
  - Data Privacy & Security;
  - Human capital management;
  - Product Governance;
  - ESG integration in bank processes;
  - Corporate Governance;
  - Business Ethics;

The results rank BIL as having low overall exposure (ESG Risk Rating of 11.2 – Low Risk) to ESG risks and strong overall management of important ESG issues, placing the Bank in a very good position compared with similar banks. The detailed report is available on BIL's website.

ESG PRODUCTS AND SERVICES

- SFDR: One of BIL's priorities in 2023 remained compliance with regulatory requirements. After the implementation of Level 1 requirements, BIL worked on the Level 2 requirements of the European Regulation (EU) 2019/2088, the so-called Sustainable Finance Disclosure Regulation (SFDR) regarding website, pre-contractual and periodic reporting disclosures. The last milestone of this regulation was the mandatory statement on the Principal Adverse Impacts (PAI) of the Bank's investment decisions, which can be found here: https://www.bil.com/Documents/documentation-legale/sustainability-factors-en.pdf.
- Considering the evolution of different ESG regulations, current market demand and current operational and data issues, BIL established its Sustainable Investment Framework in 2023, in accordance with SFDR requirements. The Sustainable Investment Framework is integrated into BIL's Sustainable Investment Policy (the "SI Policy"), which aims to establish a consistent and comprehensive methodology for classifying financial instruments into two distinct categories: sustainable and non-sustainable. This SI Policy is designed to meet the objectives and needs of investors with sustainability preferences, in line with the requirements set forth by Markets in Financial Instruments Directive II (MiFID II).
- With regards to the collection of sustainability preferences, in line with the requirements of the MiFID II Directive, the Bank has continued to collect clients' ESG preferences using the first version of its MiFID questionnaire. In parallel, BIL is developing its MiFID questionnaire which will be launched in 2024 to collect more granular data.
- Sustainable Investments: With respect to product development, two additional BIL Invest funds (BIL Invest Bonds EUR Corporate Investment Grade and BIL Invest Equities Europe) were categorised and approved by the Commission de Surveillance de Secteur Financier (CSSF) as Article 8 funds (with PAI consideration) as per the SFDR. BIL achieved a new milestone towards responsible investment practices by renewing its BIL Invest Patrimonial LuxFLAG ESG Label accreditation and obtaining the new LuxFLAG ESG Label also for its two additional Article 8 funds: 6 out of 17 BIL Invest in-house funds are now ESG products and classified as Article 8 funds under the SFDR, representing 61% of the assets in BIL Invest funds. Finally, BIL obtained for the first time a LuxFLAG ESG Discretionary Mandate Label for Serenio ESG, which will allow the Bank to offer an ESG solution in its discretionary offering. Serenio ESG commercialisation is foreseen in 2024.
- Training: To support these new developments, investment advisors were trained throughout the year to equip them with the knowledge and skills to navigate the evolving landscape of sustainable finance. More than 250 employees from various departments were trained in ESG investment topics. The training courses focused on: ESG awareness and client ESG preferences, BIL Sustainable Investment Solutions, ESG Client Conversation and SFDR Related Disclosures.

- ESG Data: In March 2023, BIL entered into a contract with an additional ESG Data Provider to meet mandatory reporting requirements. This data will also feed into other investment projects and initiatives.
- Green Bond: Since its inception, BIL's Green Bond Framework has become an essential tool to broaden the Bank's investor base, strengthen access to liquidity and offer clients investments that support the transition to an environmentally sustainable future. 2023 corroborated the pertinence of this investment proposition. Following a promising EUR 90 million new issue production in 2022 (primarily in the form of private placements as detailed in our Allocation and Impact Report), a further EUR 350 million green bonds were issued in 2023 bringing the total outstanding raised by BIL via green bonds to EUR 440 million as at year-end 2023.
- Sustainable Lending: On the lending side, BIL has continued work started in 2022 through several initiatives described below:
  - Identification, understanding and assessment of the most material risks and impacts associated with its credit portfolio, notably the real estate portfolio. BIL has set itself the objective of greening its financed real estate stock, both in terms of acquisition and renovation of existing properties. The prerequisite for this is better data collection on the energy performance of the properties financed.
  - Integrating ESG aspects into its lending process, by making energy performance certificates mandatory for all new residential properties taken as collateral for a loan. In addition, since 1 September 2023, the energy performance class has also been incorporated into the pricing policy for retail mortgages.
  - Raising customer awareness and training employees in energy transition: Housing Advisors have been trained and are now able to advise customers on renovation options.
  - Showcasing and enhancing our sustainable financing offer and creating partnerships, such as the Bank's partnership with Alfred Reckinger S.A., a heat pump installation specialist.
- On the Corporate Financing side, BIL assessed its financed emissions to evaluate ESG transition risks. The following actions were taken in 2023:
  - Raising awareness: In April 2023, BIL organised a conference for this clientele on the theme "Together towards decarbonisation".
  - Alignment measures: BIL is assessing the alignment of its credit and investment banking portfolios with the International Energy Agency's Net Zero Emissions by 2050 Scenario.
  - Commitment model: During the fourth quarter of 2023, BIL initiated reflections to implement a customer engagement model, based on the ACT (Assessing Carbon Transition) initiative. This will be a key step in defining the Bank's decarbonisation strategy, insofar as these customer engagement meetings will provide a more precise view of the situation, maturity and trajectory of its most emitting customers in terms of transition to a low-carbon world.

ESG AT CORPORATE LEVEL

- BIL's Investment Portfolio: in addition to its role as a provider of investment solutions to private and institutional investors, BIL also manages its own portfolio of investment instruments. On 31 December 2023, Green, Social and Sustainable bonds accounted for 20.79% of the total portfolio, for a total amount of EUR 1.8 billion in December 2023 (+31% compared to 31 December 2022). BIL targeted 20% of the Investment Portfolio by the end of 2023.
- CSRD: The Bank has gradually adapted its non-financial reporting to meet future CSRD requirements.
- Operational Carbon Footprint: BIL has been measuring emissions linked to its own operations as well as its financed emissions since 2021. Details can be found in the Bank's Sustainability Report.
- Responsible Employer: BIL's focus in 2023 was on managing stress, fatigue and employee commitment in the context of implementing the new Core Banking System.
- Diversity: In March, BIL signed the Women in Finance Charter to contribute to the improvement of gender diversity in the Luxembourgish financial sector. With the signature of this charter, BIL committed to reach a ratio of 30% of women on the Management Board and in its senior management by 2028.
- Responsible Procurement: BIL is currently in the process of defining a service provider assessment grid for implementation in its Request for Proposals (RFPs) and agreements. This grid will be implemented by Q2 2024. In addition, the Procurement Team was trained in ESG principles by an external consulting firm in June 2023.

CSR INITIATIVES AND DONATIONS

As part of its sustainable development strategy, BIL launched several initiatives to create ESG awareness and training and uses its Corporate Social Responsibility (CSR) and sponsorship budgets to support different local charities with an impact on Health, Education and Environment. Details of the Bank's commitments and the various initiatives undertaken can be found in the Bank's Sustainability report available on www.bil.com.

KEY MILESTONES RECAP, CONTINUING THE JOURNEY

In conclusion, the implementation of various initiatives underlines our commitment to Environmental, Social and Governance (ESG) principles. BIL worked to define first concrete ESG targets, enabling the Bank to better manage ESG risks and exploit opportunities through high-level commitment. To better assess the ESG risk level, the materiality of ESG issues and to have a clear vision as to where the Bank stands, and what can be improved in the future, BIL solicited its first non-financial rating. The results are promising, with an overall ESG risk rating score of 11.2 (Low Risk). The Bank has developed its green financing in line with its ambition to be a "transition facilitator" for clients. Sustainable investment products are also central to the sustainable development strategy and obtaining the LuxFLAG ESG label on an increasing number of BIL investment funds has further strengthened client confidence. To support these initiatives, the Bank massively invested in employee training. Finance by nature is complex. Sustainable finance is a cultural shift and there is a need to ensure that all stakeholders, clients, staff, providers and society as a whole are on board. Raising awareness, training and education will continue to be the focus in the years to come. BIL is committed to integrating sustainability in its strategy and to being a key player in the transition to a low carbon economy.

4. Key figures

COMMERCIAL FRANCHISES

The "Luxembourg Market & CIB and Wealth Management" business areas performance remained resilient during 2023:

- Assets under Management (AuM) amounted to EUR 43.8 billion compared with EUR 43.5 billion at year-end 2022, up by +0.7%. This increase resulted from a positive market effect of EUR 0.67 billion and a limited decrease in Net New Assets (NNAs) of EUR 0.37 billion.
- Customer deposits decreased by 12% to EUR 18.5 billion compared with EUR 21.0 billion at year-end 2022. The downward trend observed during the first half of the year continued (EUR 19.6 million end of June 2023) with clients moving their deposits to higher return investments and proceeding to the early repayment of their variable rate loans in the context of higher interest rates. The Bank also faced significant volatility in terms of institutional client deposits, from a limited number of its institutional client depositors (mainly public sector entities) in line with their liquidity needs.
- Customer loans amounted to EUR 16.3 billion compared with EUR 16.5 billion at year-end 2022. This decrease, already observed in June 2023, is mainly due to the combined effect of a significant slowdown in mortgage loan production in Luxembourg and early mortgage loan repayments which continued throughout the second half of 2023. In the past year, domestic market housing demand has been hard hit by rapidly rising interest rates, coupled with a sharp reduction in construction activity caused by the downturn in the real estate sector and rising raw material costs.

PROFITABILITY

BIL Group reported a net income after tax of EUR 202 million compared with EUR 153 million at year-end 2022, up by 32%, benefitting from higher revenues partly offset by an increase in expenses and cost of risk.

Non-recurring items before tax generated a negative impact of EUR 9 million in 2023 compared with a positive impact of EUR 38 million recorded in 2022. In 2023, non-recurring items recognised before tax are composed of the remeasurement at fair value of an investment property with a reduction of the fair value revaluation by EUR 6 million (compared with the fair value increase of EUR 25 million in 2022), capital gains realised on the Bank's Investment Portfolio of EUR 4 million (compared with EUR 21 million recognised in December 2022) and higher restructuring costs, offset by interest received on a legacy loan, positively impacting the cost of risk by EUR 3 million.

Core gross operating income (excluding non-recurring items) amounted to EUR 267 million in 2023 and increased by EUR 124 million (+86%) compared with 2022 (EUR 144 million). This increase was mainly due to a significant growth in core operating revenues of EUR 164 million, attributable to Commercial Activities and Financial Markets (EUR +113 million) and Group Center (EUR +50 million) activities, offset by a rise in core operating expenses of EUR 40 million compared with 2022.

Core operating net income before tax amounts to EUR 239 million versus EUR 127 million in 2022, up by EUR 112 million (+88%). This was marked by an increase in core gross operating income of EUR 124 million and a higher core cost of risk by EUR 12 million compared with 2022.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In 2023, BIL's ratings by both Moody's and Standard & Poor's remain unchanged compared with 31 December 2022, at A2/Stable/P-1 and A-/Stable/A-2 respectively.

BIL Group	Dec 2022	Dec 2023	Outcome
Moody's	A2 Stable P-1	A2 Stable P-1	On 19 July 2023, Moody's Investors Service affirmed BIL's ratings following completion of a periodic review of the Bank's ratings.
S&P	A- Stable A-2	A- Stable A-2	On 20 October 2023, S&P Global Ratings affirmed BIL's ratings and published a fully updated rating analysis on the 30 October 2023.

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

5. Business line segmentation

In 2023, BIL kept the same segmentation of its business lines.

"**Retail Banking, Corporate & Institutional Banking and Wealth Management**" are reported as "**Luxembourg Market & CIB**" and "**Wealth Management**" and divided into two business lines: Luxembourg Market & CIB (i.e., Retail Banking, Wealth Management Luxembourg and CIB) and Wealth Management International which includes wealth management services for cross border clients from Luxembourg and Switzerland.

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

6. Consolidated statement of income and consolidated balance sheet

The consolidated financial statements of BIL Group for 2023 were prepared in accordance with IFRS Accounting Standards, as adopted by the European Union. The material accounting policies are described in Note 1 to the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

BIL Group (in EUR million)	31/12/22	31/12/23	Change versus 2022	%
Revenues	**645**	**762**	**117**	**18%**
Interest and dividend income	363	538	175	48%
Fees income	224	212	(12)	(5)%
Other income	57	12	(46)	(80)%
Expenses	**(460)**	**(505)**	**(46)**	**10%**
Staff expenses	(245)	(266)	(21)	9%
General expenses	(159)	(184)	(25)	16%
Amortisation	(56)	(55)	1	(2)%
Gross operating income	**185**	**257**	**72**	**39%**
Cost of risk and provisions for legal litigation	(19)	(26)	(7)	35%
Net income before tax	**165**	**230**	**65**	**39%**
Tax expenses	(12)	(29)	(16)	130%
Net income	**153**	**202**	**49**	**32%**

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

BIL Group (in EUR million)	Commercial activities and Financial Markets		Group Center		Total		Change versus 2022	%
	31/12/22	31/12/23	31/12/22	31/12/23	31/12/22	31/12/23		
Revenues	653	750	(8)	12	645	762	117	18%
of which core operating revenues	***632***	***746***	***(33)***	***17***	***599***	***763***	***164***	***27%***
Expenses	(432)	(462)	(28)	(43)	(460)	(505)	(46)	10%
of which core operating expenses	***(432)***	***(462)***	***(23)***	***(33)***	***(455)***	***(496)***	***(40)***	***9%***
Gross operating income	221	288	(36)	(31)	185	257	72	39%
of which core gross operating income	***200***	***283***	***(56)***	***(16)***	***144***	***267***	***124***	***86%***
Cost of risk and provisions for legal litigation	(18)	(28)	(1)	1	(19)	(26)	(7)	35%
of which core operating cost of risk	***(16)***	***(29)***	***(0)***	***0***	***(17)***	***(28)***	***(12)***	***71%***
Net income before tax	202	260	(37)	(30)	165	230	65	39%
of which core operating net income before tax	***184***	***255***	***(57)***	***(16)***	***127***	***239***	***112***	***88%***
Tax expenses					(12)	(29)	(16)	130%
Net income					**153**	**202**	**49**	**32%**

REVENUES

2023, total revenues amounted to EUR 762 million, up by EUR 117 million (+18%) compared with 2022 (EUR 645 million). Revenue contributions are presented by operating segment and by accounting category in Note 3.

Excluding the non-recurring items, core operating revenues stand at EUR 763 million, up by EUR 164 million (+27%) compared with EUR 599 million at year-end 2022.

Commercial activities' core operating revenues amounted to EUR 692 million (+18%) compared with EUR 589 at year-end 2022. Much of this growth is due to a higher net interest income, up sharply by 34% at year-end 2023, driven by higher margins on deposits and lending activities, offset by a 5% decrease in fee and commission income compared to 2022.

Financial Markets' core operating revenues amounted to EUR 53 million, up by EUR 10 million (+23%) compared with 2022. Revenues from Banking Book Management activities rose by EUR 8 million, thanks to the higher interest rate environment which had a positive impact on interest income from Asset and Liability Management. In addition, revenues from Market activities benefitted from higher volumes of structured investment product activity via the Leonteq S.A. platform and from a highly successful Green Bond campaign.

Group Center activities generated positive core operating revenues of EUR 17 million in 2023 compared with negative core operating revenues of EUR 33 million in 2022. This increase of EUR 50 million is mainly attributed to the sharp rise in interest income revenues by EUR 38 million on the Bank's own funds, the positive revaluation of the BIL Reinsurance S.A. portfolio by EUR 9 million and lower contributions to the DGS & Resolution Fund contributions by EUR 3 million.

EXPENSES

Expenses amounted to EUR 505 million, up by 10% (EUR 46 million) compared with year-end 2022, at EUR 460 million, or up by 9% excluding the non-recurring items.

Staff expenses increased by EUR 21 million, mainly at BIL Luxembourg level following the overall impact of salary indexations applied in February, April, and September 2023, the effect of new employees hired in 2023 and higher variable remuneration.

General expenses increased by EUR 25 million, driven by higher transition costs linked to the deployment of the new Core Banking System T24 (e.g., multiple platforms to support development and application testing) with additional support from external consultancy, which successfully went live on 2 October 2023. The Bank also intensified staff training efforts considering T24 and ESG matters to ensure a fully equipped workforce. Furthermore, inflation led to significant impact on energy, marketing and communication costs.

Depreciation and amortisation slightly decreased by 2% versus 2022.

The cost income ratio reached 66.3% in 2023 and improved by 5.0% compared with 2022 at 71.3% and the core cost income ratio (excluding non-recurring items) stood at 65.0% and improved by 11.0% compared with 2022.

GROSS OPERATING INCOME

Gross operating income amounted to EUR 257 million compared with EUR 185 million in 2022. Excluding non- recurring items, core gross operating income increased by EUR 124 million (+86%), mainly influenced by a significant increase in core operating revenues (EUR 164 million) offset by higher core operating expenses (EUR 40 million).

COST OF RISK

BIL Group recorded net provisions on loans and advances and provisions for legal litigations of EUR 26 million compared with EUR 19 million in 2022.

EXPECTED CREDIT LOSSES (ECL)

The core cost of risk (excluding non-recurring items) totalled EUR 28.5 million in 2023 compared with EUR 16.7 million in 2022, an overall negative evolution of the cost of risk by EUR 12 million, an increase of 71% compared with 2022.

In a fundamentally difficult economic and geopolitical context, the Bank adopted a prudent approach anticipating an increase in credit risk, particularly on its real estate portfolios (residential and property developers) by maintaining a conservative downside scenario overweight in the calculation of the expected credit losses (ECL) and by setting aside EUR 12 million in management overlays on the Residential Real Estate loan portfolio (as described in detail in Note 9.2 Credit risk of the Consolidated Financial Statements).

In 2023, the core cost of risk includes a reversal of ECL for EUR 25 million on Stage 1 and Stage 2 exposures, mainly driven by a decrease of net exposures in line with the Bank's balance sheet evolution, by ECL models evolution reflecting best market practices (as described in detail in Note 9.2 Credit risk of the Consolidated Financial Statements) and an allocation of EUR 53 million in Stage 3 mainly driven by entries in default of real estate exposures in relation to the deterioration of the Luxembourg real estate market.

In the Risk Management section, the Bank has published an overview of the asset quality by stage focused on loans and advances to customers.

NET INCOME BEFORE TAX

Net income before tax stood at EUR 230 million, up by EUR 65 million (39%) compared to year-end 2022, positively influenced by a marked increase in gross operating income of EUR 72 million offset by the cost of risk increase by EUR 7 million.

TAX

In 2023, tax expenses stood at EUR 29 million, up by EUR 16 million compared to 2022. The evolution of tax expenses is in line with the increase in net income before tax.

NET INCOME

In 2023, BIL Group reported a net income of EUR 202 million, a strong performance compared with 2022 (EUR 153 million).

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET[4]

BIL Group (in EUR billion)	31/12/22	31/12/23	Change versus 2022	%
ASSETS	**32.4**	**30.5**	**(1.9)**	**(5.8)%**
Cash, balances with central banks and demand deposits	4.4	3.0	(1.4)	(31.8)%
Loans and advances to credit institutions	1.1	0.7	(0.4)	(38.6)%
Loans and advances to customers	16.5	16.3	(0.2)	(0.9)%
Financial investments	8.8	9.2	0.4	4.2%
Positive fair value of derivative products	0.8	0.5	(0.3)	(34.9)%
Other assets	0.8	0.8	0.0	1.5%
LIABILITIES	**32.4**	**30.5**	**(1.9)**	**(5.8)%**
Amounts due to credit institutions	3.4	3.7	0.3	9.5%
Amounts due to customers	21.0	18.5	(2.6)	(12.3)%
Negative fair value of derivative products	0.4	0.3	(0.1)	(24.4)%
Debt securities	4.7	4.9	0.2	4.3%
Subordinated debts	0.2	0.3	0.1	42.1%
Other liabilities	0.4	0.4	0.0	13.3%
Shareholders' equity	2.3	2.4	0.1	5.9%

ASSET MOVEMENTS

"Cash, balances with central banks and demand deposits" amounted to EUR 3.0 billion, down by EUR 1.4 billion (-31.8%). This reduction in BIL's excess liquidity mainly stems from a decrease in "Amounts due to Customers" (EUR -2.6 billion).

"Loans and advances to customers" amounted to EUR 16.3 billion at the end of 2023 compared with EUR 16.5 billion at the end of 2022, down by 0.9%. Outstanding mortgage loans decreased by EUR 0.2 billion (-3%). This decrease is linked to the continued general slowdown in mortgage loan production in Luxembourg, impacted by the rapid rise in interest rates and delays in new construction projects caused by the current downturn in the real estate sector, the rising cost of raw materials, supply chain disruption and early reimbursement as clients are using their excess of liquidity to deleverage their investment profiles.

"Financial investments" rose by EUR 0.4 billion to EUR 9.2 billion at the end of 2023, as higher new investments recognised at amortised cost, were partially offset by sales and maturities generated in 2023. Most of these new investments are HQLA eligible securities either Level 1 or Level 2 LCR with Level 1 securities representing nearly 71% as at 31 December 2023. The Investment Portfolio is made up mainly of assets eligible for refinancing by the European Central Bank (ECB) and qualifying as liquidity reserves under the current regulatory framework. These assets enable the Bank to fully comply with liquidity ratio requirements. As at 31 December 2023, the Liquidity Coverage Ratio (LCR) stood at 174% versus 153% at year-end 2022.

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

LIABILITY MOVEMENTS

"Amounts due to credit institutions" amounted to EUR 3.7 billion, up by 9.5% compared to the previous year, mainly due to an increase in interbank deposits offset by a decrease in repurchase agreements and the early repayment of the last remaining TLTRO (tranche III.10) of EUR 0.25 billion.

"Amounts due to customers" totalled EUR 18.5 billion in December 2023, down by 12.3% since the end of 2022. This decrease occurred mainly in current accounts (EUR -3.4 billion), partially offset by an increase in fixed term deposits (EUR 1 billion) as favourable interest rates incentivise clients to move their deposits from current accounts to more remunerative products and clients proceed to the early repayment of their variable rate loans. In 2023, the Bank also witnessed higher volatility in terms of a limited number of institutional client deposits (mainly public sector entities) depending on their cash management requirements.

"Debt securities" increased by 4.3% to reach EUR 4.9 billion compared with year-end 2022. As part of BIL's long-term financing programme, in 2023, the Bank issued EUR 2.1 billion in Senior Preferred and EUR 70 million in Senior Non-Preferred notes. Since the inauguration of its Green Bond Framework in May 2022, a key element in BIL's sustainability strategy, the Bank has issued a total of EUR 440 million green bonds of which EUR 350 million were issued in 2023. The Bank has also continued to benefit from its partnership with Leonteq A.G. an investment products platform which has greatly increased the visibility of BIL structured product issuance across international markets.

Subordinated debt increased by 42.1%, in 2023 following a debt issuance of EUR 100 million in February 2023 maturing in 2033 (callable in 2028) and eligible as Tier 2 capital.

"Shareholders' equity" increased by EUR 136 million (+5.9%). This increase can mainly be attributed to the 2023 net profit of EUR 202 million and the positive evolution of the revaluation reserves by EUR 3 million offset by the dividend paid on the 2022 net profit of EUR 60 million and by the coupon payments on AT1 instruments.

7. Movements in share capital

At year-end 2023, the Bank's share capital was fixed at EUR 146,108,270 and represented by 2,087,261 fully paid-up shares (no changes compared with 2022). In 2023, the Bank did not hold any of its own shares.

8. Research and development

THE BENEFITS OF ARTIFICIAL INTELLIGENCE

The banking sector globally stands to gain from AI models available as a service via APIs. Luxembourg has a unique opportunity to showcase and share its AI expertise. BIL is convinced Artificial Intelligence, especially generative AI, offers transformative benefits to banks in areas such as operational efficiency, security, risk management, auditing, IT engineering and testing productivity, communication. As an example, the Bank is already using AI to process card limit extensions and is researching opportunities in the field of regulatory compliance, fraud detection, human-AI interactions thanks to generative AI.

ROBOTIC PROCESS AUTOMATION INNOVATION

In 2023, BIL completed the development and deployment of its automation hub. The hub centralises all of the Bank's automated processes. By integrating Robotic Process Automation, Optical Character Recognition, and Natural Language Processing within a single hub, this solution not only streamlines the Bank's operations but also significantly enhances the customer-experience. BIL received the 2023 Innovation Award from OutSystems in Lisbon.

GAINING EFFICIENCY BY POOLING RESOURCES

BIL will analyse and coordinate mutualisation projects that have a great potential of service improvement for its clients in addition to efficiency and commercial benefits. Recent initiatives have proved that pooling resources can be the solution to a specific and common challenge, while keeping a separate and competitive approach. BIL joined the IHub project to optimise and modernise its operational systems for documenting and understanding its customer relationships (KYC processes). This digital solution for the management and storage of data and documents allows the Bank to better serve clients, while automating an important part of its knowledge and documentation process necessary to attest the compliance of the business relationships. BIL also partnered with five other financial institutions to pool together their ATMs to create a single network in Luxembourg, guaranteeing access to self-banking services.

9. Post-balance sheet events

At the time of preparation of these consolidated financial statements, there have been no significant post-balance sheet events that could affect the financial or commercial situation of the Group subsequent to the closing date.

10. Strategic outlook

ENERGISE CREATE TOGETHER 2025: FULL STEAM AHEAD

2023 marked a pivotal year for BIL, as the Bank successfully achieved one of the key milestones underpinning its Energise Create Together 2025 plan, by going live with its new Core Banking System. The new Core Banking System will provide a solid backbone for BIL's future development, allowing the Bank to operate more efficiently and better serve its clients. In this context, 2023 also marked the year when the Bank launched its Target Operating Model Programme, which will enhance BIL's ways of working to fully take advantage of the Bank's new platform and better address changing needs in the modern world.

As the global economy is changing rapidly, in 2024, BIL's primary focus will be on client-centricity: fostering robust client relationships, reaching a higher level of quality of service, and constantly adapting the value proposition to client needs.

BIL will continue to deliver value for its clients and to adapt its commercial activities where necessary, while staying focused on its longer-term goals defined in its strategy Energise Create Together 2025. The Bank will remain focused on the implementation of the five key initiatives of its strategic plan, whose purpose is to prepare the Bank for the future.

BIL will carry out the following measures to further enhance its competencies:

- Enhance its unique universal bank business model to become the best bank for entrepreneurs and remain one of the leading banks in Luxembourg.
- Diversify BIL's Wealth Management business, an essential activity in the Bank's business model that will continue to play a key role in fostering growth and resilience.
- Develop its Chinese business step by step with the ambition to become a leading bank for European clients wanting to invest in China, and Chinese clients wanting to invest in Europe.
- Leverage its new and reliable Core Banking System, to drive future growth.
- Continue to implement its new Target Operating Model set to create a robust and dynamic bank ready to face the future with confidence.

Risk Management

1. Introduction

1.1. Key events of 2023

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 all risks are identified, continuously monitored, managed and consistent with the institution's Risk Appetite.

1.2. Main progress achieved by the Risk teams in line with the different regulatory requirements

In 2023, BIL continued to invest significant time and resources in order to strengthen the risk management framework and processes and to ensure continued compliance with the regulatory corpus.

Regarding credit risk, and in parallel with the preparation of the new Core Banking System project, the Bank:

- Stepped up its proactive approach to clients in an environment characterised by increasing risks (among others: rapid and steady rise in interest rates, significant slowdown in real estate market transactions);
- Continued to dynamically manage its credit portfolios to pursue de-risking with the aim of reducing non-performing and impaired exposures, while maintaining adequate and conservative provisioning for its credit risks;
- Continued implementation of the Credit Risk & ECL ("Expected Credit Loss") Roadmap to meet regulatory expectations and further strengthen risk management.

Specifically, the Bank implemented the following measures during the reporting period:

- Customer outreach programmes were carried out, with the dual objective of reassessing risks in light of changing and deteriorating operating conditions, and considering the implementation of any corrective measures to ensure the proper repayment of loans:
  - The first (Q1 2023) focused on residential loans to individuals in Luxembourg,
  - The second (Q2 2023) targeted loans to property developers in Luxembourg,
  - A third one (Q3-Q4 2023) focused on two specific categories of individual borrowers:
    - **i.** Those with a bridge (or bullet) loan maturing before 30 June 2024 (lot 1);
    - **ii.** Those with a fixed rate loan maturing before 30 June 2024 whose terms will be reset to current market conditions (lot 2).
  - Finally, a fourth outreach programme assessed the stock of Residential Real Estate (RRE) clients showing one of the following discrepancies:
    - **i.** Clients with a disposable income below the minimum required, according to the data available in our core system, encompassing 2 640 borrowers with EUR 938 million of credit exposure as at 31 December 2023;
    - **ii.** Clients with missing Minimum Disposable Income (MDI) data.

As a result of these customer outreach programmes and the increased periodic review of loans, transfers of exposures in "Stage 2" or "Stage 3" classifications have been recorded. As at 31 December 2023, some of these outreach programmes (the third and the fourth) have also led to management overlays. (Please refer to Note 9.2.1.4 ECL Post-Model Adjustments and Management Overlays.)

At the same time, the Bank intensified its efforts to further improve the identification of vulnerable clients in its IFRS 9 models as part of its Credit Risk Framework & ECL Roadmap initiative through the (i) development of an internal ECL tool during 2023 in order to ensure agility in various assessments (ii) deployment of new approaches for retail credit risk parameters (Probability of Default (PD), Loss Given Default (LGD) and Credit Risk Conversion factors (CCF)) and (iii) review of the calibration pertaining to the Significant Increase of Credit Risk (SICR) approach, moving from a ratings based approach to one based on PD. Moreover, the Bank also deployed some approaches in terms of credit risk:

- The early warning system was strengthened with the inclusion of corporate, bank and institutional counterparties. It encompasses the embedment of adverse news regarding these counterparties. Adverse news are media articles where the names of the Bank's counterparties appear alongside pre-selected keywords with a negative connotation.
- An ESG (Environmental, Social and Governance) assessment was introduced for significant new credit transactions, to identify and measure the ESG risk impacts in order to support the credit-decision process at loan origination.

The Bank is also finalising the implementation of the "Soft Collection Centre", which will centralise the management of material overdue payments exceeding 20 days.

On the Credit Risk Pillar I model framework, BIL continued to invest time and resources to ensure that it complies with the European Banking Authority's Internal Ratings Based (IRB) Repair programme:

- In 2022, the Joint Supervisory Team (JST) appointed Internal Model Investigation mission assessed the Retail/Wealth models and LGD Mid Corporate model and also the new Financial Haircut model, submitted in 2021, for approval by the ECB. In Q3 2023, the Bank received the draft decision letter for approval. The new approaches were deployed at the end of 2023. Additionally, the next Internal Model Investigation for the new Mid Corporate models Probability of Default and Credit Conversion Factor (PD-CCF) started in early 2024.
- In order to further simplify the model landscape, Large Corporate exposures (obligors with turnover above or equal to EUR 250 million) will be monitored using the Standardised approach as per the revised Basel framework (as for Financial Institutions) with the homologation file sent to the ECB at the end of September 2023.

Beyond regulatory matters, in the first semester of 2023, the Bank launched a new project to redesign the Risk-Adjusted Return on Capital (RAROC) tool. A new web-application is now in production, providing a more agile framework for business and control functions. In this context, other works will be realised: (i) Enhancing the visibility on profitability on different dimensions such as client relationships, sectors, countries, etc., (ii) Including the concept of economic capital in addition to regulatory capital, (iii) Reassessing the hurdle rate, how it is applied in order to ensure that hurdle rates are aligned with strategy (e.g., through different hurdle rates for different sectors) and (iv) Assessing of indirect revenues and their monitoring after the granting of loans.

Finalisation of Basel III framework, also called the Basel IV framework: The Bank continued to analyse the different impacts and participated in the Quantitative Impact Study (QIS) on Basel IV regarding the exposures at year-end 2022. The Bank is also conducting an in-depth assessment to assess the strategic implications brought forth by this regulatory change and stands ready to navigate the new capital framework when it enters into force in January 2025.

Interest rate risk in the Banking Book (IRRBB): The Bank developed its non-maturing deposit, prepayment and stress test models and risk follow-up tools. More specifically, the Bank conducted a back-testing and analysis of the non-maturing deposit model in the new interest rate paradigm. This also included a "beta approach" to determine the repricing profile of non-maturing deposits, sensitive segments and adjustable-rate loans. In this context, a tactical review of the model was performed and a more structural revision is on-going under the supervision of the ALM Committee.

The ICLAAP process (Internal Capital and Liquidity Adequacy Assessment) is strongly embedded in the Bank's decision-making process and currently covers different components including: (i) Risk Cartography, (ii) Risk Appetite Framework (RAF), (iii) Economic Capital (ECAP) computation and (iv) Capital and Liquidity Planning, in addition to the Capital and Liquidity Adequacy Statements confirmed at Board-level. The ICLAAP process, and specifically its risk cartography workstream, is in line with the Bank's strategy and the various ongoing projects.

The ICLAAP process is nowadays a dynamic exercise that evolves and aligns with the Bank's strategy, builds on current market developments and incorporates different indicators as part of the developed scenarios. It plays a key role in the determination of the risk profile of the Bank and includes a comprehensive assessment of capital and liquidity risks.

During 2023, the Bank submitted the 2022 annual end-of-cycle report to the regulatory authorities after determining that the Bank is adequately capitalised considering the available management actions at hand that will allow the Bank to manoeuvre different scenarios of increasing severity. The Bank's liquidity position was also assessed as adequate, as demonstrated through the Bank's business strategy and funding plan, its risk identification and quantification process, its strong liquidity indicators, its efficient liquidity tools, its reporting process and the sound quality assurance and validation process.

The Bank has in place sound, effective and complete strategies and processes to assess, maintain and distribute internal capital across the different risks. The amounts, types and distribution of internal capital are adequate to cover the nature and level of risks to which the Bank is exposed or might be exposed to. The Bank also implemented appropriate arrangements, strategies, processes and mechanisms to comply with different regulatory requirements, namely the ECB guide to the ICAAP and ILAAP as well as international best practices.

Bank Recovery and Resolution Directive (BRRD): The Bank updated and submitted its 2023 Recovery Plan in September 2023. In view of recurrent cyber security threats affecting the banking industry worldwide, the Bank has developed for a second consecutive year an idiosyncratic stress scenario involving a cyber incident with severe financial implications, to identify the options that are available to counter such events, to assess whether these options are sufficiently robust and if their nature is sufficiently varied to cope with the shock. This scenario is one of four scenarios included in the Bank's Recovery Plan which cover, in addition to the idiosyncratic scenario, a systemic, a combined and a real estate scenario.

The Bank also substantially increased the severity of its stress scenarios to reflect the tumultuous geopolitical developments and uncertain economic conditions. Despite the elevated stress levels, the Bank was able to improve its Overall Recovery Capacity (ORC), in large part due to enhancements to its recovery options framework which increased the Bank's ability and versatility in responding to various and distinct stress scenarios.

Moreover, the Bank continued to reinforce the operationalisation of its Recovery Plan, notably through a Board-level dry-run exercise conducted in November 2023. The dry-run exercise tested different chapters of the Recovery Plan, in particular the implementation of several liquidity and capital recovery options, the ability of the Bank to make decisions and the major repositioning of the Bank in times of severe financial and non-financial stress. The dry-run exercise also reflected the Bank's ongoing work to enhance the synergies between the different crisis management frameworks, especially when it comes to testing.

Regarding the resolution component, in June 2023, a detailed version of BIL's Resolvability Progress Report was provided to the Single Resolution Board (SRB). In accordance with the SRB expectations, the progress achieved was in line with the 2023 work priorities as communicated by the SRB in December 2022.

From a governance and quality control perspective, significant progress was made in 2023, to onboard all stakeholders into resolution planning activities. A detailed training programme was set up and delivered throughout the year. Progress also continued among other things, on the Financial Markets Infrastructure Contingency Plan (FMI CP), Service Catalogue (including a library of all services, critical staff and systems essential for the continuity of operations in the event of a resolution), retention and motivation schemes for critical staff, liquidity and funding in the event of resolution and the Business Reorganisation Plan (BRP).

With the Bank reaching a mature stage in terms of documenting its resolution framework, focus was also geared towards testing the various dimensions of resolvability, As part of a detailed testing programme, the Bank conducted six testing exercises (dry-runs, management simulations and walkthroughs) during 2023, comprehensively covering a wide array of resolution topics, including: Bail-In Playbook, Communication Framework, Business Reorganisation Plan, Collateral Identification and Mobilisation, External Execution and Management Information Systems (MIS) Capabilities for Valuation. The successful conclusion of the testing exercises demonstrated BIL's operational preparedness to implement its Resolution Plan, with lessons learned contributing to further enhancements in both documentation as well as future testing exercises.

2023 has been an important year for the Bank, with solid and steady progress achieved at different levels of the project. In October 2023, the SRB adopted the Group Resolution Plan for BIL and deemed that the Bank is on track to become fully resolvable considering the phase-in of the Expectations for Banks (EfBs) and Minimum Requirement for own funds and Eligible Liabilities (MREL) policy principles. The Bank will continue to work towards enhancing its overall resolvability, in line with its dedicated 2024 Resolvability Work Programme.

With regard the Basel Committee on Banking Supervision (BCBS) 239 principles, the Bank pursued related initiatives in three sections: (i) Overarching governance and infrastructure, (ii) Risk data aggregation capabilities and, (iii) Risk reporting practices. The Bank aims, through this project, to strengthen the data governance framework, enhance the enterprise-wide risk data aggregation capabilities and optimise the internal risk reporting practices. The roadmap followed by the Bank shows the progress on the overall project, the improvement of the entire reporting architecture and the monitoring of the compliance level of the existing risk reports.

2023 ECB Stress Test Exercise: On the 31 January 2023, ECB/EBA launched the 2023 EBA/Single Supervisory Mechanism (SSM) Stress Test for 99 Significant Institutions. At the request of the ECB, BIL participated in the SSM Stress Test. On the 21 June 2023, BIL's early termination was accepted, meaning that BIL was not requested to go beyond the June deadline. At the end of July, outcomes of the Exercise were disclosed for all participating banks. For BIL, the results show that it has a solid solvency situation and that the Bank has demonstrated its resilience under very stressed situations.

For 2024, BIL is participating in the ECB Cyber-Risk Stress Test Exercise to assess the digital operational resilience to withstand a severe but plausible cybersecurity event and to take the necessary actions to ensure that the Bank is in position to correct any weaknesses and deficiencies with respect to supervisory expectations. Moreover, the Bank is participating in a one-off exercise led by the ECB and the EBA to assess the resilience of the financial sector in line with the "Fit-for-55 package", which refers to the EU's target of reducing net greenhouse gas emissions by at least 55% by 2030.

Environmental, Social and Governance (ESG) matters are of increasing importance in the banking world and continue to be a key focus area for BIL. At the end of 2022-beginning of 2023, the Bank set up a comprehensive ESG programme for the sustainable development of its activities and those of its clients. The Bank has a clear sustainability strategy that is fully integrated in the Bank's Energise Create Together 2025 Strategy and is making demonstrable progress in the sustainable action that it takes. The main objective is to drive the ESG transformation by closely integrating it within the Bank's business lines, not only from a regulatory perspective but also from a commercial and strategic approach.

On the risk management side, the Bank continued to implement the different elements of its ESG risk framework:

- ESG Pillar III: the report has been published on BIL.com, with a dedicated ESG section including the new qualitative tables and quantitative templates relative to ESG risk disclosure;
- ECB Recommendations: the monitoring of the different findings and deliverables is handled by the ESG Strategic Steering Committee;
- ESG Cartography: the 2023 ESG Cartography merged this year with the Global Risk Cartography, but with a dedicated ESG section, specifically including the medium to long-term horizon in all areas of climate-related and environmental risk assessment;
- ESG Stress Test: In 2023, three high-level assessments of the ESG scenarios were released to provide an overview of the impacts on classical risks: Credit Risk, Market Risk, Liquidity Risk and Non-Financial Risks (NFR).

Risk Management is a key stakeholder in the new Core Banking System deployment at different levels: (i) as a first-line user and direct contributor to the project for all risk management processes and tools and (ii) as a second Line of Defence (2nd LoD) oversight function. Based on this framework, risk management has performed functional and technical risk assessments. These assessments allow to identify, among others, residual risks for which 1st LoD ownership is established and action plans and target dates are set and monitored. As a result of the immense efforts exerted by all BIL teams, the deployment of the new Core Banking System was a success and is up and running in a business-as-usual mode.

2. Risk management objectives and governance

2.1. Objectives

To reflect a sound Risk Management Framework and to develop an integrated risk culture, the Bank has set up an effective risk management function that is consistent with its activities and encompasses the relevant risks associated with its activities.

The risk management function has been designed to support the Bank in achieving its defined objectives under the BIL strategy and regulatory requirements.

In this context, the main objectives of the risk management function are to:

- **Ensure that all risks are under control** by identifying, measuring, assessing, mitigating and monitoring them on an on-going basis. Global risk charters, policies and procedures define the framework for controlling all types of risks by describing the methods and the limits defined, as well as escalation procedures;
- Provide the Management Body (the Board of Directors, the Board Risk Committee and the Management Board) and all other relevant stakeholders with a comprehensive, objective and relevant overview of risks;
- **Ensure that the risk limits are compatible with the Risk Appetite Framework (RAF)**, which defines the level of risk the Bank is willing to take to achieve its strategic and financial objectives;
- **Ensure compliance with banking regulation requirements related** to risk management by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements.

2.2. Risk Management Governance

GENERAL PRINCIPLES

In accordance with CSSF Circular 12/552 (as amended), risk management is one of the three main internal control functions (together with Internal Audit and Compliance).

In accordance with regulatory guidance, BIL has implemented a robust "three lines of defence organising framework".

The first line of defence consists of the business lines and certain operational functions (e.g., middle- and back-office) which take or are exposed to risks and are responsible for:

- identifying, monitoring, measuring, managing and reporting on risks to ensure that they are kept within the limits of the Bank's risk appetite statements;
- their operational management directly and on a permanent basis to ensure that the business activities are compliant with external and internal requirements;
- ensuring compliance with the Group's policies, procedures and limits in daily operations and on an ongoing basis.

The second line of defence includes the Risk Management Department and the Compliance Department, which control risks on an independent basis and support the first line of defence in complying with Group policies and procedures.

The third line of defence consists of the Internal Audit function which conducts an independent, objective and critical assessment of the first two lines of defence and of the internal governance arrangements as a whole.

The three lines of defence are complementary, each line of defence assuming its control responsibilities regardless of the other lines. An Internal Control Committee, which is a Management Committee with a delegation of powers by the Management Board, is in place and strengthens the cooperation between the three lines of defence.

The BIL Group Risk Management framework is based on governance arrangements which enable prudent and sound management of risks. This governance framework includes:

- The Board of Directors (assisted by the Board Risk Committee) and the Management Board and their respective roles in decision-taking and risk management;
- A number of Management Committees in which at least one member of the Management Board is a permanent member and where all Executive Committee (ExCo) members present have a veto right;
- Other formalised Risk Committees, including experts and operational teams, taking decisions related to the Bank's risk monitoring as well as specific practices;
- Charters, policies, procedure and reportings, which are consistent with the Bank's risk appetite and explain the following:
  - Activities;
  - Definition of limits for risk-taking by operational units;
  - Process of detection of risks;
  - Assessment and measurement of the risks induced by the Bank's activities.

REPORTING TO THE MANAGEMENT BODIES

As a general principle, the internal risk functions of each BIL Group entity report to the appropriate risk functions at BIL Head Office level, from both a hierarchical and functional perspective for representative offices and from a functional perspective for subsidiaries.

BIL Group risk management governance is based on a clear decision-making process supported by the following governance bodies:

BOARD OF DIRECTORS

Among its roles, the Board of Directors (the Board) is responsible for setting and overseeing the overall business strategy, the overall risk strategy and policy including the risk tolerance and appetite, as well as the risk management framework.

According to CSSF Circular 12/552 (as amended), the Board makes a critical assessment of the internal governance mechanisms and approves them by taking into account the:

- Balance between the incurred risks, the ability of the Bank to manage these risks, own funds (economical and regulatory reserves);
- Strategies and guiding principles with a view to improving and adapting them to internal and external, as well as current and anticipated changes;
- Manner in which the Management Board meets its responsibilities (for instance by ensuring that corrective measures are implemented);
- Adequacy, effectiveness and efficiency of internal control mechanisms;
- Adequacy of organisational and operational structures.

These assessments may be prepared by dedicated internal committees and may be based on information received from the Management Board, the ICAAP and ILAAP reports and the summary reports of the internal control functions which the Board is called upon to approve on this occasion.

The Board acknowledges full responsibility for oversight of BIL's risk management and, as part of the RAF, defines general principles, responsibilities and processes. BIL Group risk management framework relies on a robust governance allowing a prudent and sound management of risks to support the MB in its implementation, in compliance with the strategies and guiding principles laid down by the Board.

The Board is responsible for BIL's risk management and thereby for ensuring:

- That all risks are controlled with processes in place for identifying, measuring, assessing, mitigating, managing and monitoring them on an on-going basis: global risk policies and procedures define the framework for controlling all types of risks by describing the methods used and the defined limits, as well as the escalation procedures in place;
- That risk limits are compatible with the strategy, the business model and the structure of the Bank through an effective RAF, which defines the level of risk that the institution is willing to take in order to achieve its strategic and financial objectives;
- Compliance with banking regulatory requirements by reviewing regular reports, participating in regulatory discussions and analysing all new requirements related to risk management that affect the Bank's activities (i.e., regulatory watch).

With respect to the RAF, the Board:

- Approves BIL's Risk Appetite Statement (RAS) and ensures it remains consistent with the Bank's short- and medium-term strategy, business and capital plans, risk capacity as well as compensation programmes;
- Holds the CEO and other Senior Management accountable to effectively implement a risk management framework for effective risk management in line with the set Risk Appetite and for the integrity of the Risk Appetite, including the timely identification, management and escalation of breaches in risk limits and of material risk exposures;
- Includes an assessment of Risk Appetite in its strategic discussions including decisions regarding mergers, acquisitions, growth in business lines or products, budget forecasting etc.,
- Regularly reviews and monitors the actual risk profile and risk limits to ensure BIL's compliance with the defined Risk Appetite;

- Ensures that appropriate mechanisms are in place to allow Senior Management to act in a timely manner to effectively manage, and where necessary mitigate, material adverse risk exposures.

BOARD RISK COMMITTEE

The Board Risk Committee (BRC) supports and advises the Board on any risk-related questions or activities. Among other things, the BRC is responsible for proposing BIL Group's risk policies to the Board. This committee also ensures that BIL's activities are consistent with its risk profile and makes positive recommendations to the Board with regards to the level of global limits for the main risk exposures.

Among its roles and responsibilities, the BRC:

- Reviews the BIL Group risk management framework, including the risk governance structure, the risk appetite statement and the risk appetite framework;
- Reviews the global risk limits and capital allocation;
- Reviews the BIL Group risk exposure, risk profile and related adequacy with the Bank's risk appetite (including capital adequacy) and other key Risk Management matters on a Group-wide basis;
- Reviews any significant risks, exposures and the relevant risk assessments;
- Reports regularly to the Board and makes recommendations amongst others with respect to any of the above-mentioned matters.

MANAGEMENT BOARD

The Management Board (MB) (also known as the Authorised Management) is responsible for implementing strategies as approved by the Board of Directors, and for establishing a sound management in accordance with the principles and objectives established by the Board.

The MB meets either as an integral part of the ExCo or on a stand-alone basis, as needed. The ExCo, in which all key functions of the Bank are represented, consists of the CEO, the MB members and the heads of other support and business lines.

The MB oversees the effective, sound and prudent day-today business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the Board and the existing laws and regulations, taking into account and safeguarding the institution's long-term financial interests, solvency, liquidity and profitability situation. The Authorised Management will implement the business strategy and orientation, the risk strategy and therefore amongst others the Risk Appetite as approved by the Board.

The Authorised Management proposes the Risk Appetite for approval by the Board. The MB further develops, as delegated by the Board, a subsequent system of limits to support the Risk Appetite by ensuring that clear boundaries are set for risk takers and targeted mitigating actions can be taken.

Among its roles and responsibilities, the MB:

- Reviews and recommends changes to the BIL Group risk management framework, the global risk limits and capital allocation;
- Reviews BIL Group risk exposure and related adequacy with the Bank's Risk Appetite (including capital adequacy) and other key risk management matters on a Group-wide basis while prescribing global limits for the Bank's main risk exposures;
- Reviews, assesses and discusses with the external auditor any significant risk or exposure and relevant risk assessments, if the need arises;
- Reports regularly to the Board and makes recommendations with respect to any of the above or other risk-related matters;
- Ensures that rigorous and robust processes for risk management and internal controls are in place and that the Bank is staffed in such way that it can ensure a sound management of its activities. These processes include the establishment of a strong risk governance function.

EXECUTIVE COMMITTEE

The ExCo is an enlarged Committee composed of the CEO, the Authorised Management as well as designated heads of support functions and business lines. The Chief Compliance Officer as well as the Chief Internal Auditor are permanent invitees to the ExCo. The ExCo exercises its duties under the supervision of the Board. The role and responsibilities of the ExCo are further defined in the Terms of Reference of the ExCo/ MB and in the Articles of Association and applicable laws.

MANAGEMENT COMMITTEES

Management Committees are mandated by the Management Board to take decisions on transversal topics within the MB scope which are either technical and/or require a specific focus, e.g., risk management topics. They facilitate the development and implementation of sound corporate governance and decision-making practices. Their responsibilities and roles, their memberships and other rules defining their working practices are described in the terms of reference of each Management Committee. At least one member of the MB is part of the Management Committees and has a veto right. Management Committees dedicated to risk topics may take decisions related to the overall risk process, based on the delegation of powers by the MB.

Please refer to the Bank-wide Internal Governance Framework for more specific information (e.g., meeting frequency, composition, quorum) on the Management Committees listed in the following table:

Figure 1: Subjects and attributions of the Committees related to Risk topics

Committee	Topics
Internal Control Committee	Strengthen the cooperation between the 3 lines of defence through coordination of the activities of each Internal Control function and decision on transversal issues related to Internal Control.
Commitments Committee	Grant and decide for BIL and its subsidiaries on (i) all commitments exceeding EUR 3,500,000 and up to EUR 100,000,000 (subject to a BRC non-objection for all commitments exceeding EUR 50,000,000), (ii) credit applications with specific features that make them eligible for this body pursuant to the Credit Guide Charter and (iii) some Risk Policy matters (Risk Policy sub-Committee).
Credit Committee	Grant and decide on (i) all commitments meeting certain criteria (e.g. commitments between EUR 1 million or EUR 1.5 million, depending on the type of product/ business line, and EUR 3.5 million, as well as specific types of loans).
Employee Credit Committee	Decide for BIL and its domestic subsidiaries on all employee commitments regardless of their level.
Default Committee	Deal with the incidents of default and define the principles to apply to BIL and its subsidiaries.
Asset Liability Management (ALM) Committee	Decide on the structural positioning of the Bank's balance sheet in terms of rates, foreign exchange and liquidity.
The ICT & Security Risk Committee	Oversee the ICT and security risks, controls and incidents, and take position on the risks identified in order to provide adequate protection to BIL's information and IT assets.
New Products Committee	Decide on the development of new products/ services (including changes to existing ones) on the basis of ideas coming from BIL Group, while analysing the relevance of the underlying business case against the BIL strategy and ensure the monitoring of products/services manufactured and/or distributed by BIL.
Crisis Committee	A Crisis Committee may be set up to address and efficiently manage crisis situations (liquidity, funding, capital, BCP scenarios). This Committee consists of all MB members and additional experts depending on the nature of the crisis.
International Client Acceptance Committee	Review and decide on the acceptance of High Risk clients (PEP, MEP and UHNWI clients) within BIL Group, as well as on the termination of business relationships with such clients.
Project Portfolio Management Committee	Manage and ensure an appropriate allocation of the Bank's strategic PROJECT investment budget as outlined in the financial trajectory covering all types of projects (whether they carry an IT element or not) as well as BIL Group, green-field as well as mergers & acquisitions opportunities.
Go-Live 2022 Management Committee	Oversee the Bank's strategic Go-Live 2022 Project and ensure decision-taking on GL22 scope management, business simplification, change & rollout management and changes to the Bank's operating model, to align business needs and GL22 delivery, timing and costs objectives.
Disciplinary Committee	Ensure that disciplinary measures taken at the encounter of employees in case of fraud, significant non-respect of internal policies and procedures and serious behavioural misconduct are fair and balanced.

OTHER RISK COMMITTEES

Discussions and decisions related to risk management are also governed by additional internal committees.

These committees allow to ensure, among others, that the processes set up for the Bank's risk management framework are in line with regulatory requirements and that the corresponding tools are used in an appropriate way, specifically:

- The Model Risk Committee, responsible for all subject matters in relation with model and model risk, including but not limited to methodology, back-testing, validation, implementation, model change, model inventory and audit recommendations.
- The Group Operational Risk Management Committee, responsible for monitoring the level of adoption of the Operational Risk Management Framework, escalating operational risks outside BIL's approved risk appetite and providing operational risk assurance through BIL's Chief Risk Officer (CRO) to the BRC.

2.3. Project Monitoring within Risk Management

In order to better monitor the substantial number of projects within risk management, requiring IT intervention or not, risk management set as from November 2020 a recurrent monthly Risk Projects Steering Committee. The aim of this Steering Committee is to filter new ideas/requirements and to improve the interactions among Risk teams and with external counterparties (e.g., IT). This Steering Committee is chaired by the CRO. A governance and a presentation template for these Steering Committees is defined.

The Risk Projects Steering Committee monitors the following:

- Risk contribution to the Transformation Plan (RFO Master and BCBS 239);
- Risk management Regulatory projects (risk management as direct owner of the project or as main contributor of the project);
- Risk management Enhancement projects;
- Any identified tasks requiring retro planning and/or transversal contributions (e.g., ICAAP/ILAAP, Recovery Plan, Resolution Planning …).

2.4. BIL Group's entities oversight

BIL Group risk management reinforced the monitoring and the follow-up of BIL Group entities. Since the beginning of 2021, risk management setup a recurrent oversight of BIL Group entities for risk management matters. BIL Group entities oversight already existed but from 2021, the process became more systematic and formalised (e.g., agenda and minutes). This oversight setting is supervised by the CRO, and all BIL Group entities and stakeholders are identified. A governance and an agenda template for the meetings are established, with all entities having developed dedicated reports that comprehensively cover the risks they face. The discussions and findings from the entities oversight meetings feed into a semi-annual reporting to the ExCo, where key developments and an assessment of the overall risk profile of entities are provided in detail.

3. Credit Risk

3.1. Definition

Credit risk refers to the risk that a borrower defaults on any type of debt if they fail to make the required payments. The risk includes lost principal and interest, disruption to cash flows and increased collection costs.(Credit Risk also includes the occurrence of these events).

Facilities can be analysed by the nature of the client / counterparty's obligations and by various characteristics such as:

- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

3.2. Credit Risk Policy

The BIL Group Credit Risk Management department has established a general Credit Policy and credit procedural framework in line with the Bank's risk appetite. This framework guides the analysis, decision making and monitoring of credit risk. The Credit Risk Management department manages the credit origination process by chairing the various Credit Committees. As part of its monitoring tasks, the Credit Risk Management department oversees changes in the credit risk of the Bank's portfolios by regularly analysing credit applications and reviewing counterparties' ratings. The Risk Management department also draws up and implements the policy on provisions and participates in the Default Committee which assesses the cases of default and related potential provisions.

3.3. Organisation and Governance

The BIL Group Credit Risk Management department oversees the Bank's credit risk, under the supervision of the MB and dedicated committees.

The Risk Policy sub-Committee defines the general risk policies, as well as specific credit policies in different areas or for certain types of counterparties, sets the rules for granting facilities, supervises the counterparties' ratings and monitors exposures. The Risk Policy sub-Committee validates all changes to procedures or risk policies, principles and calculation methods relating to credit risk.

To streamline the decision-making process, the MB delegates its decision-making authority to Credit Committees. This delegation is based on specific rules, depending on the counterparty's category, rating level and credit risk exposure. The Board remains the ultimate decision-making body for the largest credit applications. The Credit Risk Management department carries out an independent analysis of each credit application presented to the Credit Committees, including determining the counterparty's rating, and stating the main risk indicators. It also carries out a qualitative analysis of the transaction.

In addition to supervising the lending process, various committees, as previously described, are tasked with overseeing specific risks.

3.4. Credit Risk Measurement

Credit risk measurement is primarily based on internal rating systems introduced and developed within the Basel framework. Each counterparty is assigned an internal rating by Credit Risk Analysts, using dedicated rating tools. This internal rating corresponds to an evaluation of the level of default risk borne by the counterparty, expressed by means of an internal rating scale. Rating assessment is a key factor in the credit origination process.

Ratings are reviewed at least once a year, making it possible to identify counterparties requiring closer attention by the Default Committee.

To manage the general credit risk profile and limit the concentration of risk, credit risk limits are set for each counterparty and economic groups, establishing the maximum acceptable level for each. The Credit Risk Management department may also impose limits by economic sector and by product. It actively monitors these limits, which it can reduce at any time, taking into account changes in the related risks. The Credit Risk Management department may freeze specific limits at any time to take account of recent events.

FOCUS ON FORBEARANCE MEASURES

BIL closely monitors forborne exposures, in line with European Directives and EBA Guidelines.

Management of forborne exposures is constantly updated to meet the latest changes in guidelines.

Forbearance measures can be defined as restructured repayment conditions of a temporary nature established to remedy financial or operational difficulties. They are only applied to debtors facing or about to face difficulties in meeting their financial commitments. These concessions aim to reduce or re-organise non-sustainable repayments.

Forbearance solutions involve short-term and/or long-term measures which also take into account sustainable considerations.

Short term measures (generally less than two years) mainly include:

- Interest-only payments;
- Reduced payment for a limited period;
- Grace period;
- Arrears / interest capitalisation;

Whereas long-term measures consist of:

- Interest rate reduction;
- Extension of loan maturities;
- Rescheduled payments;
- Debt consolidation;

These listed measures are not exhaustive.

Once forbearance conditions are met and viable solutions are applied, exposures are flagged as such in the Core Banking System. From this point on, the exposures go through the various probation periods and must fulfil specific requirements to be classified as performing and shed their forbearance status.

Forbearance lists are closely monitored and reported monthly.

2023 proved a challenging year, characterised by a fundamentally difficult economic and geopolitical context. In particular, the rising interest rates and inflation environment translated in the Luxembourg Real Estate market into a substantial slowdown of transaction volumes and double-digit reduction in prices by the end of the year.

Faced with these headwinds, the Bank unsurprisingly recorded an increase in Non-Performing Loans (NPLs) in 2023.

The main elements to highlight are:

- Non-Performing Loans (NPLs) reversed their downward trend to reach EUR 776 million at the end of December 2023, a level more or less comparable to the post-pandemic period. This compares with EUR 568 million at the end of December 2022, despite substantial exits from NPL status of a number of large corporate files during the year.
- Conversely, Forborne Exposures stood at EUR 526 million at year-end 2023, a decrease of EUR 37 million since the end of December 2022 (EUR 563 million), essentially due to a large number of post-pandemic exits from probation period, and the first partial prepayment of a very large corporate file.

3.5. Credit Risk Exposure

Credit risk exposure refers to the Bank's internal concept of Maximum Credit Risk Exposure (MCRE) which is composed mainly of:

- 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. As at 31 December 2023, the Bank's total credit risk exposure amounted to EUR 33.79 billion compared with EUR 36.74 billion at year-end 2022. The decrease in exposures is mainly influenced by Central Governments (EUR -1 859 million), Financial Institutions (EUR -955 million) and Individuals, SME & Self Employed by an amount of EUR -205 million.

EXPOSURE BY TYPE OF COUNTERPARTY

In 2023, Individuals, SME & Self-Employed exposure weight increased to 35.9% from 33.6% of the overall exposure compared with the previous year, representing the Bank's largest portfolio. The Central Governments segment is the second largest segment of the Bank's portfolio, representing 29.6% of the overall exposure compared with 32.3% at year-end 2022. Finally, it is also worth noting that Corporate exposure weight increased compared with the end of 2022, representing 20.1% (18.5% at the end of 2022) of the overall exposures and the weight of Financial Institutions decreased to 11.5% from 13.2% of the overall exposure.

Exposures by counterparty (in EUR million)	31/12/22	31/12/23	Variation
Individuals, SME & Self Employed	12,338	12,133	(205)
Central Governments	11,856	9,997	(1,859)
Corporate	6,804	6,803	(1)
Financial Institutions	4,844	3,889	(955)
Public Sector Entities	639	675	36
Securitisation	189	291	102
Others	70	10	(60)
TOTAL	**36,740**	**33,798**	**(2,942)**

EXPOSURE BY GEOGRAPHIC REGION

As at 31 December 2023, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (57.4%), France (10.1%), Belgium (6.9%) and Switzerland (5.4%).

Exposures by geographic region (in EUR million)	31/12/22	31/12/23	Variation
Luxembourg	20,077	19,399	(678)
France	3,681	3,405	(276)
Belgium	2,342	2,331	(11)
Switzerland	2,531	1,814	(717)
Germany	2,507	1,587	(920)
United States and Canada	1,267	1,218	(49)
Spain	941	808	(133)
China	371	318	(53)
Asia	229	243	14
Middle East	382	164	(218)
Russia	101	93	(8)
Australia	42	43	1
Other EU countries	1,170	1,312	142
Others	644	712	68
Rest of Europe	455	351	(104)
TOTAL	**36,740**	**33,798**	**(2,942)**

EXPOSURE BY RATING

The Bank's credit risk profile has remained stable and is of good quality. Indeed, the Investment Grade (IG) exposures represent 61.3% of the total credit risk exposure, of which 16.7% lie within the AAA range.

Exposures by rating (in EUR million)	31/12/22	31/12/23	Variation
AAA	8,441	5,628	(2,813)
AA+ to AA-	3,292	4,698	1,406
A+ to A-	5,460	2,942	(2,518)
BBB+ to BBB-	7,359	7,438	79
BB+ to BB-	5,105	7,073	1,968
B+ to B-	3,414	2,791	(623)
CCC	300	232	(68)
Default	373	519	146
Unrated	2,996	2,477	(519)
TOTAL	**36,740**	**33,798**	**(2,942)**

LOSSES ON IMMOVABLE PROPERTY

The following table displays the losses recorded in 2023 on exposures collateralised by residential and commercial immovable property regarding retail counterparties. The increase of EUR 25 million compared to 2022, is driven by the significant slowdown in the Luxembourg real estate market which has led to additional provisions. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of euros.

	31/12/22		31/12/23	
Collateralised by:	Sum of overall losses	Sum of the exposures	Sum of overall losses	Sum of the exposures
Residential property	0	7,054	25	7,097
Commercial immovable property	0	430	2	393

3.6. Asset Quality

(in EUR million)	Note		31/12/22	31/12/23
Net loans and advances to customers	4.4	a	16,483	16,329
ECL stage 1,2,3	4.4	b	297	274
Gross loans and advances to customers		**c=a+b**	**16,780**	**16,603**
ECL stage 1,2,3 / Gross loans and advances to customers		b/c	1.77%	1.65%
Focus on stage 3				
Total stage 3 outstanding amount	4.4	d	568	776
ECL stage 3	4.4	e	217	212
Coverage ratio stage 3		**e/d**	**38.20%**	**27.32%**
Total collateral and guarantees	9.2.2.5	g	308	423
Coverage ratio stage 3 including collateral		**(e+g)/d**	**92.43%**	**81.83%**
Asset quality ratio (stage 3 / Gross loans and advances to customers)		**d/c**	**3.38%**	**4.67%**
ECL stage 3 / total ECL (stage 1,2,3)		**e/b**	**73.06%**	**77.37%**
Focus on stage 1 and stage 2				
Total stage 1 outstanding amount	4.4	f	13,131	13,841
ECL stage 1	4.4	h	47	39
Coverage ratio stage 1		**h/f**	**0.36%**	**0.28%**
Total stage 2 outstanding amount	4.4	i	3,081	1,985
ECL stage 2	4.4	j	33	23
Coverage ratio stage 2		**j/i**	**1.07%**	**1.16%**
ECL (stage 1,2) / total ECL (stage 1,2,3)		**(h+j)/b**	**26.94%**	**22.63%**
Focus on Cost of Risk (all stages)				
Net impairment on loans and advances to customers	8.12	k	(9)	31
Cost of Risk (in bps - annualised)		**k/c**	**5**	**19**
Non-recurring items			**0**	**(2)**
Net impairment on loans and advances to customers excl. non-recurring items		l	(9)	(33)
Cost of risk excluding non-recurring items (in bps - annualised)		**l/c**	**5**	**20**

4. Market and Liquidity Risk

4.1. Background

This section encompasses market risk, liquidity risk and counterparty risks.

Market risk is the risk of losses in the Bank's positions arising from adverse movements in market factors. It mainly consists of monitoring the interest rate risk, foreign exchange risk, price risk and spread risk:

- **Interest rate risk** is the risk of an investment's value changing due to a movement in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. The three components of interest rate risk are: basis risk, gap and option risk;
- **Foreign exchange risk** – also called FOREX risk, currency risk or exchange rate risk – is the financial risk of an investment's value changing due to currency exchange rate movements;
- **Price risk** represents the risk arising from the reduction in value of an equity or bond;
- Finally, **spread risk** is the risk of a reduction in market value of an instrument due to changes in the credit quality of the debtor or the counterparty.

Liquidity risk measures BIL's ability to meet its current and future liquidity requirements, both expected and unexpected, whether or not the situation deteriorates.

Counterparty risk measures the risk of a counterparty to a financial transaction failing to fulfil the terms and conditions of the contract, which may give rise to financial losses, including the risk arising from credit value adjustment (CVA).

Assets & Liabilities Management covers all the banking book's structural risks, namely interest rate risk and liquidity risk.

4.2. Risk Framework

To ensure integrated market and ALM risk management, BIL has defined a framework based on the following:

- An exhaustive risk measurement approach, which is an important part of BIL's risk profile monitoring and control process;
- Sound limits and procedures governing risk-taking;
- As a core principle, the system of limits must be consistent with the overall risk measurement (including risk appetite) and management process and must be proportionate to the capital position. These limits are set for the broadest possible scope;
- An efficient risk management structure for identifying, measuring, monitoring, controlling and reporting risks: BIL's general risk management framework is suited to the type of challenges it addresses. This approach offers an assurance that market risks are managed in accordance with BIL's objectives and strategy, within its overall risk appetite;

4.3. Organisation and Governance

Market and Liquidity Risk Management (MLRM) directly reports to the CRO. MLRM oversees market risk under the supervision of the Management Board and specialised risk committees. In line with its global risk management approach, the mission of MLRM is to independently organise the identification, measurement, monitoring, mitigation, supervision and reporting of the market and liquidity risks undertaken by BIL and its subsidiaries.

This mission falls within:

- The principles and framework included in the Global Risk Charter and the Market and Liquidity Risk Charter;
- The framework of BIL's risk appetite; and
- Compliance with the standards and procedures promulgated by the Regulator.

Charters, policies and procedures documenting and governing each of the activities are defined by BIL and apply to all the Bank's entities:

- The Head Office MLRM teams define risk measurement methods for the Group; in addition, they report and monitor the consolidated risks;
- The Head Office MLRM and local risk management teams monitor day-to-day operations, implement policies and directives, monitor risks (e.g., calculation of risk indicators, control limits and triggers, frame new activities/new products etc.) and report to their own Management Board, as well as to local supervisory and regulatory bodies;
- The ALM Committee (ALCO) decides on the structural balance sheet positioning regarding rates, foreign exchange, liquidity and grants a mandate to the Banking Book department to achieve them. The ALCO also validates the market and liquidity risk limits before final agreement by the Board;
- Finally, MLRM is supported by one operational committee in its day-to-day activities: the Monthly Operational Committee (MOC) and one management committee the New Products Committee (NPC).

4.4. Risk Measurement and Exposures

MARKET RISK

Risk measurement

Depending on the activities and book classifications, the following methods are applied to the market risks:

- For trading and Treasury books, BIL has implemented a historical Value-at-Risk (VaR). The VaR is the estimation of the maximum loss which may have incurred on a portfolio in "x" number of days at a certain confidence level. The VaR is a Risk Appetite Statement metric. The VaR is supplemented by back-testing which gauges the accuracy of the VaR's model by comparing the predicted losses from calculated VaR with the actual losses incurred at the end of the specified time horizon.

- The sensitivity measures the movement of an instrument or portfolio resulting from a variation in a risk factor (1% or 1 bp). This is applied for both trading and banking books.
- The stress testing allows to simulate exceptionally unfavourable market conditions, such as crisis or stock market crashes and to determine potential losses in extreme conditions that VaR or sensitivities cannot capture. Stress testing applies to trading book and to banking book from economic value and earnings perspectives.
- The nominal measure is a simple method of limiting exposure to a specific product, currency pair or group.
- The limits by maturity are a complementary measure.
- The sectorial and geographical concentrations, the credit ratings and ESG classification are specific indicators defined in the Investment Portfolio Guidelines.

Specific KRIs regarding fraud risk make it possible to detect inappropriate prices, time dealing or movement at the dealing room level.

RISK EXPOSURE

Treasury and trading book activities

In 2023, BIL has calculated:

- A trading VaR based on a historical approach (99%, 10 days), limited to FOREX activities;
- A treasury VaR based on a historical approach (99%, 10 days), notably to complement the treasury interest rate sensitivity (+100bp).

The VaR calculated for trading book and treasury are detailed below. The average trading VaR was EUR 0.12 million in 2023, compared with EUR 0.09 million in 2022.

VaR (10 days, 99%) (in EUR million)		2022							
		Forex (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.09	0.07	0.10	0.11	0.15	0.28	0.55	0.70
	Maximum	0.29	0.14	0.16	0.22	0.24	0.49	0.73	1.18
Global Trading	Average	0.09				0.42			
	Maximum	0.29				1.18			
	End of period	0.12				1.13			
	Limit	2.00				1.50			

VaR (10 days, 99%) (in EUR million)		2023							
		Forex (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.12	0.14	0.08	0.16	0.90	0.98	1.19	1.05
	Maximum	0.25	0.29	0.24	0.20	1.16	1.39	1.28	1.20
Global Trading	Average	0.12				1.03			
	Maximum	0.29				1.39			
	End of period	0.17				1.04			
	Limit	1.00				6.00			

The trading VaR limit has been lowered from EUR 2 million to EUR 1 million to reflect the business strategy evolution (focus on client flows management, servicing, offering access to competitive pricing and optimising profitability with lower risk profile).

The Treasury VaR limit has been recalibrated in view of the recent interest rate hikes.

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

As at 31 December 2023, the treasury sensitivity was EUR 3.78 million compared with EUR 4.06 million in 2022. In a low-rate environment, the Bank keeps a low / quasi-neutral sensitivity.

Sensitivity (in EUR million)		2022				2023			
		+100bp interest rate sensitivity				+100bp interest rate sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Treasury	Sensitivity	6.18	3.62	7.03	4.06	7.70	2.54	3.20	3.78
	Limit	(9.00)				(9.00)			

Asset and Liability Management

Banking Book Management (ALM, Treasury, Investment Portfolio and Long Term Funding departments) has a delegated mandate from the Asset & Liabilities Management Committee (ALCO) for managing the balance sheet. It focuses on assuring funding sustainability, minimising immediate and future P&L volatility, preserving economic value and maximising risk mitigation stemming from the material interest rate and liquidity imbalances inherent to its commercial balance sheet.

As at 31 December 2023, the ALM sensitivity amounted to EUR -42 million (compared with EUR -15 million at 2022 year-end) for a +100bp parallel shock.

The limit of the ALM interest rate sensitivity for a 100 bp parallel shift is EUR 90 million.

In 2023, the Bank's rate position was managed with the aim of reducing the Net Interest Income (NII) sensitivity while limiting side effects on the Economic Value of Equity (EVE).

Economic Value of Equity (EVE):

In line with the EBA Guidelines on IRRBB and CSRBB (EBA/GL/2022/14) and EBA Regulatory Technical Standards on Supervisory Outlier Test (EBA/RTS/2022/10), BIL calculates and monitors the EVE impact of the six scenarios referred to in Article 98(5), point (a) of Directive 2013/36/EU.

EVE	SCENARIO	31/12/22	31/12/23
Standard interest rate shock scenarios	Parallel Up	(49)	(82)
	Parallel Down	11	9
	Steepener	(61)	(10)
	Flattener	31	1
	Short Rate Negative	(50)	(8)
	Short Rate Positive	42	(26)
EBA/GL/2022/14	**Internal trigger**	**(148)**	**(148)**
	Internal limit	**(180)**	**(180)**

The EVE outcomes as at 31 December 2023 are in line with the EVE strategy that targets a slight directional exposure in support of the NII strategy, which leads to value creation in a decreasing rate environment. No trigger or limit breach occurred in 2023.

Net Interest Income (NII):

In line with the EBA Guidelines on IRRBB and CSRBB (EBA/GL/2022/14) and EBA Regulatory Technical Standards on Supervisory Outlier Test (EBA/RTS/2022/10), BIL calculates and monitors the NII impact of the two parallel scenarios referred to in Article 98(5), point (b) of Directive 2013/36/EU.

NII	SCENARIO	31/12/22	31/12/23
Standard interest rate shock scenarios	Parallel Up	79	19
	Parallel Down	(79)	(38)
	Internal trigger	**(70)**	**(70)**
	Internal limit	**(80)**	**(80)**

During 2023, the NII sensitivity improved by EUR 41 million from EUR -79 million to EUR -38 million in line with the NII strategy that consists of reducing its sensitivity to interest rate movements. No trigger or limit breach occurred in 2023.

Investment Portfolio

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

The Investment Portfolio had a total nominal exposure of EUR 8.8 billion as at 31 December 2023 (compared with EUR 8.4 billion as at 31 December 2022).

Most of the bonds are classified in the "Hold-to-Collect" (HTC) portfolio measured at amortised cost: EUR 8.5 billion as at 31 December 2023 (EUR 8.0 billion as at 31 December 2022). The remaining part is classified in the "Hold-to-Collect and Sell" (HTC&S) portfolio measured at Fair Value through Other Comprehensive Income (FVOCI): EUR 0.2 billion as at 31 December 2023 (EUR 0.4 billion as at 31 December 2022).

The fair value sensitivity of the HTC&S portfolio to a one basis point widening of the spread (booked in the OCI reserve), was EUR 0.1 million as at 31 December 2023 (EUR 0.2 million per basis point as at 31 December 2022).

Investment Portfolio HTC&S

	Notional amount		+100bps interest rate sensitivity		Spread bpv	
	31/12/22	31/12/23	31/12/22	31/12/23	31/12/22	31/12/23
Treasury	307	247	(0.63)	(0.28)	(0.13)	(0.10)
ALM	95	0	(0.15)	0.00	(0.03)	0.00

LIQUIDITY RISK

The liquidity management process involves covering funding requirements with available liquidity reserves. Funding requirements are assessed carefully, dynamically and comprehensively by taking the existing and planned on- and off-balance sheet asset and liability transactions into consideration. Reserves are constituted with assets eligible for refinancing with the central banks to which BIL has access (Banque Centrale du Luxembourg (BCL) and Swiss National Bank (SNB)).

Risk Measurement and Exposure

The internal liquidity management framework includes indicators to assess BIL's resilience to liquidity risk: liquidity ratios and liquidity gaps, which compare liquidity reserves with liquidity requirements. These ratios are shared with the CSSF and the JST, on a daily and a weekly basis, respectively.

A daily liquidity report containing the liquidity forecasts of up to five days and a daily estimated LCR on a solo basis is sent to the Chief Risk Officer, the Chief Financial Officer, the ALM and Treasury teams and Risk Management.

Liquidity Coverage Ratio (LCR)

As the main short-term liquidity reference indicator, the LCR (Delegated Act based on Article 462 of the CRR) requires the Bank to hold sufficient high-quality liquid assets (HQLA) to cover total net cash outflows over 30 days.

In EUR billion	31/12/22	31/12/23
Stock of HQLA	10.77	10.13
Net Cash Outflows	7.03	5.82
LCR ratio	153%	174%
Limit	100%	100%

BIL's liquidity situation remained solid throughout 2023 and has been strengthened progressively over the course of the year in anticipation of GL22 and the subsequent hypercare period. By keeping a proactive approach in managing its liquidity position, BIL Group prudently increased its LCR excess liquidity level to around EUR 4.3 billion approaching year end (versus EUR 3.8 billion as at the end of December 2022). The LCR ratio increased from 153% to 174% over the year, well above the target established by the ALM Committee. The yearly evolution of the LCR is mainly due to new or roll of deposits over 30 days in a rising interest rate environment where yields reached their cycle peak in September.

The Investment Portfolio purchases have been concentrated on HQLA eligible securities, LCR level 1 securities representing nearly 71% of the total Investment Portfolio as at 31 December 2023.

The Bank's final TLTRO participation (tranche III.10) of EUR 0.25 billion was early repaid in March 2023.

Net Stable Funding Ratio (NSFR)

The NSFR, reflecting the long-term liquidity position of an institution, requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

In EUR billion	31/12/22	31/12/23
Available Stable Funding (ASF)	18.55	18.01
Required Stable Funding (RSF)	14.98	14.52
NSFR ratio	124%	124%
Limit	100%	100%

The NSFR is stable at 124%. The significant decrease in size of the on-balance sheet has resulted in a slight and balanced decrease of ASF and RSF. On one hand, the decline of the funding provided by financial customers has been mitigated by the central bank reserves shrinkage. On other hand, the reduction of loans and non-liquid assets has enabled to offset the negative impact from a decrease of retail and non-financial deposits.

Liquidity Stress Test

The Bank conducts a liquidity stress test on a weekly basis. The aim of this stress test is to quantify and anticipate BIL's potential vulnerability to liquidity and refinancing risk, taking into account the Bank's specificities.

The stress report is sent to the Chief Executive Officer, the Chief Risk Officer, the ALM Committee members, risk management, the ALM and Treasury teams and, as mentioned above, to the JST. The stress test results are presented to the ALCO with the other main liquidity indicators (e.g., LCR, NSFR, variation of customer deposits, etc.,) monthly.

The liquidity risk is captured through three scenarios:

- Market-wide, which focuses on a depreciation of the Bank's assets and additional margin calls due to general adverse market conditions;
- Idiosyncratic, which is specific to BIL's access to market funding; and
- Combined, which groups the stress events and the risk factors of the two previous scenarios; the combined scenario is the therefore most severe scenario (before the potential application of remedial actions in the scenario).

At the end of 2023, the calibration of deposits from retail and non-financial counterparties in the stress scenarios has been reassessed, notably to meet the SREP recommendation regarding the deposit outflow rates applied for other retail sight deposits applied in the short-term horizon. It has resulted in a rebalancing between the outflow rates of open-maturity deposits (upward) and of contractual deposits (downward). These changes were approved by the ALCO as at 19 December 2023.

		Market-Wide		Idiosyncratic		Combined	
31/12/2023 (in EUR million)		Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer
HORIZON	**3-month**	1,592	3,938	5,365	7,469	5,336	7,073
	6-month	1,841	3,804	5,961	7,301	5,289	6,846
	12-month	1,552	3,770	5,309	7,125	4,529	6,686

The cumulative buffer column shows a high level for all scenarios and all observation points. The cumulative gap levels stand substantially below the cumulated buffer. In 2023, the Liquidity Stress Tests ratio in the combined scenario remains above the internal Risk Appetite Framework trigger (105%) for every observation period. This is the result of prudential liquidity management, especially by BIL's choice to seek medium and long-term funding.

Part of the Bank's excess cash is invested in the Investment Portfolio as a liquidity buffer. This portfolio is mainly composed of central bank-eligible bonds, which are also compliant with the Basel III package requirements (i.e., the LCR and NSFR).

Asset Encumbrance

The Bank reports on key metrics and asset encumbrance limits which are based on data collected for regulatory reporting. The following metrics have been selected to provide key information:

- Level of asset encumbrance;
- Credit quality of unencumbered debt securities;
- Sources of encumbrance;
- Contingent encumbrance.

$$AE\% = \frac{\textit{Total encumbered assets} + \textit{Total collateral received re-used}}{\textit{Total assets} + \textit{Total collateral received available for encumbrance}}$$

The asset encumbrance ratio calculation above measures the asset encumbrance of credit institutions in Europe in a harmonised manner. The overall weighted average encumbrance ratio calculated and published regularly by the EBA (25.8% in the fourth quarter of 2022) is an available benchmark. By comparison, BIL's ratio was around 2% and reflects a low level of asset encumbrance. The trigger in the Risk Appetite Framework is set at 18%.

In EUR million	31/12/22	31/12/23
Encumbered assets	1,357	702
Collateral received re-used	0	0
Total amount	1,357	702
Ratio	**4%**	**2%**
RAF Limit	**20%**	**20%**

As at 31 December 2023, EUR 0.7 billion of BIL Group's balance sheet assets are encumbered and the asset encumbrance ratio is 2% (4% as at 31 December 2022). The annual variation of the ratio is essentially explained by repayment of the TLTRO outstanding.

5. Operational Risk and ICT & Security Risk

5.1. Definition

Operational risks are risks of losses due to breaches, errors, interruptions, and/or damages caused by inadequate and/or failure from internal processes, people, systems or external events. The definition provided in Basel II also includes legal risk as part of operational risks.

Information and Communication Technology (ICT) and security risk includes risk of loss due to:

- Breach of confidentiality, failure of integrity of systems and data;
- Inappropriateness or unavailability of systems and data;
- Inability to change information technology within a reasonable time and with reasonable costs when the environment or business requirements change;
- Security risks resulting from inadequate or failed internal processes;
- External events including cyber-attack; and
- Inadequate physical security to protect BIL's information and information systems.

5.2. Operational Risk Policy, ICT & Security risks policy & BCP policy

OPERATIONAL RISK POLICY

In 2023, the processes supporting the Operational Risk Policy were reviewed. This resulted in the creation of a comprehensive Operational Risk Management Framework (ORMF) which replaces the existing policy.

The ORMF sets out the processes, tools and organisational arrangements that ensure material operational risks facing the Group are identified and understood. It provides assurance that appropriate responses are put in place to protect BIL and to prevent detriment to its clients, employees, or the community, enabling the Group to meet its goals, while enhancing its ability to respond to new ideas and opportunities.

It should be noted that the management of the Bank's ORMF also includes the transfer of part of the financial consequences of certain risks, through the Bank's insurance programme.

ICT & SECURITY RISK MANAGEMENT POLICY

The ICT & Security Risk Management charter frames the management of ICT risks, and in particular defines:

- The objective and scope of ICT & Security risk management;
- The high-level operating model as well as roles and responsibilities across the three lines of defence;
- The requirements for an ICT & Security risk management process for identifying, evaluating and handling these risks; and
- The requirements for an ICT & Security risk reporting that includes an annual report to the BRC Committee and the Board.

BUSINESS CONTINUITY PLANNING POLICY

The Business Continuity Management and Crisis Management charter defines the objectives, methodology and governance to ensure the continuity of the critical functions and processes.

5.3. Organisation and Governance

BIL's operational risk management framework relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible for operational risk at BIL:

- The Internal Control Committee (ICC), a management committee with delegated powers from the MB is responsible for strengthening cooperation between the three lines of defence functions through coordination of the activities of each Internal Control function and taking decisions on cross-cutting issues related to Internal Control. The main topics discussed include: Internal audit matters (mainly audit reports, follow-up of recommendations, activity reports, audit plan), Compliance matters (mainly compliance activity reports, compliance action plan, compliance visit reports), Operational Risk Management (ORM) matters (mainly reporting on major risks, incidents), and any other matters relating to Internal control (at BIL and its entities).
- To implement the ORMF and related procedures, including a forum to evaluate the Group Operational Risk Profile in a consistent fashion, a complete revision of the Group Operational Risk Management Committee (GORMC) took place in Q3 2023. The revised Group Operational Risk Management Committee is now responsible for monitoring the level of adoption of the ORMF, escalating operational risks outside BIL's approved risk appetite and finally to provide operational risk assurance through BIL's CRO. to the BRC. The GORMC, brings together the individuals who have direct or indirect influence over Operational Risk, using BIL's Taxonomy. These individuals are qualified by dint of their expertise or position at BIL to be able to provide credible challenge to BIL's operational risk profile, on a quarterly basis. The overall goal of this forum is to provide Operational Risk Assurance to the Board Risk Committee through the CRO.
- The New Product Committee (NPC) is a multidisciplinary management committee with delegated powers from the MB, and is responsible for new products, services and markets based on proposals from all the Bank's business areas, including the Innovation and Digital Forum. The Committee also checks the relevancy of the underlying business case against the Bank's strategy. The Head of BIL's Financial Markets business line acts as the chair and, the deputy CRO acts as a member for risk matters.
- The Monthly Operational Committee (MOC), under the responsibility of the Financial Markets business line (FM), and with the participation of ORM, supervises BIL's FM projects and operational risks, takes decisions to address day-to-day issues and monitors other risks related to FM Luxembourg's activities.
- The Compliance, Audit and Risk Committee (CARco) meets quarterly to cover aspects of compliance, audit and risk between BIL and its main IT provider. It comprises the BIL Data Protection Officer, BIL Head of Audit, BIL Head of Operational Risk Management and BIL Chief Information Security Officer and their equivalents from the Bank's main IT provider.
- The ICT & Security Risks are handled by The ICT & Security Risks Committee (ISRC). The ISRC is mandated by the Management Board to:
  - Oversee the ICT & Security risks (as defined in the ICT & Security Risk Management charter) linked to BIL's use of information technologies and that of its subsidiaries;
  - Oversee the ICT & Security controls in place to mitigate the ICT & Security risks;
  - Take a position on the risks its members have identified and analysed in order to provide adequate protection for BIL's Information and IT assets;
  - Monitor ICT and Security incidents;
  - Ensure that the implementation and the support of a global Business Continuity Plan respects the strategy defined by the MB;
  - The Crisis Committee (CC) is composed of the MB members and can decide to set up an Operational Crisis Committee (OCC), composed of different members of the functions required to manage the crisis. Depending on the nature of the crisis, this OCC is complemented by the heads of the entities concerned.

5.4. Risk Measurement and Management

The operational risk framework relies on the following elements:

Operational Risk Event Data Collection:

- According to the Basel Committee, the systematic recording and monitoring of operational incidents is a fundamental aspect of risk management: "Historical data on banking losses may provide significant information for assessing the Bank's operational risk exposure and establishing a policy to limit/ manage risk".
- Recorded incidents provide information that may be used to improve the internal control system and determine the Bank's operational risk profile.

The breakdown of BIL Group's gross losses (KEUR) and proportion of occurrence for 2023 by risk event type is disclosed in the table below. The total gross impact is calculated on an absolute value basis, including losses, provisions, profits and excluding recoveries. This explains possible differences with other regulatory reports which are only based on losses.

Risk Event Type	% Incidents	Gross Financial Impact
Execution, Delivery & Process Management	49%	1,448
Business Disruption and system failures	41%	106
External fraud	7%	0
Clients Products & Business Practices	2%	5,104
Employment Practices and Workplace safety	0%	0
Internal fraud	0%	0
Damage to physical assets	0%	0
TOTAL	**100%**	**6,658**

As in previous years the Execution, Delivery & Process Management category represented the largest both in terms of total number of operational risk events (49%) and in terms of financial impact (93%), after adjusting for the single exceptional risk event where a provision of EUR 5 million was made, occurring within the Clients, Products & Business Practice risk event type. However, if this this exceptional risk event materialises, it will contribute to approximately 75% of the total financial impact for 2023.

Operational risk events linked to Business Disruption & System failures, still remains the second highest category contributing to 41% of operational risk events. The financial impact continues to remain low representing 2% of the total financial impact. Operational risk events relating to External Fraud has increased by 5% to 7% when compared to 2022 reflecting the general increase in activity using more sophisticated technology and artificial intelligence, in an attempt to scam our customers. The financial impact is negligible.

ORM presented a quarterly report on operational risk matters to the ICC and a semi-annual report to the BRC. Following a review of its Governance reporting, since Q3 2023, ORM now reports on a quarterly basis, to the BRC.

The Chief Information Security Officer (CISO) presents a status on ICT & Security Risks as well as on Business Continuity management activities annually to the BRC.

SELF-ASSESSMENT OF RISKS AND ASSOCIATED CONTROLS

The annual Risk Control Self-Assessment (RCSA) and Risk Analysis (RSA) assessments are forward-looking in nature (with revised scenarios proposed) and are designed to provide overview of the various activities and existing controls in place to mitigate risk within the processing environment. Where residual risk is deemed to be outside acceptable tolerances, action plans will be defined to resolve the shortcomings.

TRAINING & AWARENESS

Regular awareness campaigns are published both internally for employees and on the Bank's website for clients. These campaigns focus on Fraud Risk or the best practices to **minimise** the occurrences of operational risk events.

CALCULATION OF THE REGULATORY CAPITAL REQUIREMENTS

BIL Group applies the standardised Basel approach to calculate the regulatory capital requirements for operational risk. This approach consists of applying a factor (ranging from 12% to 18%) depending on the activity, as defined by the regulator. The figures are reported in the following chapter.

6. Regulatory Capital Adequacy – Pillar 1

6.1. Weighted risks

Since 2008, the Bank has complied with the revised Basel framework – through its various developments – to calculate its capital requirements with respect to credit, market, operational and counterparty risk, and to publish its solvency ratios.

The Bank uses the Advanced-Internal Rating Based (A-IRB) approach for its main counterparties (i.e. SMEs and Retail) to compute associated risk weighted assets (RWAs). The Bank uses the Foundation (F-IRB) approach for Large Corporate exposures while both Sovereign and Institution exposures are subject to the Standardised method. For market risk, the Bank has adopted the standardised method in light of a moderate trading activity, the sole purpose of which is to assist BIL's customers by providing the best possible service for the purchase or sale of bonds, foreign currencies, equities and structured products. The standardised method is also used to calculate the Bank's operational risks.

At the end of 2023, the Bank's total RWAs amounted to EUR 11,451 million, compared with EUR 10,426 million at the end of 2022, up by 10% (EUR 1,026 million). RWA growth of EUR 866 million (including credit value adjustment risk) is mainly driven by credit risk due to the implementation of the new retail models, the commercial loans' portfolio evolution and the prudential treatment of intangible software assets (after the go live of the new CBS).

Meanwhile, market risk RWAs increased by EUR 7 million, and operational risk RWAs increased by EUR 153 million mainly driven by revenue increase.

6.2. Capital adequacy ratios

(in EUR million)	31/12/22[5]	31/12/23	Variation (%)
Risk Weighted Assets	10,426	11,451	10%
Credit risk	9,403	10,261	9%
Market risk	17	24	42%
Operational risk	1,001	1,154	15%
Credit Value Adjustment risk	5	12	134%

(in EUR million)	31/12/22	31/12/23	Variation (%)
Common Equity Tier 1 (CET 1) Capital	1,463	1,531	5%
+ Additional Tier 1	*175*	*175*	*0%*
Tier 1 capital	1,638	1,706	4%
Tier 2 capital	243	334	37%
Total regulatory capital	1,881	2,040	8%

(in %)	31/12/22	31/12/23	Variation (%)
Common Equity Tier 1 (CET 1) ratio *	14.03%	13.37%	(5)%
Tier 1 ratio	15.71%	14.90%	(5)%
Capital Adequacy Ratio	18.04%	17.82%	(1)%

*2022 partial profit allocation (EUR 71,028,004 million)

[5] The solvency ratios as at 31 December 2022 and published in the Consolidated Financial Statements as at 31 December 2022 were restated following the subsequent formal decision of the relevant body in charge on the 17 April 2023, confirming the final profit or loss and the dividend distribution and allowing inclusion in the Common Equity Tier 1 (CET1), the eligible result for the year 2022 for an amount of EUR 71,028,004.

7. Internal Capital and Liquidity Adequacy (ICLAAP) - Pillar 2

ICLAAP is the formal internal process through which a bank identifies, measures, aggregates and monitors material risks, to ultimately build a risk profile that becomes the basis for allocating capital and its liquidity risk measures.

Under ICLAAP, BIL Group is required to identify the material risks to which it is exposed, quantify them and ensure it maintains adequate capital and liquidity measures to support them.

The ICLAAP shall fully reflect all risks to which BIL Group is or could be exposed, as well as the economic and regulatory environment within which the Bank operates or may come to operate in. The ICLAAP shall therefore not only take into account the current situation but shall also be forward-looking, in order to ensure internal capital and liquidity adequacies on an ongoing basis.

THE MAIN BUILDING BLOCKS OF BIL GROUP'S ICLAAP

In order to maintain internal capital and liquidity adequacies on an ongoing basis, the ICLAAP is anchored in BIL Group's decision-making processes, its business and risk strategies and risk management and control processes.

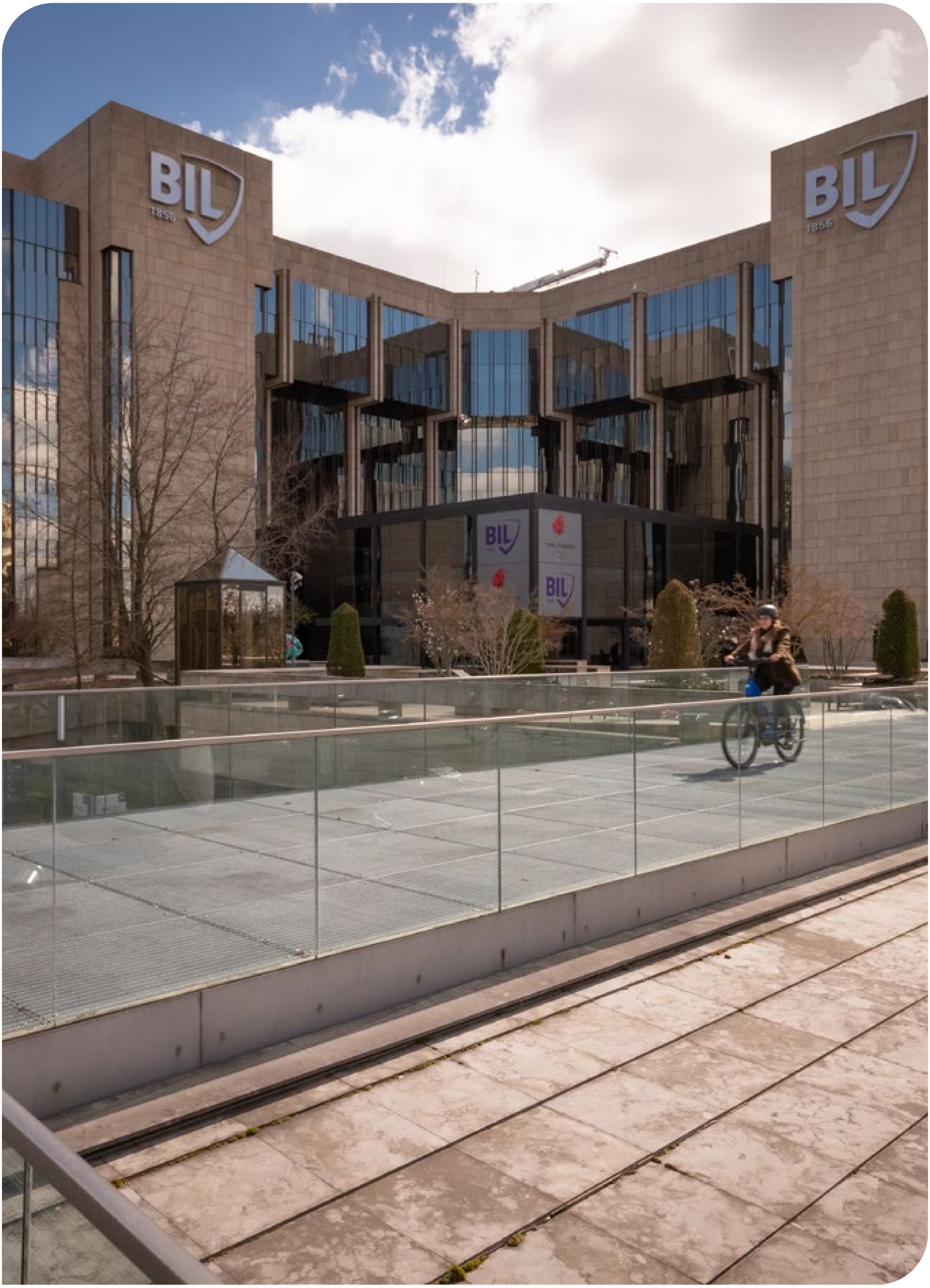
This objective is achieved through the development of a sound and comprehensive framework based on the following key components:

- In order to determine the adequacy of its internal capital and liquidity resources, BIL Group first translates its business and strategy plans into Risk Appetite Statements and develops and monitors the corresponding framework;
- Secondly, BIL Group has to identify the risks to which it is exposed (i.e. risk identification and mapping). Different steps are then taken within the Bank: definition of a risk glossary, identification of the risks borne by the institution, assessment of the risk materiality and drafting of the Bank's risk mapping;
- BIL Group then assesses its capital and liquidity needs to cover the economic effects of risk-taking activities. Specifically, the Economic Capital (ECAP) framework is defined as based on the potential deviation between the Group's economic value and its expected value, for a given confidence interval (depending on BIL Group's target rating), and a time horizon of one year;
- Finally, BIL Group assesses its capacity to maintain sufficient capital and liquidity resources, in terms of quantity and quality, to support its risk profile through both normal and stress-oriented scenarios. This is done through the ongoing assessment of the Bank's capital and liquidity adequacies and, at least once a year, through the forward-looking assessment of the Bank's capital and liquidity soundnesses (capital and liquidity planning).

Alternative Performance Measures (APMs)

The Consolidated Management Report section of the Annual Report includes certain financial metrics which BIL considers to constitute "Alternative Performance Measures" (APMs) as specified by CSSF Circular 16/636 and in accordance with ESMA Guidelines. The below APMs are provided in addition and not as an alternative to, the financial performance measures reflected in the Financial Statements and prepared in accordance with the IFRS Accounting Standards, as adopted by the European Union.

Alternative Performance Measures (APMs)	Definition	Reason for use
(Core) Operating Revenues	Operating revenues = Interest and dividend income + Fee income + Other income Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Representative measure of BIL's operating performance.
(Core) Operating Expenses	Operating expenses = Staff expenses + General expenses + Amortisation Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Representative measure of BIL's operating cost.
(Core) Gross Operating income	Gross operating income = Operating revenues - Operating expenses Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Representative measure of BIL's operating performance.
(Core) Cost of Risk	Net impairment on financial instruments and provisions for credit commitments Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Representative measure of BIL's cost of risk level
(Core) Operating income	Operating income = Gross operating income net of impairments and provisions for legal litigation Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Representative measure of BIL's operating performance before tax.
(Core) Operating net income before tax	Net income = Operating income net of income from associates and before tax expenses Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Representative measure of BIL's operating performance before tax.
(Core) Cost/Income Ratio (CIR)	(Core) Cost to income ratio = (Core) operating expenses divided by (Core) operating revenues Core: excluding non-recurring items as presented in the Management Report Profitability Section.	Measure of operational efficiency in the banking sector.
Asset Quality Ratio	Total Stage 3 outstanding loans and advances to customers divided by total gross loans and advances to customers as presented in the Risk Management Report Asset Quality section.	Representative measure of the risk level in % of the volume of outstanding loans.
Coverage Ratio	Expected credit losses divided by the total outstanding of related loans to customers by stage as presented in the Risk Management Report Asset Quality section.	Measure of provisioning for doubtful loans.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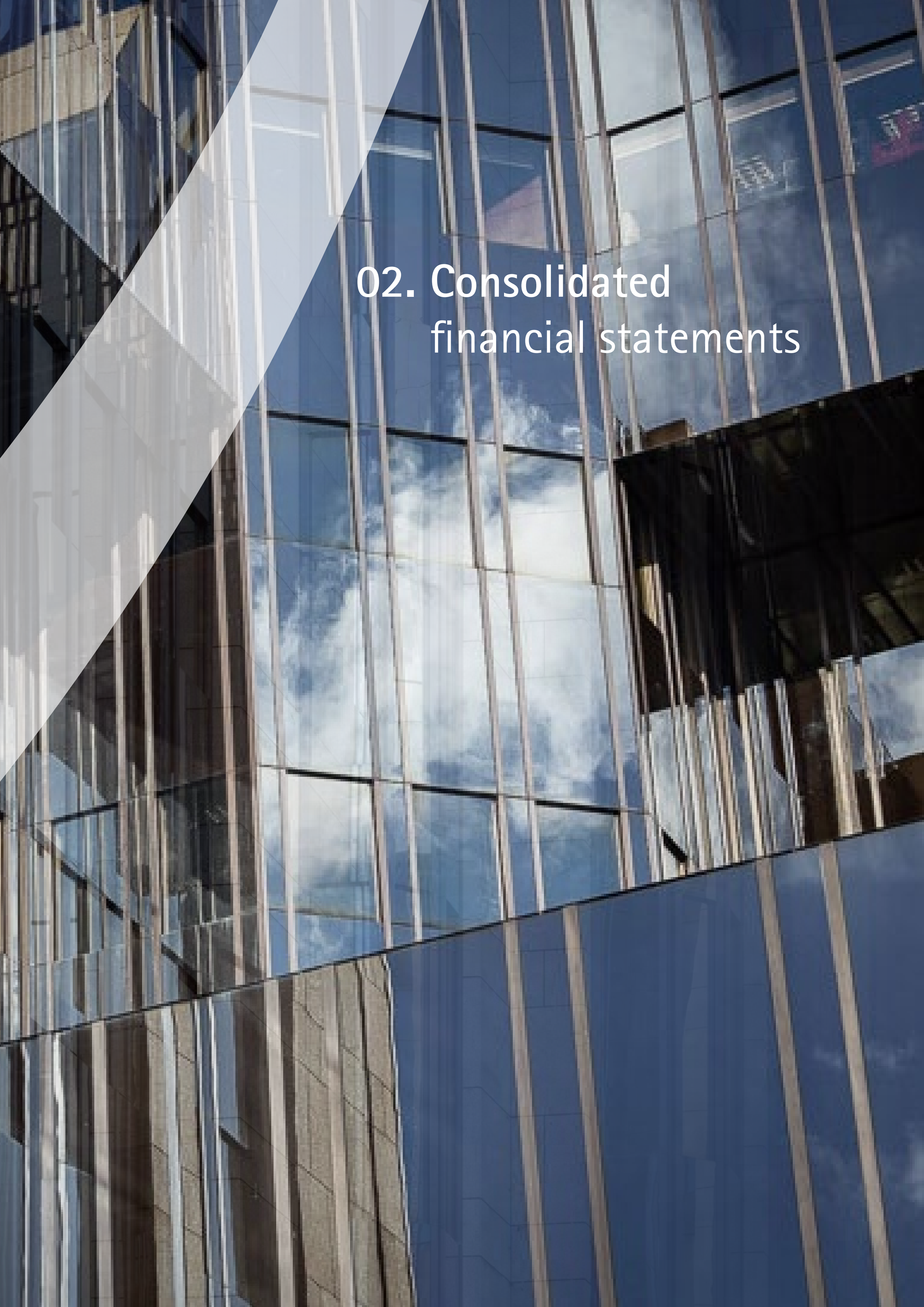
02. Consolidated financial statements



Audit report

To the Board of Directors of
Banque Internationale à Luxembourg

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Banque Internationale à Luxembourg (the "Bank") and its subsidiaries (the "Group") as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2023;
- The consolidated statement of income for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" Section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements.

We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 8.10. to the consolidated financial statements.

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Migration of the Core Banking System In 2023, Banque Internationale à Luxembourg (the "Bank") operated a significant transition by migrating its legacy Core Banking System to a new Core Banking System ("Temenos platform" or "T24"). The migration of this Core Banking System only took place within the Bank and not its subsidiaries. This migration involves mainly: • Transferring a large volume of customer data and financial records from the legacy system to the new platform; • Tailoring the new Core Banking System to the needs of the different business lines of the Bank; and • Setting-up new controls in order to ensure that the new Core Banking System, including the financial reporting process, is operating effectively. This migration marked a significant milestone in the future development of the Bank as the new Core Banking System serves as the new backbone for data aggregation, transaction processing, accounting, reporting, regulatory compliance, internal controls and risk management among others. We therefore considered this migration as a Key Audit Matter as it has a pervasive impact on the production of the stand-alone and consolidated financial statements. Refer to the Section 1 of the Business Review and Results of the consolidated management report for more information on this Core Banking System migration.	We evaluated management oversight over the Core Banking System migration: • Before, during and after the migration, we made direct observations of the Bank's migration committees and also inspected the minutes of these committees; and • For the selected business processes, we observed the rehearsals of the migration and inspected the testing performed, their documentation and their follow up/actions plan to verify that deviations from the expected test results were investigated and included in a remediation plan. We assessed the design and operating effectiveness of key controls across the processes relevant to the migration of the Core Banking System, on a sample basis, for the following controls: • Controls over the migration of static information (such as client identification data) and dynamic information (such as loans parameters); • Controls over the resolution of defects (for example business tests which failed during the rehearsals/pre-migration tests) and over incident management (post-migration); • Controls over the reconciliation of the accounting information performed at the migration date (encompassing completeness, integrity and accuracy of accounting information migrated); • Controls over the set-up of key reports under T24; • Controls over IT program changes and developments; • Controls over logical access to program and data including T24 logical access process; and • Controls over the existence of service level agreements and of Key Performance Indictors with IT third party providers (acting as support for T24). We also performed the following substantive audit procedures: • We tested the reconciliation between the accounting balance of the previous system and T24 accounting balance at the migration date; • We assessed the accounting operational changes brought by the implementation of T24; • We reconciled a sample of static and dynamic information between the legacy Core Banking System and T24; and • We tested key automated controls such as segregation of duties, interfacing with satellite applications and automated calculations that are relevant for our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of loans and advances to customers At 31 December 2023, the gross loans and advances to customers of the Bank amount to EUR 16,601.4 million against which an impairment of EUR 272.9 million is recorded (see Note 4.4. to the consolidated financial statements). A post-model adjustment for EUR 4.9 million remains applicable in 2023 (introduced in 2022) to consider the uncertainties linked to the actual economic environment by increasing the weight of the downside Expected Credit Loss ("ECL") scenario (see Note 9.2.1.4. to the consolidated financial statements). The Management Overlays "Outreach Programme overlay" and "Origination Date overlay" introduced in 2022 were reversed in 2023 as their impacts have directly been incorporated in the ECL models (thus eliminating the need for these overlays).	We tested on a sample basis the design and operating effectiveness of key controls across the processes relevant to the ECL calculation and impairment assessment. This included testing of: • Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level; • Controls over the incorporation of multiple economic scenarios related to ECL models by the Bank's Credit and Executive Committees; • Controls over quarterly ECL variation analysis; • Controls over the loan origination and monitoring processes; • Controls over the specific provision process and monitoring (as well as write-offs); • Controls over the monitoring of internal credit limits; • Controls over the monitoring of loans in litigation; • Inspection of Default Committee minutes and Special Mention List/Watch list; and • Inspection over the validation of ECL Management overlays and post-model adjustment by the Executive Committee.

KEY AUDIT MATTER

Impairment of loans and advances to customers (cont.)

The Bank has nevertheless accounted two new Management Overlays during the year 2023 in the context of successive increases in key rates since 2022:

- A first one, named "Minimum Disposable Income" ("MDI"), for EUR 11.4 million aimed at anticipating the risks of default on customers for which the MDI information is either missing or below the minimum threshold required by the Bank (see Note 9.2.1.4. to the consolidated financial statements); and
- A second one named "Outreach programme - bridge loans and maturing fixed-rate loans", for EUR 0.6 million which was implemented to anticipate the risks of default over bridge/bullet loans exposed to variable interest rates and over fixed-rate loan which rates will reset to prevailing market conditions during 2024 (see Note 9.2.1.4. to the financial consolidated statements).

The Bank has also updated its ECL model, mainly through:

1) The recalibration of the probability of default ("PD");

2) The introduction of a secured loss given default ("LGD") model exposures collateralised by mortgage;

3) The introduction of a new quantitative Significant Increase in Credit Risk ("SICR") that is based on the probability of default of a faciltiy as opposed to the its rating; and

4) The introduction of a Low Credit Risk Exemption ("LCRE").

(Refer to Note 9.2.1.4. to the consolidated financial statements).

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We also performed the following substantive audit procedures:

- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios especially considering the macro-economic context. This also included the assessment of significant updates made in the models during the year, namely:

  a) The IFRS 9 PD recalibration;

  b) The introduction of a secured LGD for exposures collateralised by a mortgage; and

  c) The introduction of a PD-based SICR and of the LCRE.
- We tested some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Bank.

We tested a sample of loans and advances (including but not only an extended sample of loans included into the Bank Credit Watchlist and/or classified on stage 3) as follows:

- Form our own assessment as to whether they are classified in the appropriate bucket. We examined in a critical manner the assumptions used by the Bank to determine estimated recovery from any underlying collateral;
- Perform testing over the accuracy of a sample of key input data linked to the credit activity (nominal, interest rates, beneficiaries);
- Perform testing on the valuation and validity of guarantees and collateral received by the Bank to secure its exposures; and
- Perform testing over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances.

KEY AUDIT MATTER

Impairment of loans and advances to customers (cont.)

We considered this as a Key Audit Matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Bank's Management. The Bank uses the following methods to assess the required impairment allowance:

- The ECL allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Bank in its ECL calculation process, model and tool; and
- For defaulted loans and advances, impairment is assessed individually on a regular basis.

In particular, the determination of impairment against loans and advances to customers requires:

- Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;
- Inputs and assumptions to estimate the impact of multiple economic scenarios;
- The use of expert judgments and estimates for the design and setup of the internal rating system which form the basis of the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9; and
- The use of expert judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.

Refer to the Accounting policy Note 1.6.5. to the consolidated financial statements and to the Notes 4.4. and 9.2. to the consolidatd financial statements as well as Sections 2 and 6 of the Business Review and Results and Section 3 of the Risk Management parts of the consolidated management report.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In light of the credit events linked to the current macro-economic context, and in addition to the above, we also performed specific procedures as follows:

- Test of a sample of credit files under the scope of management overlays to verify the accuracy and completeness of the underlying population; and
- Assessment of the ECL Management overlays and post-model adjustment methodology (including the mathematical accuracy of the amounts).

Finally, in the context of the migration of the Core Banking System of the Bank in 2023, we reconciled a sample of static (such as client identification data) and dynamic (such as loans parameters) information between the previous and the new Core Banking System at the migration date.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Deferred tax assets recognition and impairment As at 31 December 2023, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 113.7 million, of which EUR 108.3 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a foreign country (see Note 6.2. to the consolidated financial statements). We considered this as a Key Audit Matter as the Bank makes forecast to determine the amount of tax losses carried forward which will be resorbed by future taxable profits. Those forecasts are based on subjective Bank's assumptions. Refer to the Accounting policy Note 1.22. to the consolidated financial statements and to Note 6.2. to the consolidated financial statements.	We performed the following procedures: • We obtained the Bank's budget for the year 2024, approved by the Board of Directors, and the business plan prepared by the Bank for the period 2025-2026 as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan; • We assessed the consistency and reasonableness of these assumptions by taking into account the impacts of the macro-economic environment, including back-testing of the assumptions made at prior year end; • We evaluated whether updates in the Luxembourg tax laws and regulations may have an impact on the assumptions made by the Management; • For the deferred tax assets arising from tax losses carried forward from the former foreign country's branch, we inspected the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward; and • We tested the arithmetical accuracy of the computations, including the corporate income tax rate used.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment assessment of goodwill As at 31 December 2023, the goodwill (arising in a business combination) amounts to a net of EUR 55.6 million (see Note 4.11. to the consolidated financial statements). Recoverable values are primarily measured from a Dividend Discount Model ("DDM") valuation method or/and an asset under management multiples valuation method. They represent in practice, an estimation of fair value less costs of disposal.	We performed the following procedures: • We assessed whether the CGUs identified by the Group that should be subject to impairment testing are aligned with our understanding of the Group's activities; • We obtained the goodwill valuation methodology applied by the Group; • We assessed through the use of our valuation experts whether or not the valuation methodology used by the Group is reasonable in the circumstances, giving consideration to the: – Nature of the Entity being valued; – Premise of value; – Business, industry, and environment in which the Entity operates; and – Common practices among valuation experts.

KEY AUDIT MATTER

Impairment assessment of goodwill (cont.)

We considered this as a Key Audit Matter as the Group makes complex and subjective judgments with respect to the identification of the cash-generating units ("CGUs") and the estimation of the recoverable values (which are the fair value less cost to sell or the value in use) when determining the impairment to be recorded.

Refer to the Accounting policy Note 1.18. and to Note 4.11. to the consolidated financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

- We identified and assessed through the use of our valuation experts significant assumptions used by the Group for each CGU and evaluated whether the information used:
  - Was reasonably available at the time of the analysis;
  - Was appropriate given the circumstances; and
  - Gave consideration to observable market prices.
- We assessed the consistency and reasonableness of these assumptions by back-testing the assumptions made at prior year-end;
- We tested the arithmetical accuracy of the calculation performed by the Group; and
- We considered whether additional impairment was required at year end by comparing the recoverable values and carrying amounts of the goodwill.

KEY AUDIT MATTER

Fair value measurement using of level 3 inputs for equity investments

As at 31 December 2023, the fair value of level 3 equity investments measured at fair value through other comprehensive income amount to EUR 306.1 million (see Note 4.6.1. to the consolidated financial statements).

We consider the valuation of such investments as inherently complex due to the unavailability of prices on an active market, the limited or unavailability of observable data and the impact of the current macro-economic uncertainties which increases uncertainty in some industries (including the airline industry).

Refer to the Accounting policy Notes 1.6.3.2.- 1.6.3.3. to the consolidated financial statements and to Notes 4.6.1. and 9.1.2. to the consolidated financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following procedures:

- We obtained the fair valuation methodology applied by the Bank, specifically for an investment which operates in the airline industry. The latter valuation was mainly based on "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model which included, interalia, benchmarking key metrics; and
- We tested the arithmetical accuracy of the calculation performed by the Bank.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The Consolidated Management Report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report.

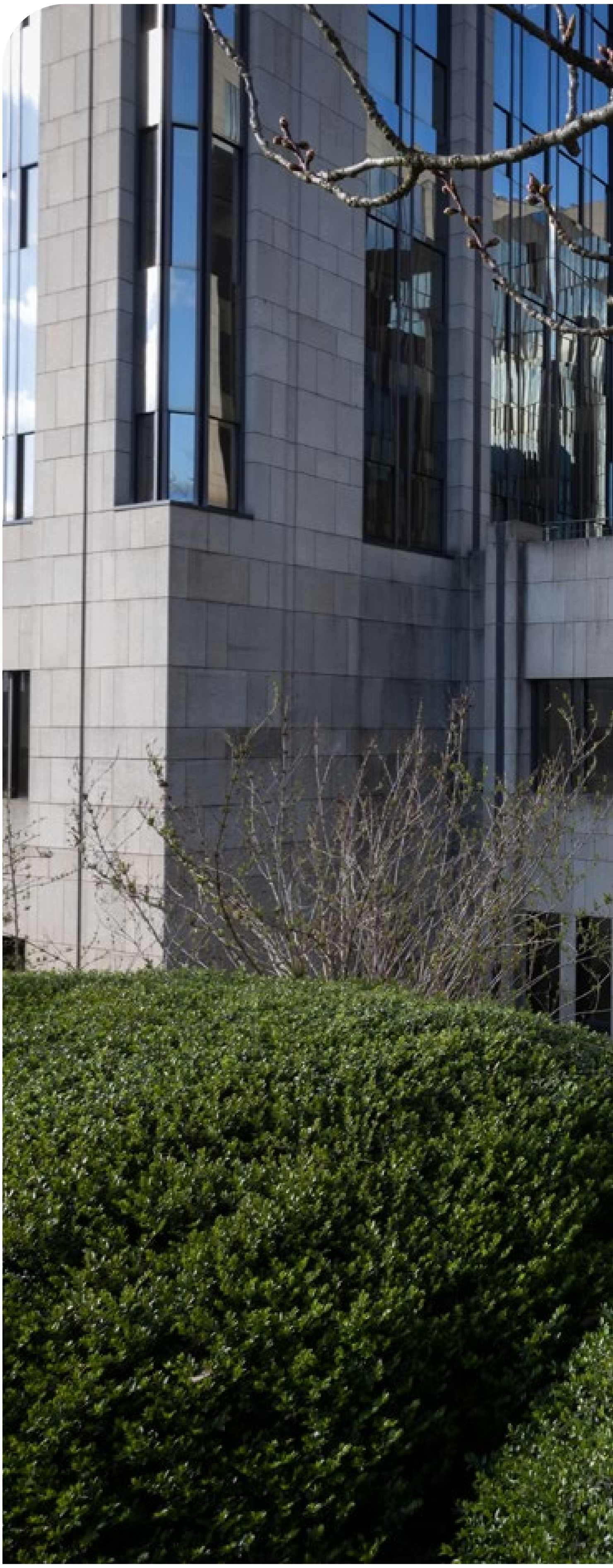
The information required by Article 70bis Paragraph (1) Letters c) and d) of the amended Law of 17 June 1992 on the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

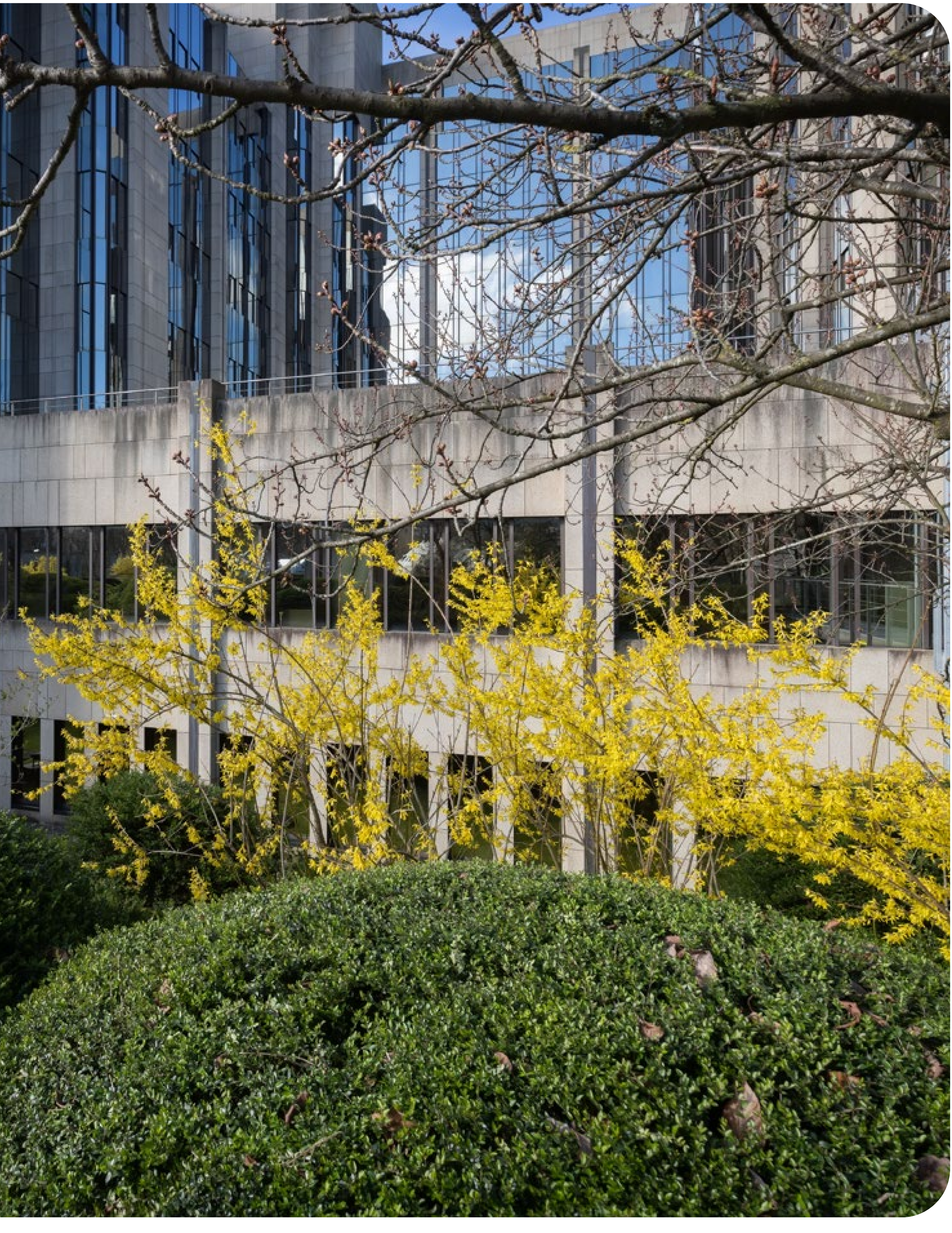
We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 16 December 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

Luxembourg, 28 March 2024

PricewaterhouseCoopers, Société coopérative
Represented by

Rima Adas | Antoine Marchon





Consolidated balance sheet

ASSETS	Notes	31/12/22	31/12/23
Cash, balances with central banks and demand deposits	4.2	4,373,270,737	2,981,518,726
Financial assets held for trading	4.5	15,786,368	19,345,375
Financial investments measured at fair value	4.6	952,672,603	581,678,327
Financial investments at fair value through other comprehensive income	*4.6.1*	*924,933,017*	*550,895,485*
Non-trading financial investments mandatorily at fair value through profit or loss	*4.6.2*	*27,739,586*	*30,782,842*
Loans and advances to credit institutions	4.3	1,098,751,999	674,274,516
Loans and advances to customers	4.4	16,482,938,323	16,328,530,371
Financial investments measured at amortised cost	4.7	7,883,172,234	8,629,112,546
Derivatives	6.1	840,231,612	547,153,628
Fair value revaluation of portfolios hedged against interest rate risk		11,872	0
Investment property	4.10	59,748,312	39,815,961
Property, plant and equipment	4.9	116,724,076	108,214,376
Intangible fixed assets and goodwill	4.11	357,525,588	398,800,773
Current tax assets	4.12	1,295,968	953,109
Deferred tax assets	4.12/6.2	151,927,538	128,102,833
Other assets	4.13	78,253,205	97,756,938
TOTAL ASSETS		32,412,310,435	30,535,257,479

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

LIABILITIES	Notes	31/12/22	31/12/23
Amounts due to credit institutions	5.1	3,397,961,782	3,720,728,528
Amounts due to customers	5.2	21,040,952,316	18,455,039,645
Other financial liabilities	5.3	30,997,505	25,908,177
Financial liabilities measured at fair value through profit or loss	5.4	2,014,665,341	2,836,485,340
Liabilities designated at fair value		*2,014,665,341*	*2,836,485,340*
Derivatives	6.1	418,687,606	316,493,915
Debt securities	5.5	2,654,048,520	2,034,068,527
Subordinated debts	5.6	243,236,959	345,756,383
Provisions and other obligations	5.7	49,391,972	54,265,447
Current tax liabilities	5.8	1,129,834	1,063,915
Deferred tax liabilities	5.8/6.2	10,091,719	11,214,380
Other liabilities	5.9	273,283,273	320,867,001
TOTAL LIABILITIES		30,134,446,827	28,121,891,258

SHAREHOLDERS' EQUITY	Notes	31/12/22	31/12/23
Subscribed capital	6.4	146,108,270	146,108,270
Share premium		760,527,961	760,527,961
Other equity instruments		174,315,856	174,550,419
Reserves and retained earnings		817,236,900	901,002,600
Net income		152,932,361	201,767,951
SHAREHOLDERS' EQUITY		**2,051,121,348**	**2,183,957,201**
Gains and losses not recognised in the consolidated statement of income		226,742,260	229,409,020
Financial instruments at fair value through other comprehensive income		*238,292,334*	*246,006,027*
Other reserves		*(11,550,074)*	*(16,597,007)*
GROUP EQUITY		**2,277,863,608**	**2,413,366,221**
TOTAL SHAREHOLDERS' EQUITY		2,277,863,608	2,413,366,221
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,412,310,435	30,535,257,479

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

Consolidated statement of income

	Notes	31/12/22	31/12/23
Interest and similar income	8.1	658,968,793	1,450,962,214
of which : Interest revenue calculated using the effective interest method		*493,044,203*	*1,183,538,600*
Interest and similar expenses	8.1	(296,489,786)	(913,535,428)
Dividend income	8.2	595,440	987,141
Net trading income	8.3	(141,215,778)	122,247,706
Net income on financial instruments measured at fair value and net result of hedge accounting	8.4	161,409,907	(102,435,913)
Net income on derecognition of financial instruments measured at amortised cost	8.5	29,400,988	8,285,066
Fee and commission income	8.6	268,943,001	257,366,997
Fee and commission expenses	8.6	(44,736,576)	(45,344,703)
Other net income	8.7	7,807,048	(16,551,316)
REVENUES		**644,683,037**	**761,981,764**
Staff expenses	8.8	(245,037,093)	(266,145,674)
General and administrative expenses	8.9	(158,683,109)	(183,964,421)
Amortisation of tangible, intangible and right-of-use assets	8.11	(56,085,293)	(55,198,812)
EXPENSES		**(459,805,495)**	**(505,308,907)**
GROSS OPERATING INCOME		**184,877,542**	**256,672,857**
Impairments		(18,714,206)	(26,240,305)
Net impairment on financial instruments and provisions for credit commitments	8.12	(16,683,868)	(25,975,802)
Net impairment of tangible, intangible and right-of-use assets		0	(264,503)
Impairment on goodwill		(2,030,338)	0
Provisions for legal litigations	8.13	(774,014)	(38,779)
NET INCOME BEFORE TAX		**165,389,322**	**230,393,773**
Tax expenses	8.14	(12,456,961)	(28,625,822)
NET INCOME		**152,932,361**	**201,767,951**
Net income - Group share		152,932,361	201,767,951
Non-controlling interests		0	0
Return on assets		0.47%	0.66%

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

Consolidated statement of comprehensive income

	31/12/22	31/12/23
NET INCOME RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	152,932,361	201,767,951
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	50,538,397	2,666,760
Items that will not be reclassified to profit or loss	**60,245,465**	**2,448,928**
Actuarial gains (losses) on defined benefit pension plans	8,411,650	(7,730,965)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	1,541,036	868,083
Fair value changes of equity instruments measured at fair value through other comprehensive income	52,081,169	8,108,938
Fair value changes of land and buildings - transfer to investment property	111,685	(441,101)
Tax on items that will not be reclassified to profit or loss	(1,900,075)	1,643,973
Items that may be reclassified to profit or loss	**(9,707,068)**	**217,832**
Translation adjustments	(2,270,667)	2,367,880
Gains (losses) on cash flow hedge	3,645,848	(2,366,993)
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(13,553,124)	(497,447)
Tax on items that may be reclassified to profit or loss	2,470,875	714,392
TOTAL COMPREHENSIVE INCOME, NET OF TAX	203,470,758	204,434,711
Attributable to equity holders of the parent company	203,470,758	204,434,711
Attributable to non-controlling interests	0	0

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

Consolidated statement of changes in equity

SHAREHOLDERS' EQUITY, GROUP	Subscribed capital	Share premium	Other equity instruments	Reserves and retained earnings	Net income	Shareholders' equity
As at 01/01/22	146,108,270	760,527,961	174,081,292	709,178,093	135,446,251	1,925,341,867
Dividend paid	0	0	0	(18,054,808)	0	(18,054,808)
Classification of income	0	0	0	135,446,251	(135,446,251)	0
Coupon on Additional Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Realised performance on equities at fair value through other comprehensive income	0	0	0	(11,259)	0	(11,259)
Other movements	0	0	234,564	(133,878)	0	100,686
Net income	0	0	0	0	152,932,361	152,932,361
As at 31/12/22	146,108,270	760,527,961	174,315,856	817,236,900	152,932,361	2,051,121,348

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments	Gains and losses not recognised in the consolidated statement of income
As at 01/01/22	196,346,769	1,032,736	(3,847,213)	(17,328,429)	176,203,863
Net change in fair value through equity - fair value through other comprehensive income	41,646,904	0	0	0	41,646,904
Net change in fair value through equity - cash flow hedges	0	(909,274)	0	0	(909,274)
Revaluation of investment properties upon reclassification from property, plant and equipment	0	0	83,831	0	83,831
Translation adjustments	4,212	3,639,059	(416,080)	(2,255,045)	972,146
Cash flow hedge + Break in hedging	0	6,789	0	0	6,789
Net change in other reserves	0	0	8,201,505	0	8,201,505
Changes in scope of consolidation	294,449	0	257,669	(15,622)	536,496
As at 31/12/22	238,292,334	3,769,310	4,279,712	(19,599,096)	226,742,260

NON-CONTROLLING INTERESTS	Shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/22	0	0	0
Other transfers	0	0	0
As at 31/12/22	0	0	0

The "Other equity instruments" are mainly composed of an additional tier 1 instrument (AT1) issued on 14 November 2019 for a gross amount of EUR 175,000,000. This AT1 is classified as an "Other equity instrument" in accordance with IAS 32. It is qualified as AT1 regulatory Capital requirement Directive (CRD). The amount presented is net of issuance costs.

The reserves and retained earnings include a legal reserve of EUR 14.6 million.

The translation adjustments comprise an amount of EUR -41,275,477 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

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

SHAREHOLDERS' EQUITY, GROUP	Subscribed capital	Share premium	Other equity instruments	Reserves and retained earnings	Net income	Shareholders' equity
As at 01/01/23	146,108,270	760,527,961	174,315,856	817,236,900	152,932,361	2,051,121,348
Dividend paid	0	0	0	(60,008,754)	0	(60,008,754)
Classification of income	0	0	0	152,932,361	(152,932,361)	0
Coupon on Additional Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Realised performance on equities at fair value through other comprehensive income	0	0	0	(176,945)	0	(176,945)
Other movements	0	0	234,563	206,538	0	441,101
Net income	0	0	0	0	201,767,951	201,767,951
As at 31/12/23	146,108,270	760,527,961	174,550,419	901,002,600	201,767,951	2,183,957,201

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments	Gains and losses not recognised in the consolidated statement of income
As at 01/01/23	238,292,334	3,769,310	4,279,712	(19,599,096)	226,742,260
Net change in fair value through equity - fair value through other comprehensive income	7,707,702	0	0	0	7,707,702
Net change in fair value through equity - cash flow hedges	0	(1,776,665)	0	0	(1,776,665)
Revaluation of investment properties upon reclassification from property, plant and equipment	0	0	(331,090)	0	(331,090)
Translation adjustments	5,991	0	(369,402)	2,367,880	2,004,469
Net change in other reserves	0	0	(4,937,656)	0	(4,937,656)
Changes in scope of consolidation	0	0	0	0	0
As at 31/12/23	246,006,027	1,992,645	(1,358,436)	(17,231,216)	229,409,020

NON-CONTROLLING INTERESTS	Shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/23	0	0	0
Other transfers	0	0	0
As at 31/12/23	0	0	0

The "Other equity instruments" are mainly composed of an additional tier 1 instrument (AT1) issued on 14 November 2019 for a gross amount of EUR 175,000,000. This AT1 is classified as an "Other equity instrument" in accordance with IAS 32. It is qualified as AT1 regulatory Capital requirement Directive (CRD). The amount presented is net of issuance costs.

The reserves and retained earnings include a legal reserve of EUR 14.6 million.

The translation adjustments comprise an amount of EUR -49,204,200 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

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

Consolidated cash flow statement

	Notes	31/12/22	31/12/23
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		152,932,361	201,767,951
Adjustment for :			
- Depreciation and amortisation	4.9/4.11/8.11	56,085,293	55,198,812
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		2,030,338	264,503
- Impairment on bonds and other assets	8.12	(7,622,907)	(4,946,402)
- Net gains / (losses) on investments	8.4/8.5	(556,142)	(764,360)
- Provisions (including ECL)	5.7/8.12	16,480,393	(25,884,294)
- Change in unrealised gains / (losses)	8.4	(23,354,296)	5,403,222
- Deferred taxes	8.14	11,758,724	27,325,248
- Other adjustments		364,159	(131,000)
- Changes in operating assets and liabilities		(1,344,367,038)	(1,767,445,227)
Transactions related to interbank and customers transactions		*(540,951,144)*	*(1,906,212,170)*
Transactions related to other financial assets and liabilities		*(838,731,898)*	*76,139,104*
Transactions related to other non-financial assets and liabilities		*35,316,004*	*62,627,839*
NET CASH FLOW FROM OPERATING ACTIVITIES		(1,136,249,115)	(1,509,211,547)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	4.9/4.11	(123,641,265)	(89,715,591)
Sale of fixed assets	4.9/4.11	531,643	9,844,260
Purchase of non-consolidated shares		(3,512,179)	(1,121,667)
Sale of non-consolidated shares		(15,000)	280,014
Sale of subsidiaries and associates		1,019,164	(6,413)
NET CASH FLOW FROM INVESTING ACTIVITIES		(125,617,637)	(80,719,397)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		0	100,000,000
Payments on lease liabilities		(5,352,916)	(6,409,120)
Dividend paid		(18,054,808)	(60,008,754)
NET CASH FLOW FROM FINANCING ACTIVITIES		(23,407,724)	33,582,126
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(1,285,274,476)	(1,556,348,818)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		6,171,141,452	4,904,108,640
Net cash flow from operating activities		(1,136,249,115)	(1,509,211,547)
Net cash flow from investing activities		(125,617,637)	(80,719,397)
Net cash flow from financing activities		(23,407,724)	33,582,126
Effect of change in exchange rate on cash and cash equivalents		18,241,664	5,084,865
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	4.1	4,904,108,640	3,352,844,687
ADDITIONAL INFORMATION			
Taxes paid		(1,268,487)	(583,319)
Dividends received	8.2	595,440	987,141
Interest received		629,037,091	1,384,480,101
Interest paid		(267,189,247)	(822,873,787)

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

CONSOLIDATED CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at 01/01/22	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/22
Subordinated debts	238,292,425	0	0	5,463,435	0	243,755,860
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	174,081,292	0	0	0	234,564	174,315,856

	As at 01/01/23	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/23
Subordinated debts	243,755,860	100,000,000	0	(6,256,019)	0	337,499,841
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	174,315,856	0	0	0	234,563	174,550,419

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

Notes to the consolidated financial statements

PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the 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 consolidated financial statements.

Note 1: Material accounting policies of the consolidated financial statements

PRELIMINARY NOTE

Presentation of the 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 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 consolidated financial statements.

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

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 1701, B-17, Raycom Info Tech Park, No.2 Ke Xue Yuan South Road, Haidian District, Beijing 100190. 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 Suite 06, 70/F Two International Finance Centre, No.8 Finance Street, Central, Hong Kong, and its consolidated financial statements 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 consolidated financial statements were approved for publication by the Board of Directors on 14 March 2024, and signed by Marcel Leyers, Chief Executive Officer of BIL Group.

These consolidated financial statements cover the period beginning on 1 January 2023 and ending on 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING MATERIAL ACCOUNTING POLICY INFORMATION AND OTHER EXPLANATORY INFORMATION

The principal accounting policies adopted in preparation of these 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 accounting standards: International Financial Reporting Standards.

MATERIAL ACCOUNTING POLICIES AND METHODS

1.1. Basis of accounting

1.1.1. Statement of compliance

BIL's consolidated financial statements have been prepared in accordance with all IFRS Accounting Standards as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to 31 December 2023.

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

1.1.2. Accounting estimates and judgments

In preparing the 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 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 consolidated financial statements.

Judgments are made principally in the following areas:

- Determination on whether BIL controls the investee, including special purpose entities (refer to 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 1.7 and 9.1);
- 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 1.15, 1.16, 1.20, 4.9, 4.10, 4.11 and 8.11); and
- Existence of a present obligation with probable outflows in the context of litigation (refer to 1.24 and 5.7).

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 1.6.5, 8.12 and 9.2);
- 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 1.7 and 9.1);
- The measurement of hedge effectiveness in hedging relations (refer to 1.12 and 6.1);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (refer to 1.18 and 4.11);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (refer to 1.22 and 8.14); and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (refer to 1.23 and 5.7).

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 consolidated financial statements continue to be prepared on the going-concern basis.

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

The overview of the texts below is made up to the reporting date of 31 December 2023.

1.2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2023

- IFRS 17, "Insurance contracts" (issued on 18 May 2017): The standard is applicable as from 1 January 2023 (refer to 1.2.5);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021): No impact for BIL;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 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 7 May 2021): No impact for BIL;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021): No impact for BIL.

1.2.2. IASB and IFRIC texts issued and endorsed by the European Commission during current periods but and applied by the European Commission during the current period

- Amendments to IAS 12 Income taxes: International Tax reform – Pillar Two Model Rules (issued on 23 May 2023) (refer to Note 8.14).

1.2.3. IASB and IFRIC texts issued during previous periods and endorsed by the European Commission during the current period but not yet applicable as at 1 January 2023

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022); No impact for BIL;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 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 15 July 2020): No impact for BIL;
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (issued on 22 September 2022): No impact for BIL.

1.2.4. IASB and IFRIC texts issued during the current period and neither endorsed by the European Commission nor applicable as at 1 January 2023

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023): No impact for BIL;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023): No impact for BIL.

1.2.5. Impact of the IFRS 17 Insurance Contracts standard applicable as from 1 January 2023

As from 1 January 2023, IFRS 17 "Insurance Contracts" replaces IFRS 4 "Insurance Contracts". IFRS 17 applies to insurance contracts issued, reinsurance contracts issued and held and investment contracts with discretionary participation features issued (if the entity also issues insurance contracts). The definition of an insurance contract is unchanged from IFRS 4, with the exception of the assessment of the risk of loss for the insurer which must be performed on a present value basis.

The Group, which is mainly active in the financial sector, performed throughout the year 2023 an assessment of the impact of the new standard on insurance contract IFRS 17 "Insurance Contracts".

At BIL Group level, the impact assessment of IFRS 17 was assessed as immaterial based on the following results with only two group entities falling in the scope of the new standard:

- BIL Reinsurance, a Luxembourgish reinsurance company 100% held by BIL Luxembourg, issues reinsurance contracts. For the year 2023, the total gross premiums issued amounts to EUR 5.8 million with most of the contracts (80%) being short-term (less than one year) and benefitting from the premium allocation approach that does not materially differ from the accounting under the former standard IFRS 4. Other contracts are considered as immaterial as at 1 January 2023 and continuous monitoring is performed at group level to identify any material insurance that falls under IFRS 17 requirements.
- The Bank, head office of BIL Group issues a portfolio of loans with death waiver that qualify as insurance contracts under IFRS 17. According to IFRS 17:8A, BIL Luxembourg elects to apply IFRS 9 on the portfolio of loans with death waiver as of 1 January 2023 instead of IFRS 17 and will continue to account these loans under IFRS 9 in line with the other credit activities of the Bank. However, the portfolio of loans with death waiver held under the business model "Hold-to-collect" ("HTC") that were unbundled under IFRS 4 (unbundling of the deposit component from the insurance contract), do not comply anymore with the "solely payment of principal and interests" ("SPPI" test") as IFRS 17 prevents from unbundling. Thus the portfolio of loans with death waiver, fully accounted under IFRS 9 principles, shall be measured under fair value through profit or loss as of 1 January 2023.

The impact on equity (before tax) of the measurement at fair value through profit or loss compared with the amortised cost is estimated at EUR -5.3 million on an amount of outstanding loans of EUR 141 million as at 1 January 2023 (transition date) and at EUR -2.4 million on an amount of outstanding loans of EUR 118 million as at 31 December 2023. Thus, BIL chose to maintain the amortized cost measurement method and to perform a continuous assessment of the impact.

Based on the above, there is no impact of IFRS 17 on BIL Group financial statements on transition date as at 1 January 2023 that requires specific disclosures according to IAS 8 and IFRS 17.

1.2.6. Benchmark Reform and IFRS accounting standards 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 Organisation 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;
- 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 user 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 (classified under "Derivatives");
- Floating Rate Note Assets referencing LIBOR (classified under "Financial Investments measured at amortised cost" and under "Financial investments measured at fair value");
- EMTN Issuances referencing LIBOR (classified under "Debt securities" and "Subordinated debts");
- Structured Products referencing LIBOR (classified under "Financial liabilities measured at fair value through profit or loss");
- Loans referencing LIBOR (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").

EXPOSURE OF BIL GROUP AS AT 31 DECEMBER 2023

After having successfully transitioned all contracts referring to EONIA, GBP, CHF and JPY Libor in 2021, the Bank achieved in 2023 the USD Libor Transition. The Bank has committed since the end of 2021 to no longer issue debt instruments referencing USD Libor and to reduce its exposure. BIL already offers solutions based on SOFR to its clients and actively transitioned its legacy USD Libor contracts before 30 June 2023. For the year ending on 31 December 2023, the impacts of IBOR Reform on the consolidated financial statements are immaterial.

IFRS ACCOUNTING STANDARDS 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 accounting standards amendments:

IFRS ACCOUNTING STANDARDS 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 31 December 2019.

IFRS ACCOUNTING STANDARDS 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 1 January 2021.

1.3. Consolidation

1.3.1. Subsidiaries

Subsidiaries are those entities over whose financial and operating policies BIL may, directly or indirectly, exercise control.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements:

- Power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns.

In practice, the Bank uses the board composition, the percentage of voting rights owned and the articles of incorporation of the company in order to determine whether it controls an investee.

Subsidiaries are fully consolidated as of the date upon which effective control is transferred to BIL and are no longer consolidated as of the date upon which BIL's control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions among BIL Group's companies have been eliminated. Where necessary, the subsidiaries' accounting policies have been amended to ensure consistency with the policies BIL has adopted.

Changes in BIL's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When BIL loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary as of the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.3.2. Associates

Associates are consolidated by the equity method. Associates are participating interests in which the parent company exerts a significant influence without having control. In general, participating interests in which the parent company owns between 20% and 50% of the voting rights are classified in this category. Nevertheless, the IFRS 10 and IAS 28 principles are used to determine whether BIL has control over the entity or only exerts a significant influence.

The net result for the financial year on which the owning percentage is applied is booked as the result of the associate and the participation in the associate is booked in the balance sheet for an amount equal to the net assets, including value adjustments after applying the owning percentage.

Consolidation using the equity method ends when the amount of the participating interest reaches zero, except if the parent company has to take responsibility for or to guarantee commitments of the associate. If necessary, rules and accounting methods of associates are adapted to be consistent with those of the parent company.

1.3.3. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by BIL, the liabilities incurred by BIL to former owners of the acquiree and the equity interests issued by BIL in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by BIL in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in the consolidated statement of income.

When a business combination is achieved in stages, BIL's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date on which BIL obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

1.4. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and consequently, only the net amount is reported) when BIL has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax assets and liabilities that meet the two criteria set out in the accounting standard are offset in the balance sheet.

1.5. Foreign currency translation and transactions

1.5.1. Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from BIL's presentation currency are translated into BIL's presentation currency (EUR) at the average exchange rates for the year and their assets and liabilities are translated at the respective year-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss upon disposal.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

1.5.2. Foreign currency transactions

For individual BIL entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies are translated at year-end exchange rates for monetary items and non-monetary items carried at fair value.

Historical rates are used for non-monetary items carried at cost.

The resulting exchange differences from monetary items are recorded in the consolidated statement of income; except for the foreign exchange impact related to fair value adjustments on debt instruments measured at fair value through other comprehensive income, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.6. Financial instruments

1.6.1. Measurement methods

AMORTISED COST AND EFFECTIVE INTEREST RATE

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest-rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

INITIAL MEASUREMENT

All financial assets (except trade receivables) are initially recognised at their fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

If the Bank determines that the fair value at initial recognition differs from the transaction price, the instrument is accounted for at that date as follows:

(a) at the measurement required by IFRS 9 §5.1.1, if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price is recorded as a gain or loss; and

(b) in all other cases, at the measurement required by IFRS 9

§5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the deferred difference is recorded as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

1.6.2. Recognition and derecognition of financial instruments

BIL recognises financial assets held for trading on trade date. For these financial assets, BIL recognises in the consolidated statement of income and on the trade date any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. BIL recognises these unrealised gains and losses under "Net trading income".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by BIL.

BIL derecognises financial assets when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and the transfer qualifies for derecognition.

BIL recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument.

BIL derecognises financial liabilities only when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

1.6.3. Classification and subsequent measurement of financial assets

The financial assets are classified and subsequently measured at amortised cost, at fair value through other comprehensive income (without recycling to P&L for equities), or at fair value through profit or loss. In addition, financial assets may, at initial recognition, be irrevocably designated as measured at fair-value through profit or loss ("P&L") if doing so eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch").

The classification is based on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Bank has documented its business models for both the loans and the securities through internal policies.

1.6.3.1 Debt instruments

BUSINESS MODELS

The first element driving the classification of a financial asset is the business model. There are three types of business models: hold-to-collect (HTC), hold-to-collect and sell (HTC&S) and other business models.

Hold-to-collect (HTC)

Financial assets that are within the "Hold-to-collect" (HTC) business model are managed to realise cash flows by collecting contractual payments over the life of the instrument. Sales are not an integral part of the business model but may be consistent with the HTC cash flows business model when they are insignificant even if frequent, infrequent even if significant in value, realised close to the maturity of the instrument or due to an increase in credit risk.

HTC financial assets are recorded under the items "Loans and advances to credit institutions", "Loans and advances to customers" and "Financial Investments measured at amortised cost".

Hold-to-collect-and-sell (HTC&S)

Financial assets that are within the "Hold-to-collect and sell" (HTC&S) business model are managed to realise cash flows by both collecting contractual cash flows and selling financial assets. Selling financial assets is integral to achieving the business model's objective and compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. HTC&S financial assets are recorded under the item "Financial assets at fair value through other comprehensive income".

Other business models

Financial assets which are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets are included in the remaining business model category.

These financial assets are either held-for-trading, designated at fair value through profit or loss or mandatorily at fair value through profit or loss and are recorded under the items "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss" and "Derivatives".

Held-for-trading

Held-for-trading financial instruments are securities acquired for generating a profit from short-term fluctuations in price or dealer margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists;

Designated at fair value through profit or loss (also called Fair Value Option/ "FVO")

These are financial assets designated at fair value through profit or loss. Financial assets may be irrevocably designated by the entity at FVTPL at initial recognition in case of accounting mismatch;

Mandatorily at fair value through profit or loss

Financial assets mandatorily at fair-value through profit or loss include non-trading financial assets which failed the "solely payments of principal and interest" ("SPPI") test, and non-trading financial assets managed on a fair-value basis.

CONTRACTUAL CASH FLOW CHARACTERISTICS OF A FINANCIAL ASSET

The second element driving the classification of a financial asset is the contractual cash flow characteristics.

Contractual cash flows that are SPPI on the principal amount outstanding allow the classification of financial assets either at amortised cost or at fair-value through OCI according to the business model.

Contractual cash flows that are not SPPI imply the measurement of financial assets at fair-value through profit or loss (no matter which business model is chosen).

Contractual cash flows that are "SPPI" are consistent with a basic lending arrangement meaning that the interests include the consideration for the time value of money, a compensation for credit risk, other basic lending risks (such as liquidity risk), and costs (for example, administrative costs), and include a potential profit margin that is consistent with a basic lending arrangement.

BIL has documented the following policies to cover the SPPI process for both loans and securities.

CHANGES IN BUSINESS MODEL AND RECLASSIFICATION OF FINANCIAL ASSETS

Reclassification of financial assets could occur when, and only when there is a change in business model for managing financial assets. The affected financial assets are then reclassified accordingly to the business model and to the cash flow characteristics. Changes in business model are expected to be very infrequent, as they are determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties.

In the event of a reclassification, the reclassification applies prospectively from the reclassification date. Any previously recognised gains, losses (including impairment gains or losses) or interest shall not be restated.

1.6.3.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

BIL measures all equity investments at fair value through profit or loss, except where BIL has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

1.6.3.3 Subsequent measurement

(a) Financial assets at amortised cost

Financial assets are classified and therefore subsequently measured at amortised cost when they meet the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).
- Interest on financial assets at amortised cost is recognised using the effective interest rate method and is recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income.

(b) Financial assets at fair-value through other comprehensive income (FVOCI)

Financial assets are classified and therefore subsequently measured at fair value through other comprehensive income when they meet the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTC&S); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Equity instruments that the entity has irrevocably designated at FVOCI at initial recognition are subsequently measured at fair-value through other comprehensive income. This refers to an option left to the discretion of the Bank to irrevocably classify at initial recognition and measure equity instruments that are not held for trading. This election is made on an instrument-by-instrument (i.e. share-by-share) basis. BIL has elected the FVOCI option for its investments in equity as well as equity funds which are not open-ended.

Interest on debt instruments at FVOCI is recognised using the effective interest rate method and recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income. Dividends received from equity instruments at FVOCI are recorded under the item "Dividend Income" in the consolidated statement of income.

Unrealised gains and losses from changes in the fair value of financial instruments at FVOCI are recorded within equity. When debt instruments at FVOCI are disposed, the Bank recycles the related accumulated fair value adjustments in the consolidated statement of income under the item "Net income on financial instruments measured at fair value and net result of hedge accounting" while gains and losses on equity instruments at FVOCI are never recycled to profit or loss.

(c) Financial assets at fair-value through profit or loss (FVTPL)

Gains and losses on financial assets at FVTPL are included in the "Net trading income" item in the consolidated statement of income.

Interest on debt instruments at FVTPL is recognised using the effective interest rate method and recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income. Dividends are recognised on equity instruments at FVTPL and recorded under the item "Dividend Income".

Unrealised gains and losses from changes in the fair value of financial instruments at FVTPL are recorded in the consolidated statement of income under the item "Net income on financial instruments at fair value and net result of hedge accounting".

1.6.4. Classification and subsequent measurement of financial liabilities

All financial liabilities are classified as financial liabilities at amortised cost and subsequently measured as such, unless they fall into the following categories:

- Financial liabilities held for trading which are measured at fair value through profit or loss (including derivatives);
- Financial liabilities designated at fair value through profit or loss (also called Fair Value Option/"FVO"): an entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss in case: it eliminates or significantly reduces an accounting mismatch or in case a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis.

Financial liabilities at amortised cost are recorded under items "Amounts due to credit institutions", "Amounts due to customers", "Debt securities" and "Subordinated debts".

Financial liabilities held for trading and designated at FVPTL are recorded under the item "Financial liabilities at fair value through profit or loss".

Fair value changes on financial liabilities at FVTPL are reported to the statement of income similarly to financial assets at FVPTL, while the recognition of the change in own credit risk is recorded in other comprehensive income without any reclassification into the statement of income.

Finally, financial liabilities are not subject to reclassification, they are irrevocably classified at initial recognition.

BORROWINGS

BIL recognises borrowings initially at fair value, generally at their issue proceeds, net of any transaction costs incurred.

Subsequently, borrowings are measured at amortised cost. BIL recognises any difference between their initial carrying amount and the reimbursement value in the consolidated statement of income over the period of the borrowings using the effective interest-rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts, rather than their legal form.

1.6.5. Impairment of financial instruments

IMPAIRMENT ASSESSMENT

BIL assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. BIL recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects a weighted average of credit losses, with the respective risks of a default occurring in a given time period.

Note 9.2 provides more details of how the expected credit loss allowance is measured.

ACCOUNTING TREATMENT OF THE IMPAIRMENT

Impairment losses and releases are recorded as an adjustment of the financial asset's gross carrying value and provision for ECLs for undrawn loan commitments are recorded under the item "Provision and other obligations."

BIL recognises changes in ECL in the consolidated statement of income and reports them as "Impairment on financial instruments and provisions for credit commitments".

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the consolidated statement of income under the item "Impairment on financial instruments and provisions for credit commitments" and the loss is recorded under the same item.

1.6.6. Derivatives

Derivatives not designated in a hedge relationship are deemed to be held for trading. The main types of derivatives are foreign exchange and interest-rate derivatives. BIL, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All changes in fair value are recognised in the consolidated statement of income.

BIL reports derivatives as assets when fair value is positive and as liabilities when fair value is negative under item "Derivatives".

BIL treats some derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the consolidated statement of income.

For derivatives in a hedge relationship, please refer to note 1.12.

1.7. Fair value of financial instruments

1.7.1. Valuation principles as per IFRS 13

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices on an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions.

The valuation model should take into account all factors that market participants would consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial assets and liabilities measured at fair value are categorised into one of three fair value hierarchy levels. The following definitions used by the Bank for the hierarchy levels are in line with IFRS 13:

- Level 1: quoted prices (unadjusted) on active markets for identical assets and liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly;
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Changes between levels may occur in case of (i) improvements in internal models and satisfactory back-testing results or (ii) changes in market characteristics.

Bilateral collateral arrangements, master netting agreements and other credit enhancement or risk mitigation tools reduce the credit exposure associated with a liability (or asset) and are considered in determining the fair value of the liability. Although these agreements reduce credit exposure, they typically do not eliminate the exposure completely.

1.7.2. Valuation techniques used by the Bank

The Bank's approach for the valuation of its financial instruments (financial instruments at fair value through profit or loss, financial assets at fair value through OCI and valuations for disclosures) can be summarised as follows:

1.7.2.1 Financials instruments measured at fair value (financial assets held for trading, financial investments measured at fair value, financial liabilities at fair value, derivatives)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH RELIABLE QUOTED MARKET PRICES ARE AVAILABLE

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted on an active market for identical instruments with no adjustments qualifies for inclusion in Level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices on inactive markets or the use of quoted spreads.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH NO RELIABLE QUOTED MARKET PRICES ARE AVAILABLE AND FOR WHICH VALUATIONS ARE OBTAINED BY MEANS OF VALUATION TECHNIQUES

Financial instruments for which no quoted market prices are available on an active market are valued by means of valuation techniques. The models used by the Bank range from standard market models (discount models) to in-house developed valuation models.

In order for a fair value to qualify for Level 2 inclusion, observable market data should be significantly used. The market data incorporated in the Bank's valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for Level 3 disclosure.

For derivatives, the Bank integrates the notions of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA). A CVA reflects the counterpart's risk of default and a DVA reflects the Bank's own credit risk.

When determining the CVA / DVA, the Bank considers the market of uncollateralised derivatives, where there is a risk on the fair value of the derivative at the balance-sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.

CVA and DVA calculations are based on the Probability of Default (PD) and the Loss Given Default (LGD) parameters from credit risk data.

For liabilities at fair value through profit or loss (Fair Value Option), the Bank integrates the notion of Own Credit Risk (OCR) adjustment which is determined based on credit spread evolution on the Bank's issuance observed on the market.

1.7.2.2 Financial instruments measured at amortised cost (disclosures of the fair value)

Loans and advances, financial investments measured at amortised cost and liabilities at amortised cost are valued based on the following valuation principles.

GENERAL PRINCIPLES

For bonds classified in HTC since inception and measured at amortised cost, the valuation is done as for bonds classified in HTC&S.

INTEREST-RATE PART

- the fair value of fixed-rate loans or liabilities and mortgages reflects interest-rate movements since inception;
- embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of financial assets or liabilities at amortised cost;
- the fair value of variable-rate loans or liabilities is assumed to be approximately the same as their carrying amounts.

CREDIT RISK PART

Credit spread changes since inception are reflected in the fair value.

1.8. Financial guarantees, letters of credit and undrawn loan commitments

BIL issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amounts initially recognised less cumulative amortisation recognised in the consolidated statement of income and an ECL provision.

The premium received is recognised in the consolidated statement of income under the item "Fee and commission income" on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, BIL is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, undrawn loan commitments are under the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, are not recorded in the balance sheet. The nominal values of these instruments together with the corresponding ECLs are disclosed in note 9.2.

1.9. Interest and similar income and expenses

"Interest income and expenses" are recognised in the statement of income for all interest-bearing instruments on an accrual basis, using the effective interest-rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through profit or loss.

Negative interest expenses arising on financial liabilities resulting from a negative effective interest rate, are presented as a separate line item in the notes on the statement of income in "Interest income in liabilities". Negative interest income arising on financial assets resulting from a negative effective interest rate, are presented as a separate line item in the notes on the statement of income in "Interest expenses on assets".

Discretionary interests on compound instruments issued are recognised in equity as those payments relate to the equity component.

Transaction costs are the incremental costs directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest-rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest, positive or negative, is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest-bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets or based on the effective interest rate for subsequently credit-impaired financial asset that are not purchased or originated credit-impaired financial assets.

1.10. Fee and commission income and expenses

Commissions and fees arising from most of BIL's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed. For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest-rate if the loan is granted, and recorded as revenue on expiry, if no loan is granted.

1.11. Insurance and reinsurance activities

1.11.1. Insurance

BIL Group mainly leads banking activities. Some of the financial products distributed or invested by the group may include components that meet the definition of an insurance contract but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract (for example, loan with death waivers). In that case, BIL Group will use the policy election to apply either IFRS 17 or IFRS 9 to such contracts on a portfolio basis, the choice for each portfolio being irrevocable.

1.11.2. Reinsurance

BIL Group leads reinsurance activities mainly to reinsure its own risks (reinsurance captive). Reinsurance contracts with third parties meeting the definition of insurance risk are measured and accounted for in accordance with IFRS 17. The use of Premium Allocation Approach ("PAA") for the measurement of reinsurance contracts is applied if criteria for such approach are met.

1.12. Hedging derivatives

As permitted, BIL chose to continue to apply the hedge accounting requirements of IAS 39 for all its hedging relationships on first application of IFRS 9 as of 1 January 2018 and until a new standard on macro hedging is introduced.

Hedging derivatives are categorised as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

BIL designates derivatives as hedging instruments if certain criteria are met:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- the hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
- the hedge is effective at inception and on an ongoing basis. BIL records changes in the fair value of derivatives that are designated and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that are attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge, BIL amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument into the consolidated statement of income over the remaining life of the hedged instrument, if shorter by an adjustment of the yield of the hedged item.

BIL recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges in "Other comprehensive income" under the heading "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

1.13. Hedge of the interest-rate risk exposure of a portfolio

As explained in 1.1.1 "Statement of compliance", BIL makes use of the provisions of IAS 39 as adopted by the European Union ("IAS 39 carveout") because it better reflects the way in which BIL manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

BIL performs an overall analysis of interest-rate risk exposure.

This involves assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

BIL applies the same methodology to select which assets and / or liabilities will be entered into the portfolio's hedge of interest-rate risk exposure. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio, based on behavioural study to estimate expected maturity date. BIL may designate as qualifying hedged items different categories of assets or liabilities such as financial investments or loan portfolios.

On the basis of this gap analysis, which is carried out on a gross basis, BIL defines, at inception, the risk exposure to be hedged, the length of the time bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. BIL recognises the hedging items at fair value with adjustments accounted for in the consolidated statement of income.

BIL reports the revaluation of elements carried at amortised cost which are on the consolidated balance sheet under the line "Fair value revaluation of portfolios hedged against interest-rate risk".

1.14. Day one profit or loss

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:

- the transaction price and the quoted market price; in cases where the transaction is quoted; or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment, in cases where the transaction is not quoted.

If BIL considers the main parameters of the model as observable and if risk management validates the model, the day one profit or loss is recognised immediately in the consolidated statement of income.

If BIL does not consider the main parameters as observable or if risk management does not validate the model, the day one profit or loss is amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, BIL recognises the remaining portion of day one profit or loss in the consolidated statement of income.

In cases of early termination, the remaining portion of day one profit or loss is recognised in the consolidated statement of income.

In cases of partial early termination, BIL recognises in the consolidated statement of income the part of the day one profit or loss relating to the partial early termination.

1.15. Tangible fixed assets

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to BIL and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

Typical useful lives are linked to asset categories as follows:

- Buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- Computer equipment: 2 to 6 years;
- Leasehold improvements, equipment and furniture: 2 to 12 years;
- Vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individual varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:

- Structure of the building: 50 years;
- Roof, and frontage: 30 years;
- Technical installations: 10 to 20 years;
- Fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually, BIL determines the recoverable amount of the cash generating unit (CGU) or group of CGUs to which the asset belongs.

Depreciation on assets (excluding investment properties) given in operating lease are booked under "Other net income".

Investment properties are those properties held to earn rentals or appreciate in value. BIL may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if BIL holds an insignificant portion for its own use.

Investment properties are recorded at their fair value. The market value is generally determined on the basis of appraisals by independent external experts. The statement of income for a given year records the change in value for each property.

Fair value changes on investment properties are calculated by comparison with their latest market value recorded in the balance sheet of the previous financial year and are included under "Other net income".

Capital gains and losses on disposals of property and equipment and investment property are determined by reference to their carrying amount and are included under " Other net income ".

1.16. Intangible assets

Intangible assets consist mainly of (a) internally-generated and (b) acquired software. Costs associated with maintaining computer software are recognised as expenses when incurred.

However, expenditure that enhances or extends the benefits of computer software beyond one year is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.

As borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount, and are included under "Net income on investments".

1.17. Non-current assets held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction, rather than through continuing use, it will be classified as "held for sale" or as "discontinued operations", if the disposal group represents a segment of activities.

BIL measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount or its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the consolidated balance sheet, without restatement for previous years. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for the previous period is performed.

When a disposal group is classified as held for sale or discontinued operations, the related elements of its Other Comprehensive Income are isolated in a separate line of the equity. The carrying amount of a disposal group, being the difference of assets less liabilities and non-controlling interests, is composed of the group part of the equity. If this equity includes other comprehensive income (OCI) elements, this OCI part is recycled in the consolidated statement of income at the sale of the disposal group. It may therefore happen that the result of the sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and the carrying amount includes negative OCI that will be recorded in the following accounting period, when the disposal is realised.

The disposal group held for sale and discontinued operations consist mainly of financial assets, as the group is active in financial activities. If the disposal group's fair value less costs to sell is lower than its carrying amount after impairing the non-current assets that are in the IFRS 5 measurement scope, the difference is allocated to the other assets of the disposal group, including financial assets, and is accounted for in the consolidated statement of income for the period. The difference will be adjusted at each year-end until the sale.

If a non-current asset ceases to be classified as held for sale, due to a change in market conditions or to the impossibility of selling it because of a lack of counterparties or other reasons, it will be reclassified in its original portfolio and restated at the value at which it would have been recognised if it had never been classified as held for sale. In this case, the difference between the fair value less cost to sell and the value, if no reclassification had taken place, is reversed.

1.18. Goodwill

MEASUREMENT OF GOODWILL

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between:

- the sum of the following elements:
  - Consideration transferred;
  - Amount of any non-controlling interests in the acquiree;
  - Fair value of the acquirer's previously held equity interest in the acquiree (if any); and

- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in the consolidated statement of income as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered to be transactions with shareholders.

Therefore, neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

IMPAIRMENT OF GOODWILL

The carrying amount of goodwill is reviewed at each year-end. For the purpose of this impairment testing, BIL allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is higher). The "value in use" is the sum of the future cash flows expected to be derived from a CGU.

The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

For subsidiaries operating in economically mature and financially stable markets, the discount rate used is BIL's Cost of Equity defined under a dividend discount model. For subsidiaries operating on emerging markets, a specific discount rate is applied on a case-by-case basis.

1.19. Other assets

Other assets mainly include accrued incomes (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivable, etc.), and plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standards, less any allowance for impairment if applicable. Plan assets are recognised in accordance with IAS 19 requirements.

1.20. Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.20.1. BIL is the lessee

RIGHT-OF-USE ASSETS

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

LEASE LIABILITIES

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

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

SHORT-TERM LEASES AND LEASES OF LOW-VALUE

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

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

JUDGMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL/TERMINATION OPTIONS

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

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

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

1.20.2. BIL is the lessor

BIL grants both operating and finance leases.

Revenue from operating leases is recognised in the consolidated statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, BIL recognises "leases receivable" at an amount equal to the net investment in the lease.

The interest-rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest-rate implicit in the lease.

1.21. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is recorded under "Amounts due to credit institutions" or "Amounts due to customers", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Loans and advances to credit institutions" or "Loans and advances to customers".

The difference between the sale and the repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest-rate method.

Securities lent to counterparties are not derecognised but, rather, recorded in the consolidated financial statements in the same heading. Securities borrowed are not recognised in the consolidated balance sheet.

If they are sold to third parties, the gain or loss is recorded under "Net trading income" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

1.22. Deferred tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loans and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.

The rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences and tax losses can be utilised.

Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value re-measurement of financial assets at FVOCI and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.23. Employee benefits

1.23.1. Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

Expenses relating to bonuses which are payable at a future date subject only to the requirement for continued employment for a further period (the 'loyalty' period) are recognised as the employees render the service that increases the amount to be paid. As the amount of the bonus does not increase after the earning period, BIL measures the obligation - for the full amount expected to be paid taking into consideration the expected forfeitures - in its entirety as from the end of the earning period.

1.23.2. Post-employment benefits

If BIL has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution" plan. BIL offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. These pension plans are generally funded by payments from both BIL and its employees. In some cases, BIL provides post-retirement health care benefits to its retirees.

1.23.2.1 Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest-rates of AA-rated corporate bonds (Iboxx Corp AA), which have terms to maturity approximating the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions including both demographic assumptions and financial assumptions such as the inflation rate.

Pension costs are determined based on the projected units credit method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Net cumulative unrecognised actuarial gains and losses are recognised in other comprehensive income.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods) and reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and are recorded separately, if those assets are held by an entity of the Group.

Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Qualified external actuaries carry out valuations of these obligations. All the valuations' assumptions and results are reviewed and validated by an external actuary for BIL, which ensures that all calculations are harmonised and calculated in compliance with IAS 19 Revised.

1.23.2.2 Defined contribution pension plans

BIL's contributions to defined contribution pension plans are charged to the statement of income for the year to which they relate. Under such plans, BIL's obligations are limited to the contributions that BIL agrees to pay into the insurance company or the pension fund on behalf of its employees.

1.23.2.3 Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

1.23.3. Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, remeasurements relating to these benefits are immediately recognised. All past service costs are recognised immediately in the consolidated statement of income.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance-sheet date.

1.23.4. Termination benefits

A termination benefit provision is only recorded when BIL is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases, BIL has a detailed formal plan and no realistic possibility of withdrawal.

1.24. Provisions

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Provisions are recognised when:

- BIL has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

1.25. Share capital, treasury shares and other equity instruments

1.25.1. Share and other equity instruments issue costs

External incremental costs directly attributable to the issue of new equity instruments, other than as part of a business combination, are deducted from equity, net of any related income tax.

1.25.2. Dividends on BIL's ordinary shares

BIL recognises its dividends on its ordinary shares as a liability from the date upon which they are declared.

1.25.3. Preferred shares

BIL classifies preferred shares that are non-redeemable and upon which dividends are declared, at the directors' discretion, as equity.

1.25.4. Treasury shares

Where BIL or one of its subsidiaries purchases BIL's shares capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, the consideration paid - including any attributable transaction costs, net of income taxes - is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account within equity.

1.26. Fiduciary activities

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements in cases where BIL acts in a fiduciary capacity such as nominee, trustee or agent.

1.27. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an initial maturity of 3 months from acquisition date, included within cash and balances with central banks, loans and advances to credit institutions and financial assets in the HTC&S portfolio.

Note 2: Scope of consolidation

				31/12/22		31/12/23		
NAME	Country	Activity	Reason for non-inclusion	Consolidation method	% of capital held	Consolidation method	% of capital held	Ref
Head office								
Banque Internationale à Luxembourg S.A.	Luxembourg	bank						
Consolidated subsidiaries								
Banque Internationale à Luxembourg (Suisse) S.A.	Switzerland	bank		full consolidation	100	full consolidation	100	
Belair House S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	(1)
BIL Manage Invest S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	
BIL Reinsurance S.A.	Luxembourg	financial services		full consolidation	100	full consolidation	100	
BIL Wealth Management Limited	China	financial services		full consolidation	100	full consolidation	100	
IB Finance S.A.	Luxembourg	financial services		full consolidation	100			(2)
Société du 25 juillet 2013 S.A. (in liquidation)	France	financial services		full consolidation	100	full consolidation	100	
Société Luxembourgeoise de Leasing BIL-LEASE S.A.	Luxembourg	leasing		full consolidation	100	full consolidation	100	
Non material associates								
Europay Luxembourg, Société coopérative	Luxembourg	financial services		not consolidated	46.67	not consolidated	46.67	
Non-consolidated subsidiaries								
BIL Private Invest Management S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100	not consolidated	100	
Biltrust Limited	Guernsey	financial services	insignificant	not consolidated	100	not consolidated	100	
Private II Wealth Management S.à r.l.	Luxembourg	financial services	insignificant	not consolidated	100	not consolidated	100	

(1) As of 17 January 2024, Belair House S.A. is no longer licensed as Family Office.

(2) IB Finance S.A. was liquidated on 19 December 2023.

Note 3: Business reporting

3.1. Information by operating segment

A segment is a distinguishable component of BIL that is engaged either in providing specific products or services (operating 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 2023, BIL kept the same reporting segmentation of its business lines:

- **"Retail Banking, Corporate & Institutional Banking and Wealth Management"** were renamed and are now reported as **"Luxembourg Market & CIB"** and **"Wealth Management"** and divided into two business lines: Luxembourg Market & CIB (i.e., Retail Banking, Wealth Management Luxembourg and CIB) and Wealth Management International which includes wealth management services for cross border clients from Luxembourg and Switzerland.
- **"Financial Markets"** is divided into the Banking Book Management (namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management) and Market 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 (of senior non-preferred and subordinated debts).

INCOME (in EUR thousands)	31/12/22				
	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	588,925	*351,738*	*222,339*	*14,847*	**165,544**
Financial Markets	63,651	*21,363*	*589*	*41,698*	**36,782**
Group Center	(7,893)	*(10,027)*	*1,278*	*857*	**(36,936)**
TOTAL	644,683	*363,074*	*224,206*	*57,402*	165,389
Net income before tax					**165,389**
Tax expenses					**(12,457)**
NET INCOME					152,932

INCOME (in EUR thousands)	31/12/23				
	Revenues	*of which interest and dividend income*	*of which fees income*	*of which other net income*	Net income before tax
Luxembourg Market & CIB and Wealth Management	693,382	*469,583*	*210,306*	*13,493*	**219,941**
Financial Markets	56,681	*39,845*	*1,198*	*15,638*	**40,044**
Group Center	11,919	*28,986*	*518*	*(17,585)*	**(29,591)**
TOTAL	761,982	*538,414*	*212,022*	*11,546*	230,394
Net income before tax					**230,394**
Tax expenses					**(28,626)**
NET INCOME					201,768

ASSETS AND LIABILITIES	31/12/22		31/12/23	
(in EUR thousands)	Assets	Liabilities	Assets	Liabilities
Luxembourg Market & CIB and Wealth Management	16,482,938	24,155,127	16,328,530	21,533,445
Financial Markets	14,839,571	4,822,102	13,096,224	5,307,861
Group Center	1,089,801	1,157,217	1,110,503	1,280,585
TOTAL	32,412,310	30,134,446	30,535,257	28,121,891

OTHER SEGMENT INFORMATION	31/12/22				
(in EUR thousands)	Capital expenditures	Depreciation and amortisation	Impairments		Other non-cash expenses
			Allowances	Write-backs and recoveries	
Luxembourg Market & CIB and Wealth Management	118,568	(56,085)	(191,301)	174,829	0
Financial Markets			(345)	133	0
Group Center			(2,030)	0	(15,940)
TOTAL	118,568	(56,085)	(193,676)	174,962	(15,940)

OTHER SEGMENT INFORMATION	31/12/23				
(in EUR thousands)	Capital expenditures	Depreciation and amortisation	Impairments		Other non-cash expenses
			Allowances	Write-backs and recoveries	
Luxembourg Market & CIB and Wealth Management	89,459	(55,199)	(312,267)	286,098	0
Financial Markets			(202)	396	0
Group Center			(265)	0	(16,252)
TOTAL	89,459	(55,199)	(312,734)	286,494	(16,252)

"Capital expenditures" include the acquisitions for the year of tangible and intangible assets for which the allocation by business line is not available.

"Impairments" include those on goodwill, on tangible and intangible assets, on securities, on loans and provisions for credit commitments with a breakdown between allowances and write-backs.

"Other non-cash expenses" include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

3.2. Information by geographic area

GEOGRAPHIC BREAKDOWN (in EUR thousands)	China	Denmark	France	Luxembourg	Switzerland	TOTAL
Staff (in average FTE)	11	0	0	1,851	107	1,969
Revenues	500	625	2	591,477	52,079	644,683
Net income before tax	(2,202)	608	(12)	165,735	1,261	165,389
Tax expenses	0	0	0	(12,586)	129	(12,457)
NET INCOME AS AT 31/12/22	(2,202)	608	(12)	153,149	1,390	152,932
Staff (in average FTE)	8		0	1,888	108	2,004
Revenues	216		68	701,076	60,622	761,982
Net income before tax	(2,015)		50	216,248	16,111	230,394
Tax expenses	0		0	(28,205)	(421)	(28,626)
NET INCOME AS AT 31/12/23	(2,015)		50	188,043	15,690	201,768

The geographic zone is determined by the country of the company or the branch concluding the transaction and not by the country of the transaction's counterpart.

BANKING ACTIVITIES

Banque Internationale à Luxembourg S.A.

BIL is an authorised credit institution with its headquarter in Luxembourg, identified as an "Other Systemically Important Institution" in accordance with the law of 5 April 1993 on the financial sector, as amended. BIL is also classified as a significant supervised entity and as such, it falls under the direct prudential supervision of the European Central Bank ("ECB") in the framework of the Single Supervisory Mechanism (jointly supervised by the ECB and the *Commission de Surveillance du Secteur Financier* ("CSSF").

BIL has been serving retail and business customers since 1856. It is a key player in the Luxembourg market. Recognised as a cornerstone of the Luxembourg financial centre, BIL plays an active role in developing the local economy. Through its retail banking, wealth management, corporate banking and financial markets' activities, the Bank boasts one of the best credit ratings in Luxembourg's banking sector (A-) and is among the country's top three banks. BIL is majority-owned by Legend Holdings Corporation – a leading diversified investment group that is, headquartered in Beijing, China and listed on the Hong Kong Stock Exchange.

Banque Internationale à Luxembourg S.A. Beijing Representative Office (the "Representative Office")

The Representative Office was opened by BIL in Beijing, in the People's Republic of China (PRC) in September 2019. Regulated by the China Banking and Insurance Regulatory Commission, the Representative Office mainly conducts market research and promotes the BIL brand in identified market segments in the PRC.

Banque Internationale à Luxembourg (Suisse) S.A. ("BIL Suisse")

BIL Suisse, incorporated in 1985, is a licensed credit institution with its headquarters in Zurich, Switzerland, supervised by the Swiss Financial Market Supervisory Authority (FINMA). BIL Suisse is a wholly owned subsidiary of BIL, which offering a full range of private banking services for individuals consisting of integrated financial and non-financial solutions such as asset structuring, life insurances, credit solutions, wealth, estate and succession planning as well as client management services and business development support for professional clients including administration, reporting and custody services, investment advisory tools, direct access to the trading floor and financial products such as open architecture solutions and investment vehicles. BIL Suisse also provides lending and advisory services to entrepreneur clients to support their business banking needs via a growing Corporate and Institutional Banking team.

BIL GROUP'S SPECIALISED SUBSIDIARIES

BIL Wealth Management Limited

BIL Wealth Management Limited, incorporated in March 2017, is a duly licensed asset manager specialised in securities dealing, advisory and discretionary services, based in Hong Kong, PRC and regulated by the Securities and Futures Commission in Hong Kong, PRC. BIL Wealth Management Limited is a wholly owned subsidiary of BIL, which was acquired by BIL in February 2020. BIL Wealth Management Limited provides financial services to ultra-high net worth individuals and entrepreneurs including investment advisory, portfolio management and inter-generational wealth planning solutions such as trusts and family office set-ups.

BIL Manage Invest S.A. ("BMI")

BMI, a wholly owned subsidiary of BIL, established in Luxembourg in June 2013, is a duly authorised independent third-party management company, which is regulated and supervised by the CSSF. BMI's wide range of open architecture services includes fund structuring and portfolio and risk management of regulated investment vehicles (UCITS and AIF) targeting financial, real estate and private equity asset classes.

Belair House S.A.

Belair House S.A. is a wholly owned subsidiary of BIL, incorporated in Luxembourg in 2014 and is covering the entire real estate value chain, from acquisition to exit, including advisory, intermediation and investment analysis, transaction structuring, real estate management, real estate letting coordination, project development and valuation and research.

Société Luxembourgeoise de Leasing BIL- LEASE S.A. ("BIL Lease")

BIL Lease, incorporated in 1991 in Luxembourg, is a wholly owned subsidiary of BIL, dedicated to the management of leasing services. BIL Lease offers financial leasing solutions to corporate customers, for all professionally used moveable capital equipment including IT systems, vehicles and various types of machinery.

Note 4: Notes on the assets of the consolidated balance sheet

4.1. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

ANALYSIS BY NATURE	31/12/22	31/12/23
Cash and balances with central banks	4,207,044,773	2,749,867,037
Other demand deposits	166,091,807	230,176,350
Loans and advances to credit institutions	530,972,060	372,801,300
TOTAL	4,904,108,640	3,352,844,687

4.2. Cash and balances with central banks and demand deposits

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash in hand	50,327,091	0	50,327,091
Balances with central banks other than mandatory reserve deposits	3,980,589,685	0	3,980,589,685
Mandatory reserve deposits	176,367,495	0	176,367,495
Other demand deposits	166,091,807	(105,341)	165,986,466
TOTAL	4,373,376,078	(105,341)	4,373,270,737
of which included in cash and cash equivalents	*4,373,136,580*	*0*	*4,373,136,580*

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash in hand	67,704,978	0	67,704,978
Balances with central banks other than mandatory reserve deposits	2,517,894,366	(949)	2,517,893,417
Mandatory reserve deposits	165,775,209	0	165,775,209
Other demand deposits	230,176,365	(31,243)	230,145,122
TOTAL	2,981,550,918	(32,192)	2,981,518,726
of which included in cash and cash equivalents	*2,980,043,387*	*0*	*2,980,043,387*

ANALYSIS BY STAGE	31/12/22 Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	4,372,824,677	(55,806)	4,372,768,871
Stage 2	551,401	(49,535)	501,866
Stage 3	0	0	0
TOTAL	4,373,376,078	(105,341)	4,373,270,737

ANALYSIS BY STAGE	31/12/23 Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	2,981,418,999	(28,638)	2,981,390,361
Stage 2	131,919	(3,554)	128,365
Stage 3	0	0	0
TOTAL	2,981,550,918	(32,192)	2,981,518,726

Cash and balances with central banks include the mandatory reserves deposited by credit institutions with the Central Bank of Luxembourg or other central banks. The average minimum requirement amounts to EUR 229,431,372 for the period from 21 December 2022 to 7 February 2023 and amounts to EUR 219,015,678 for the period from 20 December 2023 to 30 January 2024.

4.3. Loans and advances to credit institutions

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY NATURE	31/12/22 Gross carrying amount	Accumulated impairment	Net carrying amount
Cash collateral	451,706,759	0	451,706,759
Reverse repurchase agreements	304,748,203	0	304,748,203
Loans and other advances	343,328,094	(1,031,057)	342,297,037
TOTAL	1,099,783,056	(1,031,057)	1,098,751,999
of which included in cash and cash equivalents	*530,972,060*	*0*	*530,972,060*

ANALYSIS BY NATURE	31/12/23 Gross carrying amount	Accumulated impairment	Net carrying amount
Cash collateral	248,713,018	0	248,713,018
Reverse repurchase agreements	313,546,016	0	313,546,016
Loans and other advances	112,128,193	(112,711)	112,015,482
TOTAL	674,387,227	(112,711)	674,274,516
of which included in cash and cash equivalents	*372,801,300*	*0*	*372,801,300*

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	1,099,738,043	(1,028,745)	1,098,709,298
Stage 2	39,241	(1,460)	37,781
Stage 3	5,772	(852)	4,920
TOTAL	1,099,783,056	(1,031,057)	1,098,751,999

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	674,385,524	(112,631)	674,272,893
Stage 2	1,702	(80)	1,622
Stage 3	0	0	0
TOTAL	674,387,226	(112,711)	674,274,515

ANALYSIS OF THE FAIR VALUE

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should the interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates since years, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

4.4. Loans and advances to customers

All loans and advances to customers are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY COUNTERPART	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	21,274,135	(1,407)	21,272,728
Other	16,758,832,400	(297,166,805)	16,461,665,595
TOTAL	16,780,106,535	(297,168,212)	16,482,938,323

ANALYSIS BY COUNTERPART	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	36,939,146	(133,040)	36,806,106
Other	16,564,513,363	(272,789,098)	16,291,724,265
TOTAL	16,601,452,509	(272,922,138)	16,328,530,371

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	1,364,923,665	(10,974,820)	1,353,948,845
Finance leases	218,561,408	(3,958,285)	214,603,123
Other term loans	15,196,621,462	(282,235,107)	14,914,386,355
of which: loans collateralised by immovable property	*12,007,854,013*	*(151,297,707)*	*11,856,556,306*
of which: consumer credits	*395,792,763*	*(8,417,067)*	*387,375,696*
TOTAL	16,780,106,535	(297,168,212)	16,482,938,323

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	1,537,421,579	(129,295,751)	1,408,125,828
Finance leases	268,437,093	(2,752,080)	265,685,013
Other term loans	14,795,593,837	(140,874,307)	14,654,719,530
of which: loans collateralised by immovable property	*11,521,395,881*	*(109,634,837)*	*11,411,761,044*
of which: consumer credits	*388,984,888*	*(10,273,952)*	*378,710,936*
TOTAL	16,601,452,509	(272,922,138)	16,328,530,371

The figures of analysis by nature presented as at 31 December 2022 have been reclassified to ensure the comparability with the figures as at 31 December 2023.

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	13,131,339,483	(47,268,980)	13,084,070,503
Stage 2	3,081,259,437	(32,659,266)	3,048,600,171
Stage 3	567,507,615	(217,239,966)	350,267,649
TOTAL	16,780,106,535	(297,168,212)	16,482,938,323

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	13,841,056,703	(38,597,229)	13,802,459,474
Stage 2	1,984,583,163	(22,544,957)	1,962,038,206
Stage 3	775,812,643	(211,779,952)	564,032,691
TOTAL	16,601,452,509	(272,922,138)	16,328,530,371

4.5. Financial assets held for trading

ANALYSIS BY COUNTERPART	31/12/22	31/12/23
Public sector	0	992,584
Credit institutions	15,786,368	18,352,791
Other	0	0
TOTAL	15,786,368	19,345,375

ANALYSIS BY NATURE	31/12/22	31/12/23
Bonds issued by public bodies	0	992,584
Other bonds and fixed-income instruments	15,786,368	18,352,791
TOTAL	15,786,368	19,345,375

ANALYSIS OF THE FAIR VALUE

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

4.6. Financial investments measured at fair value

	31/12/22	31/12/23
Financial investments at fair value through other comprehensive income	924,933,017	550,895,485
Non-trading financial investments mandatorily at fair value through profit or loss	27,739,586	30,782,842
TOTAL	952,672,603	581,678,327

4.6.1. Financial investments at fair value through other comprehensive income

ANALYSIS BY COUNTERPART	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	300,847,946	(6,502)	300,841,444
Debt securities	*300,847,946*	*(6,502)*	*300,841,444*
Credit institutions	308,236,704	(170,439)	308,066,265
Debt securities	*308,236,704*	*(170,439)*	*308,066,265*
Other	316,087,967	(62,659)	316,025,308
Debt securities	*19,261,474*	*(62,659)*	*19,198,815*
Equity instruments	*296,826,493*		*296,826,493*
TOTAL	925,172,617	(239,600)	924,933,017

ANALYSIS BY COUNTERPART	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	5,633,384	(998)	5,632,386
Debt securities	*5,633,384*	*(998)*	*5,632,386*
Credit institutions	193,976,695	(25,384)	193,951,311
Debt securities	*193,976,695*	*(25,384)*	*193,951,311*
Other	351,331,291	(19,503)	351,311,788
Debt securities	*45,208,765*	*(19,503)*	*45,189,262*
Equity instruments	*306,122,526*		*306,122,526*
TOTAL	550,941,370	(45,885)	550,895,485

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	300,847,946	(6,502)	300,841,444
Other bonds and fixed-income instruments	327,498,178	(233,098)	327,265,080
Equity and variable-income instruments	296,826,493		296,826,493
TOTAL	925,172,617	(239,600)	924,933,017

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	5,633,384	(998)	5,632,386
Other bonds and fixed-income instruments	239,185,460	(44,887)	239,140,573
Equity and variable-income instruments	306,122,526		306,122,526
TOTAL	550,941,370	(45,885)	550,895,485

ANALYSIS BY STAGE (DEBT INSTRUMENTS)	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	628,346,124	(239,600)	628,106,524
TOTAL	628,346,124	(239,600)	628,106,524

ANALYSIS BY STAGE (DEBT INSTRUMENTS)	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	244,818,844	(45,885)	244,772,959
TOTAL	244,818,844	(45,885)	244,772,959

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

4.6.2. Non-trading financial investments mandatorily at fair value through profit or loss

ANALYSIS BY COUNTERPART	31/12/22	31/12/23
Public sector	0	0
Credit institutions	0	0
Other	27,739,586	30,782,842
TOTAL	27,739,586	30,782,842

ANALYSIS BY NATURE	31/12/22	31/12/23
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	27,739,586	30,782,842
TOTAL	27,739,586	30,782,842

QUALITATIVE ANALYSIS

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

4.7. Financial investments measured at amortised cost

ANALYSIS BY COUNTERPART	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	4,514,977,255	(3,415,974)	4,511,561,281
Credit institutions	2,043,317,080	(2,613,733)	2,040,703,347
Other	1,334,052,059	(3,144,453)	1,330,907,606
TOTAL	7,892,346,394	(9,174,160)	7,883,172,234

ANALYSIS BY COUNTERPART	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	5,506,310,895	(1,297,213)	5,505,013,682
Credit institutions	1,824,721,399	(166,634)	1,824,554,765
Other	1,301,529,000	(1,984,901)	1,299,544,099
TOTAL	8,632,561,294	(3,448,748)	8,629,112,546

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	4,514,977,255	(3,415,974)	4,511,561,281
Other bonds and fixed-income instruments	3,377,369,139	(5,758,186)	3,371,610,953
TOTAL	7,892,346,394	(9,174,160)	7,883,172,234

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	5,506,310,894	(1,297,211)	5,505,013,683
Other bonds and fixed-income instruments	3,126,250,400	(2,151,537)	3,124,098,863
TOTAL	8,632,561,294	(3,448,748)	8,629,112,546

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	7,846,756,065	(8,710,756)	7,838,045,309
Stage 2	45,590,329	(463,404)	45,126,925
Stage 3	0	0	0
TOTAL	7,892,346,394	(9,174,160)	7,883,172,234

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	8,504,521,537	(2,814,920)	8,501,706,617
Stage 2	128,039,757	(633,828)	127,405,929
Stage 3	0	0	0
TOTAL	8,632,561,294	(3,448,748)	8,629,112,546

4.8. Investments in associates

CARRYING VALUE	2022	2023
CARRYING VALUE AS AT 1 JANUARY	676,682	0
Changes in the scope of consolidation (departures)	(676,682)	0
Share of result before tax	0	0
Share of tax	0	0
Dividend paid	0	0
Others	0	0
CARRYING VALUE AS AT 31 DECEMBER	0	0

CHANGES IN 2022

Europay Luxembourg, société coopérative à responsabilité limitée, was incorporated for an unlimited period on 30 May 1989. The Company is a cooperative society with limited liability. The purpose of the company is to act as a principal member of Mastercard to promote the development of Mastercard programs in Luxembourg. The Company is located at 2-4 rue Edmond Reuter, L-5326 Contern (Luxembourg) and is registered under the trade register RCS B 30.764. The financial year begins on 1 January and ends on 31 December of each year.

On 28 July 2022, BIL sold 55 shares of Europay Luxembourg, société coopérative, in parallel with a capital reduction and a change in the par value of the company, reducing its percentage of control from 52.20% to 46.67%. Following these changes, and for non-materiality reason, BIL ceased the application of equity accounting which was subsequently deconsolidated on 31 October 2022.

As at 31 December 2022, there are no more Associates accounted for under the equity method in the consolidated financial statements of BIL Group.

CHANGES IN 2023

None. No more associates under equity method.

4.9. Property, plant and equipment

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use	Own use owner	Right-of-use	
ACQUISITION COST AS AT 01/01/22	316,695,319	39,100,456	133,441,343	807,047	490,044,165
- Acquisitions	3,873,681	15,762,247	8,470,432	0	28,106,360
- Post-acquisition adjustments	0	(190,939)	0	0	(190,939)
- Change in consolidation scope (out)	0	0	(74,887)	0	(74,887)
- Transfers and cancellations	(5,768,536)	(5,619,303)	(1,052,765)	(258,428)	(12,699,032)
- Translation adjustments	5,381	908,192	176,069	35,260	1,124,902
ACQUISITION COST AS AT 31/12/22 (A)	314,805,845	49,960,653	140,960,192	583,879	506,310,569
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/22	(239,127,434)	(22,075,981)	(121,084,860)	(185,889)	(382,474,164)
- Booked	(7,741,582)	(6,403,495)	(3,831,239)	(316,838)	(18,293,154)
- Change in consolidation scope (out)	0	0	74,761	0	74,761
- Transfers and cancellations	5,020,519	5,478,113	1,060,765	258,428	11,817,825
- Translation adjustments	(5,315)	(584,598)	(111,715)	(10,133)	(711,761)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/22 (B)	(241,853,812)	(23,585,961)	(123,892,288)	(254,432)	(389,586,493)
NET CARRYING VALUE AS AT 31/12/22 (A) + (B)	72,952,033	26,374,692	17,067,904	329,447	116,724,076

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use	Own use owner	Right-of-use	
ACQUISITION COST AS AT 01/01/23	314 805 845	49 960 653	140 960 192	583 879	506 310 569
- Acquisitions	5 051 714	405 166	2 212 466	0	7 669 346
- Subsequent expenditures	0	256 801	0	0	256 801
- Disposals	(1 542 020)	0	(42 968)	0	(1 584 988)
- Transfers and cancellations	0	(86 883)	0	0	(86 883)
- Translation adjustments	(6 319)	1 514 525	405 170	37 012	1 950 388
ACQUISITION COST AS AT 31/12/23 (A)	318 309 220	52 050 262	143 534 860	620 891	514 515 233
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/23	(241 853 812)	(23 585 961)	(123 892 288)	(254 432)	(389 586 493)
- Booked	(4 452 130)	(6 782 443)	(4 153 662)	(193 419)	(15 581 654)
- Recognised	0	936 716	0	0	936 716
- Transfers and cancellations	(1 245 089)	82 056	22 590	0	(1 140 443)
- Translation adjustments	5 015	(721 538)	(186 832)	(25 628)	(928 983)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/23 (B)	(247 546 016)	(30 071 170)	(128 210 192)	(473 479)	(406 300 857)
NET CARRYING VALUE AS AT 31/12/23 (A) + (B)	70 763 204	21 979 092	15 324 668	147 412	108 214 376

In 2023, an impairment of EUR 1,201,219 and a reversal of impairment of EUR 936,716 were booked on "Right-of-use" on "Land and buildings" (in 2022: nil).

4.10. Investment property

	2022	2023
ACQUISITION COST AS AT 1 JANUARY	22,697,309	27,391,831
- Acquisitions	5,072,977	0
- Disposals	(378,455)	(7,401,616)
ACQUISITION COST AS AT 31 DECEMBER (A)	27,391,831	19,990,215
FAIR VALUE ADJUSTMENTS AS AT 1 JANUARY	8,278,427	32,356,481
- Revaluation Investment Property	24,078,054	(5,462,476)
- Transfers and cancellations	0	(7,068,259)
FAIR VALUE ADJUSTMENTS AS AT 31 DECEMBER (B)	32,356,481	19,825,746
NET CARRYING VALUE AS AT 31 DECEMBER (A) + (B)	59,748,312	39,815,961

As at 31 December 2023, investment properties are mostly composed of land plots for a total amount of EUR 39.8 million (EUR 59.7 million as at 31 December 2022) and are all classified as Level 3 under IFRS 13. Main evolutions in 2023 are related to:

- The sale of land plots occurred in 2023 for a total amount of EUR 14 million in line with the fair valuation as at 31 December 2022.
- The revaluation of the investment properties for EUR -5,462,476 million that occurred during the year ended 31 December 2023 is mainly related to the remeasurement of a land classified under investment property which forms part of the headquarter perimeter of the Group. The revaluation made in 2022 was related to an increase of the building potential of this investment property, adjusted downwards in 2023 for EUR 5.5 million to reflect market conditions in 2023. The fair value of the main property amounts to EUR 37.2 million as at 31 December 2023 (EUR 42.7 million as at 31 December 2022) including an acquisition cost of EUR 10.3 million (EUR 10.3 million as at 31 December 2022). Its remeasurement is based on the valuation report of a mandated external expert and is made in application of the "highest and best use for non-financial assets" principle of IFRS 13 and is reviewed at each reporting period.
- The valuation techniques used to estimate the fair value are based on the fair value of the building potential less estimated construction costs. The valuation techniques used are the comparison method and the capitalisation method and the main unobservable inputs used are the following:
  - Rental market prices;
  - Price per square metre;
  - Constructions costs;
  - Capitalisation rate.

  A decrease (increase) in the rental market prices and/or in the price per square metre will decrease (increase) the fair value. An increase (decrease) in the capitalisation rate and/or in the constructions costs will decrease (increase) the fair value.
- The other investment properties are measured at fair value based on independent valuation expert and are composed of residential property for sale which form part of former own-use properties or property or received by taken possession of collateral on the credit activity.

4.11. Intangible fixed assets and goodwill

	Goodwill	Software / internally developped	Other intangible fixed assets	Total
ACQUISITION COST AS AT 01/01/22	60,658,793	406,280,312	128,584,369	595,523,474
Acquisitions	0	87,053,232	3,408,696	90,461,928
Change in the consolidation scope (out)	0	0	(648,356)	(648,356)
Transfers and cancellations	0	(39,894)	(292,523)	(332,417)
Translation adjustments	1,085,540	0	446,457	1,531,997
ACQUISITION COST AS AT 31/12/22 (A)	61,744,333	493,293,650	131,498,643	686,536,626
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/22	(5,408,693)	(204,825,621)	(79,431,884)	(289,666,198)
Booked	(2,030,338)	(28,686,410)	(9,105,729)	(39,822,477)
Change in the scope of consolidation	0	0	611,612	611,612
Transfers and cancellations	0	0	292,523	292,523
Translation adjustments	(34,631)	0	(391,867)	(426,498)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/22 (B)	(7,473,662)	(233,512,031)	(88,025,345)	(329,011,038)
NET CARRYING VALUE AS AT 31/12/22 (A) + (B)	54,270,671	259,781,619	43,473,298	357,525,588

	Goodwill	Software / internally developped	Other intangible fixed assets	Total
ACQUISITION COST AS AT 01/01/23	61,744,333	493,293,650	131,498,643	686,536,626
Acquisitions	0	77,338,063	4,451,381	81,789,444
Transfers and cancellations	0	0	0	0
Translation adjustments	1,468,825	0	605,635	2,074,460
ACQUISITION COST AS AT 31/12/23 (A)	63,213,158	570,631,713	136,555,659	770,400,530
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/23	(7,473,662)	(233,512,031)	(88,025,345)	(329,011,038)
Booked	0	(32,362,716)	(8,455,660)	(40,818,376)
Change in the scope of consolidation	0	0	0	0
Transfers and cancellations	0	(1,082,421)	0	(1,082,421)
Translation adjustments	(130,900)	0	(557,022)	(687,922)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/23 (B)	(7,604,562)	(266,957,168)	(97,038,027)	(371,599,757)
NET CARRYING VALUE AS AT 31/12/23 (A) + (B)	55,608,596	303,674,545	39,517,632	398,800,773

The origin of the goodwill is detailed as the following:

- EUR 30.6 million as at 31 December 2023 and 31 December 2022, corresponds to the goodwill allocated to the cash-generating unit "Wealth Management Luxembourg" (Level 3) from the acquisition of Bikuben Girobank International S.A. Luxembourg. The impairment test is based on two valuation methodologies:
  - observation of transactions related to comparable businesses; and
  - dividend discount model methodology with indefinite lifetime assumption where cash flows are assumed to be stable. They have been computed as revenue of the generating unit less direct and indirect costs, and after taxes.

  No further impairment is required as at the end of 2023 based on both methodologies. Sensitivity test: +0.5% increase of the discount rate generates EUR -13 million goodwill value whereas -0.5% decrease of this rate generates EUR +14.4 million goodwill value. A decrease or an increase of 10bps on the Asset under Management (AuM) multiple generates a EUR 8.5 million increase (EUR -8.5 million decrease respectively).
- EUR 22.4 million (CHF 20.8 million) as at 31 December 2023 against EUR 21.1 million (CHF 20.8 million) as at 31 December 2022, corresponds to the carrying amount of the goodwill from the acquisition of KBL (Switzerland) Ltd in 2015. This goodwill is allocated to the CGU "KBLS" represented by ex-KBL (Switzerland) Assets under Management (AuM) (Level 3).

The impairment test is based on the valuation of the related AuM through multiples observed from transactions related to comparable business. No further impairment is required as at the end of 2023.

The sensitivity test of +/- 10bps on multiples generates a EUR +/-2.1 million increase/decrease of goodwill valuation and +/-5% on AuM generates EUR +/-1.4 million increase/decrease of goodwill valuation.

- EUR 2.5 million as at 31 December 2023 and 31 December 2022, corresponds to the goodwill from the acquisition of BIL Wealth Management Ltd in February 2020 allocated to the CGU "BIL Wealth Management Ltd" (Level 3).

No impairment test is required as there is no indicator of impairment identified as of 31 December 2023.

Other intangible fixed assets include, inter alia and purchased softwares.

The line "Acquisitions" corresponds to Software internally generated that are mainly linked to the development of the new core banking system of the Bank.

4.12. Tax assets

	31/12/22	31/12/23
Current tax assets	1,295,968	953,109
Deferred tax assets (see Note 6.2)	151,927,538	128,102,833
TOTAL	153,223,506	129,055,942

4.13. Other assets

	31/12/22	31/12/23
Other assets *	74,686,278	93,468,479
Other assets specific to insurance activities	3,566,927	4,288,459
TOTAL	78,253,205	97,756,938

* ANALYSIS BY NATURE	31/12/22	31/12/23
Receivables	160,394	10,058,106
Prepaid fees	4,370,262	4,263,517
Other receivables	42,927,075	58,834,458
Pension plan assets	17,494,000	13,683,000
Precious metals	1,056	1,155
Operating taxes	3,904,010	5,136,106
Other assets	5,829,481	1,492,137
TOTAL	74,686,278	93,468,479

The line items "Other receivables" and "Other assets" are mainly composed of transactions linked to current business awaiting settlement.

Starting October 2023 and following the migration to the new core banking system, "Receivables" include commissions that are paid at the beginning of each period subsequent to the period to which they are related. Before the migration, such commissions were paid at the beginning of each period to which they are related.

4.14. Leasing

4.14.1. BIL as lessor

FINANCE LEASE

GROSS INVESTMENT IN FINANCE LEASE	31/12/22	31/12/23
Less than 1 year	114,733,224	131,088,742
More than 1 year and less than 5 years	250,545,012	264,625,187
More than 5 years	0	28,685,595
SUBTOTAL (A)	365,278,236	424,399,524
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	(149,762,025)	(157,969,530)
NET INVESTMENT IN FINANCE LEASE (A)-(B)	215,516,211	266,429,994

NET INVESTMENT IN FINANCE LEASE MAY BE ANALYSED AS FOLLOWS:	31/12/22	31/12/23
Less than 1 year	67,490,132	82,295,033
More than 1 year and less than 5 years	148,026,079	166,126,687
More than 5 years	0	18,008,274
TOTAL	215,516,211	266,429,994

	31/12/22	31/12/23
Amount of doubtful debts on finance leases included in the loan loss provision at the end of the financial year	3,958,285	2,752,080
Estimated fair value of finance leases	215,516,211	266,429,994
Accumulated provision for irrecoverable minimum lease payments	2,919,613	2,007,099

Overview of the significant provisions of leasing contracts

The assets managed by BIL Lease S.A. may be broken down as follows:

- 68.32% of the assets is composed of vehicles, mainly passenger cars but also commercial vehicles;
- 8.61% of the assets is composed of IT equipment;
- 22.94% of the assets is composed of industrial equipment : machinery, medical equipment, etc;
- 0.13% of the assets is composed primarily of office furniture.

OPERATING LEASE

The Group did not act as lessor for operational leases as at 31 December 2022 and as at 31 December 2023.

4.14.2. BIL as lessee

FINANCE LEASE

The Group is not involved in any financial lease as at 31 December 2022 and as at 31 December 2023.

OPERATING LEASE

FUTURE NET MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASE	31/12/22	31/12/23
Less than 1 year	495,650	361,913
Between 1 year to 2 years	274,577	229,772
Between 2 years to 3 years	233,198	204,499
Between 3 years to 4 years	211,106	178,414
Between 4 years to 5 years	184,815	153,602
More than 5 years	225,336	191,415
TOTAL	1,624,682	1,319,615

LEASE AND SUBLEASE PAYMENTS RECOGNISED AS AN EXPENSE DURING THE FINANCIAL YEAR:	31/12/22	31/12/23
- lease payments	660,324	469,512
TOTAL	660,324	469,512

Note 5: Notes on the liabilities of the consolidated balance sheet

5.1. Amounts due to credit institutions

ANALYSIS BY NATURE	31/12/22	31/12/23
On demand	208,913,948	222,946,342
Term	23,405,288	2,081,660,716
Cash collateral	674,149,364	369,355,680
Repurchase agreements	519,578,704	353,449,872
Central banks	251,020,469	456,272
Other borrowings	1,720,894,009	692,859,646
TOTAL	3,397,961,782	3,720,728,528

ANALYSIS OF THE FAIR VALUE

see Note 9.1

QUALITATIVE ANALYSIS

see Note 9.3

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

The line item "Other borrowings" represent day-to-day cash management operations.

The Management Board decided to participate in the different tranches of the TLTRO III (Targeted Longer-Term Refinancing Operations) for a total amount of EUR 250 million as at 31 December 2022 (line item "Central banks").

As at 31 December 2021, BIL participated in three different tranches of TLTRO III operations for an outstanding amount of EUR 800 million, of EUR 700 million and EUR 700 million respectively. BIL fully reimbursed its first two tranches and partially reimbursed the third tranche for an amount of EUR 450 million during the year 2022 using the early repayment option.

The level of remuneration of the TLTRO III borrowings depends on the performance of the credit institutions in terms of loans granted to household customers (excluding real estate loans) and business customers (excluding financial institutions). Depending on these performances, the credit institutions may benefit from a reduced interest and an additional temporary bonus applicable from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022 (reduction by 0.50% of the average rate of the deposit facility with a floor rate at -1%).

The Bank applied IFRS 9 to account for TLTRO III operations with the effective interest rate corresponding to the most probable scenario of achieving the lending performance thresholds at subscription date.

For the first two tranches described hereabove, the performance thresholds were not initially included in the effective interest rate. The Bank has reassessed the achievement of the lending performance as at 31 March 2021 and as at 31 December 2021 respectively and accounts for the impacts of this revision under the modification accounting of IFRS 9 when the lending performance thresholds were met. EUR 14.2 million of gains on modification of financial liabilities were recognised for the year ended 31 December 2021 following the achievement of the performance thresholds in relation to the first two tranches of TLTRO III operations.

For the third tranche described hereabove, the performance threshold was included in the effective interest rate (effective interest rate of -0.5843% as at 31 December 2021 and of 1.896% as at 31 December 2022 following increase of central bank interest rates considered as an adjustment of the effective interest rate as per IFRS 9 B5.4.5 to reflect movement in the market rate of interest). This last tranche was anticipatively and fully reimbursed on 29 March 2023.

5.2. Amounts due to customers

ANALYSIS BY NATURE	31/12/22	31/12/23
Demand deposits	11,648,043,041	8,243,275,743
Saving deposits	3,147,035,949	2,948,635,482
Term deposits	6,244,224,948	7,262,877,800
Cash collateral	1,648,378	250,620
TOTAL	21,040,952,316	18,455,039,645

ANALYSIS OF THE FAIR VALUE

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

5.3. Other financial liabilities

ANALYSIS BY NATURE	31/12/22	31/12/23
Other financial liabilities	30,997,505	25,908,177
of which lease liabilities	*30,997,505*	*25,908,177*
TOTAL	30,997,505	25,908,177

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

5.4. Financial liabilities measured at fair value through profit or loss

ANALYSIS BY NATURE	31/12/22	31/12/23
Non-subordinated liabilities	2,014,665,341	2,836,485,340
TOTAL	2,014,665,341	2,836,485,340

ANALYSIS OF THE FAIR VALUE

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

BIL Group primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

The evolution between 31 December 2022 and 31 December 2023 is explained both by net new issuance of structured products and fair value changes.

5.5. Debt securities

ANALYSIS BY NATURE	31/12/22	31/12/23
Certificates of deposit	2,512,575	0
Non-convertible bonds	2,651,535,945	2,034,068,527
TOTAL	2,654,048,520	2,034,068,527

ANALYSIS OF THE FAIR VALUE

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

5.6. Subordinated debts

ANALYSIS BY NATURE	31/12/22	31/12/23
Non-convertible subordinated debts	243,236,959	345,756,383
TOTAL	243,236,959	345,756,383

ANALYSIS OF THE FAIR VALUE

see Note 9.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

The list of "Non-convertible subordinated debts" is available upon request.

On 1 February 2023, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since 27 February 2023.

5.7. Provisions and other obligations

5.7.1. Analysis by nature

	31/12/22	31/12/23
Litigation	13,246,049	10,969,089
Restructuring (including garden leave)	3,645,631	4,758,541
Defined benefit plans	538,235	2,332,613
Other long-term employee benefits (including jubilee and time saving account)	16,479,534	18,333,298
Provision for off-balance sheet credit commitments	13,243,945	16,498,462
Onerous contracts	790,646	730,523
Other provisions	1,447,932	642,921
TOTAL	49,391,972	54,265,447

The provisions for legal litigation, include those for staff and tax-related litigation.

5.7.2. Analysis by movement

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions and onerous contracts
AS AT 01/01/22	6,020,671	7,625,925	24,139,582	12,962,202	3,616,967
Exchange differences	181,279	8,101	258,225	1,508	96,674
Additional provisions	8,094,622	3,307,705	4,057,088	0	83,098
Changes due to change in credit risk	0	0	0	(4,187,035)	0
Changes due to update in the institution's methodology for estimation	0	0	0	0	0
Increases due to origination or acquisition	0	0	0	7,570,885	0
Decreases due to derecognition	0	0	0	(3,103,709)	0
Revaluation through reserves	0	0	(7,832,284)	0	0
Unused amounts reversed	0	(191,029)	(1,423,299)	0	0
Used during the year	(1,050,523)	(6,662,874)	(2,056,049)	0	(1,119,999)
Changes in the scope	0	0	(141,685)	94	(162,255)
Transfers	0	(442,197)	16,191	0	(196,421)
Other movements	0	0	0	0	(79,486)
AS AT 31/12/22	13,246,049	3,645,631	17,017,769	13,243,945	2,238,578

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions and onerous contracts
AS AT 01/01/23	13,246,049	3,645,631	17,017,769	13,243,945	2,238,578
Exchange differences	229,153	2,608	120,973	(7,763)	48,636
Additional provisions	437,680	4,184,860	4,799,690	0	0
Changes due to change in credit risk	0	0	0	(6,045,598)	0
Changes due to update in the institution's methodology for estimation	0	0	0	4,516,494	0
Increases due to origination or acquisition	0	0	0	6,279,577	0
Decreases due to derecognition	0	0	0	(1,488,193)	0
Revaluation through reserves	0	0	1,794,171	0	0
Unused amounts reversed	(1,497,457)	(280,622)	(1,479,871)	0	(337,189)
Used during the year	(1,284,607)	(2,793,936)	(3,386,821)	0	(576,581)
Transfers	(161,729)	0	1,800,000	0	0
AS AT 31/12/23	10,969,089	4,758,541	20,665,911	16,498,462	1,373,444

For the line item "Revaluation through reserves" refer to point 1.23 of Note 1.

5.7.3. Provision for pension

RECONCILIATION OF DEFINED BENEFIT OBLIGATIONS	31/12/22	31/12/23
Defined benefit obligations at the beginning of the year	209,965,856	172,607,452
Current service cost	5,293,417	4,110,176
Interest cost	764,214	5,160,993
Past service cost and gains and losses arising from settlements	120,536	346,000
Actuarial gains/losses	(27,636,806)	10,969,548
Stemming from changes in demographic assumptions	(44,000)	0
Stemming from changes in financial assumptions	(26,890,136)	8,187,735
Stemming from experience adjustments	(702,670)	2,781,813
Benefits paid	(18,545,745)	(22,586,702)
Out of which: amounts paid in respect of settlements	(591,200)	0
Pension plan participant contributions	1,062,411	1,138,470
Currency adjustment	2,199,062	2,757,829
Business combination and disposals	0	0
Other	(615,493)	(763,474)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	172,607,452	173,740,292

RECONCILIATION OF FAIR VALUE OF PENSION PLAN ASSETS	31/12/22	31/12/23
Fair value of pension plan assets at the beginning of the year	219 103 332	189 563 217
Actual return on pension plan assets	(18 162 924)	9 501 741
Interest income	812 486	5 812 669
Return on pension plan assets (excluding interest income)	(18 975 410)	3 689 072
Employer contributions	4 820 055	5 642 443
Pension plan participant contributions	1 062 411	1 138 470
Benefits paid	(18 545 745)	(22 586 702)
Out of which: amounts paid in respect of settlements	(591 200)	0
Currency adjustment	1 945 515	2 641 305
Business combination and disposals	0	0
Other	(659 427)	(809 796)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	189 563 217	185 090 678

RECONCILIATION OF THE EFFECT OF THE ASSET CEILING	31/12/22	31/12/23
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
Other	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	0	0

NET ASSET / (NET LIABILITY)	16,955,765	11,350,386

FUNDED STATUS	31/12/22	31/12/23
Pension plan assets in excess of benefit obligation	(17,494,000)	(13,683,000)
Unrecognised assets	0	0

MOVEMENT IN NET DEFINED BENEFIT PENSION LIABILITY OR ASSET	31/12/22	31/12/23
Net Asset / (Net liability) at the beginning of the year	9,137,476	16,955,765
Net periodic pension cost recognised in the income statement	(5,409,616)	(3,850,821)
Remeasurements recognised in OCI	8,661,395	(7,280,476)
Employer contributions	4,820,055	5,642,443
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	0	0
Business combination and disposals	0	0
Currency adjustments	(253,546)	(116,525)
Other	0	0
NET ASSET / (NET LIABILITY) AT THE END OF THE YEAR	16,955,765	11,350,386

MOVEMENT IN THE IAS 19 REMEASUREMENT RESERVE IN EQUITY	31/12/22	31/12/23
Recognised reserve at the beginning of the year	(12,269,071)	(3,857,421)
Remeasurements recognised in OCI	8,153,981	(7,730,966)
Transfers	257,669	0
RECOGNISED RESERVE AT THE END OF THE YEAR	(3,857,421)	(11,588,387)

AMOUNTS RECOGNISED IN THE INCOME STATEMENT	31/12/22	31/12/23
Current service cost	5,293,417	4,110,176
Net interest on the defined benefit liability/asset	(48,272)	(651,676)
Past service cost	38,000	346,000
Gains and losses arising from settlements	82,536	0
Other	43,934	46,321
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	5,409,616	3,850,821

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	31/12/22	31/12/23
Actuarial gains/losses on the defined benefit obligation	(27,636,806)	10,969,548
Actual return on plan assets (excluding amounts included in interest income)	18,975,410	(3,689,072)
Other	0	0
Currency adjustments	507,414	450,490
TOTAL OTHER COMPREHENSIVE INCOME	(8,153,981)	7,730,966

Expected contributions for next year		5,794,245

BREAKDOWN OF DEFINED BENEFIT OBLIGATION	31/12/22	31/12/23
Actives	116,903,945	117,952,367
Deferred (including pending payments)	10,869,000	10,522,000
Retirees (incl. disabled)	44,834,507	45,265,924
TOTAL DEFINED BENEFIT OBLIGATION	172,607,452	173,740,292

ACTUAL RETURN ON PENSION PLAN ASSETS (%)	31/12/22	31/12/23
	-8.89%	5.07%

BREAKDOWN OF PENSION PLAN ASSETS	31/12/22	31/12/23
Fixed income		
Quoted market price on an active market	70.62%	73.37%
Equities		
Quoted market price on an active market	16.11%	16.29%
Alternatives		
Quoted market price on an active market	4.33%	3.84%
Real estate		
Quoted market price on an active market	0.60%	0.63%
Unquoted	3.87%	4.11%
Cash	4.47%	1.35%
Other	0.00%	0.41%
TOTAL	100.00%	100.00%

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

	Luxembourg		Switzerland	
	31/12/22	31/12/23	31/12/22	31/12/23
Discount rate	3.60%	3.00%	2.30%	1.50%
Salary increase	0.75% - 2.50%	0.75% - 2.50%	2.50%	2.50%
Inflation*	2.50%	2.50%	2.00%	2.00%

* Included in the salary increase for Switzerland.

ADDITIONAL DESCRIPTIONS

Description of the plan - Events in the financial year - Focus on risk exposures

In Luxembourg, for active people, two hybrid pension plans are valued as defined benefits ("DB") pension plans under IAS19. For retirees, the pension plan is a DB plan. No specific event occurred in Luxembourg during the year 2023. The plan dedicated to "retirees" provides indexed lifelong benefits : this plan generates an inflation risk as well as a longevity risk. The other plans generate a risk exposure to salary growth increase and to inflation. They generate a longevity risk as well, however the lumpsum payment option reduces this impact. All these plans generate an exposure to financial risk, on the pension asset side (market volatility of the pension fund assets) as well as on the pension liability side, as the projected benefits are discounted using corporate bonds yields.

In Switzerland, the main pension plan is considered as a DB plan under IAS 19. No specific event occurred in Switzerland during the year 2023. This plan is funded through a cooperative foundation which bears the longevity risk of retirees, where the pension option payment is chosen by the retiree. This plan generates a financial risk exposure, on the pension assets side, in case of foundation underfunding and on the pension liabilities side as well, as the projected benefit are discounted using corporate bonds yields.

Methods and assumptions used in preparing the sensitivity analysis

DBO SENSITIVITY TO CHANGES IN DISCOUNT RATE	
Scenario DR +0.5%	3.87%
Scenario DR +0.5%	-3.53%

DBO SENSITIVITY TO CHANGES IN EXPECTED RATE OF SALARY INCREASE (INFLATION INCLUDED)	
Scenario SR -0.5%	-1.04%
Scenario SR +0.5%	1.20%

The Duration of the DBO of the pension plans in EUR as of December 31, 2023 is 5.89 (5.75 in 2022).

The Duration of the DBO of the Swiss pension plan as of December 31, 2023 is 12.9 (12.2 in 2022).

A full recalculation with alternative assumptions is performed to obtain the above-mentioned sensitivities and duration.

Description of Asset-Liability Management ("ALM") strategies

In Luxembourg the pension fund investment strategy is based on ALM objectives trying to align as far as possible assets maturities with liabilities profile and is also based on return objectives with limited risks exposure. Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicle local GAAP). Part of the portfolio is invested in inflation-linked bonds to cover the inflation risk. In Switzerland, the investment strategy is in the hands of the cooperative foundation.

Description of funding arrangements

In Luxembourg, part of the closed pension plans are funded through pension fund arrangements.

In the pension plans for "active people", employer contributions are calculated according to an Aggregate Cost method. In the pension plans for "retirees", pensions are fully funded. For these plans, minimum funding applies according to the legislation in force, and the employer is due to make additional contributions in case assets do not meet the funding requirements. Asset ceiling under IAS 19 does not apply.

In Switzerland, the pension plan is funded through a multi-employer cooperative foundation. This pension plan is subject to asset ceiling under IAS 19 however the plan shows a net liability.

5.8. Tax liabilities

ANALYSIS BY NATURE	31/12/22	31/12/23
Current tax liabilities	1,129,834	1,063,915
Deferred tax liabilities (see Note 6.2)	10,091,719	11,214,380
TOTAL	11,221,553	12,278,295

5.9. Other liabilities

	31/12/22	31/12/23
Other liabilities*	269,483,924	316,294,604
Other liabilities specific to insurance activities	3,799,349	4,572,397
TOTAL	273,283,273	320,867,001

*ANALYSIS BY NATURE	31/12/22	31/12/23
Accrued costs	5,097,213	6,870,546
Deferred income	15,883,295	4,380,625
Other payables	94,125,448	173,168,335
Other granted amounts received	448,172	418,229
Salaries and social security costs (payable)	69,315,419	89,077,918
Other operating taxes	30,215,676	32,629,000
Other liabilities	54,398,701	9,749,951
TOTAL	269,483,924	316,294,604

The line item "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

Note 6: Other notes on the consolidated balance sheet

6.1. Derivatives and hedging activities

Derivatives instruments are split in two categories:

- Derivatives held for trading;
- Derivatives designated in a hedge relationship.

The Bank applies hedge accounting in four separate strategies where derivatives and non-derivatives instruments are used as hedging elements.

FAIR VALUE HEDGE

The fair value hedge strategies are used to hedge the interest rate risk arising from a portion of the Investment Portfolio. Generally speaking:

- The hedged items are fixed-rate bonds exposed to a change in fair value due to the movement in market interest rates;
- The hedging items are receive-floating interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in fair value of the bonds arising from changes in the relevant yield curves.

Two different hedge ratios are computed to assess the effectiveness of each fair value hedge strategy.

- At the initiation of the strategy, the ratio between the interest rate sensitivity (+100bps) of each item must be in the range [90%; 110%] (prospective test);
- At the end of each month, the ratio between the evolution of the fair value arising from the interest rate risk of each item must be in the range [80%; 125%] (retrospective test).

Sources of ineffectiveness arise from the floating leg of the hedging instruments.

CASH FLOW HEDGE

Interest rate risk

The cash flow hedge is used to hedge the interest rate risk arising from revolving instruments. Generally speaking:

- The hedged items are revolving short-term money market loans and deposits exposed to a change in earnings due to the movement in market interest rates;
- The hedging items are interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in the earnings arising from changes in the benchmark interest rates when the contract is renewed.

The efficiency assessment is based on the comparison between the cash flows (interest and nominal) generated by the short-term loans and deposits and the cash flows generated by the floating legs of the interest rate swaps. For each currency and index, the cumulative amount of cash flows of interest rate swaps must not exceed the cumulative amount of cash flows of the short-term instrument.

Foreign currency risk

The cash flow hedge is used to hedge the foreign currency risk that may arise from highly probable forecast transactions denominated in another currency than the functional currency of any entity of the Group.

The Bank aims to set the hedge ratio to 100%.

PORTFOLIO HEDGE

The carve out is used to hedge the interest rate risk arising from loans and deposits not already hedged within the fair value or the cash flow hedge framework. Generally speaking:

- The hedged items are loans and deposits in the banking book exposed to a change in fair value due to the movement in market interest rates;
- The hedging items are interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in fair value arising from changes in the relevant yield curves.

The efficiency assessment is based on a cumulative gap of the hedged instruments and the fixed-rate legs of the interest rate swaps. For each predetermined bucket, the amount of interest rate swaps must not exceed the amount of the loans and the deposits.

Sources of ineffectiveness arise from the floating leg of the hedging instruments.

NET INVESTMENT IN FOREIGN OPERATIONS

The Bank hedges the currency risk arising from its net investment in foreign operations using foreign currency-denominated liabilities. The Bank has net investments in a number of foreign locations and currencies and designates the hedged risk as the risk of the foreign currency changes against the EUR, in order to reduce fluctuations in the value of the Bank's net investment in its subsidiaries due to movements in the EUR exchange rate. The effective portion of foreign exchange gains and losses on the hedging instruments is recognised in OCI. The Bank aims to set the hedge ratio to 100% and the efficiency assessment is made on a monthly basis.

6.1.1. Analysis by nature

	31/12/22		31/12/23	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	96,481,293	345,760,727	102,823,373	211,700,885
Derivatives designated as fair value hedge	732,071,120	72,282,217	437,464,116	103,624,375
Derivatives designated as cash flow hedge	11,678,660	632,790	6,866,139	1,168,655
Derivatives designated as portfolio hedge against interest rate	539	11,872	0	0
TOTAL	840,231,612	418,687,606	547,153,628	316,493,915

6.1.2. Detail of derivatives held for trading

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,749,188,374**	**5,802,288,439**	**62,998,997**	**137,088,906**
FX forward	5,038,475,453	5,082,192,968	25,802,653	77,772,019
Cross currency swap	190,991,182	198,798,966	2,745,497	23,685,105
FX options	519,721,739	521,296,504	34,450,847	35,631,781
Interest rate derivatives	**1,282,017,631**	**1,278,686,035**	**22,849,948**	**108,920,914**
Options-Caps-Floors-Collars-Swaptions	72,573,482	72,573,482	2,872,423	2,872,424
IRS	1,203,912,553	1,203,912,553	19,977,525	106,048,490
Interest futures	5,531,596	2,200,000	0	0
Equity derivatives	**1,255,999,324**	**1,255,323,922**	**10,632,348**	**99,750,907**
Equity futures	3,031,905	8,520,375	0	0
Equity options	19,866,025	0	1,456,023	0
Equity option (OM)	88,085,627	88,085,627	0	0
Other equity derivatives	1,145,015,767	1,158,717,920	9,176,325	99,750,907
TOTAL	8,287,205,329	8,336,298,396	96,481,293	345,760,727

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,886,535,101**	**5,913,640,884**	**42,136,249**	**83,403,429**
FX forward	5,737,918,469	5,750,127,553	38,758,555	57,278,283
Cross currency swap	147,304,820	162,201,519	3,361,930	26,109,383
FX options	1,311,812	1,311,812	15,763	15,763
Interest rate derivatives	**1,403,131,520**	**1,406,515,130**	**13,586,830**	**65,048,924**
IRS	1,403,131,520	1,404,231,520	13,586,830	65,048,924
Interest futures	0	2,283,610	0	0
Equity derivatives	**1,621,356,165**	**1,427,987,780**	**47,100,294**	**63,248,532**
Equity futures	214,752,385	0	0	0
Equity options	25,006,982	25,006,982	10,767,763	9,512,362
Other equity derivatives	1,381,596,798	1,402,980,798	36,332,531	53,736,170
TOTAL	8,911,022,786	8,748,143,794	102,823,373	211,700,885

6.1.3. Detail of derivatives designated as fair value hedge

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,109,342**	**7,742,145**	**14,401**	**896,139**
Cross currency swap	7,109,342	7,742,145	14,401	896,139
Interest rate derivatives	**6,095,487,222**	**6,095,487,222**	**732,056,719**	**71,386,078**
IRS	6,095,487,222	6,095,487,222	732,056,719	71,386,078
TOTAL	6,102,596,564	6,103,229,367	732,071,120	72,282,217

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**6,396,725**	**7,742,145**	**12,761**	**1,558,869**
Cross currency swap	6,396,725	7,742,145	12,761	1,558,869
Interest rate derivatives	**5,999,679,832**	**5,958,254,492**	**437,451,355**	**102,065,506**
IRS	5,999,679,832	5,958,254,492	437,451,355	102,065,506
TOTAL	6,006,076,557	5,965,996,637	437,464,116	103,624,375

6.1.4. Detail of derivatives designated as cash flow hedge

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**264,316,710**	**261,554,335**	**11,661,326**	**535,691**
FX forward	123,070,995	125,009,023	1,360,779	0
Cross currency swap	96,700,271	92,333,895	10,300,547	535,691
Other currency derivatives	44,545,443	44,211,417	0	0
Interest rate derivatives	**14,196,921**	**14,196,921**	**17,334**	**97,099**
IRS	14,196,921	14,196,921	17,334	97,099
TOTAL	278,513,631	275,751,256	11,678,660	632,790

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**223,998,341**	**221,734,913**	**4,247,627**	**521,014**
FX forward	133,500,603	132,153,259	396,186	0
Cross currency swap	90,497,738	89,581,654	3,851,441	521,014
Other currency derivatives	0	0	0	0
Interest rate derivatives	**189,196,921**	**189,196,921**	**2,618,512**	**647,641**
IRS	189,196,921	189,196,921	2,618,512	647,641
TOTAL	413,195,262	410,931,834	6,866,139	1,168,655

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.

6.1.5. Breakdown of derivatives designated as cash flow hedge by residual maturity

	31/12/22				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	1,402,160	17,334	10,259,166	0	**11,678,660**
Liabilities	0	97,099	535,691	0	**632,790**

	31/12/23				
	Less than 1 year	Between 1 year a nd 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	396,186	6,469,953	0	0	**6,866,139**
Liabilities	0	1,168,655	0	0	**1,168,655**

6.1.6. Detail of derivatives designated as portfolio hedge against interest rate

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	500,000	500,000	539	11,872
TOTAL	500,000	500,000	539	11,872

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	0	0	0	0
TOTAL	0	0	0	0

6.1.7. Maturity profile of hedging instruments used in micro fair value hedge relationships

	31/12/22			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	0	121,397,667	0	121,397,667
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	12,700,000	247,044,609	130,875,586	390,620,195
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	272,063,379	2,025,443,946	3,211,704,180	5,509,211,505
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	82,000,000	82,000,000
TOTAL	284,763,379	2,393,886,222	3,424,579,766	6,103,229,367

	31/12/23			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	0	80,547,724	0	80,547,724
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	0	171,079,638	76,000,000	247,079,638
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	147,254,514	2,439,725,729	2,678,646,887	5,265,627,130
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	260,742,145	112,000,000	372,742,145
TOTAL	147,254,514	2,952,095,236	2,866,646,887	5,965,996,637

6.1.8. Maturity profile of hedging instruments used in micro cash flow hedge relationships

	31/12/22			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	0	0	89,581,654	89,581,654
Cross-currency interest rate swaps - Average fixed rate		5,01%		
Other currency derivatives - Notional	2,752,241	0	0	2,752,241
TOTAL	2,752,241	0	89,581,654	92,333,895

	31/12/23			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	0	89,581,654	0	89,581,654
Cross-currency interest rate swaps - Average fixed rate		5,01%		
Other currency derivatives - Notional	788,630	0	0	788,630
TOTAL	788,630	89,581,654	0	90,370,284

6.1.9. Hedged items in a fair value hedge relationships

	31/12/22	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	107,424,444	(8,165,450)
Debt securities measured at FVTOCI	353,922,610	(39,122,102)
Debt securities measured at amortised cost	4,881,741,764	(730,507,983)
TOTAL ASSETS	5,343,088,818	(777,795,535)
Debt instruments issued	74,523,016	(15,632,354)
TOTAL LIABILITIES	74,523,016	(15,632,354)

	31/12/23	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	78,440,728	(3,252,422)
Debt securities measured at FVTOCI	229,926,226	(13,325,003)
Debt securities measured at amortised cost	4,941,589,092	(366,369,359)
TOTAL ASSETS	5,249,956,046	(382,946,784)
Debt instruments issued	215,390,369	(7,645,253)
Borrowings and deposits	55,238,469	1,026,901
TOTAL LIABILITIES	270,628,838	(6,618,352)

6.1.10. Hedge effectiveness for fair value hedge relationships

	31/12/22		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	(771,626,428)	770,908,765	(717,663)
Portfolio fair value hedge	(16,740)	17,434	694
TOTAL	(771,643,168)	770,926,199	(716,969)

	31/12/23		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	381,507,192	(381,447,437)	59,755
Portfolio fair value hedge	(11,872)	11,371	(501)
TOTAL	381,495,320	(381,436,066)	59,254

6.1.11. Hedge effectiveness for cash flow hedge relationships

	31/12/22					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
Derivatives instruments						
Macro cash flow hedge	183,417,361	1,378,113	97,099	(2,213,677)	(2,213,677)	0
Micro cash flow hedge	92,333,895	10,300,549	535,691	5,859,525	5,859,525	0
Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	275,751,256	11,678,662	632,790	3,645,848	3,645,848	0

	31/12/23					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
Derivatives instruments						
Macro cash flow hedge	320,561,550	3,010,009	647,641	690,879	690,879	0
Micro cash flow hedge	90,370,284	3,856,130	521,014	(3,057,872)	(3,057,872)	0
Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	410,931,834	6,866,139	1,168,655	(2,366,993)	(2,366,993)	0

6.1.12. Detail of hedge of net investment in foreign operations against foreign exchange movements

HEDGING INSTRUMENTS	31/12/22 Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness: Effective portion recognised in OCI	Hedge ineffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	133,136,996	(9,027,148)	0	0
Deposits in DKK	0	0	0	9,448
Deposits in HKD	13,996,372	549,692	0	0
TOTAL MICRO NET INVESTMENT HEDGES	147,133,368	(8,477,456)	0	9,448

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/22 Change in a fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	9,027,148
Investments in DKK subsidiaries	0
Investments in HKD subsidiaries	(549,692)
Investments in USD subsidiaries	0
TOTAL	8,477,456

HEDGING INSTRUMENTS	31/12/23 Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness: Effective portion recognised in OCI	Hedge ineffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	141,576,675	(8,439,678)	0	0
Deposits in DKK	0	0	0	0
Deposits in HKD	13,517,567	510,955	0	0
TOTAL MICRO NET INVESTMENT HEDGES	155,094,242	(7,928,723)	0	0

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/23 Change in a fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	8,439,678
Investments in DKK subsidiaries	0
Investments in HKD subsidiaries	(510,955)
Investments in USD subsidiaries	0
TOTAL	7,928,723

6.1.13. Hedging activities impact on equity

EQUITY RECONCILIATION	2022		
	Cash flow hedging reserve	Translation reserve	Net investment hedge reserve
OPENING BALANCE AS AT 1 JANUARY	1,032,736	(17,328,429)	0
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	2,965,786		
Interest rate swaps	680,062		
Net amount reclassified to profit or loss			
Following hedge discontinuation			
Following utilisation			
Net investment hedges			
Foreign currency revaluation on the hedging financial investments		**8,477,456**	
Net amount reclassified to profit or loss			
Following hedge discontinuation		9,448	
Following utilisation		(10,757,572)	
Foreign currency revaluation on the unhedged net foreign operations			
Tax impact on the above	**(909,274)**		
CLOSING BALANCE AS AT 31 DECEMBER	3,769,310	(19,599,097)	0

EQUITY RECONCILIATION	2023		
	Cash flow hedging reserve	Translation reserve	Net investment hedge reserve
OPENING BALANCE AS AT 1 JANUARY	3,769,310	(19,599,097)	0
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	(3,057,872)		
Interest rate swaps	690,879		
Net amount reclassified to profit or loss			
Following hedge discontinuation			
Following utilisation			
Others (including FX translation)			
Net investment hedges			
Foreign currency revaluation on the hedging financial investments		**7,928,723**	
Net amount reclassified to profit or loss			
Following hedge discontinuation			
Foreign currency revaluation on the unhedged net foreign operations		**(5,560,842)**	
Tax impact on the above	**590,328**		
CLOSING BALANCE AS AT 31 DECEMBER	1,992,645	(17,231,216)	0

6.2. Deferred tax

ANALYSIS	31/12/22	31/12/23
Net deferred tax assets	151,927,538	128,102,833
Deferred tax liabilities	(10,091,719)	(11,214,380)
DEFERRED TAX	141,835,819	116,888,453

MOVEMENTS	2022	2023
AS AT 1 JANUARY	153,051,323	141,835,819
Movements during the financial year:		
- Amounts recognised in the statement of income	(11,758,723)	(27,325,246)
- Items directly computed by equity	484,131	2,168,581
- Changes in consolidation scope	7	0
- Exchange differences	59,081	40,497
- Other movements	0	168,802
AS AT 31 DECEMBER	141,835,819	116,888,453

DEFERRED TAX COMING FROM ASSETS	31/12/22		31/12/23	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	24,480,173	4,291,495	15,263,643	(9,216,530)
Securities	3,764,868	2,230,514	3,880,914	(65,787)
Derivatives	(1,252,419)	0	(662,091)	0
Tangible and intangible fixed assets	(6,787,190)	(7,430,111)	(3,299,880)	3,377,299
TOTAL	20,205,432	(908,102)	15,182,586	(5,905,018)

DEFERRED TAX COMING FROM LIABILITIES	31/12/22		31/12/23	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(2,495,806)	43,968	(2,559,500)	152,807
Provisions	2,974,832	130,224	2,754,203	(220,629)
Pensions	(3,933,983)	(2,658,520)	(2,595,221)	(373,447)
Other liabilities specific to insurance companies	(8,402,136)	(220,749)	(9,586,196)	(1,184,060)
TOTAL	(11,857,093)	(2,705,077)	(11,986,714)	(1,625,329)

DEFERRED TAX COMING FROM OTHER ITEMS	31/12/22		31/12/23	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	240,226,387	(22,345,545)	195,831,488	(44,394,899)
less: impairments	(106,738,907)	14,200,000	(82,138,907)	24,600,000
TOTAL	133,487,480	(8,145,545)	113,692,581	(19,794,899)

Considering that :

- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts);
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years;
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future.

BIL analysis on future taxable profit over the next years concludes that the Bank will be able to use the unused tax losses over a medium-term period (no time restriction applied in Luxembourg on tax losses generated before the fiscal reform).

Based on these considerations, BIL recognises the amount of tax losses that can be used over this medium-term period.

The line item "tax losses carried forward" comprise EUR 108.3 million after impairment as at 31 December 2023 (EUR 83.8 million after impairment as at 31 December 2022) which are related to the liquidation of a former foreign branch.

At 31 December 2022 and as at 31 December 2023 respectively, BIL Group had an amount of deferred tax assets related to tax losses carried forward of approximately EUR 252 million and EUR 204 million and an amount of deferred tax assets related to investment tax credits carried forward of approximately EUR 6 million and EUR 6 million which have not been recognised as a Deferred Tax Asset because the relevant recognition criteria under IFRS have not been met.

The breakdown of deferred tax assets by group company is set out below:

	31/12/22			
	Total deferred tax assets related to tax losses carried forward		Total investment tax credits carried forward	
	Of which recognised	*Of which not recognised*	*Of which recognised*	*Of which not recognised*
BIL S.A.	*238,907,278*	*2,357,606*	*0*	*3,709,743*
Belair House	*0*	*935,465*	*0*	*0*
BIL Suisse	*0*	*8,037,760*	*0*	*0*
BIL WM Ltd	*0*	*1,535,474*	*0*	*0*
IB Finance	*0*	*160,349*	*0*	*0*
BIL-Lease	*0*	*0*	*1,319,109*	*798,725*

	31/12/23			
	Total deferred tax assets related to tax losses carried forward		Total investment tax credits carried forward	
	Of which recognised	*Of which not recognised*	*Of which recognised*	*Of which not recognised*
BIL S.A.	*194,961,351*	*0*	*0*	*2,765,483*
Belair House	*0*	*1,416,353*	*0*	*0*
BIL Suisse	*0*	*5,835,183*	*0*	*0*
BIL WM Ltd	*0*	*1,795,371*	*0*	*0*
BIL-Lease	*0*	*0*	*870,137*	*2,442,505*

IB Finance was liquidated on 19 December 2023.

For BIL S.A., the gross amount of EUR 195 million of deferred tax assets comprises mainly deferred tax assets of EUR 190.5 million related to the tax losses carried forward following the liquidation of a foreign branch and impaired for an amount of EUR 82.2 million.

Tax losses can be carried forward without time limit or for a maximum period depending on the jurisdictions concerned. The balances of deferred tax assets relating to tax losses carried forward will expire as follows:

	31/12/22			
	Luxembourg	Switzerland	Hong Kong	Total
1-2 years	0	1,473,645	0	1,473,645
3-5 years	0	5,119,147	0	5,119,147
6-10 years	0	1,444,968	0	1,444,968
Over 10 years	1,115,452	0	0	1,115,452
No maturity	241,245,246	0	1,535,474	242,780,720
TOTAL	242,360,698	8,037,760	1,535,474	251,933,932

	31/12/23			
	Luxembourg	Switzerland	Hong Kong	Total
1-2 years	0	0	0	0
3-5 years	0	5,835,183	0	5,835,183
6-10 years	0	0	0	0
Over 10 years	1,435,991	0	0	1,435,991
No maturity	194,941,713	0	1,795,371	196,737,084
TOTAL	196,377,704	5,835,183	1,795,371	204,008,258

Investment tax credits can be used in Luxembourg in the tax year during which the investment is made, and the remaining investment tax credit can be carried forward for the ten subsequent tax years. The balances of deferred tax assets relating to investment tax credits carried forward will expire as follows:

	31/12/22	31/12/23
1-2 years	1,296,243	777,577
3-5 years	2,233,621	1,545,643
6-10 years	2,297,712	3,754,905
TOTAL	5,827,576	6,078,125

6.3. Related party transactions

	31/12/22				
	Key management	Parent and entities with joint control or significant influence	Subsidiaries	Associates and joint ventures	Other related parties
Loans and advances	10,905,308	36,650,595	0	0	0
Equity instruments	0	0	24,500	594,782	0
Deposits	8,229,025	454,111	128,311	772,118	1,689,162
Notional amount of derivatives	0	0	0	0	19,744,359
Loan commitments, financial guarantees and other commitments given	42,087	0	0	0	0
Interest received	0	569,467	665	2,559	10,324
Interest paid	0	0	0	0	(1,576)
Fee and commission expenses	0	0	0	0	0
Fee and commission income	0	0	0	0	0

	31/12/23				
	Key management	Parent and entities with joint control or significant influence	Subsidiaries	Associates and joint ventures	Other related parties
Loans and advances	6,658,966	79,383,730	1	0	0
Equity instruments	0	0	86,167	594,782	0
Deposits	4,332,348	575,194	68,253	431,537	1,361,121
Notional amount of derivatives	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	45,530	0	115,068	2,500,000	0
Interest received	46,312	2,916,709	94	1,911	0
Interest paid	(1,643)	0	0	(1,134)	0
Fee and commission expenses	(7)	326	0	0	0
Fee and commission income	4,638	75,342	1,906	20	0

For the detail of the Remuneration of Board members and Personnel Management, please refer to Note 8.8 Staff expenses.

The split of the figures presented as at 31 December 2022 has been rearranged to ensure the comparability with the figures as at 31 December 2023.

All loans with related parties are granted at market conditions. No Stage 3 impairment was recorded on the loans to the related parties.

6.4. Subscribed and authorised capital

By share category	31/12/22	31/12/23
Number of shares authorised and not issued	2,927,025	2,927,025
Number of shares issued and fully paid up	2,087,261	2,087,261
Capital	146,108,270	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70

Following the extraordinary general meeting of 25 April 2019, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 351 million, without prejudice to possible renewals, until 24 April 2024.

6.5. Acquisitions and disposals of consolidated companies

6.5.1. Main acquisitions

YEAR 2022

None.

YEAR 2023

None.

6.5.2. Main disposals

YEAR 2022

BIL Fund & Corporate Services S.A. (sold on 15 March 2022).

Pursuant to the Sale and Purchase Agreement (SPA) signed on 23 March 2021 between BIL and the buyer, ZEDRA, to sell BIL Fund & Corporate Services S.A. (BFCS) and its fully-owned subsidiary Audit Trust S.à r.l. The transaction closed on 15 March 2022.

The assets and liabilities sold were as follows :

Cash	844,709
Securities	48,595
Tangible, intangible	36,870
Other assets	1,845,190
Provisions	(46,271)
Other liabilities	(2,175,361)
NET ASSETS	553,732
Proceeds from the sale	1,733,463
Less: Transaction cost	(678,558)
NET PROCEEDS ON THE SALE	1,054,905
CAPITAL GAIN ON THE SALE	501,174

YEAR 2023

None.

Note 7: Notes on the consolidated off-balance sheet items

7.1. Regular way trade

	31/12/22	31/12/23
Loans to be delivered	155,271,007	906,028,008
Borrowings to be received	174,487,870	927,145,767

7.2. Guarantees

	31/12/22	31/12/23
Guarantees given to credit institutions	167,056,010	153,465,265
Guarantees given to customers	907,356,418	670,568,334
Guarantees received from credit institutions	60,143,597	66,174,769
Guarantees received from customers	1,434,248,394	842,513,644

7.3. Loan commitments

	31/12/22	31/12/23
Unused credit lines granted to credit institutions	2,645,168	195,840,239
Unused credit lines granted to customers	3,578,184,590	3,682,160,534

7.4. Other commitments

	31/12/22	31/12/23
Banking activity - Other commitments given	41,523,668,588	42,981,942,195
Banking activity - Other commitments received	212,527,960,791	217,784,359,380
Of which Assets held on behalf of third parties	200,534,189,371	205,817,433,602

The line items "Banking activity - Other commitments given" are mainly composed of assets entrusted to third parties.

Note 8: Notes on the consolidated statement of income

8.1. Interest and similar income – Interest and similar expenses

	31/12/22	31/12/23
INTEREST AND SIMILAR INCOME	658,968,793	1,450,962,214
Interest and similar income of assets not measured at fair value through profit or loss	**423,702,235**	**924,010,858**
Cash and balances with central banks	1,273,674	33,115,259
Loans and advances to credit institutions	23,370,616	87,022,231
Loans and advances to customers	323,240,528	622,934,051
Financial investments measured at fair value	14,592,962	20,918,463
Financial investments measured at amortised cost	60,950,962	158,745,004
Other	273,493	1,275,850
Interest and similar income of assets measured at fair value through profit or loss	**201,521,753**	**525,936,541**
Financial assets held for trading	259,496	281,245
Derivatives held for trading	131,646,796	264,851,703
Derivatives used for hedging purposes	69,615,461	260,803,593
Interest income on liabilities	**33,744,805**	**1,014,815**
INTEREST AND SIMILAR EXPENSES	(296,489,786)	(913,535,428)
Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(109,186,364)**	**(487,301,633)**
Amounts due to credit institutions	(48,991,382)	(161,757,595)
Amounts due to customers	(32,261,658)	(272,779,988)
Debt securities	(19,419,707)	(37,526,729)
Subordinated debts	(8,131,223)	(14,891,454)
Lease liability	(358,633)	(339,266)
Other	(23,761)	(6,601)
Interest and similar expenses of liabilities measured at fair value through profit or loss	**(168,949,544)**	**(424,987,789)**
Financial liabilities held for trading	(242)	(47,862)
Financial liabilities designated at fair value through profit or loss	(54,235,554)	(136,366,667)
Derivatives held for trading	(39,598,472)	(159,491,594)
Derivatives used for hedging purposes	(75,115,276)	(129,081,666)
Interest expenses on assets	**(18,353,878)**	**(1,246,006)**
NET INTEREST INCOME	362,479,007	537,426,786

8.2. Dividend income

	31/12/22	31/12/23
Financial investments measured at fair value	595,440	987,141
TOTAL	595,440	987,141

8.3. Net trading income

	31/12/22	31/12/23
Net income from trading transactions	8,897,955	8,716,363
of which income from trading securities	*3,976,736*	*1,793,787*
of which income from trading derivatives	*4,921,219*	*6,922,576*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	(163,434,935)	107,794,113
Net foreign exchange gain/(loss)	13,321,202	5,737,230
TOTAL	(141,215,778)	122,247,706

The "Net income from hedging derivatives" is mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see Note 8.4). Important variances in the net income from hedging derivatives classified as trading derivatives (accounting mismatch) and in the net income on financial liabilities designated at fair value through profit or loss from year to year or period to period may arise due to market conditions and their impacts on the fair value of structured bonds issued and related hedging derivatives.

8.4. Net income on financial instruments measured at FV and net result of hedge accounting

	31/12/22	31/12/23
Net income on financial investments measured at fair value through other comprehensive income	5,184,496	721,530
Net income on assets and liabilities held for sale	0	0
Net income on financial investments at fair value through profit or loss	(6,080,418)	3,016,388
of which financial investments mandatorily fair value through profit or loss	*(6,080,418)*	*3,016,388*
Net income on financial liabilities designated at fair value through profit or loss	163,029,587	(106,233,085)
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	162,133,665	(102,495,167)
Fair value hedge	**(717,663)**	**59,755**
Change in the fair value of the hedged item attributable to the hedged risk	(771,626,428)	381,507,192
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	770,908,765	(381,447,437)
Portfolio hedge against interest rate risk	**694**	**(501)**
Fair value revaluation - Portfolio hedge - Hedged items	(16,740)	(11,872)
Fair value revaluation - Derivatives - Portfolio hedge	17,434	11,371
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**(6,789)**	**0**
NET RESULT OF HEDGE ACCOUNTING	(723,758)	59,254
TOTAL	161,409,907	(102,435,913)

Important variances in the net income from hedging derivatives classified as trading derivatives (accounting mismatch) and in the net income on financial liabilities designated at fair value through profit or loss from year to year or period to period may arise due to market conditions and their impacts on the fair value of structured bonds issued and related hedging derivatives.

8.5. Net income on derecognition of financial instruments measured at amortised cost

	31/12/22	31/12/23
Net income on loans and advances measured at amortised cost	873,579	2,446,972
of which : gains on derecognition on loans and advances	*873,579*	*2,446,972*
Net income on financial investments measured at amortised cost	27,579,999	5,780,584
of which : losses on derecognition on debt securities	*(53,165,128)*	*(12,052,497)*
of which : gains on derecognition on debt securities	*80,745,127*	*17,833,081*
Net income on financial liabilities at amortised cost	947,410	57,510
TOTAL	29,400,988	8,285,066

8.6. Fee and commission income and expenses

	31/12/22			31/12/23		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	28,916,722	(9,696,842)	19,219,880	30,374,733	(12,178,351)	18,196,382
Administration of unit trusts and mutual funds	30,073	0	30,073	0	0	0
Insurance activity	5,712,298	(876,611)	4,835,687	5,229,563	(1,122,144)	4,107,419
Credit activity	30,070,443	(1,577,634)	28,492,809	28,808,949	(1,117,751)	27,691,198
Purchase and sale on securities	18,173,315	(5,595,595)	12,577,720	16,920,995	(3,842,837)	13,078,158
Purchase and sale of unit trusts and mutual funds	4,864,488	(526,457)	4,338,031	3,400,640	(451,504)	2,949,136
Payment services	37,001,746	(544,984)	36,456,762	39,717,244	(369,391)	39,347,853
Commissions to non-exclusive brokers	0	(181,668)	(181,668)	0	(173,455)	(173,455)
Financial engineering	1,570,003	(112,930)	1,457,073	247,982	(41,355)	206,627
Services on securities other than safe keeping	6,156,100	(557,404)	5,598,696	5,082,165	(541,615)	4,540,550
Custody	29,960,706	(5,528,319)	24,432,387	29,569,228	(5,242,877)	24,326,351
Issues and placements of securities	13,618,571	(8,583,497)	5,035,074	14,014,667	(11,086,403)	2,928,264
Private banking	57,637,172	(6,865,507)	50,771,665	48,034,244	(5,846,877)	42,187,367
Clearing and settlement	22,334,461	(3,137,759)	19,196,702	20,762,156	(2,504,881)	18,257,275
Securities lending	26,532	(57,574)	(31,042)	60,766	(58,461)	2,305
Other	12,870,371	(893,795)	11,976,576	15,143,665	(766,801)	14,376,864
TOTAL	268,943,001	(44,736,576)	224,206,425	257,366,997	(45,344,703)	212,022,294

8.7. Other net income

	31/12/22	31/12/23
Operating taxes	987,240	1,513,111
Rental income	73,330	80,047
Other rental income	14,368	0
Gains on tangible fixed assets	204,867	770,773
Technical margins insurance companies (income)	2,813,376	2,368,078
Fair value adjustments on investment property	24,577,051	0
Other income on other activities	21,888,326	18,172,593
OTHER INCOME	50,558,558	22,904,602
Operating taxes	(3,278,579)	(3,392,711)
Other bank charges	(21,584,146)	(18,575,096)
Losses on tangible fixed assets	(51,679)	0
Technical margins insurance companies (expenses)	(3,179,192)	(1,665,495)
Fair value adjustments on investment property	(498,997)	(5,462,476)
Other expenses on other activities	(14,158,917)	(10,360,140)
OTHER EXPENSES	(42,751,510)	(39,455,918)
TOTAL	7,807,048	(16,551,316)

The line item "Other income on other activities" primarily consists of write-backs of accrued expenses and provisions related to previous reporting periods.

The line item "Other bank charges" consists of contributions paid to the Fonds de garantie des dépôts Luxembourg, the Single Resolution Fund and the Fonds de résolution Luxembourg.

The line item "Other expenses on other activities" consists primarily of provisions for litigation and extraordinary loss.

8.8. Staff expenses

8.8.1. Staff expenses

	31/12/22	31/12/23
Wages and salaries	(201,982,002)	(222,802,076)
Social security and insurance costs	(24,245,066)	(23,797,003)
Staff benefits	(12,823,023)	(12,183,231)
Restructuring expenses	(3,116,676)	(4,069,219)
Other expenses	(2,870,326)	(3,294,145)
TOTAL	(245,037,093)	(266,145,674)

8.8.2. Workforce

(in average FTE)	2022	2023
Senior management	40	45
Employees	1,929	1,959
TOTAL	1,969	2,004

	2022			
(in average FTE)	Luxembourg	Other Europe	Other Non-Europe	Total BIL group
Senior management	38	1	1	40
Employees	1,813	106	10	1,929
TOTAL	1,851	107	11	1,969

	2023			
(in average FTE)	Luxembourg	Other Europe	Other Non-Europe	Total BIL group
Senior management	44	1	0	45
Employees	1,844	107	8	1,959
TOTAL	1,888	108	8	2,004

8.8.3. Remuneration of BIL Group's administrative and managerial bodies

During the financial year, the Group granted emoluments to the current Board members of senior management and has made contributions in respect of retirements pensions on their behalf as follows:

	Remuneration		Retirement pensions	
	31/12/22	31/12/23	31/12/22	31/12/23
Board members	1,327,917	1,398,774	0	0
Senior Management	17,347,625	18,801,014	1,486,480	1,623,827
TOTAL	18,675,542	20,199,788	1,486,480	1,623,827

8.8.4. Defined contribution plan expenses

	31/12/22	31/12/23
Defined contribution plan expenses	7,728,410	7,943,430
TOTAL	7,728,410	7,943,430

8.9. General and administrative expenses

	31/12/22	31/12/23
Occupancy	(9,929,681)	(11,813,626)
Operating leases	(880,070)	(983,975)
Professional fees	(36,339,378)	(42,367,902)
Marketing, advertising and public relations	(6,967,042)	(7,739,180)
Technology and system costs	(41,799,641)	(51,280,623)
Software costs and maintenance expenses	(21,250,842)	(28,929,889)
Repair and maintenance expenses	(773)	(1,198)
Operational taxes	651,635	3,000,789
Restructuring costs other than staff	0	164,981
Other general and administrative expenses	(42,167,317)	(44,013,798)
TOTAL	(158,683,109)	(183,964,421)

The line item "Other general and administrative expenses" primarily comprises the cost of financial information, of payment cards issued, professional contributions, insurance covers and the transport of valuables.

8.10. Independent auditor's fees

The fees for the services rendered by the independent auditor (including network firms) for the years 2022 and 2023 are as follows (VAT excluded).

	2022	2023
Statutory audit and Long Form Report	1,150,909	2,461,543
Audit-related fees	424,487	297,608
Tax services	63,992	61,720
Other services	154,998	141,018
TOTAL	1,794,386	2,961,889

2023 "Audit fees" include an overrun for EUR 213,000 related to 2022 and additional fees related to 2023 following implementation of the Bank's new Core Banking System.

The non-audit services that the independent auditor have provided to the Bank and its controlled undertakings for the year then ended are the following:

- Contractual audit services;
- Issuance of reports required by the regulators;
- Issuance of agreed upon procedures reports;
- Issuance of comfort letters on debt instruments issuance;
- Preparation of tax forms;
- Provision of tax advice.

8.11. Amortisation of tangible, intangible and right-of-use asset

	31/12/22	31/12/23
Depreciation on land and buildings	(7,741,582)	(4,452,130)
Depreciation on other tangible fixed assets	(1,091,001)	(1,083,465)
Depreciation on IT equipment	(2,740,238)	(3,070,197)
Depreciation on intangible fixed assets	(37,792,139)	(40,818,377)
Depreciation on right-of-use	(6,720,333)	(5,774,643)
TOTAL	(56,085,293)	(55,198,812)

8.12. Impairment on financial instruments and provisions for credit commitments

	31/12/22			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits	**(51,337)**	**48,129**	**0**	**(3,208)**
Financial assets measured at amortised cost	**(10,396,361)**	**(2,440,128)**	**(3,062,865)**	**(15,899,354)**
Loans and advances to credit institutions measured at amortised cost	(987,700)	(3,703)	0	(991,403)
Loans and advances to customers measured at amortised cost	(2,604,071)	(2,868,269)	(3,057,230)	(8,529,570)
Debt securities measured at amortised cost	(6,804,590)	431,844	(5,635)	(6,378,381)
Financial assets measured at fair value through other comprehensive income	**(211,945)**	**0**	**0**	**(211,945)**
Debt securities measured at fair value through other comprehensive income	(211,945)	0	0	(211,945)
Other receivables	**0**	**0**	**(289,220)**	**(289,220)**
Off-balance sheet commitments	**(663,718)**	**1,340,873**	**(957,296)**	**(280,141)**
TOTAL IMPAIRMENTS	(11,323,361)	(1,051,126)	(4,309,381)	(16,683,868)

	31/12/23			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits	**28,813**	**45,607**	**0**	**74,420**
Financial assets measured at amortised cost	**16,043,397**	**9,434,153**	**(48,463,605)**	**(22,986,055)**
Loans and advances to credit institutions measured at amortised cost	1,033,742	8,442	1,569	1,043,753
Loans and advances to customers measured at amortised cost	9,171,422	9,569,225	(48,465,174)	(29,724,527)
Debt securities measured at amortised cost	5,838,233	(143,514)	0	5,694,719
Financial assets measured at fair value through other comprehensive income	**193,503**	**(16)**	**0**	**193,487**
Debt securities measured at fair value through other comprehensive income	193,503	(16)	0	193,487
Other receivables	**0**	**0**	**5,913**	**5,913**
Other assets	**0**	**0**	**(1,287)**	**(1,287)**
Off-balance sheet commitments	**(67,946)**	**(839,236)**	**(2,355,098)**	**(3,262,280)**
TOTAL IMPAIRMENTS	16,197,767	8,640,508	(50,814,077)	(25,975,802)

As at 31 December 2022:

- Loans and advances to customers classified under Stage 1 include (i) the "Outreach Programme" Management Overlay for an amount of EUR – 1.4 million and (ii) the "Origination Date" Management Overlay for an amount of EUR + 0.5 million. Refer to the section "ECL Management Overlays" of note 9.2.1 on Expected Credit Losses measurement.
- Loans and advances to customers classified under Stage 2 include (i) the "Outreach Programme" Management Overlay for an amount of EUR – 0.3 million and (ii) the "Origination Date" Management Overlay for an amount of EUR – 1.5 million. Refer to the section "ECL Management Overlays" of note 9.2.1 on Expected Credit Losses measurement.

As at 31 December 2023:

- "Loans and advances to customers" classified under Stage 1 include (i) the "Minimum Disposable Income" Management Overlay for an amount of EUR – 8.19 million and (ii) the "Outreach Programme – Bridge Loans and Maturing Fixed-Rate Loans" Management Overlay for an amount of EUR - 0.5 million. Refer to the section "ECL Management Overlays" of note 9.2.1 on Expected Credit Losses measurement.
- "Loans and advances to customers" classified under Stage 2 include (i) the "Minimum Disposable Income" Management Overlay for an amount of EUR – 2.73 million and (ii) the "Outreach Programme – Bridge Loans and Maturing Fixed-Rate Loans" Management Overlay for an amount of EUR -0.1 million. Refer to the section "ECL Management Overlays" of note 9.2.1 on Expected Credit Losses measurement.

8.13. Provisions for legal litigation

Charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of related provisions.

8.14. Tax expenses

	31/12/22	31/12/23
Income tax for current financial year	(695,270)	(1,300,574)
Deferred taxes	(10,676,680)	(29,605,405)
Tax on current financial year result (A)	**(11,371,950)**	**(30,905,979)**
Income tax for previous year	(2,967)	0
Deferred taxes for previous year	(1,082,044)	2,280,157
Other tax expenses (B)	**(1,085,011)**	**2,280,157**
TOTAL (A)+(B)	(12,456,961)	(28,625,822)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2022 and 2023.

The effective BIL tax rate was 6.79% in 2022 and 13.41% in 2023.

The difference between both rates may be analysed as follows:

	31/12/22	31/12/23
NET INCOME BEFORE TAX	165,389,322	230,393,773
Tax base	**167,419,660**	**230,393,773**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(41,754,463)**	**(57,460,207)**
Effect of different tax rates in other countries	(120,297)	777,585
Tax effect of non-deductible expenses	(2,002,515)	(1,495,986)
Tax effect of non-taxable income	15,927,321	527,634
Tax effect of items taxed at a reduced rate	0	0
Write-off deferred tax assets	0	0
Tax effect on the use of previous tax losses not recognised in the assets	14,200,000	24,600,000
Other	2,378,004	2,144,995
Tax on current financial year result	**(11,371,950)**	**(30,905,979)**
EFFECTIVE TAX RATE	6.79%	13.41%

BIL Group, as part of Legend Holdings Group, is within the scope of the OECD Pillar 2 model rules instituting a minimum corporate income tax for international groups. Pillar 2 model rules as transposed in European Directive of 22 December 2022 were enacted in Luxembourg, the jurisdiction in which the group parent company is incorporated, under the law of 22 December 2023, effective for fiscal years starting as from 31 December 2023. For the year ended 31 December 2023, the Pillar 2 legislation was not effective at the reporting date, and the group has no related current tax exposure. BIL Group applies the mandatory and temporary exception to the accounting recognition of the deferred taxes assets and liabilities related to Pillar 2 regulation, according to the amendments to IAS 12 issued in May 2023.

Under the legislation, the group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per tax jurisdiction and the 15% minimum rate. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist it with applying the legislation.

Note 9: Notes on risk exposures and other information on financial instruments

9.1. Fair value of financial instruments

9.1.1. Breakdown of Fair Value

FAIR VALUE OF ASSETS	31/12/22			31/12/23		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	4,373,270,737	4,373,270,737	0	2,981,518,726	2,981,518,726	0
Financial assets held for trading	15,786,368	15,786,368	0	19,345,375	19,345,375	0
Financial investments measured at fair value	952,672,603	952,672,603	0	581,678,327	581,678,327	0
Financial assets at fair value through other comprehensive income	*924,933,017*	*924,933,017*	*0*	*550,895,485*	*550,895,485*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*27,739,586*	*27,739,586*	*0*	*30,782,842*	*30,782,842*	*0*
Loans and advances to credit institutions	1,098,751,999	1,098,751,999	0	674,274,516	674,262,219	(12,297)
Loans and advances to customers	16,482,938,323	15,651,898,383	(831,039,940)	16,328,530,371	15,792,410,896	(536,119,475)
Financial investments measured at amortised cost	7,883,172,234	7,812,298,971	(70,873,263)	8,629,112,546	8,559,448,464	(69,664,082)
Derivatives	840,231,612	840,231,612	0	547,153,628	547,153,628	0
Fair value revaluation of portfolios hedged against interest rate risk	11,872	11,872	0	0	0	0
TOTAL	31,646,835,748	30,744,922,545	(901,913,203)	29,761,613,489	29,155,817,635	(605,795,854)

FAIR VALUE OF LIABILITIES	31/12/22			31/12/23		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	3,397,961,782	3,379,822,666	(18,139,116)	3,720,728,528	3,720,727,734	(794)
Amounts due to customers	21,040,952,316	20,963,642,721	(77,309,595)	18,455,039,645	18,443,262,388	(11,777,257)
Financial liabilities measured at fair value through profit or loss	2,014,665,341	2,014,665,341	0	2,836,485,340	2,836,485,340	0
Derivatives	418,687,606	418,687,606	0	316,493,915	316,493,915	0
Debt securities	2,654,048,520	2,560,406,379	(93,642,141)	2,034,068,527	1,979,456,238	(54,612,289)
Subordinated debts	243,236,959	241,255,756	(1,981,203)	345,756,383	322,142,429	(23,613,954)
TOTAL	29,769,552,524	29,578,480,469	(191,072,055)	27,708,572,338	27,618,568,044	(90,004,294)

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.

9.1.2. 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).

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

	31/12/22			
ASSETS	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value				
Loans and advances to credit institutions	0	1,098,751,999	0	1,098,751,999
Loans and advances to customers	0	15,651,898,383	0	15,651,898,383
Financial assets measured at fair value				
Financial assets held for trading	0	13,125,963	2,660,405	15,786,368
Financial investments measured at fair value	614,166,023	38,186,640	300,319,940	952,672,603
Financial assets at fair value through other comprehensive income	*614,166,023*	*13,940,501*	*296,826,493*	*924,933,017*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*24,246,139*	*3,493,447*	*27,739,586*
Derivatives	0	833,533,783	6,697,829	840,231,612
TOTAL	**614,166,023**	**17,635,496,768**	**309,678,174**	**18,559,340,965**

	31/12/23			
ASSETS	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value				
Loans and advances to credit institutions	0	674,262,219	0	674,262,219
Loans and advances to customers	0	15,792,410,896	0	15,792,410,896
Financial assets measured at fair value				
Financial assets held for trading	0	15,601,889	3,743,486	19,345,375
Financial investments measured at fair value	229,926,226	42,064,118	309,687,983	581,678,327
Financial assets at fair value through other comprehensive income	*229,926,226*	*14,846,733*	*306,122,526*	*550,895,485*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*27,217,385*	*3,565,457*	*30,782,842*
Derivatives	0	521,865,776	25,287,852	547,153,628
TOTAL	**229,926,226**	**17,046,204,898**	**338,719,321**	**17,614,850,445**

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

Level 3 financial assets measured at fair value are composed mainly of equity instruments.

LIABILITIES	31/12/22 Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value				
Amounts due to credit institutions	0	3,379,822,666	0	3,379,822,666
Amounts due to customers	0	20,963,642,721	0	20,963,642,721
Financial liabilities measured at fair value				
Financial liabilities designated at fair value	0	1,267,945,417	746,719,924	2,014,665,341
Derivatives	0	340,605,314	78,082,292	418,687,606
TOTAL	0	25,952,016,118	824,802,216	26,776,818,334

LIABILITIES	31/12/23 Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value				
Amounts due to credit institutions	0	3,720,727,734	0	3,720,727,734
Amounts due to customers	0	18,443,262,388	0	18,443,262,388
Financial liabilities measured at fair value				
Financial liabilities designated at fair value	0	1,729,239,842	1,107,245,498	2,836,485,340
Derivatives	0	274,397,897	42,096,018	316,493,915
TOTAL	0	24,167,627,861	1,149,341,516	25,316,969,377

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

9.1.3. Transfer between Level 1 and Level 2

ASSETS

No transfer was made between Level 1 and Level 2 on assets in 2022 and 2023.

LIABILITIES

No transfer was made between Level 1 and Level 2 on liabilities in 2022 and 2023.

9.1.4. Level 3 reconciliation

ASSETS	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
31/12/22											
Financial assets held for trading	6,039,311	(913,483)	0	687,085	(3,152,508)	0	0	0	0	0	2,660,405
Financial as-sets measured at fair value	243,388,048	86,732	51,673,225	5,159,387	0	(182,744)	192,018	0	3,274	0	300,319,940
Derivatives	5,518,297	(4,292,982)	0	5,472,514	0	0	0	0	0	0	6,697,829
TOTAL	254,945,656	(5,119,733)	51,673,225	11,318,986	(3,152,508)	(182,744)	192,018	0	3,274	0	309,678,174

ASSETS	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
31/12/23											
Financial assets held for trading	2,660,405	40,304	0	2,295,750	(1,252,973)	0	0	0	0	0	3,743,486
Financial as-sets measured at fair value	300,319,940	72,003	7,805,857	1,948,793	(100)	(470,554)	0	0	12,043	0	309,687,983
Derivatives	6,697,829	(4,625,828)	0	23,215,851	0	0	0	0	0	0	25,287,852
TOTAL	309,678,174	(4,513,521)	7,805,857	27,460,394	(1,253,073)	(470,554)	0	0	12,043	0	338,719,321

LIABILITIES	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
31/12/22									
Financial liabilities designated at fair value	561,344,383	(66,375,547)	433,916,144	(186,853,010)	0	0	0	4,687,954	746,719,924
Derivatives	18,750,077	32,821,983	26,510,232	0	0	0	0	0	78,082,292
TOTAL	580,094,460	(33,553,564)	460,426,376	(186,853,010)	0	0	0	4,687,954	824,802,216

LIABILITIES	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
31/12/23									
Financial liabilities designated at fair value	746,719,924	18,162,318	932,622,439	(588,936,589)	0	0	0	(1,322,594)	1,107,245,498
Derivatives	78,082,292	(61,555,808)	25,569,534	0	0	0	0	0	42,096,018
TOTAL	824,802,216	(43,393,490)	958,191,973	(588,936,589)	0	0	0	(1,322,594)	1,149,341,516

9.1.5. Valuation techniques used for Level 2 and Level 3 instruments

Description	Valuation techniques
Unlisted equity securities	- Unobservable transaction prices - Net asset method - Income approach (Discounted Cash Flow method) - Market approach (Comparable company valuation multiples)
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

9.1.6. Valuation techniques, valuation inputs and relations to fair value 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 - discount rate used for discounting cash-flows - expected cash-flows	The most significant stand-alone level 3 equity instruments is BIL's participation into Luxair group whose valuation is determined based on observables and unobservable inputs.
Derivatives and Structured Bonds	- 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 throught profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

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.

Level 3 financial assets held for trading are the result of buy backs of the Bank's structured bonds issued.

9.2. Credit risk

9.2.1. Expected credit losses measurement

9.2.1.1 Expected Credit Losses (ECL) methodology

DEFINITION OF CREDIT RISK

Credit Risk refers to the potential loss due to an obligor failure to meet the terms of any contract with the Bank or its failure to perform as expected. Facilities can be analysed by the nature of the client/counterparty's obligations or by the following characteristics:

- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

DEFINITION OF DEFAULT

Default is defined as the inability of a borrower or guarantor to meet obligations vis-à-vis one or more creditors at a given moment or on a lasting basis. The Bank must include all products and positions that are potentially at risk. Default is defined in the Basel II context (Art. 178 CRR) as follows:

"A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realising security (if held);
- The obligor is past due more than 90 days on any material credit obligation to the bank group. The materiality of a credit obligation past due must be assessed against the following threshold which comprises two components: an absolute and a relative component. The past due credit obligation is considered material when both the absolute and relative components are exceeded for more than 90 consecutive days."

The absolute component is a limit in terms of the sum of all amounts past due owed by the obligor to BIL, its parent undertaking or any of its subsidiaries (hereinafter the 'credit obligation past due') and is set at:

- EUR 100 for retail exposures;
- EUR 500 for exposures other than retail exposures.

The relative component is a limit in terms of the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor for BIL, its parent undertaking or any of its subsidiaries excluding equity exposures and is set at 1%.

WRITE-OFF POLICY

Problem loans are written-off, in full or in part, as soon as the Bank considers that there is no reasonable expectation of recovery of the outstanding balance (or part thereof) whether or not the legal claim against the borrower remains. Write-offs are normally made by using previously recognised provisions for loan losses. Write-offs are approved by the Default Committee.

IFRS 9 STAGING ASSESSMENT

The transition to the IFRS 9 credit loss provisioning standard has impacted the way we classify a financial instrument according to its credit risk dynamics over time – the so-called Staging process. Basically, three IFRS 9 Stages, which can be broadly conceptualised as follows:

- Stage 1 groups financial instruments that have a performing status and for which no significant deterioration in credit quality has occurred since their origination;
- Stage 2 comprises financial instruments that have experienced a significant increase in credit risk (SICR) since their origination;
- Stage 3 covers financial instruments having a credit-impaired status (i.e. non-performing and/or in default).

This classification requires BIL to clearly define both quantitative and qualitative approaches for assessing both a significant increase in credit risk (SICR) and a credit-impaired status for its financial instruments which are within the scope of IFRS 9.

SIGNIFICANT INCREASE IN CREDIT RISK

Since 31 December 2023, the Group has implemented a new quantitative SICR mechanism which is based on the comparison of IFRS 9 Lifetime PD parameters – instead of a purely rating-based approach – between the origination and a given reporting date. Following this new (PD-based) approach, a SICR will be triggered if the (annualised) IFRS 9 Lifetime PD has increased by more than a pre-determined threshold which depends on the type of exposure (e.g. retail, corporates…). Those thresholds correspond to the expected average PD multiples (in case of deteriorated creditworthiness between the origination and the reporting date) that have been determined by means of a statistical approach on historical data.

Moreover, some qualitative elements and backstop indicators are also used to determine the SICR of a particular exposure, counterparty, portfolio or sub-portfolio as set-out in the BIL Group IFRS 9 Staging policy. These qualitative and/or backstop indicators are based on internal credit risk management practices which aim at targeting exposures that are subject to (i) forbearance measures, (ii) the occurrence of past-due events (higher than 30 days), and (iii) potential financial difficulties. In particular, the client outreach programmes and other proactive credit risk management measures aim to identify qualitative elements that could trigger a SICR.

LOW CREDIT RISK EXEMPTION

In parallel with the implementation of the new (PD-based) SICR mechanism, as at 31 December 2023 the Bank has introduced a low credit risk exemption (LCRE) which allows to maintain an exposure in Stage 1 even though a significant increase in credit risk (SICR) has occurred between the origination and a given reporting date. The LCRE is effective as soon as one of the two following conditions is satisfied (at the reporting date):

- The (annualised) IFRS 9 Lifetime PD is lower than 30bps;
- The external rating (if available) is higher than BBB- (i.e. within the investment-grade category).

CREDIT-IMPAIRED STATUS

As for Stage 2 assessment, some qualitative or backstop indicators are used to identify credit-impaired (or Stage 3) exposures. Basically, an exposure will be classified in Stage 3 when either (or both) of the two following conditions are met:

- The exposure is in default (or non-performing) considering the trigger of unlikeliness-to-pay (UTP) criteria, and;
- The exposure is past due more than 90 days.

CURE PERIOD

Conversely, if the quantitative and/or qualitative factors of a given exposure improve, its corresponding IFRS 9 Stage may improve over time. Nevertheless, some cure (or probation) periods may apply, particularly in the following circumstances:

- Exit from forborne non-performing to forborne performing status: a one-year period has elapsed since the extension of forbearance;
- Exit from forbearance: a minimum two-year period has elapsed from the date the forborne exposure was considered as performing;
- Exit from Stage 2 (resp. Stage 3) due to a 30 (resp. 90) days past due: a cure period of 30 (resp. 90) days is applied.

MEASUREMENT OF ECL – EXPLANATION OF INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES

Modelled ECL (Stage 1, Stage 2 and certain Stage 3 credit risk exposures)

In addition to Pillar I models which focus on the unexpected credit loss, IFRS 9 also defines principles to estimate the Expected Credit Loss (ECL). Under IFRS 9, the ECL is a probability-weighted average of credit losses, considering the respective weight of several representative macroeconomic scenarios. Moreover, two types of ECL are measured depending on the Staging classification:

- A "12-month ECL" resulting from all default events which may occur over a 12-month period for a given financial instrument – only applicable to Stage 1 exposures, and;
- A "Lifetime ECL" resulting from all default events which may occur over the expected lifetime of a financial instrument – applicable to both Stage 2 and Stage 3 exposures.

The Expected Credit Loss (ECL) is computed as follows:

$$ECL = \sum_{i=1}^{3}\sum_{t=1}^{M} \omega_i \times (CPD_{i,t} - CPD_{i,t-1}) \times EAD_{i,t} \times LGD \times D_t$$

Where:

- ω_i is the weight (or probability of occurrence) assigned to the macroeconomic scenario i (three distinct scenarios are calibrated: baseline, upside and downside);
- $CPD_{i,t}$ represents the cumulative probability of default at the date t in the scenario i;
- $EAD_{i,t}$ (Exposure At Default) represents the amount of a credit that the Bank is exposed to at the date t in the scenario i;
- LGD (Loss Given Default) is defined as the loss rate in the event of default;
- D_t represents the discount factor at the date t, and;
- M represents the residual maturity of the financial instrument (M is capped at a 12-month horizon for Stage 1 exposures).

IFRS 9 ECL parameter approaches

Contrary to regulatory (or Pillar I) credit risk parameters, IFRS 9 ones must exhibit the following properties:

- Incorporate forward-looking information by relying on a relevant set of business/financial cycle indicators that are projected according to several macroeconomic scenarios;
- Remain unbiased (i.e. neither too prudent, nor too optimistic) with respect to ex-post observed credit risk parameters.

Firstly, for the Probability of Default (PD) parameters, one may indicate that the two previous properties are satisfied. On the one hand, forward-looking information is incorporated by relying on both econometric models and the calibration of three distinct macroeconomic scenarios. On the other hand, the historical observation of average default rates is used as an essential component in forecasting IFRS 9 PDs.

Secondly, the Loss Given Default (LGD) parameters are not biased in that they do not include either conservatism margins or downturn effects (contrary to the regulatory parameters). Except for mortgage loans, IFRS 9 LGDs are constant parameters as one does not observe apparent or statistically significant correlation with macroeconomic indicators. In the specific case of mortgage loans, a forward-looking mechanism operates in a distinct way according to the Stage of the underlying exposure:

- For Stage 1 and Stage 2 exposures, an unsecured (also constant) LGD parameter is used since the eligible collaterals are deducted from the EAD parameters (cf. below for the description of the underlying forward-looking mechanism), and;
- For Stage 3 exposures, a secured LGD parameter is applied by means of a calibrated macroeconometric model.

Finally, the Exposure At Default (EAD) parameters are partially in line with the two IFRS 9 principles. They rely on regulatory Credit Conversion Factor (CCF) parameters for the measurement of the undrawn part of a financial instrument. Furthermore, a forward-looking mechanism is only effective in the case of mortgage loans with the application of scenario-conditional forecasts of property prices (at country-level) to modify the collateral values over time.

BIL's overview of active models for IFRS 9 impairment

The Bank has 6 active PD models:

- 1 for Retail (with 3 distinct segments);
- 3 for Corporates (small, medium and large), and;
- 1 for Banks, and;
- 1 for Sovereigns.

Except for Stage 3 mortgage loans (as previously indicated), there are no specific LGD models for IFRS 9 in that the Bank uses LGD estimates from Pillar I models. Importantly, one removes several components – conservatism margins, downturn effects and indirect costs, notably – from regulatory parameters so as to be compliant with the IFRS 9 requirements.

Finally, the Bank uses Pillar I models for both the credit conversion factor (CCF) parameters and the financial haircuts which are applied for the calculation of EAD parameters.

EXPERT-JUDGMENT ECL (STAGE 3 CREDIT EXPOSURES ONLY)

According to specific criteria, BIL Group estimates provisions for some credit-impaired exposures within Stage 3 which are not measured through models. These exposures are assessed individually within the dedicated committees and the related provisions are calculated using an expert-based approach to take into account the specificities of each exposure (e.g., eligible collaterals and other credit enhancements).

These expert-based provisions rely on several possible assumptions, including notably a restructuring approach, the sale of collaterals and liquidation scenarios. Due to individual assessment, specific factors are taken into consideration and have a larger impact than macroeconomic factors.

FORWARD-LOOKING PARAMETERS

In accordance with the IFRS 9 requirements, BIL Group considers forward-looking information for measuring Expected Credit Losses (ECL). Basically, this consists in using a combination of relevant macro-financial indicators (i.e. useful for explaining the dynamics of IFRS 9 credit risk parameters) and several representative macroeconomic scenarios that are regularly updated over time.

BIL has mainly identified strong dependencies between certain macroeconomic factors and historical default rates (or PD models) by distinguishing high- and low-default risk portfolios.

High Default Portfolios (HDP) consider retail counterparts and small and mid-size enterprises using internal default data. The main macroeconomic indicators for forecasting the occurrence of default events for the HDP segment being (i) labour market indicators (unemployment) and (ii) opinion surveys data from Luxembourgish private economic agents (households and the manufacturing sector).

Low Default Portfolios (LDP) consider three distinct types of exposures (large corporates, banking institutions and sovereigns) using external default data (source: Moody's Analytics). In this regard, the cyclical dynamics of corporate and banking default rates can be apprehended by means of equity prices measured at both the eurozone and US levels, as well as by using monetary aggregates and market-based risk measures reflecting the build-up or the materialisation of financial vulnerabilities in the euro area notably. For sovereign exposures, the IFRS 9 PD parameters are projected according to scenario-conditional forecasts of three macroeconomic indicators in the eurozone: the real GDP growth, the unemployment rate and the public debt-to-GDP ratio.

Additional forward-looking components are considered in the ECL modelling process, especially for addressing some credit risk mitigation effects in the case of residential and commercial mortgage loans. Specifically, collateral valuation is directly impacted over time by residential property prices that are forecasted for five different countries (or zones): Luxembourg, Germany, France, Belgium and the euro area as a whole.

9.2.1.2 Macroeconomic indicators for each scenario

In order to measure ECL as a probability-weighted amount of expected losses, BIL uses three distinct macroeconomic scenarios covering a wide range of potential future economic conditions:

- A baseline (or central) scenario which describes the most likely path of the economy over the projection horizon;
- A downside (or 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 characterised 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;
- An upside (or optimistic) scenario which reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path than in the baseline scenario.

These macroeconomic scenarios are derived from an external database (source: Moody's Analytics). They are built according to a combination of statistical methods and theoretical economic foundations. Moreover, they are updated on a monthly basis and regularly compared with other external (and publicly available) data such as those released by international organisations and national statistical offices (European Central Bank, European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, STATEC).

Finally, it is important to underline that according to the Moody's statistical methodology, the scenarios have a constant weight (or probability of occurrence) over time: 60% for the baseline scenario and 20% for each of the two alternatives. Accordingly, these are the macroeconomic forecasts – i.e. the dynamics of the projected indicators – which are regularly updated in light of the business cycle fluctuations and the most recent economic events or assumptions. Post-model adjustments may be applied on the weighting of scenarios (for further details, please refer to the section on ECL Post-Model Adjustments and Management Overlays).

In %		LUXEMBOURG						EUROZONE					
		December 2022			December 2023			December 2022			December 2023		
		Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2022	1.60	1.60	1.60	1.40	1.40	1.40	3.30	3.30	3.30	3.50	3.50	3.50
	2023	1.10	3.00	(3.00)	(0.90)	(0.90)	(0.90)	0.50	2.20	(3.40)	0.60	0.60	0.60
	2024	3.10	3.50	0.60	1.70	3.60	(2.40)	2.40	2.90	0.00	0.80	2.50	(3.10)
	2025	2.40	2.10	4.00	2.20	2.70	(0.30)	2.30	2.10	3.90	1.60	2.10	(0.90)
	2026	2.80	2.70	3.30	2.80	2.50	4.40	1.90	1.90	2.50	1.80	1.50	3.30
	2027	2.80	2.80	2.80	2.90	2.90	3.50	1.40	1.40	1.40	1.70	1.60	2.20
Un-employment	2022	4.80	4.80	4.80	4.80	4.80	4.80	6.70	6.70	6.70	6.70	6.70	6.70
	2023	5.10	5.10	5.90	5.20	5.20	5.20	7.10	6.80	8.30	6.50	6.50	6.50
	2024	4.80	4.80	7.10	5.40	5.30	6.00	7.10	6.60	9.50	6.70	6.50	7.70
	2025	4.80	4.70	6.90	5.10	5.00	6.20	7.00	6.60	8.90	6.70	6.30	8.80
	2026	5.00	4.80	6.30	5.10	5.00	6.30	7.00	6.70	8.10	6.70	6.40	8.30
	2027	5.10	4.90	5.90	5.20	5.10	6.30	6.90	6.70	7.60	6.60	6.40	7.50
Consumer Prices	2022	8.40	8.40	8.40	8.10	8.10	8.10	8.40	8.40	8.40	8.40	8.40	8.40
	2023	4.30	4.30	1.70	2.90	2.90	2.90	6.60	6.50	4.00	5.50	5.50	5.50
	2024	2.20	2.10	0.00	2.20	2.40	1.50	2.20	2.20	0.00	2.30	2.60	1.80
	2025	1.90	1.90	1.50	2.00	2.20	0.70	1.90	1.90	1.40	1.80	2.00	0.70
	2026	2.00	2.00	1.70	2.00	1.90	1.90	2.00	2.00	1.80	1.80	1.80	1.50
	2027	2.10	2.10	2.10	2.00	2.00	2.00	2.00	2.00	2.00	1.90	1.90	1.60
Stock Prices	2022	(5.20)	(5.20)	(5.20)	(2.10)	(2.10)	(2.10)	(5.20)	(5.20)	(5.20)	(4.70)	(4.70)	(4.70)
	2023	(25.80)	(19.20)	(50.60)	(5.60)	(5.60)	(5.60)	0.30	8.20	(28.10)	12.00	12.00	12.00
	2024	6.10	12.50	13.40	(3.30)	6.30	(35.80)	2.70	4.50	8.30	4.80	13.40	(24.50)
	2025	10.60	8.20	25.50	19.80	16.00	27.70	4.20	2.90	19.50	4.20	5.70	10.10
	2026	9.50	6.90	18.40	14.30	18.40	25.00	5.70	3.50	11.50	5.90	4.70	21.40
	2027	6.30	4.30	9.30	7.00	7.40	15.60	4.20	3.00	4.70	5.10	3.00	10.80
Residential Property Prices	2022	10.30	10.30	10.30	8.80	8.80	8.80	7.00	7.00	7.00	7.10	7.10	7.10
	2023	5.90	6.10	2.60	(7.80)	(7.80)	(7.80)	(0.10)	1.00	(4.80)	(1.40)	(1.40)	(1.40)
	2024	6.40	7.90	1.40	(4.70)	(3.20)	(8.90)	2.10	4.20	(3.60)	(1.20)	0.40	(6.00)
	2025	5.10	5.20	3.50	6.20	5.60	2.60	4.10	4.80	1.80	2.80	3.60	(2.60)
	2026	5.10	5.30	4.70	5.10	5.00	6.70	4.80	4.80	4.80	5.10	4.60	4.00
	2027	4.90	5.00	5.10	3.80	4.50	4.40	4.80	4.50	5.40	5.10	5.30	5.30

9.2.1.3 ECL Sensitivity

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

(in EUR million)	Scenarios weights			31/12/22		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL	60%	10%	30%	65.00	32.72	97.71
Modelled ECL	60%	20%	20%	60.72	31.52	92.23
Stressed ECL	100%	0%	0%	55.46	30.01	85.47
	0%	100%	0%	47.19	27.79	74.98
	0%	0%	100%	90.01	39.78	129.79
	80%	0%	20%	62.37	31.96	94.33
	60%	5%	35%	67.14	33.32	100.45
	60%	0%	40%	69.28	33.92	103.20

(in EUR million)	Scenarios weights			31/12/23		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL	60%	10%	30%	41.54	23.39	64.93
Modelled ECL	60%	20%	20%	38.97	22.80	61.77
Stressed ECL	100%	0%	0%	34.93	21.92	56.84
	0%	100%	0%	32.14	21.21	53.35
	0%	0%	100%	57.92	27.06	84.97
	80%	0%	20%	39.52	22.95	62.47
	60%	5%	35%	42.83	23.68	66.51
	60%	0%	40%	44.12	23.97	68.09

The reported ECL as at December 2023 excludes ECL Management Overlays.

Refer to the section "ECL Post-Model Adjustments and Management Overlays" for details on macroeconomic scenarios weighting.

9.2.1.4 ECL Post-Model Adjustments and Management Overlays

ECL models are evolving and may need to be proactively adjusted to capture new events in changing circumstances not yet modelled. The Group has introduced since 2020 "Management Overlays" and "Post-model adjustments" to reflect new circumstances such as the COVID-19 pandemic and the deteriorated macroeconomic environment following the Russia-Ukraine conflict. As at 31 December 2023, the macroeconomic environment remains deteriorated. New circumstances are also directly captured through targeted credit risk management practices.

ECL POST-MODEL ADJUSTMENT – ADJUSTMENT OF THE WEIGHTING OF MACROECONOMIC SCENARIOS

The Group has implemented a Post-Model Adjustment since 30 June 2022 on its modelled ECL where it reviewed the weighting of each macroeconomic scenario:

- The modelled ECL are calculated based on three macroeconomic scenarios (Baseline, Downside and Upside), where the following weightings are applied: 60% for the baseline scenario and 20% for each of the 2 alternative ones. (Refer to section "Macroeconomic indicators for each scenario");
- The Reported ECL are calculated based on a review of the macroeconomic scenarios' weightings, reducing the weight of the upside scenario to 10% and increasing the weight of the downside scenario to 30%.

The implementation of an ECL Post-Model Adjustment (PMA) to the macroeconomic scenario weighting is supported by the current macroeconomic outlook which is surrounded by heightened uncertainty and risks predominantly tilted to the downside, notably with:

- The pursuing Russia-Ukraine military conflict and its adverse spillover effects on the global economy;
- The rapidly rising interest rates driven by the tightening of monetary policies by central banks in a prolonged inflationary environment, and;
- Growing concerns about the euro area financial stability and more specifically in Luxembourg due to the build-up of vulnerabilities in the real estate market and its strong interconnectedness with the whole economy via the banking sector (e.g., property prices in Luxembourg have started to decline after a peak in the third quarter of 2022 and households/businesses remain highly indebted comparatively to those in other euro area member countries).

The impact of the Post-Model Adjustment on the modelled ECL (Stage 1 and Stage 2 exposures) as at 31 December 2023 amounts to EUR 3.2 million (EUR 5.5 million as at 31 December 2022) and is calculated at Group level with major contributor being BIL, head office of the Group. Refer to the section "ECL Sensitivity" for the detailed figures between the modelled ECL under the standard weighting of macroeconomic scenarios and the reported ECL after the review of the weighting of the macroeconomic scenarios and to the below table for the details of adjustments made to modelled ECL. The impact of the Post-Model Adjustment on the Stage 3 modelled ECL (excluding Expert-judgement ECL) is EUR 1.7 million (thus a total Post-Model Adjustment of EUR 4.9 million as at 31 December 2023).

ECL MANAGEMENT OVERLAYS

The Bank's models have been constructed and calibrated using historical data and statistical analyses 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.

ECL Management Overlay (Origination Date) (implemented in 2022, reversed in 2023)

As at 31 December 2022, the Bank has addressed through a management overlay a deficiency identified in its ECL methodology where the Significant Increase in Credit Risk for some exposures was not calibrated based on the date of issuance of a Credit line Commitment but based on the first drawdown date, resulting in a management overlay for a total amount of EUR 1 million. This management overlay is applied at the Group level and mainly concerns BIL S.A., the parent company of the Group. In addition, the Bank has classified the related exposures into the right risk buckets or IFRS 9 stages (moving from Stage 1 to Stage 2 or from Stage 2 to Stage 1).

As at 31 December 2023, this management overlay is fully reversed as the solution to the deficiency is fully implemented in the ECL modeled.

ECL Management Overlay (Outreach Programme) (implemented in 2022, reversed in 2023)

In 2022, the Bank has chosen to implement a management overlay, as an additional layer of prudence for an amount of EUR 1.8 million to anticipate potential credit losses on variable rate retail mortgage borrowers pre-identified as vulnerable in a context of increasing interest rates (exposures of EUR 236 million). This management overlay only applies to BIL, head office of the Group and does not impact other group entities.

As at 31 December 2023, this management overlay is fully reversed as the solution to the deficiency is fully implemented in the ECL modeled.

ECL Management Overlay (Minimum Disposable Income) (implemented in 2023)

As at 31 December 2023, the Bank has chosen to implement a management overlay, as an additional layer of prudence to anticipate potential credit losses on clients with an insufficient minimum disposable income, or for which the Bank is currently unable to determine the minimum disposable income due to a lack of sufficient data in the information system, for a total amount of EUR 11.4 million (including Stage 3 exposures).

ECL Management Overlay (Outreach programme – bridge loans and maturing fixed-rate loans) (implemented in 2023)

As at 31 December 2023, the Bank has chosen to implement a management overlay, as an additional layer of prudence to anticipate potential credit losses on clients with a fixed-rate loan maturing before 30 June 2024 whose terms will be reset to current market conditions, and clients with a bridge loan maturing before 30 June 2024, for a total amount of EUR 0.65 million (including Stage 3 exposures).

This table summarises the impact of the management overlays and post-model adjustments on the stock of ECL (stage 1 and stage 2):

(in EUR million)	Stage	31/12/22	31/12/23
ECL Modelled	Stage 1	61	39
	Stage 2	32	23
ECL Post-Model Adjustment (Scenario Weighting)	Stage 1	4	3
	Stage 2	1	1
ECL Management Overlay (Outreach Programme)	Stage 1	1	
	Stage 2	0	
ECL Management Overlay (Origination Date)	Stage 1	(1)	
	Stage 2	2	
ECL Management Overlay (Minimum Disposable Income)	Stage 1		8
	Stage 2		3
ECL Management Overlay (Outreach Programme-Bridge Loans and Maturing Fixed-Rate Loans)	Stage 1		1
	Stage 2		0
TOTAL	Stage 1	65	50
	Stage 2	35	26

OTHER ECL CONSIDERATIONS

ECL models are evolving in order to address new macroeconomic, geopolitical or Environmental, Social and Corporate Governance (ESG) conditions but also to reflect more experience in credit risk management practices.

The Bank limits the use of management overlays and considers the "ex-ante" ECL impacts of its proactive credit risk management, reflecting, where appropriate a significant increase in credit risk ("SICR"). As at 31 December 2023, the Bank applied such proactive measures on its property developers loan portfolio, preventing the use of management overlays.

The Bank also proceeded to the following major updates of its IFRS 9 provisioning models:

- Recalibration of the probability of default econometric models using longer time-period resulting in an overall decrease of Stage 1 and Stage 2 ECL, leading to a decrease of ECL for an amount of EUR 27.9 million;
- Introduction of a secured loss given default model for credit-impaired exposures (Stage 3) collateralised by mortgage and resulting in an overall increase of Stage 3 ECL, leading to an increase in ECL for an amount of EUR 9.9 million;
- Change of SICR determination methodology from rating-based to PD-based and inclusion of LCRE, leading to a decrease in ECL. Previously, the assessment of a significant increase in credit risk was mainly based on the internal or external credit rating. In order to take more comprehensive account of forecast information, the new criteria use the probability of default as the main indicator, in line with the recommendations issued by the European Banking Authority and the European Central Bank. This new approach is considered as a market practice and represents an improvement qualified as a change in accounting estimate. The impact on the ECL is a decrease of Stage 2 ECL for EUR 17.1 million and an increase of Stage 1 ECL for EUR 6.7 million.

This change of methodology impacts the classification of financial instruments resulting to a transfer of EUR 2.3 billion from Stage 2 to Stage 1 as disclosed in Note 9.2.2.6, among which EUR 332 million following application of LCRE (mostly on the Low-Default Portfolio), and EUR 1.9 billion mostly on the residential real estate mortgage portfolio. The new approach reflects a more accurate assessment of the significant increase in credit risk.

9.2.2. Credit risk exposures

9.2.2.1 Credit Risk Exposures (geographic, counterparty, stage and rating)

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.

Exposures by counterparty (in EUR million)	31/12/22	31/12/23	Variation
Individuals, SME & Self Employed	12,338	12,133	(205)
Central Governments	11,856	9,997	(1,859)
Corporate	6,804	6,803	(1)
Financial Institutions	4,844	3,889	(955)
Public Sector Entities	639	675	36
Securitisation	189	291	102
Others	70	10	(60)
TOTAL	36,740	33,798	(2,942)

Exposures by geographic region (in EUR million)	31/12/22	31/12/23	Variation
Luxembourg	20,077	19,399	(678)
France	3,681	3,405	(276)
Belgium	2,342	2,331	(11)
Switzerland	2,531	1,814	(717)
Germany	2,507	1,587	(920)
United States and Canada	1,267	1,218	(49)
Spain	941	808	(133)
China	371	318	(53)
Asia	229	243	14
Middle East	382	164	(218)
Russia	101	93	(8)
Australia	42	43	1
Other EU countries	1,170	1,312	142
Others	644	712	68
Rest of Europe	455	351	(104)
TOTAL	36,740	33,798	(2,942)

Credit risk exposures are 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 corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

9.2.2.2 Exposures by stage and ratings

Stage 1 Credit Risk Exposures (in EUR million)	31/12/22						31/12/23					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Commitments in respect of guarantees given	149	361	673	426	0	1,609	145	290	488	395	0	1,318
Commitments in respect of loans granted	432	1,193	782	565	0	2,972	477	879	1,058	582	0	2,996
Financial investments at FVOCI (excluding variable income securities)	301	269	0	50	0	620	70	253	0	0	0	323
Financial investments at amortised cost	5,611	1,966	34	644	0	8,255	5,682	2,418	13	40	0	8,153
Loans and advances at amortised cost	4,636	7,299	5,013	1,185	0	18,133	3,450	5,877	6,665	1,267	0	17,259
Other financial instruments at amortised cost	322	42	21	0	0	385	326	70	6	0	0	402
TOTAL Stage 1 Exposures	11,451	11,130	6,523	2,870	0	31,974	10,150	9,787	8,230	2,284	0	30,451

Stage 2 Credit Risk Exposures (in EUR million)	31/12/22						31/12/23					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Commitments in respect of guarantees given	1	21	81	26	0	129	3	40	91	27	0	161
Commitments in respect of loans granted	48	36	274	14	0	372	10	57	222	51	0	340
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	10	67	15	0	0	92	37	60	20	0	0	117
Loans and advances at amortised cost	174	333	1,914	76	0	2,497	96	200	1,464	94	0	1,854
Other financial instruments at amortised cost	0	0	0	1	0	1	0	0	0	0	0	0
TOTAL Stage 2 Exposures	233	457	2,284	117	0	3,091	146	357	1,797	172	0	2,472

Stage 3 Credit Risk Exposures	31/12/22						31/12/23					
(in EUR million)	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
Commitments in respect of guarantees given	6	0	4	0	21	31	2	0	0	0	25	27
Commitments in respect of loans granted	0	0	2	0	22	24	0	0	0	0	16	16
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	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	24	0	0	0	330	354	17	1	64	10	478	570
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL Stage 3 Exposures	30	0	6	0	373	409	19	1	64	10	519	613

Credit Risk Exposures without staging	31/12/22						31/12/23					
(in EUR million)	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL	AAA to AA–	A+ to BBB–	Non investment grade	Unrated	Default	TOTAL
Derivatives	18	1,233	5	10	0	1,266	11	234	4	12	0	261
Financial assets held-for-trading	0	0	0	0	0	0	1	0	0	0	0	1
TOTAL Exposures without staging	18	1,233	5	10	0	1,266	12	234	4	12	0	262
TOTAL All Stages	11,732	12,820	8,818	2,997	373	36,740	10,327	10,379	10,095	2,478	519	33,798

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. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

9.2.2.3 Collateral and other credit enhancements

31/12/22 (in EUR million)	Gross exposure	Credit Risk Mitigation (CRM) Guarantee	Netting agreements	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	619	4	0	0	0	4	615	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	21,904	247	19	1,640	8,180	10,086	11,818	275
Financial investments at amortised cost	8,348	1,060	0	0	0	1,060	7,288	9
Derivatives	1,267	0	0	0	0	0	1,267	0
Other financial instruments at amortised cost	902	0	516	0	0	516	386	0
Commitments in respect of guarantees given	1,839	14	0	90	17	121	1,718	4
Commitments in respect of loans granted	3,568	288	17	608	499	1,412	2,156	15
TOTAL	38,447	1,613	552	2,338	8,696	13,199	25,248	303

31/12/23 (in EUR million)	Gross exposure	Credit Risk Mitigation (CRM) Guarantee	Netting agreements	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	323	9	0	0	0	9	314	0
Financial assets held-for-trading	1	0	0	0	0	0	1	0
Loans and advances at amortised cost	20,280	225	9	1,311	7,988	9,533	10,747	270
Financial investments at amortised cost	8,271	1,183	0	0	0	1,183	7,088	3
Derivatives	261	0	0	0	0	0	261	0
Other financial instruments at amortised cost	741	0	338	1	0	339	402	0
Commitments in respect of guarantees given	1,569	6	0	66	11	83	1,486	2
Commitments in respect of loans granted	3,519	298	18	643	375	1,334	2,185	13
TOTAL	34,965	1,721	365	2,021	8,374	12,481	22,484	288

Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.

Credit risk mitigation eligible as per internal policies.

Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

9.2.2.4 Past due but not impaired financial assets

	31/12/22		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	102,452,820	24,220,428	10,854,185
TOTAL	102,452,820	24,220,428	10,854,185

	31/12/23		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	58,792,054	8,882,445	10,002
TOTAL	58,792,054	8,882,445	10,002

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.

9.2.2.5 Credit risk mitigation for credit-impaired assets

	31/12/22			
	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	0	0	0	0
Loans and advances measured at amortised cost	567,513,387	(217,240,818)	350,272,569	308,184,227
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	567,513,387	(217,240,818)	350,272,569	308,184,227

	31/12/23			
	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	0	0	0	0
Loans and advances measured at amortised cost	775,812,643	(211,779,952)	564,032,691	423,266,376
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	775,812,643	(211,779,952)	564,032,691	423,266,376

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/22	31/12/23
Cash	0	0
Equity instrument	368,392	378,000
Debt instruments	0	0
Other assets	2,712,181	8,881,324
TOTAL	3,080,573	9,259,324

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

9.2.2.6 Movements of cash, balances with central banks and other demand deposits, loans and securities by stages (gross carrying amount)

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 1 JANUARY	5,952,873,874	36,252,475	0	5,989,126,349
From Stage 1 to Stage 2	0	0		0
From Stage 2 to Stage 1	29,108,381	(29,108,381)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0			0
From Stage 3 to Stage 1	0			0
Origination	99,793,424	118	0	99,793,542
Derecognition during the period other than write-offs	(1,728,627,516)	(6,580,319)	0	(1,735,207,835)
Changes in interest accrual	1,481,807	0	0	1,481,807
Conversion difference (FX change)	18,508,970	(12,492)	0	18,496,478
Other movements	(314,263)	0	0	(314,263)
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 31 DECEMBER	4,372,824,677	551,401	0	4,373,376,078

	2023			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 1 JANUARY	4,372,824,677	551,401	0	4,373,376,078
From Stage 1 to Stage 2	0	0		0
From Stage 2 to Stage 1	523,032	(523,032)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0			0
From Stage 3 to Stage 1	0			0
Origination	121,190,201	103,671	0	121,293,872
Derecognition during the period other than write-offs	(1,520,115,074)	(121)	0	(1,520,115,195)
Changes in interest accrual	1,268,033	0	0	1,268,033
Conversion difference (FX change)	5,728,130	0	0	5,728,130
Other movements	0	0	0	0
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 31 DECEMBER	2,981,418,999	131,919	0	2,981,550,918

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT 1 JANUARY	14,234,288,181	2,553,026,462	593,325,909	17,380,640,552
From Stage 1 to Stage 2	(1,189,827,179)	1,189,827,179		0
From Stage 2 to Stage 1	621,199,110	(621,199,110)		0
From Stage 2 to Stage 3		(44,319,187)	44,319,187	0
From Stage 3 to Stage 2		36,458,239	(36,458,239)	0
From Stage 1 to Stage 3	(89,318,591)		89,318,591	0
From Stage 3 to Stage 1	20,370,963		(20,370,963)	0
Origination	3,925,334,616	538,729,905	55,254,600	4,519,319,121
Derecognition during the period other than write-offs	(3,336,964,121)	(571,227,714)	(148,222,127)	(4,056,413,962)
Changes in interest accrual	(865,729)	(2,911,116)	0	(3,776,845)
Changes in fair value (fair value hedge and FVOCI)	(301,804)	(9,111,830)	0	(9,413,634)
Write-offs	0	0	(10,200,966)	(10,200,966)
Conversion difference (FX change)	44,472,606	12,025,851	547,395	57,045,852
Other movements	2,689,473	0	0	2,689,473
LOANS AND ADVANCES AS AT 31 DECEMBER	14,231,077,525	3,081,298,679	567,513,387	17,879,889,591

	2023			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT 1 JANUARY	14,231,077,525	3,081,298,679	567,513,387	17,879,889,591
From Stage 1 to Stage 2	(864,359,049)	864,359,049		0
From Stage 2 to Stage 1	1,853,852,766	(1,853,852,766)		0
From Stage 2 to Stage 3		(101,588,473)	101,588,473	0
From Stage 3 to Stage 2		31,834,814	(31,834,814)	0
From Stage 1 to Stage 3	(301,927,050)		301,927,050	0
From Stage 3 to Stage 1	12,032,515		(12,032,515)	0
Origination	3,344,486,577	527,216,978	88,732,109	3,960,435,664
Derecognition during the period other than write-offs	(3,815,874,144)	(566,681,145)	(185,046,610)	(4,567,601,899)
Changes in interest accrual	15,664,926	4,553,563	(329,502)	19,888,987
Changes in fair value (fair value hedge and FVOCI)	0	4,913,028	0	4,913,028
Write-offs	0	0	(54,965,470)	(54,965,470)
Conversion difference (FX change)	40,122,659	(7,468,861)	260,535	32,914,333
Other movements	365,502	0	0	365,502
LOANS AND ADVANCES AS AT 31 DECEMBER	14,515,442,227	1,984,584,866	775,812,643	17,275,839,736

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT 1 JANUARY	8,040,694,052	194,205,334	21,985,297	8,256,884,683
From Stage 1 to Stage 2	(10,889,000)	10,889,000		0
From Stage 2 to Stage 1	141,005,445	(141,005,445)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	3,898,906,521	0	0	3,898,906,521
Derecognition during the period other than write-offs	(2,872,256,125)	(12,817,901)	(21,985,297)	(2,907,059,323)
Changes in interest accrual	2,523,416	(449,267)	0	2,074,149
Changes in premium / discount	46,709,116	544,510	0	47,253,626
Changes in fair value (fair value hedge)	(781,491,095)	(5,775,902)	0	(787,266,997)
Conversion difference (FX change)	9,899,859	0	0	9,899,859
DEBT SECURITIES AS AT 31 DECEMBER	8,475,102,189	45,590,329	0	8,520,692,518

	2023			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT 1 JANUARY	8,475,102,189	45,590,329	0	8,520,692,518
From Stage 1 to Stage 2	(94,046,112)	94,046,112		0
From Stage 2 to Stage 1	26,847,600	(26,847,600)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination / Increase	559,846	0	0	559,846
Purchase	2,145,904,296	33,000,000	0	2,178,904,296
Derecognition during the period other than write-offs	(2,238,959,574)	(26,189,000)	0	(2,265,148,574)
Changes in interest accrual	17,690,901	353,815	0	18,044,716
Changes in premium / discount	22,698,479	514,573	0	23,213,052
Changes in fair value (fair value hedge)	382,330,032	7,107,518	0	389,437,550
Conversion difference (FX change)	11,212,724	464,010	0	11,676,734
DEBT SECURITIES AS AT 31 DECEMBER	8,749,340,381	128,039,757	0	8,877,380,138

9.2.2.7 Movements in allowances for credit losses

	As at 01/01/22	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(46,516,957)**	**(29,121,300)**	**15,342,814**	**3,380,684**
Cash, balances with central banks and demand deposits	(4,469)	0	0	(51,337)
Debt securities at amortised cost	(1,908,142)	(3,389,542)	688,302	(4,103,350)
Debt securities at fair value through other comprehensive income	(27,741)	(113,388)	132,915	(231,472)
Loans and advances at amortised cost	(44,576,605)	(25,618,370)	14,521,597	7,766,843
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(31,095,043)**	**0**	**3,995,828**	**(6,232,616)**
Cash, balances with central banks and demand deposits	(87,510)	0	0	48,129
Debt securities at amortised cost	(916,917)	0	1,003	430,841
Debt securities at fair value through other comprehensive income	0	0	0	0
Loans and advances at amortised cost	(30,090,616)	0	3,994,825	(6,711,586)
Allowances for credit-impaired debt instruments (Stage 3)	**(240,106,046)**	**(2,215,241)**	**2,546,528**	**(3,770,135)**
Debt securities at amortised cost	(17,596,888)	0	0	(5,635)
Loans and advances at amortised cost	(222,509,158)	(2,215,241)	2,546,528	(3,764,500)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	(317,718,046)	(31,336,541)	21,885,170	(6,622,067)
Commitments and financial guarantees given (Stage 1)	(7,378,176)	(6,778,240)	2,054,617	4,059,905
Commitments and financial guarantees given (Stage 2)	(3,559,788)	(435,054)	822,999	952,928
Commitments and financial guarantees given (Stage 3)	(2,024,237)	(357,591)	226,093	(825,798)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	(12,962,201)	(7,570,885)	3,103,709	4,187,035

	As at 01/01/23	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(57,303,887)**	**(15,746,177)**	**10,509,107**	**10,690,648**
Cash, balances with central banks and demand deposits	(55,806)	(949)	0	29,762
Debt securities at amortised cost	(8,710,756)	(2,063,424)	913,261	5,615,470
Debt securities at fair value through other comprehensive income	(239,600)	(45,789)	35,706	203,586
Loans and advances at amortised cost	(48,297,725)	(13,636,015)	9,560,140	4,841,829
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(33,173,665)**	**0**	**5,077,231**	**(15,522,334)**
Cash, balances with central banks and demand deposits	(49,535)		0	45,607
Debt securities at amortised cost	(463,404)	0	1,984	(2,249,858)
Debt securities at fair value through other comprehensive income	0	0	0	(113,271)
Loans and advances at amortised cost	(32,660,726)	0	5,075,247	(13,204,813)
Allowances for credit-impaired debt instruments (Stage 3)	**(217,240,818)**	**(8,398,728)**	**1,676,533**	**(36,199,000)**
Debt securities at amortised cost	0	0	0	0
Loans and advances at amortised cost	(217,240,818)	(8,398,728)	1,676,533	(36,199,000)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	(307,718,370)	(24,144,905)	17,262,871	(41,030,686)
Commitments and financial guarantees given (Stage 1)	(7,995,140)	(4,562,503)	754,920	6,249,845
Commitments and financial guarantees given (Stage 2)	(2,231,318)	(898,632)	713,987	4,054,366
Commitments and financial guarantees given (Stage 3)	(3,017,487)	(818,442)	19,286	(4,258,613)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	(13,243,945)	(6,279,577)	1,488,193	6,045,598

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 31/12/22	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
(261,841)	**0**	**0**	**(127,287)**	**(57,303,887)**	**n.a**	**n.a**
0	0	0	0	(55,806)	n.a	n.a
0	0	0	1,976	(8,710,756)	n.a	n.a
0	0	0	86	(239,600)	n.a	n.a
(261,841)	0	0	(129,350)	(48,297,725)	n.a	n.a
(155,211)	**0**	**0**	**313,377**	**(33,173,665)**	**n.a**	**n.a**
0	0	0	(10,154)	(49,535)	n.a	n.a
0	0	0	21,669	(463,404)	n.a	n.a
0	0	0	0	0	n.a	n.a
(155,211)	0	0	301,862	(32,660,726)	n.a	n.a
0	**0**	**11,348,713**	**14,955,363**	**(217,240,818)**	**229,237**	**(11,097,781)**
0	0	0	17,602,523	0	0	0
0	0	11,348,713	(2,647,160)	(217,240,818)	229,237	(11,097,781)
(417,052)	0	11,348,713	15,141,453	(307,718,370)	229,237	(11,097,781)
0	0	0	46,754	(7,995,140)	0	0
0	0	0	(12,403)	(2,231,318)	0	0
0	0	0	(35,954)	(3,017,487)	0	0
0	0	0	(1,603)	(13,243,945)	0	0

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 31/12/23	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
0	**10,812,134**	**0**	**(561,128)**	**(41,599,303)**	**n.a**	**n.a**
0	0	0	(1,645)	(28,638)	n.a	n.a
0	1,372,926	0	57,602	(2,814,920)	n.a	n.a
0	0	0	212	(45,885)	n.a	n.a
0	9,439,208	0	(617,297)	(38,709,860)	n.a	n.a
0	**19,924,848**	**0**	**511,500**	**(23,182,420)**	**n.a**	**n.a**
0	0	0	374	(3,554)	n.a	n.a
0	2,104,360	0	(26,911)	(633,828)	n.a	n.a
0	113,255	0	16	0	n.a	n.a
0	17,707,233	0	538,021	(22,545,037)	n.a	n.a
0	**(7,460,262)**	**54,965,471**	**876,851**	**(211,779,952)**	**2,458,905**	**(55,506,524)**
0	0	0	0	0	0	0
0	(7,460,262)	54,965,471	876,851	(211,779,952)	2,458,905	(55,506,524)
0	23,276,720	54,965,471	827,224	(276,561,675)	2,458,905	(55,506,524)
0	(2,510,208)	0	9,743	(8,053,343)	0	0
0	(4,708,957)	0	(4,656)	(3,075,210)	0	0
0	2,702,671	0	2,677	(5,369,908)	0	0
0	(4,516,494)	0	7,763	(16,498,461)	0	0

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

	As at 31/12/22			
	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	2,014,665,341	(1,541,036)	(1,546,169)	(195,626,583)

	As at 31/12/23			
	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	2,836,485,340	(868,083)	(2,414,252)	(84,143,647)

In 2022 and in 2023, 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 liabilities revalued at fair value against 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.

9.2.2.9 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.

	31/12/22	31/12/23
Debt securities	0	10,289,058
Loans and advances	544,955,644	511,434,060
Given banking guarantees	18,299,092	3,848,396
FORBORNE EXPOSURES	563,254,736	525,571,515

9.3. Encumbered assets

9.3.1. Collateral received by the reporting institution

	As at 31/12/22			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	675,797,742	*675,797,742*	0	*0*
Debt securities	323,034,546	*323,034,546*	0	*0*
TOTAL	998,832,288	*998,832,288*	0	*0*

	As at 31/12/23			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	369,606,300	*369,606,300*	0	*0*
Debt securities	332,713,890	*332,713,890*	0	*0*
TOTAL	702,320,190	*702,320,190*	0	*0*

9.3.2. Encumbered assets

	31/12/22			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities at amortised cost	**723,300,059**	***554,386,916***	**711,910,329**	***555,767,940***
of which: issued by general governments	*296,567,298*	*199,301,107*	*287,734,531*	*198,150,798*
of which: issued by other financial corporations	*410,478,286*	*338,831,334*	*407,636,140*	*341,077,484*
of which: issued by non-financial corporations	*16,254,475*	*16,254,475*	*16,539,658*	*16,539,658*
Debt securities at fair value through other comprehensive income	**94,769,074**	***43,903,727***	**94,769,074**	***43,903,727***
of which: issued by general governments	*17,215,920*	*17,215,920*	*17,215,920*	*17,215,920*
of which: issued by other financial corporations	*77,553,154*	*26,687,807*	*77,553,154*	*26,687,807*
Loans and advances other than loans on demand	**539,092,966**	***531,486,588***	**539,092,966**	***531,486,588***
TOTAL	1,357,162,099	*1,129,777,231*	1,345,772,369	*1,131,158,255*

	31/12/23			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities at amortised cost	**310,161,025**	***228,289,903***	**307,405,708**	***226,298,352***
of which: issued by general governments	*74,772,852*	*74,772,852*	*73,360,300*	*73,360,300*
of which: issued by other financial corporations	*223,600,394*	*153,517,051*	*222,289,947*	*152,938,052*
of which: issued by non-financial corporations	*11,787,779*	*0*	*11,755,461*	*0*
Debt securities at fair value through other comprehensive income	**109,239,293**	***97,813,379***	**109,239,293**	***97,813,379***
of which: issued by other financial corporations	*109,239,293*	*97,813,379*	*109,239,293*	*97,813,379*
Loans and advances other than loans on demand	**282,277,243**	***276,445,710***	**282,277,243**	***276,445,710***
TOTAL	701,677,561	*602,548,992*	698,922,244	*600,557,441*

9.3.3. Sources of encumbrance

	31/12/22		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which: collateral received re-used*
Derivatives	418,687,606	539,092,966	*0*
Repurchase agreements	519,578,704	528,874,059	*0*
Collateralised deposits other than repurchase agreements	251,020,469	251,020,469	*0*
of which: central banks	*251,020,469*	*251,020,469*	*0*
Fair value of securities borrowed with non cash collateral	19,462,948	38,174,605	*0*
TOTAL	1,208,749,727	1,357,162,099	*0*

	31/12/23		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which: collateral received re-used*
Derivatives	316,493,915	282,277,243	*0*
Repurchase agreements	353,449,872	377,682,156	*0*
Collateralised deposits other than repurchase agreements	456,272	456,272	*0*
of which: central banks	*456,272*	*456,272*	*0*
Fair value of securities borrowed with non cash collateral	19,873,385	41,261,890	*0*
TOTAL	690,273,444	701,677,561	*0*

9.3.4. Offsetting financial assets and liabilities

Offsetting policy is described in Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

FINANCIAL ASSETS RECOGNISED AT END OF REPORTING PERIOD	31/12/22				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	840,231,612	0	840,231,612	675,797,742	164,433,870
Reverse repurchase agreements	304,748,203	0	304,748,203	303,571,598	1,176,605
TOTAL	1,144,979,815	0	1,144,979,815	979,369,340	165,610,475

FINANCIAL LIABILITIES RECOGNISED AT END OF REPORTING PERIOD	31/12/22				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	418,687,606	0	418,687,606	418,687,606	0
Repurchase agreements	519,578,704	0	519,578,704	519,578,704	0
Collateralised deposits other than repurchase agreements	251,020,469	0	251,020,469	251,020,469	0
TOTAL	1,189,286,779	0	1,189,286,779	1,189,286,779	0

FINANCIAL ASSETS RECOGNISED AT END OF REPORTING PERIOD	31/12/23				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	547,153,628	0	547,153,628	369,606,300	177,547,328
Reverse repurchase agreements	313,546,016	0	313,546,016	312,840,505	705,511
TOTAL	860,699,644	0	860,699,644	682,446,805	178,252,839

FINANCIAL LIABILITIES RECOGNISED AT END OF REPORTING PERIOD	31/12/23				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	316,493,915	0	316,493,915	282,277,243	34,216,672
Repurchase agreements	353,449,872	0	353,449,872	353,449,872	0
Collateralised deposits other than repurchase agreements	456,272	0	456,272	456,272	0
TOTAL	670,400,059	0	670,400,059	636,183,387	34,216,672

9.4. Interest rate risk

ASSETS	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	4,373,270,737	0
Financial assets held for trading	8,319,224	1,487,099
Financial investments measured at fair value	8,488,066	249,345,025
Financial investments measured at fair value through other comprehensive income	*8,488,066*	*249,345,025*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	1,089,987,370	8,764,629
Loans and advances to customers	4,378,978,037	488,142,716
Financial investments measured at amortised cost	977,830,388	494,900,156
Derivatives	1,360,779	1,334,826
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	10,838,234,601	1,243,974,451

ASSETS	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	2,981,518,726	0
Financial assets held for trading	0	9,690,548
Financial investments measured at fair value	0	892,845
Financial investments measured at fair value through other comprehensive income	*0*	*892,845*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advancesto credit institutions	286,694,604	368,155,511
Loans and advances to customers	1,910,982,910	3,107,819,348
Financial investments measured at amortised cost	22,624,434	1,444,488,376
Derivatives	391,497	3,263,554
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	5,202,212,171	4,934,310,182

31/12/22				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
0	0	0	0	4,373,270,737
1,448,932	3,510,619	1,020,494	0	15,786,368
127,489	206,483,475	163,662,468	324,566,080	952,672,603
127,489	*206,483,475*	*163,662,468*	*296,826,494*	*924,933,017*
0	*0*	*0*	*27,739,586*	*27,739,586*
0	0	0	0	1,098,751,999
622,630,565	2,070,934,837	8,922,252,168	0	16,482,938,323
481,613,107	3,161,088,518	2,767,740,065	0	7,883,172,234
930	0	0	837,535,077	840,231,612
0	0	0	11,872	11,872
1,105,821,023	**5,442,017,449**	**11,854,675,195**	**1,162,113,029**	**31,646,835,748**

31/12/23				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
0	0	0	0	2,981,518,726
2,184,330	5,067,294	2,403,203	0	19,345,375
3,229,804	153,600,957	87,049,353	336,905,368	581,678,327
3,229,804	*153,600,957*	*87,049,353*	*306,122,526*	*550,895,485*
0	*0*	*0*	*30,782,842*	*30,782,842*
19,424,401	0	0	0	674,274,516
946,817,338	2,481,223,133	7,881,687,642	0	16,328,530,371
1,158,929,636	3,489,365,545	2,513,704,555	0	8,629,112,546
12,593	0	0	543,485,984	547,153,628
0	0	0	0	0
2,130,598,102	**6,129,256,929**	**10,484,844,753**	**880,391,352**	**29,761,613,489**

LIABILITIES	At sight or on demand	Less than 3 months
Amounts due to credit institutions	839,370,271	1,612,007,785
Amounts due to customers	16,875,722,550	2,106,499,869
Other financial liabilities	63,029	1,649,788
Financial liabilities measured at fair value through profit or loss	398,170,510	79,369,426
Liabilities designated at fair value	*398,170,510*	*79,369,426*
Derivatives	0	3,178,663
Fair value revaluation of portfolios hedged against interest rate risk	0	0
Debt securities	736,983,320	20,548,546
Subordinated debts	49,110,443	0
TOTAL	18,899,420,123	3,823,254,077

LIABILITIES	At sight or on demand	Less than 3 months
Amounts due to credit institutions	591,713,731	2,096,644,664
Amounts due to customers	12,915,011,310	4,346,668,353
Other financial liabilities	0	1,949,964
Financial liabilities measured at fair value through profit or loss	11,745,166	1,097,502,226
Liabilities held for trading	*0*	*0*
Liabilities designated at fair value	*11,745,166*	*1,097,502,226*
Derivatives	0	1,732,147
Fair value revaluation of portfolios hedged against interest rate risk	0	0
Debt securities	5,048,835	495,105,777
Subordinated debts	0	0
TOTAL	13,523,519,042	8,039,603,131

NET POSITION	At sight or on demand	Less than 3 months
Balance sheet sensitivity gap	(8,061,185,522)	(2,579,279,626)

NET POSITION	At sight or on demand	Less than 3 months
Balance sheet sensitivity gap	(8,321,306,871)	(3,105,292,949)

Demand deposits and savings deposits are declared in the “At sight or on demand” column as the information shown above takes into account th
on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 9.5).

31/12/22				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
633,422,489	250,131,667	63,029,570	0	3,397,961,782
1,648,024,072	406,970,270	3,735,555	0	21,040,952,316
4,892,008	15,402,789	8,989,891	0	30,997,505
397,087,558	844,665,612	295,372,235	0	2,014,665,341
397,087,558	*844,665,612*	*295,372,235*	*0*	*2,014,665,341*
10,267	0	0	415,498,676	418,687,606
0	0	0	0	0
371,766,003	1,290,304,980	234,445,671	0	2,654,048,520
0	0	194,126,516	0	243,236,959
3,055,202,397	2,807,475,318	799,699,438	415,498,676	29,800,550,029

31/12/23				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
1,009,797,470	4,492,955	18,079,708	0	3,720,728,528
1,190,990,928	2,369,054	0	0	18,455,039,645
5,690,616	10,667,530	7,600,066	0	25,908,176
589,344,468	889,930,078	247,963,402	0	2,836,485,340
0	*0*	*0*	*0*	*0*
589,344,468	*889,930,078*	*247,963,402*	*0*	*2,836,485,340*
7,967	0	0	314,753,802	316,493,916
0	0	0	0	0
324,680,197	991,161,817	218,071,901	0	2,034,068,527
49,431,006	91,417,119	204,908,258	0	345,756,383
3,169,942,652	1,990,038,553	696,623,335	314,753,802	27,734,480,515

31/12/22			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(1,949,381,374)	2,634,542,131	11,054,975,757	746,614,353

31/12/23			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(1,039,344,550)	4,139,218,376	9,788,221,418	565,637,550

he remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based

9.5. Market risk and Assets & Liabilities Management (ALM)

9.5.1. Treasury and financial markets activities

BIL's treasury and financial markets activities support the Bank's commercial activities.

Financial markets and treasury activities are subject to Value at Risk (VaR) and / or sensitivity limits.

TREASURY AND FINANCIAL MARKETS VALUE AT RISK – 99%, 10 DAYS

In 2023, BIL has calculated:

- a trading VaR based on a historical approach (99%, 10 days) limited to FOREX activities
- a treasury VaR based on a historical approach (99%, 10 days), which was reintroduced in 2022 notably to complement the treasury interest rate sensitivity (+100bp).

The VaR calculated for treasury and financial markets activities are detailed below. The average trading VaR was EUR 0.12 million in 2023, compared with EUR 0.09 million in 2022.

VaR (10 days, 99%) (in EUR million)		2022							
		Forex (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.09	0.07	0.10	0.11	0.15	0.28	0.55	0.70
	Maximum	0.29	0.14	0.16	0.22	0.24	0.49	0.73	1.18
Global Trading	Average	0.09				0.42			
	Maximum	0.29				1.18			
	End of period	0.12				1.13			
	Limit	2.00				1.50			

VaR (10 days, 99%) (in EUR million)		2023							
		Forex (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.12	0.14	0.08	0.16	0.90	0.98	1.19	1.05
	Maximum	0.25	0.29	0.24	0.20	1.16	1.39	1.28	1.20
Global Trading	Average	0.12				1.03			
	Maximum	0.29				1.39			
	End of period	0.17				1.04			
	Limit	1.00				6.00			

TREASURY: +1% SENSITIVITY

The treasury activity is subject to sensitivity limits.

Sensitivity (in EUR million)		2022				2023			
		+100bp interest rate sensitivity				+100bp interest rate sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Treasury	Sensitivity	6.18	3.62	7.03	4.06	7.70	2.54	3.20	3.78
	Limit	(9.00)				(9.00)			

9.5.2. ALM interest rate risk and credit spread risk

The ALM perimeter is subject to an interest-rate sensitivity limit.

In addition, positions within the investment portfolio perimeter are subject to a credit spread sensitivity measure.

ALM

The ALM interest rate and credit spread sensitivities are disclosed below (own funds are excluded):

Sensitivity (in EUR million)		2022							
		+100bp Interest rate sensitivity				+1bp credit spread sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(4)	16	2	(15)	(2)	(2)	(1)	(1)
	Limit	(90)				(90)			

Sensitivity (in EUR million)		2023							
		+100bp Interest rate sensitivity				+1bp credit spread sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(31)	(32)	(31)	(41)	(1)	(1)	(1)	(1)
	Limit	(90)							

The sensitivity of the interest rate is around (+1%) of ALM perimeter (own funds excluded).

The sensitivity of the credit spread is around (+1 bp).

9.6. Liquidity risk: breakdown by residual maturity

BIL's approach to liquidity risk management is described under point 4 of the note "Market risk" and "Assets & Liabilities Management (ALM)" section of the Consolidated Management Report.

The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received. Presented by residual maturity, excluding derivatives and off-balance sheet.

ASSETS	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	4,373,270,737	0	0	0	0	0	4,373,270,737
Financial assets held for trading	15,786,368	0	0	0	0	0	15,786,368
Financial investments measured at fair value	0	249,386,632	127,489	215,036,364	163,729,527	324,392,591	952,672,603
Financial investments measured at fair value through other comprehensive income	*0*	*249,386,632*	*127,489*	*215,036,364*	*163,729,527*	*296,653,005*	*924,933,017*
Financial investments designated at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*27,739,586*	*27,739,586*
Loans and advances to credit institutions	472,283,809	433,840,116	192,628,074	0	0	0	1,098,751,999
Loans and advances to customers	2,164,655,095	2,594,650,212	872,861,945	1,891,456,731	8,959,314,340	0	16,482,938,323
Financial investments measured at amortised cost	46,880,605	493,146,140	481,613,107	3,356,260,047	3,505,272,335	0	7,883,172,234
Derivatives	1,360,779	43,880,390	31,213,099	213,666,692	550,110,652	0	840,231,612
Fair value revaluation of portfolios hedged against interest rate risk	0	0	11,872	0	0	0	11,872
TOTAL	7,074,237,393	3,814,903,490	1,578,455,586	5,676,419,834	13,178,426,854	324,392,591	31,646,835,748

ASSETS	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	2,981,518,726	0	0	0	0	0	2,981,518,726
Financial assets held for trading	0	1,847,105	17,498,270	0	0	0	19,345,375
Financial investments measured at fair value	0	892,845	3,229,804	153,600,957	87,049,353	336,905,368	581,678,327
Financial investments measured at fair value through other comprehensive income	*0*	*892,845*	*3,229,804*	*153,600,957*	*87,049,353*	*306,122,526*	*550,895,485*
Financial investments designated at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*30,782,842*	*30,782,842*
Loans and advances to credit institutions	306,262,932	368,011,584	0	0	0	0	674,274,516
Loans and advances to customers	2,059,409,832	726,319,022	1,066,348,232	3,327,050,196	9,149,403,089	0	16,328,530,371
Financial investments measured at amortised cost	22,624,435	493,071,838	753,620,500	3,756,291,698	3,603,504,075	0	8,629,112,546
Derivatives	391,497	38,937,497	28,920,205	196,720,839	282,183,590	0	547,153,628
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
TOTAL	5,370,207,422	1,629,079,891	1,869,617,011	7,433,663,690	13,122,140,107	336,905,368	29,761,613,489

LIABILITIES	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	900,102,195	1,612,941,849	571,756,500	250,131,667	63,029,571	0	3,397,961,782
Amounts due to customers	16,283,284,917	2,592,423,398	1,757,888,068	403,670,546	3,685,387	0	21,040,952,316
Other financial liabilities	63,029	841,361	5,700,436	15,402,788	8,989,891	0	30,997,505
Financial liabilities measured at fair value through profit or loss	0	95,921,046	429,623,460	1,192,008,437	297,112,398	0	2,014,665,341
Liabilities held for trading	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Liabilities designated at fair value	*0*	*95,921,046*	*429,623,460*	*1,192,008,437*	*297,112,398*	*0*	*2,014,665,341*
Derivatives	0	94,678,443	75,678,069	120,986,636	127,344,458	0	418,687,606
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
Debt securities	0	382,981,780	491,775,238	1,544,841,111	234,450,391	0	2,654,048,520
Subordinated debts	0	0	0	0	243,236,959	0	243,236,959
TOTAL	17,183,450,141	4,779,787,877	3,332,421,771	3,527,041,185	977,849,055	0	29,800,550,029

LIABILITIES	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	592,759,086	2,625,160,748	419,920,966	6,867,656	76,020,072	0	3,720,728,528
Amounts due to customers	8,234,361,525	8,578,757,080	1,195,719,485	442,656,999	3,544,556	0	18,455,039,645
Other financial liabilities	0	1,949,965	5,646,238	10,711,908	7,600,066	0	25,908,177
Financial liabilities measured at fair value through profit or loss	378,785	111,919,182	752,924,128	1,715,865,500	255,397,745	0	2,836,485,340
Liabilities held for trading	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Liabilities designated at fair value	*378,785*	*111,919,182*	*752,924,128*	*1,715,865,500*	*255,397,745*	*0*	*2,836,485,340*
Derivatives	0	65,197,879	33,190,375	103,157,497	114,948,164	0	316,493,915
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
Debt securities	0	211,541,554	375,141,565	1,224,330,940	223,054,468	0	2,034,068,527
Subordinated debts	0	0	0	140,848,125	204,908,258	0	345,756,383
TOTAL	8,827,499,396	11,594,526,408	2,782,542,757	3,644,438,625	885,473,329	0	27,734,480,515

The column at sight or on demand corresponds to the sight deposits and savings accounts that are included in this item even though the reimbursement date is undetermined.

For amounts due to credit institutions, amounts due to customers, other financial liabilities, debt securities and subordinated debts: The amounts are presented discounted for financial assets and liabilities measured at amortised cost.

NET POSITION	31/12/22					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(10,109,212,748)	(964,884,387)	(1,753,966,185)	2,149,378,649	12,200,577,799	324,392,591

NET POSITION	31/12/23					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(3,457,291,974)	(9,965,446,517)	(912,925,746)	3,789,225,065	12,236,666,778	336,905,368

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Regular way trade	0	313,023,501	2,093,523	0	0	14,641,853	329,758,877
Guarantees	86,795,231	139,019,996	369,385,159	671,230,086	413,486,009	888,887,938	2,568,804,419
Loan commitments	588,232,699	50,031,758	321,402,776	612,858,812	852,154,516	1,156,149,197	3,580,829,758
Other commitments	2,498,154,537	1,151,698,834	534,103,762	2,234,072,650	8,886,287,732	238,747,311,863	254,051,629,378
TOTAL	3,173,182,467	1,653,774,089	1,226,985,220	3,518,161,548	10,151,928,257	240,806,990,851	260,531,022,432

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Regular way trade	0	1,719,986,717	59,411,277	52,492,852	1,282,929	0	1,833,173,775
Guarantees	72,230,550	111,349,268	354,275,319	332,197,455	780,479,028	82,190,392	1,732,722,012
Loan commitments	547,280,959	110,093,252	415,859,867	736,395,449	1,785,629,363	282,741,883	3,878,000,773
Other commitments	3,181,634,887	794,555,215	1,462,230,850	1,802,341,133	8,454,868,799	245,070,670,691	260,766,301,575
TOTAL	3,801,146,396	2,735,984,452	2,291,777,313	2,923,426,889	11,022,260,119	245,435,602,966	268,210,198,135

The column at sight or on demand corresponds to the sight deposits and savings accounts that are included in this item even though the reimbursement date is undetermined.

For amounts due to credit institutions, amounts due to customers, other financial liabilities, debt securities and subordinated debts: The amounts are presented discounted for financial assets and liabilities measured at amortised cost.

9.7. Currency risk

	31/12/22				
	EUR	Other EU currencies	USD	Other	Total
Assets	27,021,027,195	278,799,995	2,664,028,007	2,448,455,238	32,412,310,435
Liabilities	25,920,429,916	839,674,614	4,463,731,837	1,188,474,068	32,412,310,435
NET ON-BALANCE SHEET POSITION	1,100,597,279	(560,874,619)	(1,799,703,830)	1,259,981,170	0
Off-balance sheet – receivable	1,982,471,901	855,685,806	2,374,720,513	908,646,366	6,121,524,586
Off-balance sheet – payable	3,088,261,158	272,922,609	531,228,657	2,280,443,957	6,172,856,381
NET OFF-BALANCE SHEET POSITION	(1,105,789,257)	582,763,197	1,843,491,856	(1,371,797,591)	(51,331,795)

	31/12/23				
	EUR	Other EU currencies	USD	Other	Total
Assets	26,507,917,035	240,734,181	2,210,038,654	1,576,567,609	30,535,257,479
Liabilities	24,036,142,225	901,746,510	4,253,763,407	1,343,605,337	30,535,257,479
NET ON-BALANCE SHEET POSITION	2,471,774,810	(661,012,329)	(2,043,724,753)	232,962,272	0
Off-balance sheet – receivable	2,036,972,960	929,278,726	3,174,525,383	784,907,876	6,925,684,945
Off-balance sheet – payable	4,551,541,506	252,024,296	1,009,083,656	1,140,819,632	6,953,469,090
NET OFF-BALANCE SHEET POSITION	(2,514,568,546)	677,254,430	2,165,441,727	(355,911,756)	(27,784,145)

9.8. Solvency ratios

	31/12/22	31/12/23
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	1,881,055,131	2,040,208,829
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,462,818,172	1,531,296,607
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	1,133,454,698	1,130,411,619
Regulatory and transitional adjustments	(577,272,757)	(505,751,243)
ADDITIONAL TIER 1 CAPITAL (AT1)	175,000,000	175,000,000
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	243,236,959	333,912,221
Subordinated liabilities	243,236,959	333,912,221
RISK WEIGHTED ASSETS	10,425,514,075	11,451,115,846
Credit Risk	9,402,677,230	10,261,248,486
Market Risk	17,260,030	24,473,927
Operational Risk	1,000,537,499	1,153,604,348
Credit Value Adjustments	5,039,316	11,789,085
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	14.03%	13.37%
Tier 1 ratio	15.71%	14.90%
Capital Adequacy ratio	18.04%	17.82%
REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1		
Goodwill and intangible assets	(308,764,699)	(105,840,232)
Deferred tax assets that rely on future probability	(122,639,638)	(106,106,399)
Fair value reserves related to gains or losses cash flow hedges	(3,769,310)	(1,992,645)
Gains or losses on liabilities at fair value resulting from own credit risk	(1,160,554)	(1,812,138)
Other regulatory adjustments	(49,333,212)	(74,889,347)
Additional Value Adjustment	(90,827,753)	(71,510,339)
Transitional provisions related to introduction of IFRS 9	18,627,334	0
IRB shortfall	(1,910,925)	(129,917,143)
Defined benefit pension fund assets	(17,494,000)	(13,683,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	(577,272,757)	(505,751,243)

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.

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 30 September 2020.

The solvency ratios as at 31 December 2022 and published in the Consolidated Financial Statements as at 31 December 2022 were restated following the subsequent formal decision of the relevant body in charge on 27 April 2023, confirming the final profit or loss and the dividend distribution and allowing inclusion in Common Equity Tier 1 (CET1), the eligible result for the year 2022 for an amount of EUR 71,028,004.

Note 10: Additional information

10.1. 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, and based on the "clawback principle", claim 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 all claims (including Common Law Claims, Contract Claims and BVI Insolvency Claims) except for 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 other claims was appealed to the District Court (Judge Broderick) and Judge Broderick has affirmed the dismissals, in favour of BIL. The liquidators have appealed this decision to the Second Circuit Court of Appeals.

The only claim remaining against BIL is a claim for constructive trust (based on the allegation that BIL is a Knowledge Defendant). The Knowledge Defendants as a group appealed the decision declining to dismiss this claim, which was affirmed by the District Court. The Second Circuit Court of Appeals has accepted interlocutory appeal on this issue and consolidated this appeal with the earlier appeal so that they may be heard together. Briefing on these appeals was completed in November 2023.

In addition, in November 2021, BIL filed a motion in the Bankruptcy Court to dismiss the constructive trust claim for lack of personal jurisdiction. In connection with that motion, the Bankruptcy Court has allowed limited discovery on the issue of personal jurisdiction. The Liquidators have served discovery requests on BIL, amongst other banks, and BIL has produced documents in response to those requests. The Bankruptcy Court has in this respect ordered the deposition of a representative of the Bank to testify under oath about document preservation measures taken by the bank both at the time Madoff collapsed (December 2008) and at the time the Bank learned of the lawsuit (November 2010). The deposition, which is not unusual in US litigation, took place on the 14 December 2022. On 17 March 2023, the Bankruptcy Court granted certain motions for discovery sanctions with respect to, amongst others, BIL. On 2 May 2023, the Liquidators filed their opposition to BIL's motion to dismiss. That motion remains pending before the Bankruptcy Court.

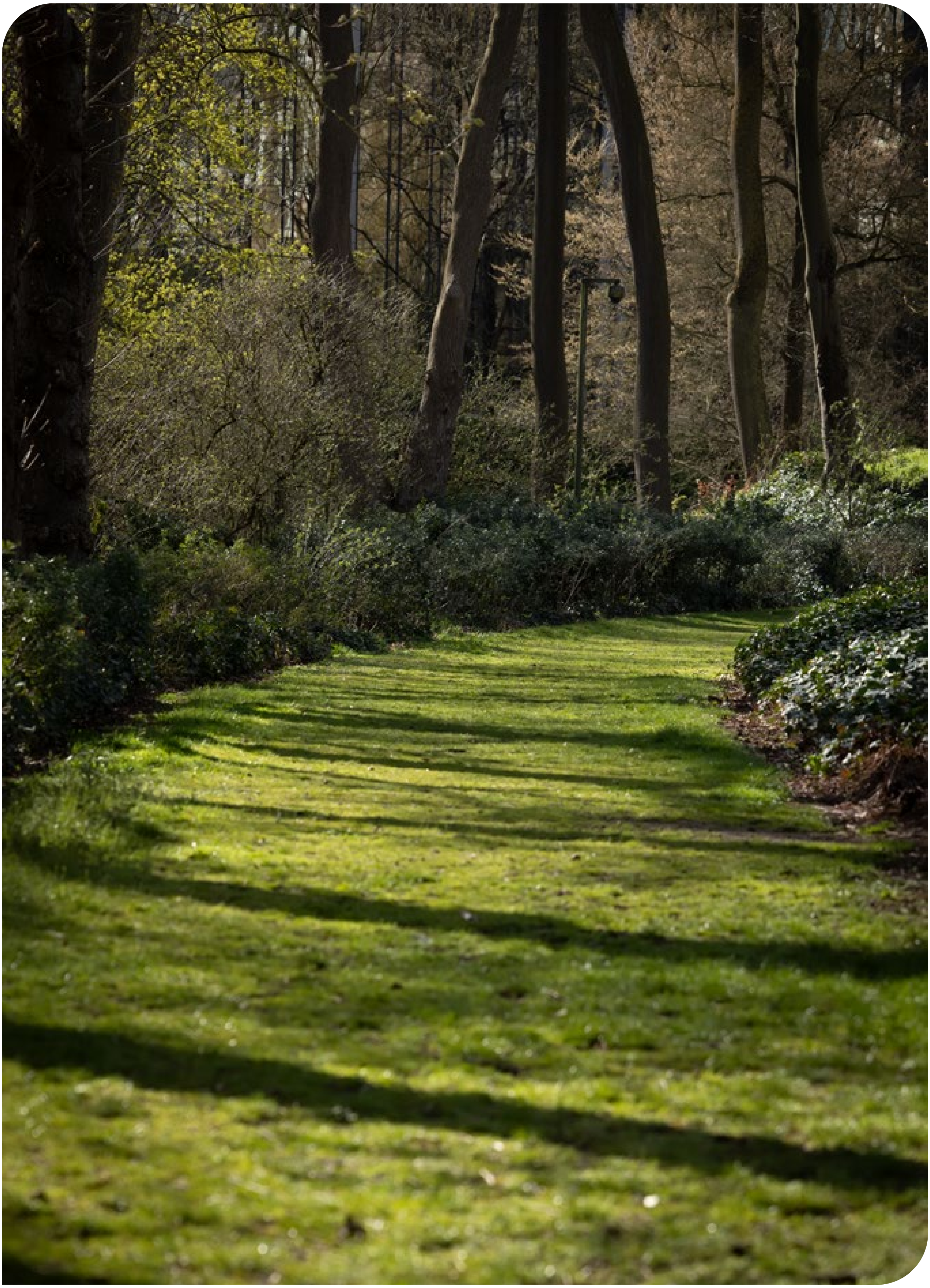
With regards to the Madoff subsequent transferee action: This action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality but the Second Circuit Court of Appeals reversed the decision in February 2019. Following an unsuccessful petition for certiorari (permission to appeal) to the US Supreme Court, this action has been returned to the Bankruptcy Court for further proceedings. The Bank filed a motion to dismiss with the Bankruptcy Court for lack of personal jurisdiction on 2 September 2022, which has been denied on 14 March 2023. This case is now in a discovery phase. Pursuant to a Case Management Plan agreed between the parties, fact discovery will continue until September 2025.

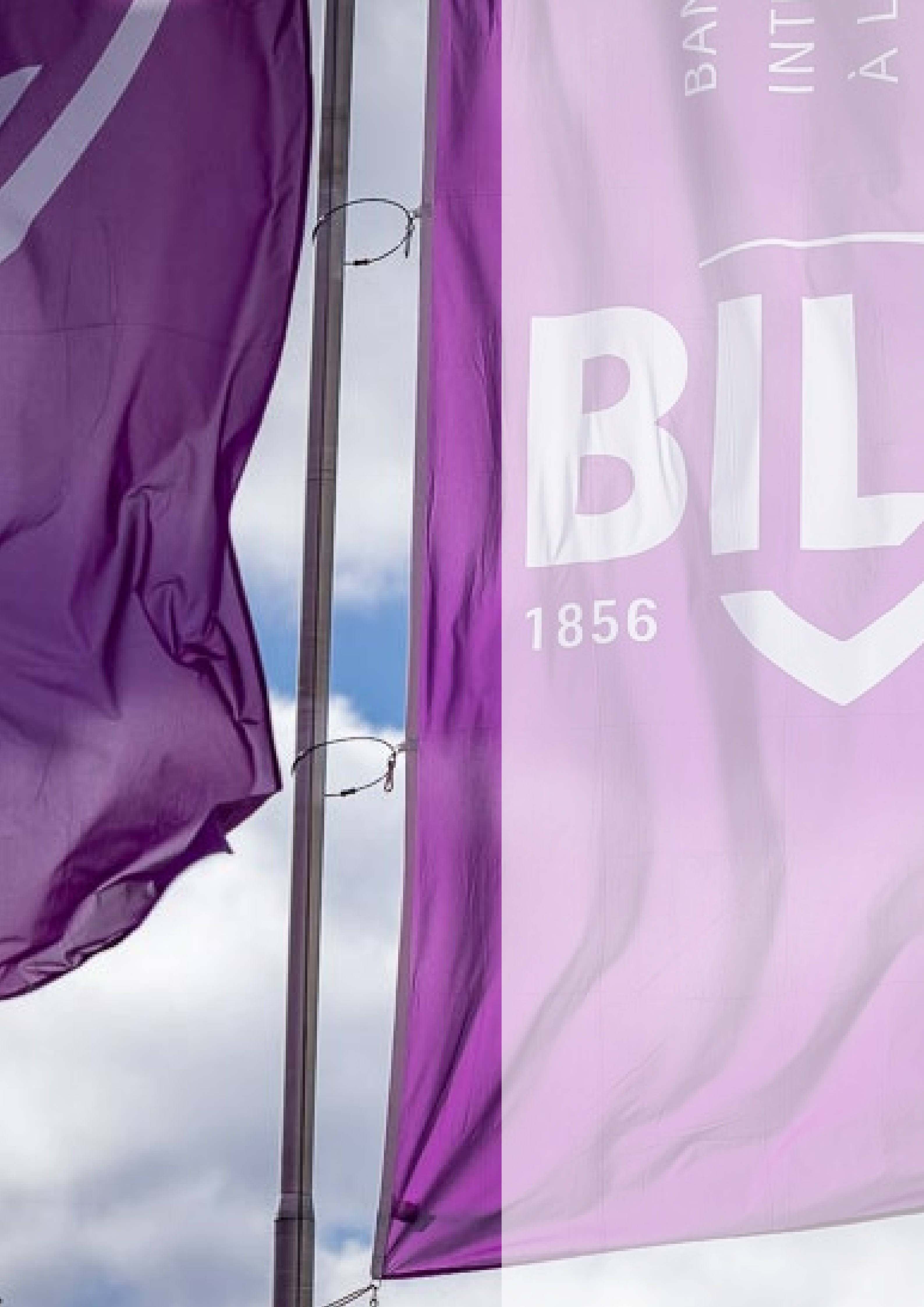
At this time, Banque Internationale à Luxembourg S.A. is not able to express a reasonable opinion on the duration or outcome of actions or on any potential financial impact.

As at 31 December 2023, no material provision for clawback actions has been made.

10.2. Post-balance sheet events

At the time of preparation of these consolidated financial statements, there have been no significant post-balance sheet events that could affect the financial or commercial situation of the Group subsequent to the closing date.

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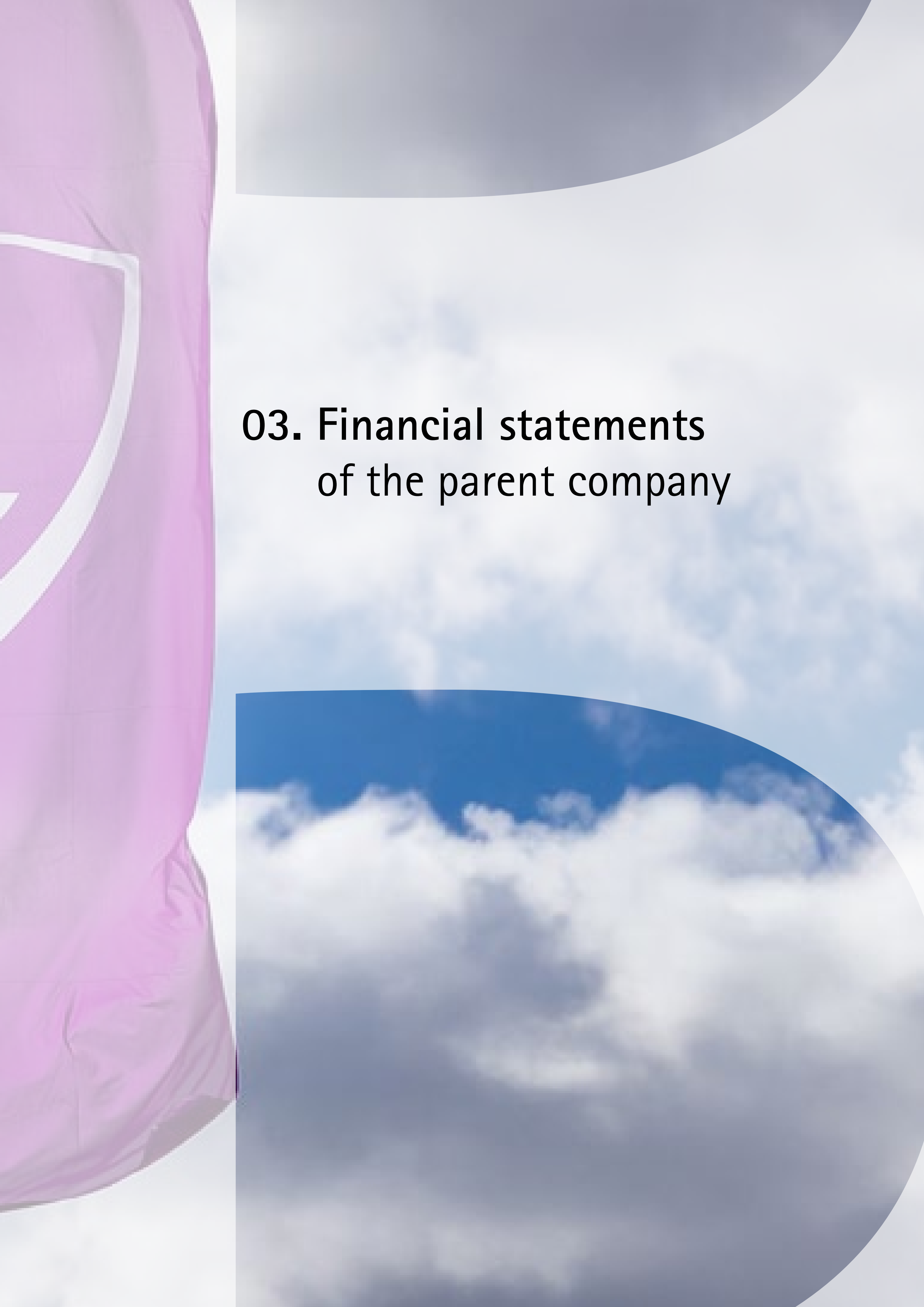


03. Financial statements of the parent company

To the Board of Directors of
Banque Internationale à Luxembourg

Report on the audit of the financial statements

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg (the "Bank") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Bank's financial statements comprise:

- The balance sheet as at 31 December 2023;
- The statement of income for the year then ended;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The cash flow statement for the year then ended; and
- The notes to the financial statements, including material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs)

as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 7.10. to the financial statements.

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Migration of the Core Banking System In 2023, Banque Internationale à Luxembourg (the "Bank") operated a significant transition by migrating its legacy Core Banking System to a new Core Banking System ("Temenos platform" or "T24"). The migration of this Core Banking System only took place within the Bank and not its subsidiaries. This migration involves mainly: • Transferring a large volume of customer data and financial records from the legacy system to the new platform; • Tailoring the new Core Banking System to the needs of the different business lines of the Bank; and • Setting-up new controls in order to ensure that the new Core Banking System, including the financial reporting process, is operating effectively. This migration marked a significant milestone in the future development of the Bank as the new Core Banking System serves as the new backbone for data aggregation, transaction processing, accounting, reporting, regulatory compliance, internal controls and risk management among others. We therefore considered this migration as a Key Audit Matter as it has a pervasive impact on the production of the stand-alone and consolidated financial statements. Refer to the Section 1 of the Business Review and Results of the consolidated management report for more information on this Core Banking System migration.	We evaluated management oversight over the Core Banking System migration: • Before, during and after the migration, we made direct observations of the Bank's migration committees and also inspected the minutes of these committees; and • For the selected business processes, we observed the rehearsals of the migration and inspected the testing performed, their documentation and their follow up/actions plan to verify that deviations from the expected test results were investigated and included in a remediation plan. We assessed the design and operating effectiveness of key controls across the processes relevant to the migration of the Core Banking System, on a sample basis, for the following controls: • Controls over the migration of static information (such as client identification data) and dynamic information (such as loans parameters); • Controls over the resolution of defects (for example business tests which failed during the rehearsals/pre-migration tests) and over incident management (post-migration); • Controls over the reconciliation of the accounting information performed at the migration date (encompassing completeness, integrity and accuracy of accounting information migrated); • Controls over the set-up of key reports under T24; • Controls over IT program changes and developments; • Controls over logical access to program and data including T24 logical access process; and • Controls over the existence of service level agreements and of Key Performance Indictors with IT third party providers (acting as support for T24). We also performed the following substantive audit procedures: • We tested the reconciliation between the accounting balance of the previous system and T24 accounting balance at the migration date; • We assessed the accounting operational changes brought by the implementation of T24; • We reconciled a sample of static and dynamic information between the legacy Core Banking System and T24; and • We tested key automated controls such as segregation of duties, interfacing with satellite applications and automated calculations that are relevant for our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of loans and advances to customers At 31 December 2023, the gross loans and advances to customers of the Bank amount to EUR 16,020.9 million against which an impairment of EUR 268.9 million is recorded (see Note 3.4. to the financial statements). A post-model adjustment for EUR 4.8 million remains applicable in 2023 (introduced in 2022) to consider the uncertainties linked to the actual economic environment by increasing the weight of the downside Expected Credit Loss ("ECL") scenario (see Note 8.2.1.3. to the financial statements). The Management Overlays "Outreach Programme overlay" and "Origination Date overlay" introduced in 2022 were reversed in 2023 as their impacts have directly been incorporated in the ECL models (thus eliminating the need for these overlays).	We tested on a sample basis the design and operating effectiveness of key controls across the processes relevant to the ECL calculation and impairment assessment. This included testing of: • Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level; • Controls over the incorporation of multiple economic scenarios related to ECL models by the Bank's Credit and Executive Committees; • Controls over quarterly ECL variation analysis; • Controls over the loan origination and monitoring processes; • Controls over the specific provision process and monitoring (as well as write-offs); • Controls over the monitoring of internal credit limits; • Controls over the monitoring of loans in litigation; • Inspection of Default Committee minutes and Special Mention List/Watch list; and • Inspection over the validation of ECL Management overlays and post-model adjustment by the Executive Committee.

KEY AUDIT MATTER

Impairment of loans and advances to customers (cont.)

The Bank has nevertheless accounted two new Management Overlays during the year 2023 in the context of successive increases in key rates since 2022:

- A first one, named "Minimum Disposable Income" ("MDI"), for EUR 11.4 million aimed at anticipating the risks of default on customers for which the MDI information is either missing or below the minimum threshold required by the Bank (see Note 8.2.1.3. to the financial statements); and
- A second one named "Outreach programme - bridge loans and maturing fixed-rate loans", for EUR 0.6 million which was implemented to anticipate the risks of default over bridge/bullet loans exposed to variable interest rates and over fixed-rate loan which rates will reset to prevailing market conditions during 2024 (see Note 8.2.1.3. to the financial statements).

The Bank has also updated its ECL model, mainly through:

1) The recalibration of the probability of default ("PD");

2) The introduction of a secured loss given default ("LGD") model exposures collateralised by mortgage;

3) The introduction of a new quantitative Significant Increase in Credit Risk ("SICR") that is based on the probability of default of a faciltiy as opposed to the its rating; and

4) The introduction of a Low Credit Risk Exemption ("LCRE").

(Refer to Note 8.2.1.3. to the consolidated financial statements).

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We also performed the following substantive audit procedures:

- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios especially considering the macro-economic context. This also included the assessment of significant updates made in the models during the year, namely:

  a) The IFRS 9 PD recalibration;

  b) The introduction of a secured LGD for exposures collateralised by a mortgage; and

  c) The introduction of a PD-based SICR and of the LCRE.
- We tested some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Bank.

We tested a sample of loans and advances (including but not only an extended sample of loans included into the Bank Credit Watchlist and/or classified on stage 3) as follows:

- Form our own assessment as to whether they are classified in the appropriate bucket. We examined in a critical manner the assumptions used by the Bank to determine estimated recovery from any underlying collateral;
- Perform testing over the accuracy of a sample of key input data linked to the credit activity (nominal, interest rates, beneficiaries);
- Perform testing on the valuation and validity of guarantees and collateral received by the Bank to secure its exposures; and
- Perform testing over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances.

KEY AUDIT MATTER

Impairment of loans and advances to customers (cont.)

We considered this as a Key Audit Matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Bank's Management. The Bank uses the following methods to assess the required impairment allowance:

- The ECL allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Bank in its ECL calculation process, model and tool; and
- For defaulted loans and advances, impairment is assessed individually on a regular basis.

In particular, the determination of impairment against loans and advances to customers requires:

- Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;
- Inputs and assumptions to estimate the impact of multiple economic scenarios;
- The use of expert judgments and estimates for the design and setup of the internal rating system which form the basis of the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9; and
- The use of expert judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.

Refer to the Accounting policy Note 1.6.5. to the consolidated financial statements and to the Notes 3.4. and 8.2. to the financial statements as well as Sections 2 and 6 of the Business Review and Results and Section 3 of the Risk Management parts of the consolidated management report.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

In light of the credit events linked to the current macro-economic context, and in addition to the above, we also performed specific procedures as follows:

- Test of a sample of credit files under the scope of management overlays to verify the accuracy and completeness of the underlying population; and
- Assessment of the ECL Management overlays and post-model adjustment methodology (including the mathematical accuracy of the amounts).

Finally, in the context of the migration of the Core Banking System of the Bank in 2023, we reconciled a sample of static (such as client identification data) and dynamic (such as loans parameters) information between the previous and the new Core Banking System at the migration date.

KEY AUDIT MATTER

Deferred tax assets recognition and impairment

As at 31 December 2023, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 112.8 million, of which EUR 108.3 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a foreign country (see Note 5.2. to the financial statements).

We considered this as a Key Audit Matter as the Bank makes forecast to determine the amount of tax losses carried forward which will be resorbed by future taxable profits. Those forecasts are based on subjective Bank's assumptions.

Refer to the Accounting policy Note 1.22. to the consolidated financial statements and to Note 5.2. to the financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following procedures:

- We obtained the Bank's budget for the year 2024, approved by the Board of Directors, and the business plan prepared by the Bank for the period 2025-2026 as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan;
- We assessed the consistency and reasonableness of these assumptions by taking into account the impacts of the macro-economic environment, including back-testing of the assumptions made at prior year end;
- We evaluated whether updates in the Luxembourg tax laws and regulations may have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former foreign country's branch, we inspected the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward; and
- We tested the arithmetical accuracy of the computations, including the corporate income tax rate used.

KEY AUDIT MATTER

Impairment of participation in Banque Internationale à Luxembourg (Suisse) SA

As at 31 December 2023, the Bank holds investment in its Subsidiary Banque Internationale à Luxembourg (Suisse) SA for EUR 173.6 million which is impaired for an amount of EUR 112.1 million and thus presenting a carrying amount of EUR 61.5 million (EUR 141.6 million after considering the fair value hedge adjustment) (see Note 3.8. to the financial statements).

The Bank uses the "Dividend Discount Model" approach to determine the recoverable amount. The assumptions are made by the Bank considering a three-year period forecast with a terminal value on the net distributable dividend.

We considered the impairment of this subsidiary as a Key Audit Matter as the Bank makes complex and subjective judgements in the determination of the recoverable amount of the investment.

Refer to the Accounting policy Note 1.2. to the financial statements and to Note 3.8. to the financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following procedures:

- We obtained the impairment valuation methodology applied by the Bank (including consideration of the current economic uncertainties);
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the nature of the activities of the investment;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model;
- We tested the arithmetical accuracy of the calculation performed by the Bank; and
- We benchmarked the Bank's valuation results against other methodologies commonly used.

KEY AUDIT MATTER

Fair value measurement using of level 3 inputs for equity investments

As at 31 December 2023, the fair value of level 3 equity investments measured at fair value through other comprehensive income amount to EUR 305.9 million (see Notes 3.6.1. to the financial statements).

We consider the valuation of such investments as inherently complex due to the unavailability of prices on an active market, the limited or unavailability of observable data and the impact of the current macro-economic uncertainties which increases uncertainty in some industries (including the airline industry).

Refer to the Accounting policy Notes 1.6.3.2. - 1.6.3.3. to the consolidated financial statements and to Notes 3.6.1., 3.8. and 8.1.2. to the financial statements.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We performed the following procedures:

- We obtained the fair valuation methodology applied by the Bank, specifically for an investment which operates in the airline industry. The latter valuation was mainly based on "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model which included, interalia, benchmarking key metrics; and
- We tested the arithmetical accuracy of the calculation performed by the Bank.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The Consolidated Management Report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report.

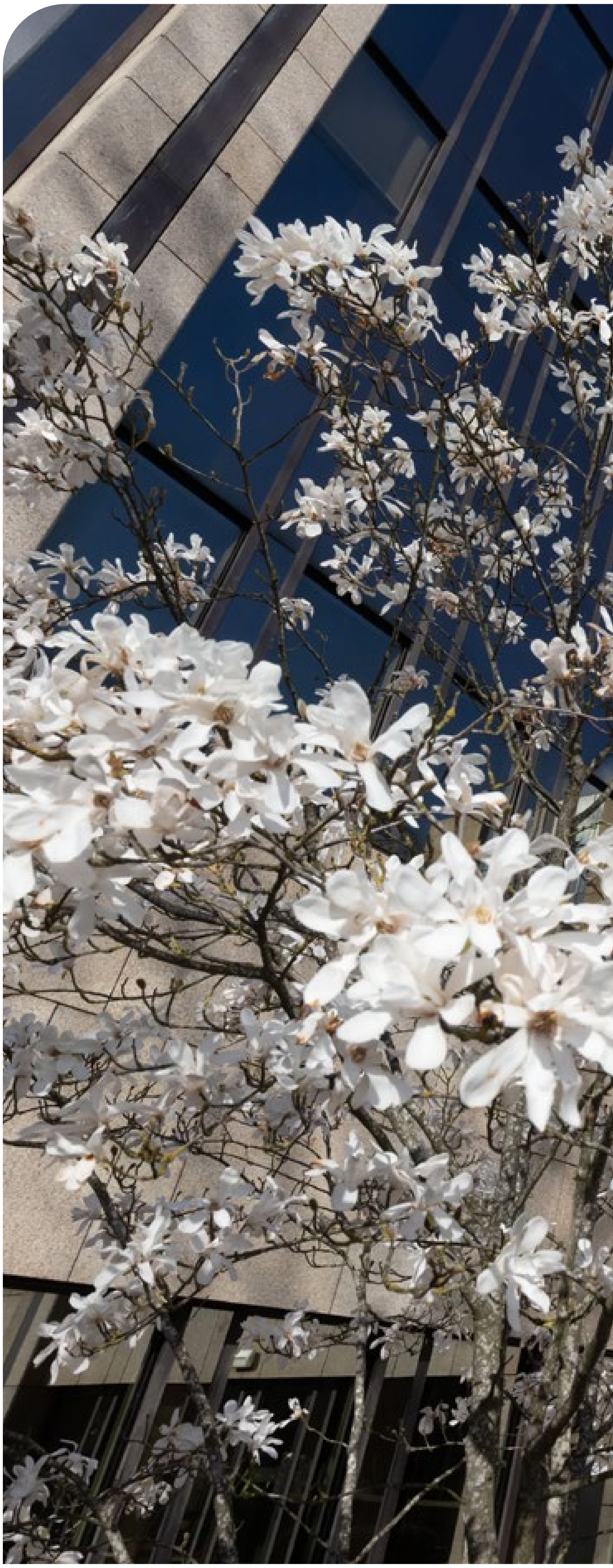
The information required by Article 70bis Paragraph (1) Letters c) and d) of the amended Law of 17 June 1992 on the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

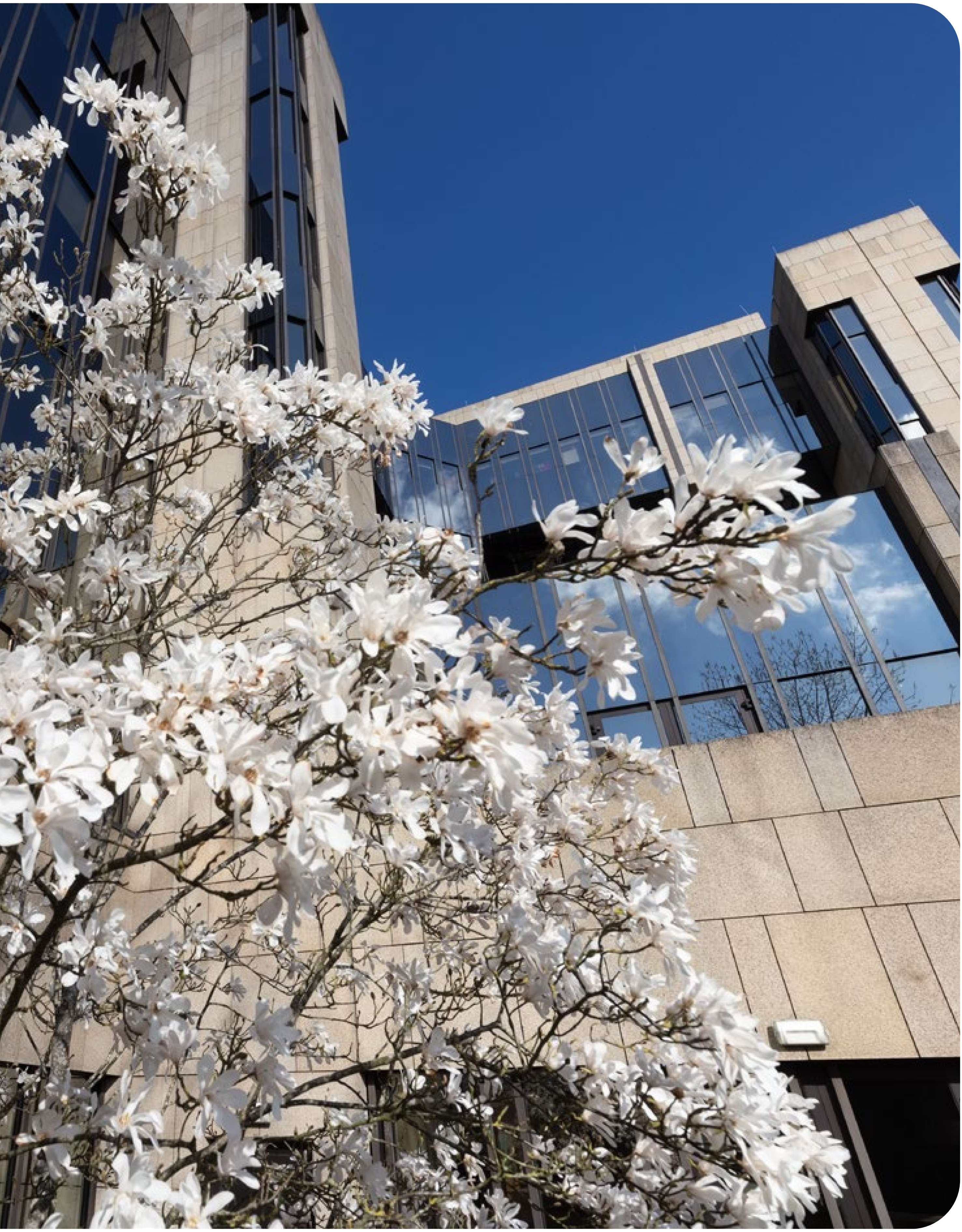
We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 16 December 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

Luxembourg, 28 March 2024

PricewaterhouseCoopers, Société coopérative
Represented by

Rima Adas | Antoine Marchon





Balance sheet

ASSETS	Notes	31/12/22	31/12/23
Cash, balances with central banks and demand deposits	3.2	4,209,854,738	2,901,120,265
Financial assets held for trading	3.5	15,786,368	19,345,375
Financial investments measured at fair value	3.6	914,290,670	539,413,704
Financial assets at fair value through other comprehensive income	*3.6.1*	*910,797,223*	*535,848,247*
Non-trading financial assets mandatorily at fair value through profit or loss	*3.6.2*	*3,493,447*	*3,565,457*
Loans and advances to credit institutions	3.3	1,223,546,498	995,443,920
Loans and advances to customers	3.4	15,935,814,253	15,752,009,139
Financial investments measured at amortised cost	3.7	7,600,820,995	8,389,047,608
Derivatives	5.1	840,415,059	546,535,513
Fair value revaluation of portfolios hedged against interest rate risk		11,872	0
Investments in subsidiaries and associates	3.8	160,755,179	166,136,742
Investment property	3.10	52,448,312	39,815,961
Property, plant and equipment	3.9	98,672,666	91,331,774
Intangible fixed assets and goodwill	3.11	301,974,775	342,169,972
Current tax assets	3.12	2,006	2,006
Deferred tax assets	3.12/5.2	150,831,073	127,237,269
Other assets	3.13	71,205,690	88,177,761
TOTAL ASSETS		31,576,430,154	29,997,787,009

The notes are an integral part of these financial statements.

LIABILITIES	Notes	31/12/22	31/12/23
Amounts due to credit institutions	4.1	3,409,894,719	3,735,451,909
Amounts due to customers	4.2	20,353,697,491	18,072,551,938
Other financial liabilities	4.3	13,167,318	10,544,690
Financial liabilities measured at fair value through profit or loss	4.4	2,014,665,341	2,836,485,340
Liabilities designated at fair value		*2,014,665,341*	*2,836,485,340*
Derivatives	5.1	416,425,803	315,303,064
Debt securities	4.5	2,654,048,520	2,034,068,527
Subordinated debts	4.6	243,236,959	345,756,383
Provisions and other obligations	4.7	43,403,934	48,553,076
Other liabilities	4.9	239,400,594	289,826,350
TOTAL LIABILITIES		29,387,940,679	27,688,541,277

SHAREHOLDERS' EQUITY	Notes	31/12/22	31/12/23
Subscribed capital	5.4	146,108,270	146,108,270
Share premium		760,527,961	760,527,961
Other equity instruments		174,315,856	174,550,419
Reserves and retained earnings		731,138,277	760,932,140
Net income		98,960,523	187,617,661
SHAREHOLDERS' EQUITY		**1,911,050,887**	**2,029,736,451**
Gains and losses not recognised in the statement of income		277,438,588	279,509,281
Financial instruments at fair value through other comprehensive income		*264,702,067*	*272,346,951*
Other reserves		*12,736,521*	*7,162,330*
EQUITY		**2,188,489,475**	**2,309,245,732**
TOTAL SHAREHOLDERS' EQUITY		2,188,489,475	2,309,245,732
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		31,576,430,154	29,997,787,009

The notes are an integral part of these financial statements.

Statement of income

	Notes	31/12/22	31/12/23
Interest and similar income	7.1	639 684 840	1 425 159 652
of which : Interest revenue calculated using the effective interest method		*473,724,018*	*1,157,284,625*
Interest and similar expenses	7.1	(298,588,943)	(916,720,228)
Dividend income	7.2	2,317,771	2,845,931
Net trading income	7.3	(146,275,432)	118,500,359
Net income on financial instruments measured at fair value and net result of hedge accounting	7.4	162,641,094	(101,901,032)
Net income on derecognition of financial instruments at amortised cost	7.5	29,180,240	8,285,066
Fee and commission income	7.6	221,747,903	208,393,483
Fee and commission expenses	7.6	(34,662,298)	(32,585,045)
Other net income	7.7	7,374,864	(19,703,925)
REVENUES		**583,420,039**	**692,274,261**
Staff expenses	7.8	(205,065,296)	(227,291,983)
General and administrative expenses	7.9	(146,491,017)	(172,397,455)
Amortisation of tangible, intangible and right-of-use assets	7.11	(51,505,696)	(51,369,446)
EXPENSES		**(403,062,009)**	**(451,058,884)**
GROSS OPERATING INCOME		**180,358,030**	**241,215,377**
Impairments	7.12	(69,191,218)	(27,929,196)
Net impairment on financial instruments and provisions for credit commitments	7.12.1	(15,606,629)	(26,727,977)
Net impairment on participations in consolidated companies	7.12.2	(53,584,589)	0
Net impairment of tangible, intangible and right-of-use assets		0	(1,201,219)
Provisions for legal litigations	7.13	(774,014)	(38,779)
NET INCOME BEFORE TAX		**110,392,798**	**213,247,402**
Tax expenses	7.14	(11,432,275)	(25,629,741)
NET INCOME		**98,960,523**	**187,617,661**
Return on assets		0.31%	0.63%

The notes are an integral part of these financial statements.

Statement of comprehensive income

	31/12/22	31/12/23
NET INCOME RECOGNISED IN THE STATEMENT OF INCOME	98,960,523	187,617,661
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	46,673,838	2,070,693
Items that will not be reclassified to profit or loss	**53,669,013**	**4,289,161**
Actuarial gains (losses) on defined benefit pension plans	829,111	(5,486,304)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	1,541,036	868,083
Fair value changes of equity instruments measured at fair value through other comprehensive income	51,764,841	8,108,464
Fair value changes of land and buildings - transfer to investment property	111,685	(441,101)
Tax on items that will not be reclassified to profit or loss	(577,660)	1,240,019
Items that may be reclassified to profit or loss	**(6,995,175)**	**(2,218,468)**
Translation adjustments	222,605	0
Gains (losses) on cash flow hedge	3,645,848	(2,366,993)
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(13,261,862)	(588,600)
Tax on items that may be reclassified to profit or loss	2,398,234	737,125
TOTAL COMPREHENSIVE INCOME, NET OF TAX	145,634,361	189,688,354

The notes are an integral part of these financial statements.

Statement of changes in equity

SHAREHOLDERS' EQUITY	Subscribed capital	Share premium	Other equity instruments	Reserves and retained earnings	Net income	Shareholders' equity
As at 01/01/22	146,108,270	760,527,961	174,081,292	657,129,815	101,618,197	1,839,465,535
Dividend paid	0	0	0	(18,054,808)	0	(18,054,808)
Classification of income	0	0	0	101,618,197	(101,618,197)	0
Coupon on Additional Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Other movements	0	0	234,564	(356,168)	0	(121,604)
Realised performance on equities at fair value through other comprehensive income	0	0	0	(11,259)	0	(11,259)
Net income	0	0	0	0	98,960,523	98,960,523
As at 31/12/22	146,108,270	760,527,961	174,315,856	731,138,277	98,960,523	1,911,050,887

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments	Gains and losses not recognised in the statement of income
As at 01/01/22	222,850,271	1,032,736	7,104,348	(222,605)	230,764,750
Net change in fair value through equity - fair value through other comprehensive income	41,851,796	0	0	0	41,851,796
Net change in fair value through equity - cash flow hedges	0	(909,274)	0	0	(909,274)
Revaluation of investment properties upon reclassification from property, plant and equipment	0	0	83,831	0	83,831
Translation adjustments	0	3,639,059	0	15,944	3,655,003
Cash flow hedge + Break in hedging	0	6,789	0	0	6,789
Net change in other reserves	0	0	1,779,032	0	1,779,032
Other movements	0	0	0	206,661	206,661
As at 31/12/22	264,702,067	3,769,310	8,967,211	0	277,438,588

The "Other equity instruments" are mainly composed of an additional tier 1 instrument (AT1) issued on 14 November 2019 for a gross amount of EUR 175,000,000. This AT1 is classified as an "Other equity instrument" in accordance with IAS 32. It is qualified as AT1 regulatory Capital requirement Directive (CRD). The amount presented is net of issuance costs.

The reserves and retained earnings include a legal reserve of EUR 14.6 million.

The translation adjustments comprise an amount of EUR -9,450 relating to net investment hedges linked to foreign exchange differences in investments.

The notes are an integral part of these financial statements.

SHAREHOLDERS' EQUITY	Subscribed capital	Share premium	Other equity instruments	Reserves and retained earnings	Net income	Shareholders' equity
As at 01/01/23	146,108,270	760,527,961	174,315,856	731,138,277	98,960,523	1,911,050,887
Dividend paid	0	0	0	(60,008,754)	0	(60,008,754)
Classification of income	0	0	0	98,960,523	(98,960,523)	0
Coupon on Additional Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Other movements	0	0	234,563	206,539	0	441,102
Realised performance on equities at fair value through other comprehensive income	0	0	0	(176,945)	0	(176,945)
Net income	0	0	0	0	187,617,661	187,617,661
As at 31/12/23	146,108,270	760,527,961	174,550,419	760,932,140	187,617,661	2,029,736,451

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Other reserves	Translation adjustments	Gains and losses not recognised in the statement of income
As at 01/01/23	264,702,067	3,769,310	8,967,211	0	277,438,588
Net change in fair value through equity - fair value through other comprehensive income	7,644,884	0	0	0	7,644,884
Net change in fair value through equity - cash flow hedges	0	(1,776,665)	0	0	(1,776,665)
Revaluation of investment properties upon reclassification from property, plant and equipment	0	0	(331,090)	0	(331,090)
Net change in other reserves	0	0	(3,466,436)	0	(3,466,436)
As at 31/12/23	272,346,951	1,992,645	5,169,685	0	279,509,281

The "Other equity instruments" are mainly composed of an additional tier 1 instrument (AT1) issued on 14 November 2019 for a gross amount of EUR 175,000,000. This AT1 is classified as an "Other equity instrument" in accordance with IAS 32. It is qualified as AT1 regulatory Capital requirement Directive (CRD). The amount presented is net of issuance costs.

The reserves and retained earnings include a legal reserve of EUR 14.6 million.

The notes are an integral part of these financial statements.

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

Cash flow statement

	Notes	31/12/22	31/12/23
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		98,960,523	187,617,661
Adjustment for:			
- Depreciation and amortisation	3.9/3.11/7.11	51,505,696	51,369,446
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		0	1,201,219
- Impairment on bonds and other assets	7.12	46,060,643	(3,519,749)
- Net gains / (losses) on investments	7.4/7.5	4,435,495	(4,220,559)
- Provisions (including ECL)	4.7/7.12	15,899,042	(22,931,022)
- Change in unrealised gains / (losses)	7.3	(23,505,093)	5,403,222
- Deferred taxes	7.14	11,432,486	25,629,741
- Changes in operating assets and liabilities		(1,138,106,043)	(1,581,748,185)
Transactions related to interbank and customers transactions		*(447,998,622)*	*(1,684,482,297)*
Transactions related to other financial assets and liabilities		*(729,102,709)*	*22,221,437*
Transactions related to other non-financial assets and liabilities		*38,995,288*	*80,512,675*
NET CASH FLOW FROM OPERATING ACTIVITIES		(933,317,251)	(1,509,211,547)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	3.9/3.11	(106,006,775)	(89,319,705)
Sale of fixed assets	3.9/3.11	457,631	4,600,660
Purchase of shares		(3,512,179)	(1,121,667)
Sale of shares		(15,000)	280,014
Capital increase on subsidiaries		(4,061,963)	(1,500,000)
Sale/Liquidation of subsidiaries		(4,112,192)	7,503,668
NET CASH FLOW FROM INVESTING ACTIVITIES		(117,250,478)	(79,557,030)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		0	100,000,000
Payments on lease liabilities		(792,577)	(2,793,165)
Dividend paid		(18,054,808)	(60,008,754)
NET CASH FLOW FROM FINANCING ACTIVITIES		(18,847,385)	37,198,081
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(1,069,415,114)	(1,383,557,175)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		5,828,163,794	4,758,748,421
Net cash flow from operating activities		(933,317,251)	(1,341,198,226)
Net cash flow from investing activities		(117,250,478)	(79,557,030)
Net cash flow from financing activities		(18,847,385)	37,198,081
Effect of change in exchange rate on cash and cash equivalents		(259)	0
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	3.1	4,758,748,421	3,375,191,246
ADDITIONAL INFORMATION			
Taxes paid	7.14	211	0
Dividends received	7.2	2,317,771	2,845,931
Interest received		610,899,950	1,357,243,998
Interest paid		(266,341,384)	(827,995,932)

The notes are an integral part of these financial statements.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at 01/01/22	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/22
Subordinated debts	238,292,425	0	0	5,463,435	0	243,755,860
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	174,081,292	0	0	0	234,564	174,315,856

	As at 01/01/23	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/23
Subordinated debts	243,755,860	100,000,000	0	(6,256,019)	0	337,499,841
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	174,315,856	0	0	0	234,563	174,550,419

The notes are an integral part of these financial statements.

Notes to the financial statements of the parent company

PRESENTATION OF THE FINANCIAL STATEMENTS

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

Note 8

Notes on risk exposures and other information on financial instruments

Note 9

Additional information

Note 1: Material accounting policies of the financial statements

The material accounting policies applying to the parent company's financial statements are explained in detail in the note 1 to the consolidated financial statements herein except for specific information hereunder that applies solely to the parent's financial statements.

PRESENTATION OF THE 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 financial statements. This rule applies to the presentation of the balance sheet, the statement of income, the statement of comprehensive income, the statement of changes in equity, the cash flow statement as well as to the notes to the financial statements.

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

SPECIFIC INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY:

1.1. Statement of compliance

BIL's financial statements (parent company) have been prepared in accordance with all IFRS accounting standards as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to 31 December 2023 in accordance with the regulation applicable in Luxembourg and in particular the modified law of 17 June 1992 on the annual accounts of credit institutions.

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

1.2. Investment in subsidiaries and associates

MEASUREMENT OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in subsidiaries fully consolidated are measured at cost and investments in associates are measured at fair value through other comprehensive income in accordance with IAS 27. The requirements of IAS 36 Impairment of assets apply to investments in subsidiaries measured at cost.

HEDGING OF CONSOLIDATED PARTICIPATIONS DENOMINATED IN FOREIGN CURRENCY MEASURED AT COST

For its consolidated participations denominated in foreign currency and measured at cost, the Bank applied the fair value hedge in accordance with IAS 39 to hedge against the currency risk.

The carrying values of consolidated participations that are measured at cost and that are hedged items in fair value hedges are adjusted to record changes in fair value attributable to the currency risks that are hedged.

Note 2: List of subsidiaries and associates

			31/12/22	31/12/23	
NAME	Country	Activity	% of capital held	% of capital held	Ref
Head office and branches					
Banque Internationale à Luxembourg S.A.	Luxembourg	bank			
Subsidiaries					
Banque Internationale à Luxembourg (Suisse) S.A.	Switzerland	bank	100	100	
Belair House S.A.	Luxembourg	financial services	100	100	(1)
BIL Manage Invest S.A.	Luxembourg	financial services	100	100	
BIL Private Invest Management S.à r.l.	Luxembourg	financial services	100	100	
BIL Reinsurance S.A.	Luxembourg	financial services	100	100	
BIL Wealth Management Limited	China	financial services	100	100	
Biltrust Limited	Guernsey	financial services	100	100	
IB Finance S.A.	Luxembourg	financial services	100		(2)
Private II Wealth Management S.à r.l.	Luxembourg	financial services	100	100	
Société du 25 juillet 2013 S.A. (in liquidation)	France	financial services	100	100	
Société Luxembourgeoise de Leasing - BIL-LEASE S.A.	Luxembourg	leasing	100	100	
Associates					
Europay Luxembourg, société coopérative	Luxembourg	financial services	46.67	46.67	

(1) As at 17 January 2024, Belair House S.A. is no longer licensed as Family Office.

(2) IB Finance S.A. was liquidated on 19 December 2023

Note 3: Notes on the assets of the balance sheet

3.1. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

ANALYSIS BY NATURE	31/12/22	31/12/23
Cash and balances with central banks	4,058,403,853	2,684,454,399
Other demand deposits	151,316,728	215,190,522
Loans and advances to credit institutions	549,027,840	475,546,325
TOTAL	4,758,748,421	3,375,191,246

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should the interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Financial assets designated at fair value and financial assets held for trading have also been excluded.

Cash and balances with central banks include the mandatory reserves deposited by credit institutions with the Central Bank of Luxembourg or other central banks. The average minimum requirement amounts to EUR 229,431,372 for the period from 21 December 2022 to 7 February 2023 and amounts to EUR 219,015,678 for the period from 20 December 2023 to 30 January 2024.

3.2. Cash and balances with central banks and demand deposits

	31/12/22		
ANALYSIS BY NATURE	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash in hand	50,327,091	0	50,327,091
Balances with central banks other than mandatory reserve deposits	3,831,948,765	0	3,831,948,765
Mandatory reserve deposits	176,367,495	0	176,367,495
Other demand deposits	151,316,728	(105,341)	151,211,387
TOTAL	4,209,960,079	(105,341)	4,209,854,738
of which included in cash and cash equivalents	*4,209,720,581*	*0*	*4,209,720,581*

	31/12/23		
ANALYSIS BY NATURE	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash in hand	67,699,978	0	67,699,978
Balances with central banks other than mandatory reserve deposits	2,452,486,728	(949)	2,452,485,779
Mandatory reserve deposits	165,775,209	0	165,775,209
Other demand deposits	215,190,542	(31,243)	215,159,299
TOTAL	2,901,152,457	(32,192)	2,901,120,265
of which included in cash and cash equivalents	*2,899,644,921*	*0*	*2,899,644,921*

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	4,209,408,678	(55,806)	4,209,352,872
Stage 2	551,401	(49,535)	501,866
Stage 3	0	0	0
TOTAL	4,209,960,079	(105,341)	4,209,854,738

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	2,901,020,538	(28,638)	2,900,991,900
Stage 2	131,919	(3,554)	128,365
Stage 3	0	0	0
TOTAL	2,901,152,457	(32,192)	2,901,120,265

3.3. Loans and advances to credit institutions

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash collateral	444,100,381	0	444,100,381
Reverse repurchase agreements	304,748,203	0	304,748,203
Loans and other advances	475,743,716	(1,050,722)	474,692,994
Impaired loans and other advances	5,772	(852)	4,920
TOTAL	1,224,598,072	(1,051,574)	1,223,546,498
of which included in cash and cash equivalents	*549,027,840*	*0*	*549,027,840*

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash collateral	242,881,485	0	242,881,485
Reverse repurchase agreements	313,546,016	0	313,546,016
Loans and other advances	439,137,977	(121,558)	439,016,419
TOTAL	995,565,478	(121,558)	995,443,920
of which included in cash and cash equivalents	*475,546,325*	*0*	*475,546,325*

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	1,224,592,091	(1,050,690)	1,223,541,401
Stage 2	209	(32)	177
Stage 3	5,772	(852)	4,920
TOTAL	1,224,598,072	(1,051,574)	1,223,546,498

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	995,563,776	(121,478)	995,442,298
Stage 2	1,702	(80)	1,622
Stage 3	0	0	0
TOTAL	995,565,478	(121,558)	995,443,920

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

3.4. Loans and advances to customers

All loans and advances to customers are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY COUNTERPART	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	21,274,135	(1,407)	21,272,728
Other	16,206,074,423	(291,532,898)	15,914,541,525
TOTAL	16,227,348,558	(291,534,305)	15,935,814,253

ANALYSIS BY COUNTERPART	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	36,939,146	(133,040)	36,806,106
Other	15,984,028,799	(268,825,766)	15,715,203,033
TOTAL	16,020,967,945	(268,958,806)	15,752,009,139

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	1,364,923,666	(10,974,820)	1,353,948,845
Other term loans	14,862,424,892	(280,559,485)	14,581,865,408
of which: loans collateralised by immovable property	*11,913,992,514*	*(151,297,707)*	*11,762,694,807*
of which: consumer credits	*214,001,382*	*(7,757,363)*	*206,244,019*
TOTAL	16,227,348,558	(291,534,305)	15,935,814,253

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	1,537,421,579	(129,295,751)	1,408,125,828
Other term loans	14,483,546,366	(139,663,055)	14,343,883,311
of which: loans collateralised by immovable property	*11,419,580,318*	*(109,634,837)*	*11,309,945,481*
of which: consumer credits	*211,910,320*	*(9,419,023)*	*202,491,297*
TOTAL	16,020,967,945	(268,958,806)	15,752,009,139

The figures of analysis by nature presented as at 31 December 2022 have been reclassified to ensure the comparability with the figures as at 31 December 2023.

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	12,602,106,337	(45,574,470)	12,556,531,867
Stage 2	3,065,782,597	(32,424,405)	3,033,358,192
Stage 3	559,459,624	(213,535,430)	345,924,194
TOTAL	16,227,348,558	(291,534,305)	15,935,814,253

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	13,404,947,191	(37,840,240)	13,367,106,951
Stage 2	1,846,371,587	(22,147,905)	1,824,223,682
Stage 3	769,649,167	(208,970,661)	560,678,506
TOTAL	16,020,967,945	(268,958,806)	15,752,009,139

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

3.5. Financial assets held for trading

ANALYSIS BY COUNTERPART	31/12/22	31/12/23
Public sector	0	992,584
Credit institutions	15,786,368	18,352,791
Other	0	0
TOTAL	15,786,368	19,345,375

ANALYSIS BY NATURE	31/12/22	31/12/23
Bonds issued by public bodies	0	992,584
Other bonds and fixed-income instruments	15,786,368	18,352,791
TOTAL	15,786,368	19,345,375

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 9.4, 9.5 and 9.6

3.6. Financial investments measured at fair value

	31/12/22	31/12/23
Financial investments at fair value through other comprehensive income	910,797,223	535,848,247
Non-trading financial investments mandatorily at fair value through profit or loss	3,493,447	3,565,457
TOTAL	914,290,670	539,413,704

3.6.1. Financial investments at fair value through other comprehensive income

ANALYSIS BY COUNTERPART	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	295,318,292	(3,369)	295,314,923
Debt securities	*295,318,292*	*(3,369)*	*295,314,923*
Credit institutions	304,886,722	(166,021)	304,720,701
Debt securities	*304,886,722*	*(166,021)*	*304,720,701*
Other	310,765,698	(4,099)	310,761,599
Debt securities	*14,134,498*	*(4,099)*	*14,130,399*
Equity instruments	296,631,200		296,631,200
TOTAL	910,970,712	(173,489)	910,797,223

ANALYSIS BY COUNTERPART	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	0	0	0
Debt securities	*0*	*0*	*0*
Credit institutions	189,939,978	(24,209)	189,915,769
Debt securities	*189,939,978*	*(24,209)*	*189,915,769*
Other	345,938,446	(5,968)	345,932,478
Debt securities	*40,016,425*	*(5,968)*	*40,010,457*
Equity instruments	305,922,021		305,922,021
TOTAL	535,878,424	(30,177)	535,848,247

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	295,318,292	(3,369)	295,314,923
Other bonds and fixed-income instruments	319,021,220	(170,120)	318,851,100
Equity and variable-income instruments	296,631,200		296,631,200
TOTAL	910,970,712	(173,489)	910,797,223

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	0	0	0
Other bonds and fixed-income instruments	229,956,403	(30,177)	229,926,226
Equity and variable-income instruments	305,922,021		305,922,021
TOTAL	535,878,424	(30,177)	535,848,247

ANALYSIS BY STAGE (DEBT INSTRUMENTS)	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	614,339,512	(173,489)	614,166,023
Stage 2	0	0	0
Stage 3	0	0	0
TOTAL	614,339,512	(173,489)	614,166,023

ANALYSIS BY STAGE (DEBT INSTRUMENTS)	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	229,956,403	(30,177)	229,926,226
Stage 1	0	0	0
Stage 1	0	0	0
TOTAL	229,956,403	(30,177)	229,926,226

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

3.6.2. Non-trading financial investments mandatorily at fair value through profit or loss

ANALYSIS BY COUNTERPART	31/12/22	31/12/23
Public sector	0	0
Credit institutions	0	0
Other	3,493,447	3,565,457
TOTAL	3,493,447	3,565,457

ANALYSIS BY NATURE	31/12/22	31/12/23
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	3,493,447	3,565,457
TOTAL	3,493,447	3,565,457

QUALITATIVE ANALYSIS

see Note 8.2 and 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

3.7. Financial investments measured at amortised cost

ANALYSIS BY COUNTERPART	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	4,348,938,960	(3,382,529)	4,345,556,431
Credit institutions	2,029,528,694	(2,610,157)	2,026,918,537
Other	1,231,150,211	(2,804,184)	1,228,346,027
TOTAL	7,609,617,865	(8,796,870)	7,600,820,995

ANALYSIS BY COUNTERPART	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	5,333,976,327	(1,297,143)	5,332,679,184
Credit institutions	1,824,721,399	(166,634)	1,824,554,765
Other	1,233,681,504	(1,867,845)	1,231,813,659
TOTAL	8,392,379,230	(3,331,622)	8,389,047,608

ANALYSIS BY NATURE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	4,348,938,960	(3,382,529)	4,345,556,431
Other bonds and fixed-income instruments	3,260,678,905	(5,414,341)	3,255,264,564
TOTAL	7,609,617,865	(8,796,870)	7,600,820,995

ANALYSIS BY NATURE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	5,333,976,326	(1,297,143)	5,332,679,183
Other bonds and fixed-income instruments	3,058,402,904	(2,034,479)	3,056,368,425
TOTAL	8,392,379,230	(3,331,622)	8,389,047,608

ANALYSIS BY STAGE	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	7,564,027,536	(8,333,466)	7,555,694,070
Stage 2	45,590,329	(463,404)	45,126,925
Stage 3	0	0	0
TOTAL	7,609,617,865	(8,796,870)	7,600,820,995

ANALYSIS BY STAGE	31/12/23		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	8,274,251,195	(2,737,394)	8,271,513,801
Stage 2	118,128,035	(594,228)	117,533,807
Stage 3	0	0	0
TOTAL	8,392,379,230	(3,331,622)	8,389,047,608

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

3.8. Investments in subsidiaries (measured at cost)

	31/12/22	31/12/23
NET CARRYING VALUE	160,755,179	166,136,742

	31/12/22		
	Banks	Other	Total
Gross carrying amount	173,670,993	36,471,461	210,142,454
Fair value hedge adjustment	71,555,614	478,804	72,034,418
Impairment	(112,089,610)	(9,332,083)	(121,421,693)
NET CARRYING AMOUNT	133,136,997	27,618,182	160,755,179

	31/12/23		
	Banks	Other	Total
Gross carrying amount	173,670,993	33,924,301	207,595,294
Fair value hedge adjustment	79,995,292	(32,151)	79,963,141
Impairment	(112,089,610)	(9,332,083)	(121,421,693)
NET CARRYING AMOUNT	141,576,675	24,560,067	166,136,742

In December 2020, the Bank booked an impairment on its fully-owned subsidiary, BIL Suisse, of EUR -53,289,978. At 31 December 2022, the Bank booked an additional impairment of EUR -58,799,637, bringing the total impairment to EUR -112,089,610. The recoverable amount of BIL Suisse was based on a discounted cash-flows model ("dividend discount model" valuation methodology) (which effectively represents a fair value less costs of disposal approach). The trigger for impairment at 31 December 2022 is related to a review of the business plan of BIL Suisse and the increase of the cost of equity (discount rate) used in the dividend discount model. There is no trigger identified in 2023 for an additional impairment or reversal of impairment of the participation in BIL Suisse.

3.9. Property, plant and equipment

	Land and buildings		Office furniture and other equipment	Total
	Own use owner	Right-of-use	Own use owner	
ACQUISITION COST AS AT 01/01/22	316,596,397	21,588,634	130,253,925	468,438,956
- Acquisitions	3,719,775	2,693,730	4,223,192	10,636,697
- Transfers and cancellations	(5,683,412)	(2,572,075)	(1,052,765)	(9,308,252)
- Translation adjustments	0	0	(294)	(294)
ACQUISITION COST AS AT 31/12/22 (A)	314,632,760	21,710,289	133,424,058	469,767,107
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/22	(239,036,517)	(8,213,336)	(118,142,812)	(365,392,665)
- Booked	(7,711,366)	(3,128,366)	(3,258,265)	(14,097,997)
- Transfers and cancellations	5,020,519	2,314,643	1,060,765	8,395,927
- Translation adjustments	0	0	294	294
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/22 (B)	(241,727,364)	(9,027,059)	(120,340,018)	(371,094,441)
NET CARRYING VALUE AS AT 31/12/22 (A) + (B)	72,905,396	12,683,230	13,084,040	98,672,666

	Land and buildings		Office furniture and other equipment	Total
	Own use owner	Right-of-use	Own use owner	
ACQUISITION COST AS AT 01/01/23	314,632,760	21,710,289	133,424,058	469,767,107
- Acquisitions	5,051,714	405,166	2,166,331	7,623,211
- Disposals	(1,542,020)	0	(42,968)	(1,584,988)
- Transfers and cancellations	0	(86,883)	0	(86,883)
ACQUISITION COST AS AT 31/12/23 (A)	318,142,454	22,028,572	135,547,421	475,718,447
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/23	(241,727,364)	(9,027,059)	(120,340,018)	(371,094,441)
- Booked	(4,429,264)	(4,148,400)	(3,574,125)	(12,151,789)
- Transfers and cancellations	(1,245,089)	82,056	22,590	(1,140,443)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/23 (B)	(247,401,717)	(13,093,403)	(123,891,553)	(384,386,673)
NET CARRYING VALUE AS AT 31/12/23 (A) + (B)	70,740,737	8,935,169	11,655,868	91,331,774

In 2023, an impairment of EUR 1,201,219 was booked on "Right-of-use" on "Land and buildings" (in 2022: nil).

3.10. Investment property

NET CARRYING VALUE	2022	2023
ACQUISITION COST AS AT 1 JANUARY	17,461,228	22,154,953
- Acquisitions	5,072,180	0
- Disposals	(378,455)	(2,164,738)
ACQUISITION COST AS AT 31 DECEMBER (A)	22,154,953	19,990,215
FAIR VALUE ADJUSTMENTS AS AT 1 JANUARY	6,064,508	30,293,359
- Revaluation Investment Property	24,228,851	(5,462,476)
- Transfers and cancellations	0	(5,005,137)
FAIR VALUE ADJUSTMENTS AS AT 31 DECEMBER (B)	30,293,359	19,825,746
NET CARRYING VALUE AS AT 31 DECEMBER (A) + (B)	52,448,312	39,815,961

As at 31 December 2023, investment properties are mostly composed of land plots for a total amount of EUR 39.8 million (EUR 52.5 million as at 31 December 2022) and are all classified as Level 3 under IFRS 13. Main evolutions in 2023 are related to:

- The sale of land plots occurred in 2023 for a total amount of EUR 6.7 million in line with the fair valuation as at 31 December 2022.
- The revaluation of the investment properties for EUR -5,462,476 million that occurred during the year ended 31 December 2023 is mainly related to the remeasurement of a land classified under investment property which forms part of the headquarter perimeter of the Group. The revaluation made in 2022 was related to an increase of the building potential of this investment property, adjusted downwards in 2023 for EUR 5.5 million to reflect market conditions in 2023. The fair value of the main property amounts to EUR 37.2 million as at 31 December 2023 (EUR 42.7 million as at 31 December 2022) including an acquisition cost of EUR 10.3 million (EUR 10.3 million as at 31 December 2022). Its remeasurement is based on the valuation report of a mandated external expert and is made in application of the "highest and best use for non-financial assets" principle of IFRS 13 and is reviewed at each reporting period.
- The valuation techniques used to estimate the fair value are based on the fair value of the building potential less estimated construction costs. The valuation techniques used are the comparison method and the capitalisation method and the main unobservable inputs used are the following:
  - Rental market prices;
  - Price per square metre;
  - Constructions costs;
  - Capitalisation rate.

  A decrease (increase) in the rental market prices and/or in the price per square metre will decrease (increase) the fair value. An increase (decrease) in the capitalisation rate and/or in the constructions costs will decrease (increase) the fair value.
- The other investment properties are measured at fair value based on independent valuation expert and are composed of residential property for sale which form part of former own-use properties or property or received by taken possession of collateral on the credit activity.

3.11. Intangible fixed assets

	Software / internally developped	Other intangible fixed assets	Total
ACQUISITION COST AS AT 01/01/22	405,344,737	118,501,245	523,845,982
Acquisitions	86,922,532	3,375,366	90,297,898
Transfers and cancellations	(39,894)	(292,523)	(332,417)
Translation adjustments	0	(120)	(120)
ACQUISITION COST AS AT 31/12/22 (A)	492,227,375	121,583,968	613,811,343
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/22	(204,065,847)	(70,655,665)	(274,721,512)
Booked	(28,613,175)	(8,794,524)	(37,407,699)
Transfers and cancellations	0	292,523	292,523
Translation adjustments	0	120	120
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/22 (B)	(232,679,022)	(79,157,546)	(311,836,568)
NET CARRYING VALUE AS AT 31/12/22 (A) + (B)	259,548,353	42,426,422	301,974,775

	Software / internally developped	Other intangible fixed assets	Total
ACQUISITION COST AS AT 01/01/23	492,227,375	121,583,968	613,811,343
Acquisitions	77,245,113	4,451,381	81,696,494
ACQUISITION COST AS AT 31/12/23 (A)	569,472,488	126,035,349	695,507,837
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/23	(232,679,022)	(79,157,546)	(311,836,568)
Booked	(32,278,407)	(8,140,469)	(40,418,876)
Transfers and cancellations	(1,082,421)	0	(1,082,421)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/23 (B)	(266,039,850)	(87,298,015)	(353,337,865)
NET CARRYING VALUE AS AT 31/12/23 (A) + (B)	303,432,638	38,737,334	342,169,972

Other intangible fixed assets include, inter alia and purchased softwares.

The line "Acquisitions" corresponds to software internally generated that are mainly linked to the development of the new core banking system of the Bank.

3.12. Tax assets

	31/12/22	31/12/23
Current tax assets	2,006	2,006
Deferred tax assets (see Note 5.2)	150,831,073	127,237,269
TOTAL	150,833,079	127,239,275

3.13. Other assets

	31/12/22	31/12/23
Other assets *	71,205,690	88,177,761
TOTAL	71,205,690	88,177,761

* ANALYSIS BY NATURE	31/12/22	31/12/23
Receivables	0	9,795,088
Prepaid fees	3,151,726	3,315,481
Other receivables	40,242,939	55,171,132
Pension plan assets	17,494,000	13,683,000
Precious metals	1,056	1,155
Operating taxes	3,815,418	3,589,788
Other assets	6,500,551	2,622,117
TOTAL	71,205,690	88,177,761

The line items "Other receivables" and "Other assets" are mainly composed of transactions linked to current business awaiting settlement.

Starting October 2023 and following the migration to the new core banking system, receivables include commissions that are paid at the beginning of each period subsequent to the period to which they are related. Before the migration, such commissions were paid at the beginning of each period to which they are related.

3.14. Leasing

3.14.1. BIL as lessor

The Bank did not act as a lessor for financial or operational leases as at 31 December 2022 and as at 31 December 2023.

3.14.2. BIL as lessee

FINANCE LEASE

The Bank is not involved in any financial lease as at 31 December 2022 and as at 31 December 2023.

OPERATING LEASE

FUTURE NET MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASE	31/12/22	31/12/23
Less than 1 year	257,933	251,501
Between 1 year to 2 years	143,288	169,628
Between 2 years to 3 years	101,909	144,355
Between 3 years to 4 years	79,817	118,270
Between 4 years to 5 years	53,526	93,458
More than 5 years	83,106	131,271
TOTAL	719,579	908,483
Lease and sublease payments recognised as an expense during the financial year:		
- lease payments	422,607	344,739
TOTAL	422,607	344,739

Note 4: Notes on the liabilities of the balance sheet

4.1. Amounts due to credit institutions

ANALYSIS BY NATURE	31/12/22	31/12/23
On demand	211,909,722	228,436,930
Term	25,103,849	2,087,382,998
Cash collateral	674,149,364	369,355,680
Repurchase agreements	519,578,704	353,449,872
Central banks	251,020,469	456,272
Other borrowings	1,728,132,611	696,370,157
TOTAL	3,409,894,719	3,735,451,909

ANALYSIS OF THE FAIR VALUE

see Note 8.1

QUALITATIVE ANALYSIS

see Note 8.3

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

The line item "Other borrowings" represent day-to-day cash management operations.

The Management Board decided to participate in the different tranches of the TLTRO III (Targeted Longer-Term Refinancing Operations) for a total amount of EUR 250 million as at 31 December 2022.

As at 31 December 2021, BIL participated in three different tranches of TLTRO III operations for an outstanding amount of EUR 800 million, of EUR 700 million and EUR 700 million respectively. BIL fully reimbursed its first two tranches and partially reimbursed the third tranche for an amount of EUR 450 million during the year 2022 using the early repayment option.

The level of remuneration of the TLTRO III borrowings depends on the performance of the credit institutions in terms of loans granted to household customers (excluding real estate loans) and business customers (excluding financial institutions). Depending on these performances, the credit institutions may benefit from a reduced interest and an additional temporary bonus applicable from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022 (reduction by 0.50% of the average rate of the deposit facility with a floor rate at -1%).

The Bank applied IFRS 9 to account for TLTRO III operations with the effective interest rate corresponding to the most probable scenario of achieving the lending performance thresholds at subscription date.

For the first two tranches described hereabove, the performance thresholds were not initially included in the effective interest rate. The Bank has reassessed the achievement of the lending performance as at 31 March 2021 and as at 31 December 2021 respectively and accounts for the impacts of this revision under the modification accounting of IFRS 9 when the lending performance thresholds were met. EUR 14.2 million of gains on modification of financial liabilities were recognised for the year ended 31 December 2021 following the achievement of the performance thresholds in relation to the first two tranches of TLTRO III operations.

For the third tranche described hereabove, the performance threshold was included in the effective interest rate (effective interest rate of 1.896% as at 31 December 2022 and -0.5843% as at 31 December 2021 following increase of central bank interest rates considered as an adjustment of the effective interest rate as per IFRS 9 B5.4.5 to reflect movement in the market rate of interest). This last tranche was anticipatively and fully reimbursed on 29 March 2023.

4.2. Amounts due to customers

ANALYSIS BY NATURE	31/12/22	31/12/23
Demand deposits	10,944,976,279	7,825,112,393
Saving deposits	3,152,306,582	2,949,196,507
Term deposits	6,254,766,252	7,297,992,418
Cash collateral	1,648,378	250,620
TOTAL	20,353,697,491	18,072,551,938

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

4.3. Other financial liabilities

ANALYSIS BY NATURE	31/12/22	31/12/23
Other financial liabilities	13,167,318	10,544,690
of which lease liabilities	*13,167,318*	*10,544,690*
TOTAL	13,167,318	10,544,690

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

4.4. Financial liabilities measured at fair value through profit or loss

ANALYSIS BY NATURE	31/12/22	31/12/23
Non-subordinated liabilities	2,014,665,341	2,836,485,340
TOTAL	2,014,665,341	2,836,485,340

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

BIL Group primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

The evolution between 31 December 2022 and 31 December 2023 is explained both by net new issuance of structured products and fair value changes.

4.5. Debt securities

ANALYSIS BY NATURE	31/12/22	31/12/23
Certificates of deposit	2,512,575	0
Non-convertible bonds	2,651,535,945	2,034,068,527
TOTAL	2,654,048,520	2,034,068,527

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

4.6. Subordinated debts

ANALYSIS BY NATURE	31/12/22	31/12/23
Non-convertible subordinated debts	243,236,959	345,756,383
TOTAL	243,236,959	345,756,383

ANALYSIS OF THE FAIR VALUE

see Note 8.1

ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 8.4, 8.5 and 8.6

The list of "Non-convertible subordinated debt" is available upon request.

On 1 February 2023, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since 27 February 2023.

4.7. Provisions and other obligations

4.7.1. Analysis by nature

	31/12/22	31/12/23
Litigation	9,021,612	7,967,024
Restructuring (including garden leave)	3,453,985	4,758,541
Other long-term employee benefits (including jubilee and time saving account)	16,377,002	18,231,229
Provision for off-balance sheet credit commitments	12,933,967	15,978,914
Onerous contracts	1,617,368	1,617,368
TOTAL	43,403,934	48,553,076

The provisions for legal litigation, include those for staff and tax-related litigation.

4.7.2. Analysis by movement

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions and onerous contracts
AS AT 01/01/22	2,074,159	7,429,542	16,145,109	12,736,265	1,964,328
Exchange differences	0	(1,311)	0	(10,828)	(142)
Additional provisions	7,974,847	3,307,705	3,656,048	0	0
Changes due to change in credit risk	0	0	0	(4,258,568)	0
Changes due to update in the institution's methodology for estimation	0	0	0	0	0
Increases due to origination or acquisition	0	0	0	7,570,807	0
Decreases due to derecognition	0	0	0	(3,103,709)	0
Unused amounts reversed	0	(191,029)	(1,368,106)	0	0
Used during the year	(1,027,394)	(6,648,725)	(2,056,049)	0	(150,397)
Transfers	0	(442,197)	0	0	(196,421)
AS AT 31/12/22	9,021,612	3,453,985	16,377,002	12,933,967	1,617,368

	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions and onerous contracts
AS AT 01/01/23	9,021,612	3,453,985	16,377,002	12,933,967	1,617,368
Exchange differences	29,518	0	0	(36,313)	0
Additional provisions	298,779	4,184,860	4,792,249	0	0
Changes due to change in credit risk	0	0	0	(6,226,618)	0
Changes due to update in the institution's methodology for estimation	0	0	0	4,516,494	0
Increases due to origination or acquisition	0	0	0	6,279,577	0
Decreases due to derecognition	0	0	0	(1,488,193)	0
Unused amounts reversed	(160,000)	(115,641)	(1,351,201)	0	0
Used during the year	(1,222,885)	(2,764,663)	(3,386,821)	0	0
Transfers	0	0	1,800,000	0	0
AS AT 31/12/23	7,967,024	4,758,541	18,231,229	15,978,914	1,617,368

For the line item "Revaluation through reserves" refer to point 1.23 of Note 1 of the consolidated financial statements.

4.7.3. Provision for pension

RECONCILIATION OF BENEFIT OBLIGATIONS	31/12/22	31/12/23
Defined benefit obligations at the beginning of the year	161,719,000	131,140,000
Current service cost	3,109,067	2,290,271
Interest cost	614,836	4,169,721
Past service cost and gains and losses arising from settlements	38,000	346,000
Actuarial gains / (losses)	(20,100,079)	9,689,026
Stemming from changes in demographic assumptions	(44,000)	0
Stemming from changes in financial assumptions	(19,627,000)	5,918,000
Stemming from experience adjustments	(429,079)	3,771,026
Benefits paid	(13,970,000)	(20,248,000)
Other	(270,824)	(502,018)
DEFINED BENEFIT OBLIGATION AS AT THE END OF THE YEAR	131,140,000	126,885,000

RECONCILIATION OF FAIR VALUE OF PENSION PLAN ASSETS	31/12/22	31/12/23
Fair value of pension plan assets at the beginning of the year	178,524,000	148,634,000
Actual return on pension plan assets	(18,581,000)	9,055,000
Expected return on pension plan assets	689,969	4,852,278
Actuarial gains / (losses)	(19,270,969)	4,202,722
Employer contributions	2,931,824	3,629,018
Benefits paid	(13,970,000)	(20,248,000)
Other	(270,824)	(502,018)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	148,634,000	140,568,000

RECONCILIATION OF THE EFFECT OF THE ASSET CEILING	31/12/22	31/12/23
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	0	0

NET ASSET / (NET LIABILITY)	17,494,000	13,683,000

FUNDED STATUS	31/12/22	31/12/23
Pension plan assets in excess of benefit obligation	(17,494,000)	(13,683,000)
Unrecognised assets		

MOVEMENT IN NET DEFINED BENEFIT PENSION LIABILITY OR ASSET	31/12/22	31/12/23
Net Asset / (Net liability) at the beginning of the year	16,805,000	17,494,000
Net periodic pension cost recognised in the income statement	(3,071,935)	(1,953,714)
Remeasurements recognised in OCI	829,111	(5,486,304)
Employer contributions	2,931,824	3,629,018
NET ASSET / (NET LIABILITY) AT THE END OF THE YEAR	17,494,000	13,683,000

MOVEMENT IN THE IAS 19 REMEASUREMENT RESERVE IN EQUITY	31/12/22	31/12/23
Recognised reserve at the beginning of the year	1,029,930	1,859,041
Remeasurements recognised in OCI	829,111	(5,486,304)
RECOGNISED RESERVE AT THE END OF THE YEAR	1,859,041	(3,627,263)

AMOUNTS RECOGNISED IN THE INCOME STATEMENT	31/12/22	31/12/23
Current service cost	3,109,067	2,290,271
Net interest on the defined benefit liability/asset	(75,132)	(682,557)
Past service cost and gains and losses arising from settlements	38,000	346,000
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	3,071,935	1,953,714

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	31/12/22	31/12/23
Actuarial gains/losses on the defined benefit obligation	(20,100,079)	9,689,026
Actual return on plan assets (excluding amounts included in interest income)	19,270,969	(4,202,722)
TOTAL OTHER COMPREHENSIVE INCOME	(829,111)	5,486,304

Expected contributions for next year		3 629 018

BREAKDOWN OF DEFINED BENEFIT OBLIGATION	31/12/22	31/12/23
Actives	77,169,000	73,042,000
Deferred (including pending payments)	10,869,000	10,522,000
Retirees (incl. disabled)	43,102,000	43,321,000
TOTAL DEFINED BENEFIT OBLIGATION	131,140,000	126,885,000

ACTUAL RETURN ON PENSION PLAN ASSETS (%)	31/12/22	31/12/23
	-11.36%	6.26%

BREAKDOWN OF PENSION PLAN ASSETS	31/12/22	31/12/23
Fixed-income		
Quoted market price on an active market	79.08%	83.75%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	10.88%	9.70%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	4.94%	5.06%
Unquoted	0.00%	0.00%
Cash	5.10%	1.49%
Real estate	0.00%	0.00%
Other	0.00%	0.00%
TOTAL	100.00%	100.00%

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

	31/12/22	31/12/23
Discount rate	3.60%	3.00%
Salary increase	0.75% - 2.50%	0.75% - 2.50%
Inflation	2.50%	2.50%

ADDITIONAL DESCRIPTIONS

Description of the plan - Events in the financial year - Focus on risk exposures

For active people, two hybrid pension plans are valued as defined benefit ("DB") pension plans under IAS19. For retirees, the pension plan is a DB plan. No specific event occurred in Luxembourg during the year 2023.

The plan dedicated to "retirees" provides indexed lifelong benefits: this plan generates an inflation risk as well as a longevity risk. The other plans generates a risk exposure to salary growth increase and to inflation. They generates a longevity risk as well, however the lumpsum payment option reduces this impact.

All these plans generates an exposure to financial risk, on the pension asset side (market volatility of the pension fund assets) as well as on the pension liability side, as the projected benefits are discounted using corporate bonds yields.

Methods and assumptions used in preparing the sensitivity analysis

DBO sensitivity to changes in discount rate	
Scenario DR -0.5%	2.72%
Scenario DR +0.5%	-2.56%

DBO sensitivity to changes in expected rate of salary increase	
Scenario SR -0.5%	-1.15%
Scenario SR +0.5%	-1.35%

The Duration of the pension plans DBO as of December 31, 2023 is 5.89.

A full recalculation with alternative assumptions is performed to obtain the above-mentioned sensitivities and duration.

Description of Asset-Liability Management ("ALM") strategies

In Luxembourg, pension fund investment strategy is based on ALM objectives, trying to align as far as possible assets maturities with liabilities profile and is also based on return objectives, with limited risks exposures.

Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicle local GAAP).

Description of funding arrangements

In Luxembourg, part of the closed pension plans are funded through pension fund arrangements.

In the pension plans for "active people" hired before November 1, 2007 (and having decided not to move to a DC plan in 2007), employer contributions are calculated according to an Aggregate Cost method.

In the pension plans for "retirees", pensions are fully funded.

For these plans, minimum funding applies according to the legislation in force, and the employer is due to make additional contributions in case assets do not meet the funding requirements.

Asset ceiling under IAS 19 does not apply.

4.8. Tax liabilities

Due to tax losses carried forward consumption, no current tax liabilities have been recognized as at 31 December 2022 and 31 December 2023.

4.9. Other liabilities

	31/12/22	31/12/23
Other liabilities*	239,400,594	289,826,350
TOTAL	239,400,594	289,826,350

*ANALYSIS BY NATURE	31/12/22	31/12/23
Accrued costs	2,321,344	0
Deferred income	15,577,543	3,901,720
Other payables	86,711,270	169,375,318
Other granted amounts received	448,172	418,229
Salaries and social security costs (payable)	54,697,796	74,731,037
Other operating taxes	27,769,618	32,241,433
Other liabilities	51,874,851	9,158,613
TOTAL	239,400,594	289,826,350

The line item “Other payables” mainly comprises the amounts of the coupons to be paid to clients of the Bank, the amounts of stock exchange transactions and transactions being liquidated.

Note 5: Other notes on the balance sheet

5.1. Derivatives and hedging activities

Derivatives instruments are split in two categories:

- Derivatives held for trading;
- Derivatives designated in a hedge relationship.

The Bank applies hedge accounting in four separate strategies where derivatives and non-derivatives instruments are used as hedging elements. Refer to Note 6.1 of the consolidated financial statements for a description of hedging strategies.

5.1.1. Analysis by nature

	31/12/22		31/12/23	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	98,025,519	343,498,924	102,596,755	210,510,034
Derivatives designated as fair value hedge	732,071,120	72,282,217	437,464,116	103,624,375
Derivatives designated as cash flow hedge	10,317,881	632,790	6,474,642	1,168,655
Derivatives designated as portfolio hedge against interest rate	539	11,872	0	0
TOTAL	840,415,059	416,425,803	546,535,513	315,303,064

5.1.2. Detail of derivatives held for trading

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,842,263,237**	**5,893,592,283**	**64,543,223**	**134,827,103**
FX forward	5,132,294,409	5,174,307,194	27,353,965	75,516,326
Cross currency swap	190,991,182	198,798,966	2,745,497	23,685,105
FX options	518,977,646	520,486,123	34,443,761	35,625,672
Interest rate derivatives	**1,282,017,631**	**1,278,686,035**	**22,849,948**	**108,920,914**
Options-Caps-Floors-Collars-Swaptions	72,573,482	72,573,482	2,872,423	2,872,424
IRS	1,203,912,553	1,203,912,553	19,977,525	106,048,490
Interest futures	5,531,596	2,200,000	0	0
Equity derivatives	**1,255,999,324**	**1,255,323,922**	**10,632,348**	**99,750,907**
Equity futures	3,031,905	8,520,375	0	0
Equity options	19,866,025	0	1,456,023	0
Equity option (OM)	88,085,627	88,085,627	0	0
Other equity derivatives	1,145,015,767	1,158,717,920	9,176,325	99,750,907
TOTAL	8,380,280,192	8,427,602,240	98,025,519	343,498,924

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,843,646,132**	**5,868,678,690**	**41,909,631**	**82,212,578**
FX forward	5,696,341,312	5,706,477,171	38,547,701	56,103,195
Cross currency swap	147,304,820	162,201,519	3,361,930	26,109,383
FX options	0	0	0	0
Interest rate derivatives	**1,403,131,520**	**1,406,515,130**	**13,586,830**	**65,048,924**
Options-Caps-Floors-Collars-Swaptions	0	0	0	0
IRS	1,403,131,520	1,404,231,520	13,586,830	65,048,924
Interest futures	0	2,283,610	0	0
Equity derivatives	**1,621,356,165**	**1,427,987,780**	**47,100,294**	**63,248,532**
Equity futures	214,752,385	0	0	0
Equity options	25,006,982	25,006,982	10,767,763	9,512,362
Equity option (OM)	0	0	0	0
Other equity derivatives	1,381,596,798	1,402,980,798	36,332,531	53,736,170
TOTAL	8,868,133,817	8,703,181,600	102,596,755	210,510,034

5.1.3. Detail of derivatives designated as fair value hedge

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,109,342**	**7,742,145**	**14,401**	**896,139**
Cross currency swap	7,109,342	7,742,145	14,401	896,139
Interest rate derivatives	**6,095,487,222**	**6,095,487,222**	**732,056,719**	**71,386,078**
IRS	6,095,487,222	6,095,487,222	732,056,719	71,386,078
TOTAL	6,102,596,564	6,103,229,367	732,071,120	72,282,217

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**6,396,725**	**7,742,145**	**12,761**	**1,558,869**
Cross currency swap	6,396,725	7,742,145	12,761	1,558,869
Interest rate derivatives	**5,999,679,832**	**5,958,254,492**	**437,451,355**	**102,065,506**
IRS	5,999,679,832	5,958,254,492	437,451,355	102,065,506
TOTAL	6,006,076,557	5,965,996,637	437,464,116	103,624,375

5.1.4. Detail of derivatives designated as cash flow hedge

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**96,700,271**	**92,333,895**	**10,300,547**	**535,691**
Cross currency swap	96,700,271	92,333,895	10,300,547	535,691
Interest rate derivatives	**14,196,921**	**14,196,921**	**17,334**	**97,099**
IRS	14,196,921	14,196,921	17,334	97,099
TOTAL	110,897,192	106,530,816	10,317,881	632,790

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**91,292,760**	**90,370,284**	**3,856,130**	**521,014**
FX forward	795,022	788,630	4,689	0
Cross currency swap	90,497,738	89,581,654	3,851,441	521,014
Other currency derivatives	0	0	0	0
Interest rate derivatives	**189,196,921**	**189,196,921**	**2,618,512**	**647,641**
IRS	189,196,921	189,196,921	2,618,512	647,641
TOTAL	280,489,681	279,567,205	6,474,642	1,168,655

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.

5.1.5. Breakdown of derivatives designated as cash flow hedge by residual maturity

	31/12/22				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	41,381	17,334	10,259,166	0	**10,317,881**
Liabilities	0	97,099	535,691	0	**632,790**

	31/12/23				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	4,689	6,469,953	0	0	**6,474,642**
Liabilities	0	1,168,655	0	0	**1,168,655**

5.1.6. Detail of derivatives designated as portfolio hedge against interest risk

	31/12/22			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	500,000	500,000	539	11,872
TOTAL	500,000	500,000	539	11,872

	31/12/23			
	Notional amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	0	0	0	0
Interest rate derivatives	0	0	0	0
TOTAL	0	0	0	0

5.1.7. Maturity profile of hedging instruments used in micro fair value hedge relationship

	31/12/22			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Micro FVH for fixed rate corporate loans (notional amount)	0	121,397,667	0	121,397,667
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	12,700,000	247,044,609	130,875,586	390,620,195
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	272,063,379	2,025,443,946	3,211,704,180	5,509,211,505
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	82,000,000	82,000,000
Non-derivatives instruments				
Deposits in CHF	0	0	133,136,996	133,136,996
Deposits in HKD	0	0	13,996,372	13,996,372
TOTAL	284,763,379	2,393,886,222	3,571,713,134	6,250,362,735

	31/12/23			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Micro FVH for fixed rate corporate loans (notional amount)	0	80,547,724	0	80,547,724
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	0	171,079,638	76,000,000	247,079,638
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	147,254,514	2,439,725,729	2,678,646,887	5,265,627,130
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	260,742,145	112,000,000	372,742,145
Non-derivatives instruments				
Deposits in CHF	0	0	141,576,675	141,576,675
Deposits in HKD	0	0	13,485,417	13,485,417
TOTAL	147,254,514	2,952,095,236	3,021,708,979	6,121,058,729

5.1.8. Maturity profile of hedging instruments used in micro cash flow hedge relationship

	31/12/22			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	0	0	89,581,654	89,581,654
Cross-currency interest rate swaps - Average fixed rate		5,01%		
Other currency derivatives - Notional	2,752,241	0	0	2,752,241
TOTAL	2,752,241	0	89,581,654	92,333,895

	31/12/23			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Derivatives instruments				
Cross-currency interest rate swaps - Notional	0	89,581,654	0	89,581,654
Cross-currency interest rate swaps - Average fixed rate		5,01%		
Other currency derivatives - Notional	788,630	0	0	788,630
TOTAL	788,630	89,581,654	0	90,370,284

5.1.9. Hedged items in a fair value hedge relationship

	31/12/22	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	107,424,444	(8,165,450)
Participations in consolidated companies	147,133,368	478,804
Debt securities measured at FVTOCI	353,922,610	(39,122,102)
Debt securities measured at amortised cost	4,881,741,764	(730,507,983)
TOTAL ASSETS	5,490,222,186	(777,316,731)
Debt instruments issued	74,523,016	(15,632,354)
TOTAL LIABILITIES	74,523,016	(15,632,354)

	31/12/23	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	78,440,728	(3,252,422)
Participations in consolidated companies	155,062,092	(32,151)
Debt securities measured at FVTOCI	229,926,226	(13,325,003)
Debt securities measured at amortised cost	4,941,589,092	(366,369,359)
TOTAL ASSETS	5,405,018,138	(382,978,935)
Debt instruments issued	215,390,369	(7,645,253)
Borrowings and deposits	55,238,469	1,026,901
TOTAL LIABILITIES	270,628,838	(6,618,352)

5.1.10. Hedge effectiveness for fair value hedge relationship

	31/12/22		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	(771,626,428)	770,908,765	(717,663)
Portfolio fair value hedge	(16,740)	17,434	694
TOTAL	(771,643,168)	770,926,199	(716,969)

	31/12/23		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	381,507,192	(381,447,437)	59,755
Portfolio fair value hedge	(11,872)	11,371	(501)
TOTAL	381,495,320	(381,436,066)	59,254

5.1.11. Hedge effectiveness for cash flow hedge relationship

	31/12/22					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
Derivatives instruments						
Macro cash flow hedge	14,196,921	17,334	97,099	(2,213,677)	(2,213,677)	0
Micro cash flow hedge	92,333,895	10,300,549	535,691	5,859,525	5,859,525	0
Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	106,530,816	10,317,883	632,790	3,645,848	3,645,848	0

	31/12/23					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
Derivatives instruments						
Macro cash flow hedge	189,196,921	2,618,512	647,641	690,879	690,879	0
Micro cash flow hedge	90,370,284	3,856,130	521,014	(3,057,872)	(3,057,872)	0
Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	279,567,205	6,474,642	1,168,655	(2,366,993)	(2,366,993)	0

5.1.12. Detail of Hedge of net investment in foreign operations against foreign exchange movements

HEDGING INSTRUMENTS	31/12/22			
	Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge ineffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	0	0	0	0
Deposits in DKK	0	0	0	9,448
Deposits in USD	0	0	0	0
TOTAL MICRO NET INVESTMENT HEDGES	0	0	0	9,448

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/22
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	0
TOTAL	0

HEDGING INSTRUMENTS	31/12/23			
	Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge ineffectiveness recognised in the income statement	Reclassified into income statement
Deposits in CHF	0	0	0	0
Deposits in DKK	0	0	0	9,448
Deposits in USD	0	0	0	0
TOTAL MICRO NET INVESTMENT HEDGES	0	0	0	9,448

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/23
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	0
TOTAL	0

5.1.13. Hedging activities impact on equity

EQUITY RECONCILIATION	2022 Cash flow hedging reserve	2022 Translation reserve	2022 Net investment hedge reserve
OPENING BALANCE AS AT 1 JANUARY	1,032,736	(222,604)	0
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*2,965,786*		
Interest rate swaps	*680,062*		
Loans and deposits			
Net amount reclassified to profit or loss			
Following hedge discontinuation			
Following utilisation			
Others (including FX translation)			
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments			**(1,447,692)**
Net amount reclassified to profit or loss			
Following hedge discontinuation		*9,448*	*1,447,692*
Following utilisation			
Foreign currency reevaluation on the unhedged net foreign operations		**213,156**	
Tax impact on the above	**(909,274)**		
CLOSING BALANCE AS AT 31 DECEMBER	3,769,310	0	0

EQUITY RECONCILIATION	2023 Cash flow hedging reserve	2023 Translation reserve	2023 Net investment hedge reserve
OPENING BALANCE AS AT 1 JANUARY	3,769,310	0	0
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*(3,057,872)*		
Interest rate swaps	*690,879*		
Loans and deposits			
Net amount reclassified to profit or loss			
Following hedge discontinuation			
Following utilisation			
Others (including FX translation)			
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments			
Net amount reclassified to profit or loss			
Following hedge discontinuation			
Following utilisation			
Foreign currency reevaluation on the unhedged net foreign operations			
Tax impact on the above	**590,328**		
CLOSING BALANCE AS AT 31 DECEMBER	1,992,645	0	0

5.2. Deferred tax

ANALYSIS	31/12/22	31/12/23
Net deferred tax assets	150,831,073	127,237,269
DEFERRED TAX	150,831,073	127,237,269

MOVEMENTS	2022	2023
AS AT 1 JANUARY	160,439,244	150,831,073
Movements during the financial year:		
- Amounts recognised in the statement of income	(11,432,486)	(25,629,741)
- Items directly computed by equity	1,820,574	1,867,133
- Other movements	3,741	168,804
AS AT 31 DECEMBER	150,831,073	127,237,269

DEFERRED TAX COMING FROM ASSETS	31/12/22		31/12/23	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	24,077,937	4,079,216	14,999,386	(9,078,550)
Securities	3,575,304	1,440,718	4,444,659	685,541
Derivatives	(1,252,419)	0	(662,091)	0
Tangible and intangible fixed assets	(6,265,740)	(6,374,672)	(3,354,956)	,2,800,773
TOTAL	20,135,082	(854,738)	15,426,998	(5,592,236)

DEFERRED TAX COMING FROM LIABILITIES	31/12/22		31/12/23	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(344,432)	(85,802)	(642,968)	(82,036)
Provisions	2,902,918	(2,602,962)	2,645,886	(257,032)
Pensions	(4,030,866)	41,822	(3,015,091)	(352,510)
TOTAL	(1,472,380)	(2,646,942)	(1,012,173)	(691,578)

DEFERRED TAX COMING FROM OTHER ITEMS	31/12/22		31/12/23	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	238,907,278	(22,130,805)	194,961,351	(43,945,927)
less: impairments	(106,738,907)	14,200,000	(82,138,907)	24,600,000
TOTAL	132,168,371	(7,930,805)	112,822,444	(19,345,927)

Considering that :

- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio. from sales of participations and from deleveraging impacts);
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future. but rather a stable to increasing profitability over the next years;
- BIL new strategies are clear with a limited risk appetite. which again limits the risk that significant unexpected losses may occur in the future.

BIL analysis on future taxable profit over the next years concludes that the Bank will be able to use the unused tax losses over a medium-term period (no time restriction applied in Luxembourg on tax losses generated before the fiscal reform).

Based on these considerations, BIL recognises the amount of tax losses that can be used over this medium term period.

The line item "Tax losses carried forward" comprise EUR 108.3 million after impairment as at 31 December 2023 (EUR 83.8 million after impairment as at 31 December 2022) which are related to the liquidation of a former foreign branch.

At 31 December 2022 and as at 31 December 2023 respectively. BIL had an amount of deferred tax assets related to tax losses carried forward of approximately EUR 241 million (of which EUR 2 million not recognised) and EUR 195 million and an amount of deferred tax assets related to investment tax credits carried forward of approximately EUR 4 million and EUR 3 million which have not been recognised as a Deferred Tax Asset because the relevant recognition criteria under IFRS have not been met.

For BIL S.A., the gross amount of EUR 194.9 million of deferred tax assets comprises mainly deferred tax assets of EUR 190.5 million related to the tax losses carried forward following the liquidation of a foreign branch and impaired for an amount of EUR 82.2 million. The balances of deferred tax assets relating to tax losses carried forward will expire as follows:

	31/12/22	31/12/23
1-2 years	0	0
3-5 years	0	0
6-10 years	0	0
Over 10 years	19,638	19,638
No maturity	241,245,246	194,941,713
TOTAL	**241,264,884**	**194,961,351**

Investment tax credits can be used in Luxembourg in the tax year during which the investment is made. and the remaining investment tax credit can be carried forward for the ten subsequent tax years. The balances of deferred tax assets relating to investment tax credits carried forward will expire as follows:

	31/12/22	31/12/23
1-2 years	1,275,768	777,577
3-5 years	1,971,727	1,545,643
6-10 years	462,248	442,263
TOTAL	**3,709,743**	**2,765,483**

5.3. Related party transactions

	31/12/22				
	Key management	Parent and entities with joint control or significant influence	Subsidiaries	Associates and joint ventures	Other related parties
Loans and advances	5,157,621	36,650,595	343,088,599	0	5,747,686
Equity instruments	0	0	24,500	594,782	0
Deposits	6,356,091	454,111	47,141,244	772,118	3,562,096
Notional amount of derivatives	0	0	429,730,577	0	19,744,359
Loan commitments, financial guarantees and other commitments given	32,687	0	0	0	9,000
Loan commitments, financial guarantees and other commitments received	0	0	8,528,779	0	0
Interest received	0	569,467	1,092,427	2,559	10,324
Interest paid	0	0	(2,967,410)	0	(1,576)
Fee and commission expenses	0	0	(3,689,276)	0	0
Fee and commission income	0	0	2,816,987	0	0

	31/12/23				
	Key management	Parent and entities with joint control or significant influence	Subsidiaries	Associates and joint ventures	Other related parties
Loans and advances	6,658,966	79,383,730	608,683,814	0	0
Equity instruments	0	0	86,167	594,782	0
Deposits	4,332,348	575,194	70,319,823	431,537	1,361,121
Notional amount of derivatives	0	0	197,385,252	0	0
Loan commitments, financial guarantees and other commitments given	45,530	0	142,068	2,500,000	0
Loan commitments, financial guarantees and other commitments received	0	0	8,067,687	0	0
Interest received	46,312	2,916,709	10,507,813	1,911	0
Interest paid	(1,643)	0	(4,190,491)	(1,134)	0
Fee and commission expenses	(7)	326	(2,046,589)	0	0
Fee and commission income	4,638	75,342	2,396,529	20	0

The split of the figures presented as at 31 December 2022 has been rearranged to ensure the comparability with the figures as at 31 December 2023.

For the detail of the Remuneration of Board members and Personnel Management, please refer to Note 7.8 Staff expenses.

All loans with related parties are granted at market conditions. No Stage 3 impairment was recorded on loans to the related parties.

5.4. Subscribed and authorised capital

By share category	31/12/22	31/12/23
Number of shares authorised and not issued	2,927,025	2,927,025
Number of shares issued and fully paid up	2,087,261	2,087,261
Capital	146,108,270	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70

Following the extraordinary general meeting of 25 April 2019, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 351 million, without prejudice to possible renewals, until 24 April 2024.

Note 6: Notes on the off-balance sheet items

6.1. Regular way trade

	31/12/22	31/12/23
Loans to be delivered	165,900,120	917,305,545
Borrowings to be received	185,142,033	938,411,965

6.2. Guarantees

	31/12/22	31/12/23
Guarantees given to credit institutions	160,617,031	150,674,666
Guarantees given to customers	892,228,387	661,666,604
Guarantees received from credit institutions	8,528,779	13,572,055
Guarantees received from customers	1,434,248,394	842,513,644

6.3. Loan commitments

	31/12/22	31/12/23
Unused credit lines granted to credit institutions	2,645,168	195,840,239
Unused credit lines granted to customers	3,019,029,507	3,169,469,394

6.4. Other commitments

	31/12/22	31/12/23
Banking activity - Other commitments given	41,522,307,767	42,909,144,280
Banking activity - Other commitments received	210,031,167,074	214,613,191,843
of which Assets held on behalf of third parties	198,037,395,654	202,646,266,065

The line items “Banking activity - Other commitments given” are mainly composed of assets entrusted to third parties.

Note 7: Notes on the statement of income

7.1. Interest and similar income – Interest and similar expenses

	31/12/22	31/12/23
INTEREST AND SIMILAR INCOME	639,684,840	1,425,159,652
Interest and similar income of assets not measured at fair value through profit or loss	**406,564,308**	**897,756,882**
Cash and balances with central banks	1,273,674	33,115,259
Loans and advances to credit institutions	24,098,926	90,797,309
Loans and advances to customers	308,110,804	598,827,493
Financial investments measured at fair value	12,669,450	15,815,278
Financial investments measured at amortised cost	60,137,961	157,925,693
Other	273,493	1,275,850
Interest and similar income of assets measured at fair value through profit or loss	**199,375,727**	**526,387,939**
Financial assets held for trading	259,496	281,245
Derivatives held for trading	131,683,027	265,303,101
Derivatives used for hedging purposes	67,433,204	260,803,593
Interest income on liabilities	**33,744,805**	**1,014,831**
INTEREST AND SIMILAR EXPENSES	(298,588,943)	(916,720,228)
Amounts due to credit institutions	**(50,691,191)**	**(164,506,327)**
Amounts due to customers	(32,126,870)	(272,712,493)
Debt securities	(19,419,707)	(37,524,973)
Subordinated debts	(8,131,223)	(14,891,454)
Lease liability	(176,922)	(168,891)
Other	(23,761)	(6,601)
Interest and similar expenses of liabilities measured at fair value through profit or loss	**(169,674,595)**	**(425,663,483)**
Financial liabilities held for trading	(242)	(47,862)
Financial liabilities designated at fair value through profit or loss	(54,235,554)	(136,366,667)
Derivatives held for trading	(40,323,523)	(160,167,288)
Derivatives used for hedging purposes	(75,115,276)	(129,081,666)
Interest expenses on assets	**(18,344,674)**	**(1,246,006)**
NET INTEREST INCOME	341,095,897	508,439,424

7.2. Dividend income

	31/12/22	31/12/23
Financial investments measured at fair value	567,771	945,931
Subsidiaries and associates	1,750,000	1,900,000
TOTAL	2,317,771	2,845,931

7.3. Net trading income

	31/12/22	31/12/23
Net income from trading transactions	8,897,955	8,716,363
of which income from trading securities	*3,976,736*	*1,793,787*
of which income from trading derivatives	*4,921,219*	*6,922,576*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	(163,434,935)	107,794,113
Net foreign exchange gain/(loss)	8,261,548	1,989,883
TOTAL	(146,275,432)	118,500,359

The "Net income from hedging derivatives" is mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see Note 7.4). Important variances in the net income from hedging derivatives classified as trading derivatives (accounting mismatch) and in the net income on financial liabilities designated at fair value through profit or loss from year to year or period to period may arise due to market conditions and their impacts on the fair value of structured bonds issued and related hedging derivatives.

7.4. Net income on financial instruments measured at FV and net result of hedge accounting

	31/12/22	31/12/23
Net income on financial investments measured at fair value through other comprehensive income	264,966	4,184,451
Net income on financial investments at fair value through profit or loss	70,299	88,348
of which financial investments mandatorily fair value through profit or loss	*70,299*	*88,348*
Net income on financial liabilities designated at fair value through profit or loss	163,029,587	(106,233,085)
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	163,364,852	(101,960,286)
Fair value hedge	**(717,663)**	**59,755**
Change in the fair value of the hedged item attributable to the hedged risk	(771,626,428)	381,507,192
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	770,908,765	(381,447,437)
Portfolio hedge against interest rate risk	**694**	**(501)**
Fair value revaluation - Portfolio hedge - Hedged items	(16,740)	(11,872)
Fair value revaluation - Derivatives - Portfolio hedge	17,434	11,371
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**(6,789)**	**0**
NET RESULT OF HEDGE ACCOUNTING	(723,758)	59,254
TOTAL	162,641,094	(101,901,032)

Important variances in the net income from hedging derivatives classified as trading derivatives (accounting mismatch) and in the net income on financial liabilities designated at fair value through profit or loss from year to year or period to period may arise due to market conditions and their impacts on the fair value of structured bonds issued and related hedging derivatives.

7.5. Net income on derecognition of financial instruments measured at amortised cost

	31/12/22	31/12/23
Net income on loans and advances measured at amortised cost	873,579	2,446,972
of which : gains on derecognition on loans and advances	*873,579*	*2,446,972*
Net income on financial investments measured at amortised cost	27,359,251	5,780,584
of which : losses on derecognition on debt securities	*(53,077,424)*	*(12,052,497)*
of which : gains on derecognition on debt securities	*80,436,675*	*17,833,081*
Net income on financial liabilities at amortised cost	947,410	57,510
TOTAL	29,180,240	8,285,066

7.6. Fee and commission income and expenses

	31/12/22			31/12/23		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	12,800,146	(861,145)	11,939,001	11,322,080	(827,040)	10,495,040
Administration of unit trusts a nd mutual funds	30,073	0	30,073	0	0	0
Insurance activity	5,605,848	(876,611)	4,729,237	5,125,224	(1,122,144)	4,003,080
Credit activity	29,742,288	(1,577,634)	28,164,654	28,223,796	(1,117,751)	27,106,045
Purchase and sale on securities	12,655,912	(4,154,540)	8,501,372	12,106,759	(2,967,064)	9,139,695
Purchase and sale of unit trusts and mutual funds	3,907,819	(526,457)	3,381,362	2,777,463	(451,504)	2,325,959
Payment services	36,314,424	(544,875)	35,769,549	39,096,251	(368,645)	38,727,606
Commissions to non-exclusive brokers	0	(181,668)	(181,668)	0	(173,455)	(173,455)
Financial engineering	0	(45,000)	(45,000)	0	0	0
Services on securities other than safe keeping	6,016,720	(557,404)	5,459,316	4,779,298	(541,619)	4,237,679
Custody	17,260,177	(4,140,802)	13,119,375	16,833,928	(4,236,404)	12,597,524
Issues and placements of securities	13,618,571	(8,583,497)	5,035,074	14,014,667	(11,086,403)	2,928,264
Private banking	51,335,436	(6,445,199)	44,890,237	42,732,575	(5,683,959)	37,048,616
Clearing and settlement	22,667,915	(2,465,047)	20,202,868	21,012,223	(1,915,511)	19,096,712
Securities lending	26,532	(57,574)	(31,042)	60,766	(58,461)	2,305
Other	9,766,042	(3,644,845)	6,121,197	10,308,453	(2,035,085)	8,273,368
TOTAL	221,747,903	(34,662,298)	187,085,605	208,393,483	(32,585,045)	175,808,438

7.7. Other net income

	31/12/22	31/12/23
Operating taxes	987,240	1,513,111
Rental income	73,330	80,047
Gains on tangible fixed assets	130,855	764,051
Fair value adjustments on investment property	24,577,051	0
Other income on other activities	21,256,900	15,452,652
OTHER INCOME	47,025,376	17,809,861
Operating taxes	(3,155,739)	(3,263,079)
Other bank charges	(21,584,146)	(18,575,096)
Losses on tangible fixed assets	(51,679)	0
Fair value adjustments on investment property	(348,200)	(5,462,476)
Other expenses on other activities	(14,510,748)	(10,213,135)
OTHER EXPENSES	(39,650,512)	(37,513,786)
TOTAL	7,374,864	(19,703,925)

The line item "Other income on other activities" primarily consists of write-backs of accrued expenses and provisions related to previous reporting periods.

The line item "Other bank charges" consists of contributions paid to the Fonds de garantie des dépôts Luxembourg, the Single Resolution Fund and the Fonds de résolution Luxembourg.

The line item "Other expenses on other activities" consists primarily of provisions for litigation and extraordinary loss.

7.8. Staff expenses

7.8.1. Staff expenses

	31/12/22	31/12/23
Wages and salaries	(167,664,923)	(189,089,610)
Social security and insurance costs	(21,856,744)	(21,434,165)
Staff benefits	(10,086,679)	(9,796,991)
Restructuring expenses	(3,116,676)	(4,069,219)
Other expenses	(2,340,274)	(2,901,998)
TOTAL	(205,065,296)	(227,291,983)

7.8.2. Workforce

(in average FTE)	2022	2023
Senior management	36	41
Employees	1,773	1,802
TOTAL	1,809	1,843

7.8.3. Remuneration of the administrative and managerial bodies

During the financial year, the Bank granted emoluments to the current Board members of senior management and has made contributions in respect of retirements pensions on their behalf as follows:

	Remuneration		Retirement pensions	
	31/12/22	31/12/23	31/12/22	31/12/23
Board members	1,327,917	1,398,774		0
Senior Management	14,770,236	16,706,364	1,330,344	1,469,059
TOTAL	16,098,153	18,105,138	1,330,344	1,469,059

7.8.4. Defined contribution plan expenses

	31/12/22	31/12/23
Defined contribution plan expenses	6,616,988	6,931,055
TOTAL	6,616,988	6,931,055

7.9. General and administrative expenses

	31/12/22	31/12/23
Occupancy	(8,708,437)	(11,044,837)
Operating leases	(422,607)	(703,556)
Professional fees	(33,655,305)	(38,870,250)
Marketing, advertising and public relations	(5,569,489)	(5,958,822)
Technology and system costs	(35,003,759)	(44,349,568)
Software costs and maintenance expenses	(20,940,477)	(28,399,796)
Operational taxes	2,234,006	3,778,015
Other general and administrative expenses	(44,424,949)	(46,848,641)
TOTAL	(146,491,017)	(172,397,455)

The line item "Other general and administrative expenses" primarily comprises the cost of financial information, of payment cards issued, professional contributions, insurance covers and the transport of valuables.

7.10. Independent auditor's fees

The fees for the services by the independent auditor (including network firms) for the years 2022 and 2023 are as follows (VAT excluded).

	31/12/22	31/12/23
Statutory audit and Long Form Report	778,725	2,048,706
Audit-related fees	255,200	96,945
Tax services	63,992	61,720
Other services	117,498	141,018
TOTAL	1,215,415	2,348,389

2023 "Audit fees" include an overrun for EUR 213,000 related to 2022 and additional fees related to 2023 following implementation of the Bank's new Core Banking System.

The non-audit services that the independent auditor have provided to the Bank and its controlled undertakings for the year then ended are the following:

- Contractual audit services;
- Issuance of reports required by the regulators;
- Issuance of agreed upon procedures reports;
- Issuance of comfort letters on debt instruments issuance;
- Preparation of tax forms;
- Provision of tax advice.

7.11. Amortisation of tangible, intangible and right-of-use assets

	31/12/22	31/12/23
Depreciation on land and buildings	(7,711,366)	(4,429,264)
Depreciation on other tangible fixed assets	(538,578)	(515,432)
Depreciation on IT equipment	(2,719,687)	(3,058,693)
Depreciation on intangible fixed assets	(37,407,699)	(40,418,876)
Depreciation on right-of-use	(3,128,366)	(2,947,181)
TOTAL	(51,505,696)	(51,369,446)

7.12. Impairment

7.12.1. Impairment on financial instruments and provisions for credit commitments

	31/12/22			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits	**(51,337)**	**48,129**	**0**	**(3,208)**
Financial assets measured at amortised cost	**(9,570,044)**	**(2,329,545)**	**(2,844,598)**	**(14,744,187)**
Loans and advances to credit institutions measured at amortised cost	(999,591)	(2,299)	0	(1,001,890)
Loans and advances to customers measured at amortised cost	(1,816,764)	(2,759,090)	(2,838,963)	(7,414,817)
Debt securities measured at amortised cost	(6,753,689)	431,844	(5,635)	(6,327,480)
Financial assets measured at fair value through other comprehensive income	**(150,704)**	**0**	**0**	**(150,704)**
Debt securities measured at fair value through other comprehensive income	(150,704)	0	0	(150,704)
Other receivables	**0**	**0**	**(500,000)**	**(500,000)**
Other assets	**0**	**0**	**0**	**0**
Off-balance sheet commitments	**(592,185)**	**1,340,951**	**(957,296)**	**(208,530)**
TOTAL IMPAIRMENTS	(10,364,270)	(940,465)	(4,301,894)	(15,606,629)

	31/12/23			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits	**28,813**	**45,607**	**0**	**74,420**
Financial assets measured at amortised cost	**14,762,727**	**9,631,424**	**(48,257,085)**	**(23,862,934)**
Loans and advances to credit institutions measured at amortised cost	1,046,595	6,995	1,569	1,055,159
Loans and advances to customers measured at amortised cost	8,186,426	9,730,196	(48,258,654)	(30,342,032)
Debt securities measured at amortised cost	5,529,706	(105,767)	0	5,423,939
Financial assets measured at fair value through other comprehensive income	**143,100**	**(16)**	**0**	**143,084**
Debt securities measured at fair value through other comprehensive income	0	0	0	0
Other receivables	**143,100**	**(16)**	**0**	**143,084**
Other assets	**0**	**0**	**(1,287)**	**(1,287)**
Off-balance sheet commitments	**24,303**	**(750,465)**	**(2,355,098)**	**(3,081,260)**
TOTAL IMPAIRMENTS	14,958,943	8,926,550	(50,613,470)	(26,727,977)

As at 31 December 2022:

- Loans and advances to customers classified under Stage 1 include (i) the "Outreach Programme" Management Overlay for an amount of EUR – 1.4 million and (ii) the "Origination Date" Management Overlay for an amount of EUR + 0.5 million. Refer to the section "ECL Management Overlays" of note 8.2.1 on Expected Credit Losses measurement.
- Loans and advances to customers classified under Stage 2 include (i) the "Outreach Programme" Management Overlay for an amount of EUR – 0.3 million and (ii) the "Origination Date" Management Overlay for an amount of EUR – 1.5 million. Refer to the section "ECL Management Overlays" of note 8.2.1 on Expected Credit Losses measurement.

As at 31 December 2023:

- Loans and advances to customers classified under Stage 1 include the "Outreach Program" Management Overlay for an amount of EUR – 8.95 million. Refer to the section "ECL Management Overlays" of note 8.2.1 on Expected Credit Losses measurement.
- Loans and advances to customers classified under Stage 2 include the "Outreach Program" Management Overlay for an amount of EUR – 2.81 million. Refer to the section "ECL Management Overlays" of note 8.2.1 on Expected Credit Losses measurement.

7.12.2. Impairment on participations in consolidated companies

	31/12/22	31/12/23
Net impairment on participations in consolidated companies	(53,584,589)	0
TOTAL	(53,584,589)	0

7.13. Provisions for legal litigations

Charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of related provisions.

7.14. Tax expenses

	31/12/22	31/12/23
Income tax for current financial year	0	0
Deferred taxes	(11,432,486)	(25,363,402)
Tax on current financial year result (A)	**(11,432,486)**	**(25,363,402)**
Income tax for previous year	211	0
Deferred taxes for previous year	0	(266,339)
Other tax expenses (B)	**211**	**(266,339)**
TOTAL (A)+(B)	(11,432,275)	(25,629,741)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2022 and 2023.

The effective BIL tax rate was 10.36% in 2022 and 11.89% in 2023.

The difference between both rates may be analysed as follows:

	31/12/22	31/12/23
NET INCOME BEFORE TAX	110,392,798	213,247,402
Tax base	**110,392,798**	**213,247,402**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(41,754,463)**	**(57,460,207)**
Theoretical corporate income tax at standard rate	(27,531,964)	(53,183,902)
Effect of different tax rates in other countries	17,861	0
Tax effect of non-deductible expenses	(1,115,881)	(875,867)
Tax effect of non-taxable income	724,049	1,865,146
Tax effect on the use of previous tax losses not recognised in the assets	14,200,000	24,600,000
Other	**2,273,449**	**2,231,221**
Tax on current financial year result	**(11,432,486)**	**(25,363,402)**
EFFECTIVE TAX RATE	10.36%	11.89%

BIL S.A., as part of BIL Group included in Legend Holdings Group, is within the scope of the OECD Pillar 2 model rules instituting a minimum corporate income tax for international groups. Pillar 2 model rules as transposed in European Directive of 22 December 2022 were enacted in Luxembourg, the jurisdiction in which the group parent company is incorporated, under the law of 22 December 2023, effective for fiscal years starting as from 31 December 2023. For the year ended 31 December 2023, the Pillar 2 legislation was not effective at the reporting date, and the group has no related current tax exposure. BIL Group applies the mandatory and temporary exception to the accounting recognition of the deferred taxes assets and liabilities related to Pillar 2 regulation, according to the amendments to IAS 12 issued in May 2023.

Due to the complexity of the regulation, the quantitative impact of the regulation is still being determined at Legend Holdings Group level with the assistance of external advisors.

Note 8: Notes on risk exposures and other information on financial instruments

8.1. Fair value of financial instruments

8.1.1. Breakdown of fair value

FAIR VALUE OF ASSETS	31/12/22			31/12/23		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	4,209,854,738	4,209,854,738	0	2,901,120,265	2,901,120,265	0
Financial assets held for trading	15,786,368	15,786,368	0	19,345,375	19,345,375	0
Financial investments measured at fair value	914,290,670	914,290,670	0	539,413,704	539,413,704	0
Financial assets at fair value through other comprehensive income	*910,797,223*	*910,797,223*	*0*	*535,848,247*	*535,848,247*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*3,493,447*	*3,493,447*	*0*	*3,565,457*	*3,565,457*	*0*
Loans and advances to credit institutions	1,223,546,498	1,223,546,498	0	995,443,920	995,443,920	0
Loans and advances to customers	15,935,814,253	15,104,774,313	(831,039,940)	15,752,009,139	15,215,814,762	(536,194,377)
Financial investments measured at amortised cost	7,600,820,995	7,540,976,714	(59,844,281)	8,389,047,608	8,330,232,643	(58,814,965)
Derivatives	840,415,059	840,415,059	0	546,535,513	546,535,513	0
Fair value revaluation of portfolios hedged against interest rate risk	11,872	11,872	0	0	0	0
TOTAL	30,740,540,453	29,849,656,232	(890,884,221)	29,142,915,524	28,547,906,182	(595,009,342)

FAIR VALUE OF LIABILITIES	31/12/22			31/12/23		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	3,409,894,719	3,391,755,603	(18,139,116)	3,735,451,909	3,735,451,909	0
Amounts due to customers	20,353,697,491	20,276,387,896	(77,309,595)	18,072,551,938	18,060,773,887	(11,778,051)
Financial liabilities measured at fair value through profit or loss	2,014,665,341	2,014,665,341	0	2,836,485,340	2,836,485,340	0
Derivatives	416,425,803	416,425,803	0	315,303,064	315,303,064	0
Fair value revaluation of Portfolio hedged against interest rate risk	0	0	0	0	0	0
Debt securities	2,654,048,520	2,560,406,379	(93,642,141)	2,034,068,527	1,979,456,238	(54,612,289)
Subordinated debts	243,236,959	241,255,756	(1,981,203)	345,756,383	322,142,429	(23,613,954)
TOTAL	29,091,968,833	28,900,896,778	(191,072,055)	27,339,617,161	27,249,612,867	(90,004,294)

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.

8.1.2. 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).

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

	31/12/22			
ASSETS	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value				
Loans and advances to credit institutions	0	1,223,546,498	0	1,223,546,498
Loans and advances to customers	0	15,104,774,313	0	15,104,774,313
Financial assets measured at fair value				
Financial assets held for trading	0	13,125,963	2,660,405	15,786,368
Financial investments measured at fair value	614,166,023	0	300,124,647	914,290,670
Financial assets at fair value through other comprehensive income	*614,166,023*	*0*	*296,631,200*	*910,797,223*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*0*	*3,493,447*	*3,493,447*
Derivatives	0	833,717,230	6,697,829	840,415,059
TOTAL	614,166,023	17,175,164,004	309,482,881	18,098,812,908

	31/12/23			
ASSETS	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value				
Loans and advances to credit institutions	0	995,443,920	0	995,443,920
Loans and advances to customers	0	15,215,814,762	0	15,215,814,762
Financial assets measured at fair value				
Financial assets held for trading	0	15,601,889	3,743,486	19,345,375
Financial investments measured at fair value	229,926,226	0	309,487,478	539,413,704
Financial assets at fair value through other comprehensive income	*229,926,226*	*0*	*305,922,021*	*535,848,247*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*0*	*3,565,457*	*3,565,457*
Derivatives	0	521,247,661	25,287,852	546,535,513
TOTAL	229,926,226	16,748,108,232	338,518,816	17,316,553,274

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

Level 3 financial assets measured at fair value are composed mainly of equity instruments.

LIABILITIES	31/12/22 Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value				
Due to banks	0	3,391,755,603	0	3,391,755,603
Customer borrowings and deposit	0	20,276,387,896	0	20,276,387,896
Financial liabilities measured at fair value				
Financial liabilities designated at fair value	0	1,267,945,417	746,719,924	2,014,665,341
Derivatives	0	338,343,511	78,082,292	416,425,803
TOTAL	0	25,274,432,427	824,802,216	26,099,234,643

LIABILITIES	31/12/23 Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value				
Due to banks	0	3,735,451,909	0	3,735,451,909
Customer borrowings and deposit	0	18,060,773,887	0	18,060,773,887
Financial liabilities measured at fair value				
Financial liabilities designated at fair value	0	1,729,239,842	1,107,245,498	2,836,485,340
Derivatives	0	273,207,046	42,096,018	315,303,064
TOTAL	0	23,798,672,684	1,149,341,516	24,948,014,200

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

8.1.3. Transfer between Level 1 and Level 2

ASSETS

No transfer was made between Level 1 and Level 2 on assets in 2022 and 2023.

LIABILITIES

No transfer was made between Level 1 and Level 2 on liabilities in 2022 and 2023.

8.1.4. Level 3 reconciliation

ASSETS	31/12/22										
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	6,039,311	(913,483)	0	687,085	(3,152,508)	0	0	0	0	0	2,660,405
Financial investments measured at fair value	243,388,047	86,732	51,673,225	5,159,387	0	(182,744)	0	0	0	0	300,124,647
Derivatives	5,518,297	(4,292,982)	0	5,472,514	0	0	0	0	0	0	6,697,829
Investments in subsidiaries and associates	838,849	0	0	0	0	0	0	0	0	(838,849)	0
TOTAL	255,784,504	(5,119,733)	51,673,225	11,318,986	(3,152,508)	(182,744)	0	0	0	(838,849)	309,482,881

ASSETS	31/12/23										
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	2,660,405	40,304	0	2,295,750	(1,252,973)	0	0	0	0	0	3,743,486
Financial investments measured at fair value	300,124,647	72,003	7,812,689	1,948,793	(100)	(470,554)	0	0	0	0	309,487,478
Derivatives	6,697,829	(4,625,828)	0	23,215,851	0	0	0	0	0	0	25,287,852
Investments in subsidiaries and associates	0	0	0	0	0	0	0	0	0	0	0
TOTAL	309,482,881	(4,513,521)	7,812,689	27,460,394	(1,253,073)	(470,554)	0	0	0	0	338,518,816

LIABILITIES	31/12/22								
	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	561,344,383	(66,375,547)	433,916,144	(186,853,010)	0	0	0	4,687,954	746,719,924
Derivatives	18,750,077	32,821,983	26,510,232	0	0	0	0	0	78,082,292
TOTAL	580,094,460	(33,553,564)	460,426,376	(186,853,010)	0	0	0	4,687,954	824,802,216

LIABILITIES	31/12/23								
	Opening	Total gains and losses in statement of income	Purchase	Settlement	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	746,719,924	18,162,318	932,622,439	(588,936,589)	0	0	0	(1,322,594)	1,107,245,498
Derivatives	78,082,292	(61,555,808)	25,569,534	0	0	0	0	0	42,096,018
TOTAL	824,802,216	(43,393,490)	958,191,973	(588,936,589)	0	0	0	(1,322,594)	1,149,341,516

8.1.5. Valuation techniques used for Level 2 and Level 3 instruments

Description	Valuation techniques
Unlisted equity securities	- Unobservable transaction prices - Net asset method - Income approach (Discounted Cash Flow method) - Market approach (Comparable company valuation multiples)
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)

8.1.6. Valuation techniques, valuation inputs and relations to fair value for Level 3 instruments

Description	Unobservable inputs (Level 3 instruments)	Impact on valuation and sensitivty of level (Level 3 instruments)
Unlisted equity securities	- multiples of comparable - 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 observables and unobservable inputs.
Derivatives and Structured Bonds	- 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 throught profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

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.

Level 3 financial assets held for trading are the result of buy backs of the Bank's structured bonds issued.

8.2. Credit risk

8.2.1. Expected credit losses measurement

8.2.1.1 Expected Credit Losses (ECL) methodology

DEFINITION OF CREDIT RISK

Refer to the Note 9.2 of the consolidated financial statements included in this report.

DEFINITION OF DEFAULT

Refer to the Note 9.2 of the consolidated financial statements included in this report.

WRITE-OFF POLICY

Refer to the Note 9.2 of the consolidated financial statements included in this report.

LOW CREDIT RISK EXEMPTION

Refer to the Note 9.2 of the consolidated financial statements included in this report.

IFRS 9 STAGING ASSESSMENT

Refer to the Note 9.2 of the consolidated financial statements included in this report.

SIGNIFICANT INCREASE IN CREDIT RISK

Refer to the Note 9.2 of the consolidated financial statements included in this report.

CREDIT-IMPAIRED STATUS

Refer to the Note 9.2 of the consolidated financial statements included in this report.

CURE PERIOD

Refer to the Note 9.2 of the consolidated financial statements included in this report.

MEASUREMENT OF ECL – EXPLANATION OF INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES

Refer to the Note 9.2 of the consolidated financial statements included in this report.

FORWARD-LOOKING PARAMETERS

Refer to the Note 9.2 of the consolidated financial statements included in this report.

MACROECONOMIC INDICATORS FOR EACH SCENARIO

Refer to the Note 9.2 of the consolidated financial statements included in this report.

8.2.1.2 ECL Sensitivity

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

(in EUR million)	Scenarios weights			31/12/22		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL	60%	10%	30%	62.31	32.19	94.49
Modelled ECL	60%	20%	20%	58.15	30.99	89.14
Stressed ECL	100%	0%	0%	53.05	29.50	82.54
	0%	100%	0%	45.01	27.28	72.29
	0%	0%	100%	86.59	39.21	125.80
	80%	0%	20%	59.75	31.44	91.19
	60%	5%	35%	64.38	32.78	97.17
	60%	0%	40%	66.46	33.38	99.84

(in EUR million)	Scenarios weights			31/12/23		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL	60%	10%	30%	39.97	22.89	62.86
Modelled ECL	60%	20%	20%	37.45	22.33	59.78
Stressed ECL	100%	0%	0%	33.49	21.48	54.96
	0%	100%	0%	30.76	20.80	51.56
	0%	0%	100%	56.01	26.43	82.43
	80%	0%	20%	37.99	22.47	60.46
	60%	5%	35%	41.23	23.18	64.41
	60%	0%	40%	42.50	23.46	65.95

8.2.1.3 ECL Post-Model Adjustments and Management Overlays

Refer to the note 9.2 of the consolidated financial statements included in this report.

This table summarises the impact of the management overlays and post-model adjustments on the stock of ECL (Stage 1 and Stage 2):

(in EUR million)	Stage	31/12/22	31/12/23
ECL Modelled	Stage 1	58	37
	Stage 2	31	22
ECL Post-Model Adjustment (Scenario Weighting)	Stage 1	4	3
	Stage 2	1	1
ECL Management Overlay (Outreach Programme)	Stage 1	1	
	Stage 2	0	
ECL Management Overlay (Origination Date)	Stage 1	0	
	Stage 2	2	
ECL Management Overlay (Minimum Disposable Income)	Stage 1		8
	Stage 2		3
ECL Management Overlay (Outreach Programme-Bridge Loans and Maturing Fixed-Rate Loans)	Stage 1		1
	Stage 2		0
TOTAL	**Stage 1**	**63**	**48**
	Stage 2	**35**	**26**

The reported ECL exclude ECL Management Overlays.

The impact of the Post-Model Adjustment on the modelled ECL (stage 1 and stage 2 exposures) as at 31 December 2023 amounts to EUR 3.1 million (EUR 5.4 million as at 31 December 2022). The impact of the Post-Model Adjustment on the Stage 3 modelled ECL (excluding Expert-judgement ECL) is EUR 1.7 million (thus a total Post-Model Adjustment of EUR 4.8 million as at 31 December 2023).

The impact of the Management Overlay "Minimum Disposable Income" on the Stage 3 exposures amounts to EUR 0.3 million. The Management Overlay "Outreach Programme Bridge Loans and Maturing Fixed Rate Loans" has a nil impact on the Stage 3 exposures. Refer to the Note 9.2 of the consolidated financial statements included in this report for further details.

8.2.2. Credit risk exposures

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.

Exposures by counterparty category (in EUR million)	31/12/22	31/12/23	Variation
Individuals, SME & Self Employed	11,573	11,265	(308)
Central Governments	11,518	9,732	(1,786)
Corporate	6,845	6,875	30
Financial Institutions	4,984	4,143	(841)
Public Sector Entities	629	668	39
Securitisation	189	291	102
Others	61	3	(58)
TOTAL	35,799	32,977	(2,822)

Exposures by geographic region (in EUR million)	31/12/22	31/12/23	Variation
Luxembourg	20,040	19,721	(319)
France	3,620	3,363	(257)
Belgium	2,326	2,301	(25)
Germany	2,507	1,587	(920)
United States and Canada	1,267	1,218	(49)
Spain	941	808	(133)
Switzerland	1,726	753	(973)
China	371	318	(53)
Asia	229	243	14
Middle East	382	164	(218)
Russia	93	90	(3)
Australia	42	43	1
Other EU countries	1,162	1,311	149
Others	644	711	67
Rest of Europe	449	346	(103)
TOTAL	35,799	32,977	(2,822)

Credit risk exposures are 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 corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

8.2.2.1 Exposures by stage and ratings

Stage 1 Credit Risk Exposures	31/12/22						31/12/23					
(in EUR million)	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Commitments in respect of guarantees given	149	363	655	426	0	1,593	145	291	478	395	0	**1,309**
Commitments in respect of loans granted	432	1,243	624	565	0	2,864	477	879	910	543	0	**2,809**
Financial investments at FVOCI (excluding variable income securities)	301	269	0	50	0	620	70	253	0	0	0	**323**
Financial investments at amortised cost	5,572	1,872	34	644	0	8,122	5,682	2,418	13	40	0	**8,153**
Loans and advances at amortised cost	4,500	7,551	4,465	1,166	0	17,682	3,203	6,062	6,210	1,247	0	**16,722**
Other financial instruments at amortised cost	300	42	11	1	0	354	304	70	0	0	0	**374**
TOTAL Stage 1 Exposures	11,254	11,340	5,789	2,852	0	31,235	9,881	9,973	7,611	2,225	0	29,690

Stage 2 Credit Risk Exposures	31/12/22						31/12/23					
(in EUR million)	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Commitments in respect of guarantees given	1	21	81	26	0	129	3	40	90	27	0	**160**
Commitments in respect of loans granted	48	36	274	14	0	372	10	57	215	51	0	**333**
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	10	67	15	0	0	92	37	60	20	0	0	**117**
Loans and advances at amortised cost	25	330	1,869	76	0	2,300	96	188	1,434	89	0	**1,807**
Other financial instruments at amortised cost	0	0	0	1	0	1	0	0	0	0	0	**0**
TOTAL Stage 2 Exposures	84	454	2,239	117	0	2,894	146	345	1,759	167	0	2,417

Stage 3 Credit Risk Exposures (in EUR million)	31/12/22 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	31/12/23 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Commitments in respect of guarantees given	6	0	4	0	21	31	2	0	0	0	25	27
Commitments in respect of loans granted	0	0	2	0	21	23	0	0	0	0	15	15
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	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	24	1	0	0	323	348	17	2	64	10	472	565
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL Stage 3 Exposures	30	1	6	0	365	402	19	2	64	10	512	607

Credit Risk Exposures without staging (in EUR million)	31/12/22 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	31/12/23 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Derivatives	18	1 237	3	10	0	1 268	11	236	3	12	0	262
Financial assets held-for-trading	0	0	0	0	0	0	1	0	0	0	0	1
TOTAL Exposures without staging	18	1 237	3	10	0	1 268	12	236	3	12	0	263
TOTAL All Exposures	11,386	13,032	8,037	2,979	365	35,799	10,058	10,556	9,437	2,414	512	32,977

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. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

8.2.3. Collateral and other credit enhancements

31/12/22 (in EUR million)	Gross exposure	Credit Risk Mitigation (CRM) Guarantee	Netting agreements	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	619	4	0	0	0	4	615	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	21,192	247	19	1,380	8,093	9,739	11,453	273
Financial investments at amortised cost	8,215	1,060	0	0	0	1,060	7,155	8
Derivatives	1,268	0	0	0	0	0	1,268	0
Other financial instruments at amortised cost	871	0	516	0	0	516	355	0
Commitments in respect of guarantees given	1,813	14	0	69	13	96	1,717	4
Commitments in respect of loans granted	3,438	288	17	515	497	1,317	2,121	14
TOTAL	37,416	1,613	552	1,964	8,603	12,732	24,684	299

31/12/23 (in EUR million)	Gross exposure	Credit Risk Mitigation (CRM) Guarantee	Netting agreements	Financial collateral	Physical collateral	Total CRM	Net exposure	ECL
Financial investments at FVOCI (excluding variable income securities)	323	9	0	0	0	9	314	0
Financial assets held-for-trading	1	0	0	0	0	0	1	0
Loans and advances at amortised cost	19,650	227	9	1,010	7,854	9,100	10,550	268
Financial investments at amortised cost	8,271	1,183	0	0	0	1,183	7,088	3
Derivatives	262	0	0	0	0	0	262	0
Other financial instruments at amortised cost	712	0	338	1	0	339	373	0
Commitments in respect of guarantees given	1,552	6	0	55	8	69	1,483	2
Commitments in respect of loans granted	3,253	298	18	457	374	1,147	2,106	12
TOTAL	34,024	1,723	365	1,523	8,236	11,847	22,177	285

Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.

Credit risk mitigation eligible as per internal policies.

Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

8.2.4. Past due but not impaired financial assets

	31/12/22		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	102,452,820	24,220,428	10,854,185
TOTAL	102,452,820	24,220,428	10,854,185

	31/12/23		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	43,926,059	8,882,445	10,002
TOTAL	43,926,059	8,882,445	10,002

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.

8.2.5. Credit risk mitigation for credit-impaired assets

	31/12/22			
	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	0	0	0	0
Loans and advances measured at amortised cost	559,465,396	(213,536,282)	345,929,114	308,184,227
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	559,465,396	(213,536,282)	345,929,114	308,184,227

	31/12/23			
	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	0	0	0	0
Loans and advances measured at amortised cost	769,649,167	(208,970,661)	560,678,506	419,912,191
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	769,649,167	(208,970,661)	560,678,506	419,912,191

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/22	31/12/23
Cash	0	0
Equity instrument	368,392	378,000
Debt instruments	0	0
Other assets	2,712,181	8,881,324
TOTAL	3,080,573	9,259,324

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

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

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 1 JANUARY	5,447,334,835	36,252,475	0	5,483,587,310
From Stage 1 to Stage 2	0	0		0
From Stage 2 to Stage 1	29,108,381	(29,108,381)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination	97,659,140	118	0	97,659,258
Derecognition during the period other than write-offs	(1,365,712,519)	(6,580,319)	0	(1,372,292,838)
Changes in interest accrual	1,481,807	0	0	1,481,807
Conversion difference (FX change)	(243,665)	(12,492)	0	(256,157)
Other movements	(219,301)	0	0	(219,301)
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 31 DECEMBER	4,209,408,678	551,401	0	4,209,960,079

	2023			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 1 JANUARY	4,209,408,678	551,401	0	4,209,960,079
From Stage 1 to Stage 2	0	0		0
From Stage 2 to Stage 1	523,032	(523,032)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0			0
From Stage 3 to Stage 1	0			0
Origination	118,194,460	103,671	0	118,298,131
Derecognition during the period other than write-offs	(1,428,373,670)	(121)	0	(1,428,373,791)
Changes in interest accrual	1,268,038	0	0	1,268,038
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 31 DECEMBER	2,901,020,538	131,919	0	2,901,152,457

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT 1 JANUARY	13,899,659,056	2,500,599,735	589,743,050	16,990,001,841
From Stage 1 to Stage 2	(1,290,494,004)	1,290,494,004		0
From Stage 2 to Stage 1	621,199,110	(621,199,110)		0
From Stage 2 to Stage 3		(44,319,187)	44,319,187	0
From Stage 3 to Stage 2		36,458,239	(36,458,239)	0
From Stage 1 to Stage 3	(85,047,979)		85,047,979	0
From Stage 3 to Stage 1	20,370,963		(20,370,963)	0
Origination	4,161,755,993	524,240,863	53,992,772	4,739,989,628
Derecognition during the period other than write-offs	(3,520,026,169)	(620,491,848)	(147,074,380)	(4,287,592,397)
Changes in interest accrual	(1,144,676)	(2,911,116)	0	(4,055,792)
Changes in fair value (fair value hedge and FVOCI)	(301,804)	(9,111,830)	0	(9,413,634)
Write-offs	0	0	(10,200,966)	(10,200,966)
Conversion difference (FX change)	18,038,465	12,023,056	466,956	30,528,477
Other movements	2,689,473	0	0	2,689,473
LOANS AND ADVANCES AS AT 31 DECEMBER	13,826,698,428	3,065,782,806	559,465,396	17,451,946,630

	2023			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT 1 JANUARY	13,826,698,428	3,065,782,806	559,465,396	17,451,946,630
From Stage 1 to Stage 2	(850,164,690)	850,164,690		0
From Stage 2 to Stage 1	1,853,852,766	(1,853,852,766)		0
From Stage 2 to Stage 3		(101,588,473)	101,588,473	0
From Stage 3 to Stage 2		31,834,814	(31,834,814)	0
From Stage 1 to Stage 3	(301,927,050)		301,927,050	0
From Stage 3 to Stage 1	9,973,799		(9,973,799)	0
Origination	3,923,999,142	470,731,462	86,791,042	4,481,521,646
Derecognition during the period other than write-offs	(4,084,140,011)	(617,975,275)	(184,285,196)	(4,886,400,482)
Changes in interest accrual	16,555,971	4,529,563	(373,467)	20,712,067
Changes in fair value (fair value hedge and FVOCI)	0	4,913,028	0	4,913,028
Write-offs	0	0	(53,694,686)	(53,694,686)
Conversion difference (FX change)	5,662,612	(8,166,560)	39,168	(2,464,780)
LOANS AND ADVANCES AS AT 31 DECEMBER	14,400,510,967	1,846,373,289	769,649,167	17,016,533,423

	2022			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT 1 JANUARY	7,879,271,034	194,205,334	21,985,297	8,095,461,665
From Stage 1 to Stage 2	(10,889,000)	10,889,000		0
From Stage 2 to Stage 1	141,005,445	(141,005,445)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	3,754,234,250	0	0	3,754,234,250
Derecognition during the period other than write-offs	(2,853,306,236)	(12,817,901)	(21,985,297)	(2,888,109,434)
Changes in interest accrual	2,595,523	(449,267)	0	2,146,256
Changes in premium / discount	46,655,550	544,510	0	47,200,060
Changes in fair value (fair value hedge and FVOCI)	(781,199,833)	(5,775,902)	0	(786,975,735)
Conversion difference (FX change)	315	0	0	315
DEBT SECURITIES AS AT 31 DECEMBER	8,178,367,048	45,590,329	0	8,223,957,377

	2023			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT 1 JANUARY	8,178,367,048	45,590,329	0	8,223,957,377
From Stage 1 to Stage 2	(84,598,400)	84,598,400		0
From Stage 2 to Stage 1	26,847,600	(26,847,600)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	2,002,048,828	33,000,000	0	2,035,048,828
Derecognition during the period other than write-offs	(2,039,900,776)	(26,189,000)	0	(2,066,089,776)
Changes in interest accrual	17,077,750	353,815	0	17,431,565
Changes in premium / discount	22,126,668	514,573	0	22,641,241
Changes in fair value (fair value hedge and FVOCI)	382,238,880	7,107,518	0	389,346,398
DEBT SECURITIES AS AT 31 DECEMBER	8,504,207,598	118,128,035	0	8,622,335,633

8.2.7. Movements in allowances for credit losses

	As at 01/01/22	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(45,346,368)**	**(29,121,300)**	**15,342,182**	**4,007,033**
Cash, balances with central banks and demand deposits	(4,469)	0	0	(51,337)
Debt securities at amortised cost	(1,597,872)	(3,389,542)	688,302	(4,052,449)
Debt securities at fair value through other comprehensive income	(22,871)	(113,388)	132,283	(169,599)
Loans and advances at amortised cost	(44,576,605)	(25,618,370)	14,521,597	7,766,843
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(30,969,365)**	**0**	**3,995,828**	**(6,277,244)**
Cash, balances with central banks and demand deposits	(87,510)	0	0	48,129
Debt securities at amortised cost	(916,917)	0	1,003	430,841
Loans and advances at amortised cost	(29,964,938)	0	3,994,825	(6,756,214)
Allowances for credit-impaired debt instruments (Stage 3)	**(236,523,187)**	**(2,215,241)**	**2,546,528**	**(2,508,307)**
Debt securities at amortised cost	(17,596,888)	0	0	(5,635)
Loans and advances at amortised cost	(218,926,299)	(2,215,241)	2,546,528	(2,502,672)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	(312,838,920)	(31,336,541)	21,884,538	(4,778,518)
Commitments and financial guarantees given (Stage 1)	(7,152,350)	(6,778,240)	2,054,617	4,131,438
Commitments and financial guarantees given (Stage 2)	(3,559,678)	(434,976)	822,999	952,928
Commitments and financial guarantees given (Stage 3)	(2,024,237)	(357,591)	226,093	(825,798)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	(12,736,265)	(7,570,807)	3,103,709	4,258,568

	As at 01/01/23	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(55,187,921)**	**(15,746,177)**	**10,509,107**	**9,359,576**
Cash, balances with central banks and demand deposits	(55,806)	(949)	0	29,762
Debt securities at amortised cost	(8,333,466)	(2,063,424)	913,261	5,306,943
Debt securities at fair value through other comprehensive income	(173,489)	(45,789)	35,706	153,183
Loans and advances at amortised cost	(46,625,160)	(13,636,015)	9,560,140	3,869,688
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(32,937,376)**	**0**	**5,077,231**	**(15,325,064)**
Cash, balances with central banks and demand deposits	(49,535)	0	0	45,607
Debt securities at amortised cost	(463,404)	0	1,984	(2,212,111)
Debt securities at fair value through other comprehensive income	0	0	0	(113,271)
Loans and advances at amortised cost	(32,424,437)	0	5,075,247	(13,045,289)
Allowances for credit-impaired debt instruments (Stage 3)	**(213,536,282)**	**(8,398,728)**	**1,676,533**	**(35,992,480)**
Debt securities at amortised cost	0	0	0	0
Loans and advances at amortised cost	(213,536,282)	(8,398,728)	1,676,533	(35,992,480)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	(301,661,579)	(24,144,905)	17,262,871	(41,957,968)
Commitments and financial guarantees given (Stage 1)	(7,685,357)	(4,562,503)	754,920	6,342,094
Commitments and financial guarantees given (Stage 2)	(2,231,123)	(898,632)	713,987	4,143,137
Commitments and financial guarantees given (Stage 3)	(3,017,487)	(818,442)	19,286	(4,258,613)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	(12,933,967)	(6,279,577)	1,488,193	6,226,618

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 31/12/22	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
0	**0**	**0**	**(69,468)**	**(55,187,921)**	**n.a**	**n.a**
0	0	0	0	(55,806)	n.a	n.a
0	0	0	18,095	(8,333,466)	n.a	n.a
0	0	0	86	(173,489)	n.a	n.a
(261,841)	0	0	(87,649)	(46,625,160)	n.a	n.a
0	**0**	**0**	**313,405**	**(32,937,376)**	**n.a**	**n.a**
0	0	0	(10,154)	(49,535)	n.a	n.a
0	0	0	21,669	(463,404)	n.a	n.a
0	0	0	301,890	(32,424,437)	n.a	n.a
0	**0**	**10,200,966**	**14,962,959**	**(213,536,282)**	**229,237**	**(11,097,781)**
0	0	0	17,602,523	0	n.a	n.a
0	0	10,200,966	(2,639,564)	(213,536,282)	229,237	(11,097,781)
0	0	10,200,966	15,206,896	(301,661,579)	229,237	(11,097,781)
0	0	0	59,178	(7,685,357)	0	0
0	0	0	(12,396)	(2,231,123)	0	0
0	0	0	(35,954)	(3,017,487)	0	0
0	0	0	10,828	(12,933,967)	0	0

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 31/12/23	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
0	**10,812,134**	**0**	**(504,646)**	**(40,757,927)**	**n.a**	**n.a**
0	0	0	(1,645)	(28,638)	n.a	n.a
0	1,372,926	0	66,366	(2,737,394)	n.a	n.a
0	0	0	212	(30,177)	n.a	n.a
0	9,439,208	0	(569,579)	(37,961,718)	n.a	n.a
0	**19,924,848**	**0**	**514,594**	**(22,745,767)**	**n.a**	**n.a**
0	0	0	374	(3,554)	n.a	n.a
0	2,104,360	0	(25,057)	(594,228)	n.a	n.a
0	113,255	0	16	0	n.a	n.a
0	17,707,233	0	539,261	(22,147,985)	n.a	n.a
0	**(7,460,262)**	**53,694,686**	**1,045,872**	**(208,970,661)**	**2,458,905**	**(54,235,739)**
0	0	0	0	0	n.a	n.a
0	(7,460,262)	53,694,686	1,045,872	(208,970,661)	2,458,905	(54,235,739)
0	23,276,720	53,694,686	1,055,820	(272,474,355)	2,458,905	(54,235,739)
0	(2,510,208)	0	33,920	(7,627,134)	0	0
0	(4,708,957)	0	(284)	(2,981,872)	0	0
0	2,702,671	0	2,677	(5,369,908)	0	0
0	(4,516,494)	0	36,313	(15,978,914)	0	0

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

	As at 31/12/22			
	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	2,014,665,341	(1,541,036)	(1,546,169)	(195,626,583)

	As at 31/12/23			
	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	2,836,485,340	(868,083)	(2,414,252)	(84,143,647)

In 2022 and in 2023, 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 liabilities revalued at fair value against 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.

8.2.9. 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.

	31/12/22	31/12/23
Debt securities	0	0
Loans and advances	544,955,644	500,502,352
Given banking guarantees	18,299,092	3,848,396
FORBORNE EXPOSURES	563,254,736	504,350,748

8.3. Encumbered assets

8.3.1. Collateral received by the reporting institution

	As at 31/12/22			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	675,797,742	*675,797,742*	0	*0*
Debt securities	323,034,546	*323,034,546*	0	*0*
TOTAL	998,832,288	*998,832,288*	0	*0*

	As at 31/12/22			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	369,606,300	*369,606,300*	0	*0*
Debt securities	332,713,890	*332,713,890*	0	*0*
TOTAL	702,320,190	*702,320,190*	0	*0*

8.3.2. Encumbered assets

	31/12/22			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities at amortised cost	**723,300,059**	***554,386,916***	**711,910,329**	***555,767,940***
of which: issued by general governments	*296,567,298*	*199,301,107*	*287,734,531*	*198,150,798*
of which: issued by other financial corporations	*410,478,286*	*338,831,334*	*407,636,140*	*341,077,484*
of which: issued by non-financial corporations	*16,254,475*	*16,254,475*	*16,539,658*	*16,539,658*
Debt securities at fair value through other comprehensive income	**94,769,074**	***43,903,727***	**94,769,074**	***43,903,727***
of which: issued by general governments	*17,215,920*	*17,215,920*	*17,215,920*	*17,215,920*
of which: issued by other financial corporations	*77,553,154*	*26,687,807*	*77,553,154*	*26,687,807*
of which: issued by non-financial corporations	*0*	*0*	*0*	*0*
Loans and advances other than loans on demand	**531,486,588**	***531,486,588***	**531,486,588**	***531,486,588***
TOTAL	1,349,555,721	*1,129,777,231*	1,338,165,991	*1,131,158,255*

	31/12/23			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Debt securities at amortised cost	**310,161,025**	***228,289,903***	**307,405,708**	***226,298,352***
of which: issued by general governments	*74,772,852*	*74,772,852*	*73,360,300*	*73,360,300*
of which: issued by other financial corporations	*223,600,394*	*153,517,051*	*222,289,947*	*152,938,052*
of which: issued by non-financial corporations	*11,787,779*	*0*	*11,755,461*	*0*
Debt securities at fair value through other comprehensive income	**109,239,293**	***97,813,379***	**109,239,293**	***97,813,379***
of which: issued by general governments	*0*	*0*	*0*	*0*
of which: issued by other financial corporations	*109,239,293*	*97,813,379*	*109,239,293*	*97,813,379*
Loans and advances other than loans on demand	**276,445,710**	***276,445,710***	**276,445,710**	***276,445,710***
TOTAL	695,846,028	*602,548,992*	693,090,711	*600,557,441*

8.3.3. Sources of encumbrance

	31/12/22		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which : collateral received re-used*
Derivatives	416,425,803	531,486,588	*0*
Repurchase agreements	519,578,704	528,874,059	*0*
Collateralised deposits other than repurchase agreements	251,020,469	251,020,469	*0*
of which: central banks	*251,020,469*	*251,020,469*	*0*
Fair value of securities borrowed with non cash collateral	19,462,948	38,174,605	*0*
TOTAL	1,206,487,924	1,349,555,721	*0*

	31/12/23		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which : collateral received re-used*
Derivatives	315,303,064	276,445,710	*0*
Repurchase agreements	353,449,872	377,682,156	*0*
Collateralised deposits other than repurchase agreements	456,272	456,272	*0*
of which: central banks	*456,272*	*456,272*	*0*
Fair value of securities borrowed with non cash collateral	19,873,385	41,261,890	*0*
TOTAL	689,082,593	695,846,028	*0*

8.3.4. Offsetting financial assets and liabilities

Offsetting policy is described in Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

FINANCIAL ASSETS RECOGNISED AT END OF REPORTING PERIOD	31/12/22				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	840,415,059	0	840,415,059	675,797,742	164,617,317
Reverse repurchase agreements	304,748,203	0	304,748,203	303,571,598	1,176,605
TOTAL	1,145,163,262	0	1,145,163,262	979,369,340	165,793,922

FINANCIAL LIABILITIES RECOGNISED AT END OF REPORTING PERIOD	31/12/22				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	416,425,803	0	416,425,803	416,425,803	0
Repurchase agreements	519,578,704	0	519,578,704	519,578,704	0
Collateralised deposits other than repurchase agreements	251,020,469	0	251,020,469	251,020,469	0
TOTAL	1,187,024,976	0	1,187,024,976	1,187,024,976	0

FINANCIAL ASSETS RECOGNISED AT END OF REPORTING PERIOD	31/12/23				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	546,535,513	0	546,535,513	369,606,300	176,929,213
Reverse repurchase agreements	313,546,016	0	313,546,016	312,840,505	705,511
TOTAL	860,081,529	0	860,081,529	682,446,805	177,634,724

FINANCIAL LIABILITIES RECOGNISED AT END OF REPORTING PERIOD	31/12/23				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposures
Derivatives	315,303,064	0	315,303,064	276,445,710	38,857,354
Repurchase agreements	353,449,872	0	353,449,872	353,449,872	0
Collateralised deposits other than repurchase agreements	456,272	0	456,272	456,272	0
TOTAL	669,209,208	0	669,209,208	630,351,854	38,857,354

8.4. Interest rate risk

ASSETS	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	4,209,854,738	0	0	0	0	0	4,209,854,738
Financial assets held for trading	8,319,224	1,487,099	1,448,932	3,510,619	1,020,494	0	15,786,368
Financial investments measured at fair value	8,488,066	249,345,025	0	192,831,464	163,501,467	300,124,648	914,290,670
Financial investments measured at fair value through other comprehensive income	*8,488,066*	*249,345,025*	*0*	*192,831,464*	*163,501,467*	*296,631,201*	*910,797,223*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,493,447*	*3,493,447*
Loans and advances to credit institutions	1,086,680,370	65,778,489	71,087,639	0	0	0	1,223,546,498
Loans and advances to customers	4,510,684,132	235,554,073	452,160,816	1,845,329,232	8,892,086,000	0	15,935,814,253
Financial investments measured at amortised cost	977,830,388	357,883,674	434,766,605	3,061,197,681	2,769,142,647	0	7,600,820,995
Derivatives	0	0	0	0	0	840,415,059	840,415,059
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	11,872	11,872
TOTAL	10,801,856,918	910,048,360	959,463,992	5,102,868,996	11,825,750,608	1,140,551,579	30,740,540,453

ASSETS	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	2,901,120,265	0	0	0	0	0	2,901,120,265
Financial assets held for trading	0	9,690,548	2,184,330	5,067,294	2,403,203	0	19,345,375
Financial investments measured at fair value	0	0	0	143,049,193	86,877,033	309,487,478	539,413,704
Financial investments measured at fair value through other comprehensive income	*0*	*0*	*0*	*143,049,193*	*86,877,033*	*305,922,021*	*535,848,247*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,565,457*	*3,565,457*
Loans and advances to credit institutions	280,706,905	553,913,844	127,854,912	32,968,259	0	0	995,443,920
Loans and advances to customers	1,834,772,278	2,761,475,266	771,434,893	2,526,402,821	7,857,923,881	0	15,752,009,139
Financial investments measured at amortised cost	22,624,434	1,353,337,738	1,078,362,789	3,420,110,721	2,514,611,926	0	8,389,047,608
Derivatives	0	0	0	0	0	546,535,513	546,535,513
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
TOTAL	5,039,223,882	4,678,417,396	1,979,836,924	6,127,598,288	10,461,816,043	856,022,991	29,142,915,524

LIABILITIES	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	851,303,208	1,612,007,785	633,422,489	250,131,667	63,029,570	0	3,409,894,719
Amounts due to customers	16,194,369,714	2,100,597,880	1,648,024,072	406,970,270	3,735,555	0	20,353,697,491
Other financial liabilities	0	778,442	2,226,727	7,515,338	2,646,811	0	13,167,318
Financial liabilities measured at fair value through profit or loss	398,170,510	79,369,426	397,087,558	844,665,612	295,372,235	0	2,014,665,341
Liabilities esignated at fair value	*398,170,510*	*79,369,426*	*397,087,558*	*844,665,612*	*295,372,235*	*0*	*2,014,665,341*
Derivatives	0	0	0	0	0	416,425,803	416,425,803
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
Debt securities	736,983,320	20,548,546	371,766,003	1,290,304,980	234,445,671	0	2,654,048,520
Subordinated debts	49,110,443	0	0	0	194,126,516	0	243,236,959
TOTAL	18,229,937,195	3,813,302,079	3,052,526,849	2,799,587,867	793,356,358	416,425,803	29,105,136,151

LIABILITIES	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	580,592,016	2,096,644,664	1,035,642,566	4,492,955	18,079,708	0	3,735,451,909
Amounts due to customers	12,506,012,799	4,366,264,521	1,197,905,564	2,369,054	0	0	18,072,551,938
Other financial liabilities	0	980,884	2,778,383	5,001,971	1,783,452	0	10,544,690
Financial liabilities measured at fair value through profit or loss	11,745,166	1,097,502,226	589,344,468	889,930,078	247,963,402	0	2,836,485,340
Liabilities held for trading	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Liabilities designated at fair value	*11,745,166*	*1,097,502,226*	*589,344,468*	*889,930,078*	*247,963,402*	*0*	*2,836,485,340*
Derivatives	0	0	0	0	0	315,303,064	315,303,064
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
Debt securities	5,048,835	495,105,777	324,680,197	991,161,817	218,071,901	0	2,034,068,527
Subordinated debts	0	0	49,431,006	91,417,119	204,908,258	0	345,756,383
TOTAL	13,103,398,816	8,056,498,072	3,199,782,184	1,984,372,994	690,806,721	315,303,064	27,350,161,851

NET POSITION	31/12/22					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,428,080,277)	(2,903,253,719)	(2,093,062,857)	2,303,281,129	11,032,394,250	724,125,776

NET POSITION	31/12/23					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(8,064,174,934)	(3,378,080,676)	(1,219,945,260)	4,143,225,294	9,771,009,322	540,719,927

Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than

according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note Market risk and Assets & Liabilities Management (ALM)).

8.5. Market risk and Assets & Liabilities Management (ALM)

8.5.1. Treasury and financial markets activities

BIL's treasury and financial markets activities support the Bank's commercial activities.

Financial markets and treasury activities are subject to Value at Risk (VaR) and / or sensitivity limits.

TRADING: VALUE AT RISK – 99%, 10 DAYS

In 2023, BIL has calculated:

- a trading VaR based on a historical approach (99%, 10 days), which has been limited to FOREX activities notably following the discontinuation of the Fixed Income trading activity;
- a treasury VaR based on a historical approach (99%, 10 days), which has been reintroduced in 2022 notably to complement the treasury interest rate sensitivity (+100bp).

The VaR calculated for treasury and financial markets activities are detailed below. The average trading VaR was EUR 0.12 million in 2023, compared with EUR 0.09 million in 2022. This decrease is mainly explained by the stoppage of the Fixed Income activity and the decrease of FX options activity.

VaR (10 days, 99%) (in EUR million)		2022							
		Forex (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.09	0.07	0.09	0.11	0.15	0.27	0.54	0.70
	Maximum	0.29	0.14	0.16	0.23	0.23	0.51	0.70	1.19
Global Trading	Average	0.09				0.42			
	Maximum	0.29				1.19			
	End of period	0.12				1.12			
	Limit	2.00				1.50			

VaR (10 days, 99%) (in EUR million)		2023							
		Forex (Trading)				Treasury (Banking Book)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.12	0.14	0.08	0.16	0.90	0.98	1.19	1.05
	Maximum	0.25	0.29	0.24	0.20	1.16	1.39	1.28	1.20
Global Trading	Average	0.12				1.03			
	Maximum	0.29				1.39			
	End of period	0.17				1.04			
	Limit	1.00				6.00			

TREASURY: 1% SENSIVITY

The treasury activity is subject to sensitivity limits.

Sensitivity (in EUR million)		2022				2023			
		+100bp interest rate sensitivity				+100bp interest rate sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Treasury	Sensitivity	5.84	3.46	6.75	3.65	7.70	2.54	3.20	3.78
	Limit	(9.00)				(9.00)			

8.5.2. ALM interest rate risk and credit risk spread risk

The ALM activity is subject to an interest-rate sensitivity limit.

In addition, positions within the investment portfolio perimeter are subject to a credit spread sensitivity measure.

ALM

The ALM interest rate and credit spread sensitivities are disclosed below (own funds are excluded):

Sensitivity (in EUR million)		2022							
		+100bp Interest rate sensitivity				+1bp credit spread sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(4)	14	0.4	(16)	(2)	(2)	(1)	(1)
	Limit	(90)							

Sensitivity (in EUR million)		2023							
		+100bp Interest rate sensitivity				+1bp credit spread sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(33)	(32)	(33.9)	(41)	(1)	(1)	(1)	(1)
	Limit	(90)							

8.6. Liquidity risk: Breakdown by residual maturity

BIL's approach to liquidity risk management is described under point 4 of the Note "Market risk and Assets & Liabilities Management (ALM)" section of the consolidated management report. The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received. Presented by residual maturity, excluding derivatives and off-balance sheet.

ASSETS	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	4,209,854,738	0	0	0	0	0	4,209,854,738
Financial assets held for trading	15,786,368	0	0	0	0	0	15,786,368
Financial investments measured at fair value	0	249,386,632	0	201,384,353	163,568,526	299,951,159	914,290,670
Financial investments measured at fair value through other comprehensive income	*0*	*249,386,632*	*0*	*201,384,353*	*163,568,526*	*296,457,712*	*910,797,223*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,493,447*	*3,493,447*
Loans and advances to credit institutions	464,689,320	495,164,828	263,692,350	0	0	0	1,223,546,498
Loans and advances to customers	2,090,328,286	2,346,246,472	719,578,229	1,850,513,095	8,929,148,171	0	15,935,814,253
Financial investments measured at amortised cost	46,880,605	356,129,658	434,766,605	3,256,369,210	3,506,674,917	0	7,600,820,995
Derivatives	0	45,425,546	31,212,169	213,666,692	550,110,652	0	840,415,059
Fair value revaluation of portfolios hedged against interest rate risk	0	0	11,872	0	0	0	11,872
TOTAL	6,827,539,317	3,492,353,136	1,449,261,225	5,521,933,350	13,149,502,266	299,951,159	30,740,540,453

ASSETS	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	2,901,120,265	0	0	0	0	0	2,901,120,265
Financial assets held for trading	0	1,847,105	17,498,270	0	0	0	19,345,375
Financial investments measured at fair value	0	0	0	143,049,193	86,877,033	309,487,478	539,413,704
Financial investments measured at fair value through other comprehensive income	*0*	*0*	*0*	*143,049,193*	*86,877,033*	*305,922,021*	*535,848,247*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*	*0*	*3,565,457*	*3,565,457*
Loans and advances to credit institutions	300,233,906	553,820,827	108,424,535	32,964,652	0	0	995,443,920
Loans and advances to customers	1,983,198,952	379,974,940	890,938,847	3,372,278,646	9,125,617,754	0	15,752,009,139
Financial investments measured at amortised cost	22,624,434	401,921,200	673,053,651	3,687,036,877	3,604,411,446	0	8,389,047,608
Derivatives	0	38,723,472	28,907,612	196,720,839	282,183,590	0	546,535,513
TOTAL	5,207,177,557	1,376,287,544	1,718,822,915	7,432,050,207	13,099,089,823	309,487,478	29,142,915,524

LIABILITIES	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	912,051,736	1,612,925,245	571,756,500	250,131,667	63,029,571	0	3,409,894,719
Amounts due to customers	15,602,144,023	2,586,309,467	1,757,888,068	403,670,546	3,685,387	0	20,353,697,491
Other financial liabilities	0	778,442	2,226,727	7,515,338	2,646,811	0	13,167,318
Financial liabilities measured at fair value through profit or loss	0	95,921,046	429,623,460	1,192,008,437	297,112,398	0	2,014,665,341
Liabilities designated at fair value	*0*	*95,921,046*	*429,623,460*	*1,192,008,437*	*297,112,398*	*0*	*2,014,665,341*
Derivatives	0	92,419,560	75,675,149	120,986,636	127,344,458	0	416,425,803
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0	0	0	0
Debt securities	0	382,981,780	491,775,238	1,544,841,111	234,450,391	0	2,654,048,520
Subordinated debts	0	0	0	0	243,236,959	0	243,236,959
TOTAL	16,514,195,759	4,771,335,540	3,328,945,142	3,519,153,735	971,505,975	0	29,105,136,151

LIABILITIES	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	598,248,880	2,634,394,335	419,920,966	6,867,656	76,020,072	0	3,735,451,909
Amounts due to customers	7,825,363,014	8,598,353,248	1,202,634,121	442,656,999	3,544,556	0	18,072,551,938
Other financial liabilities	0	980,884	2,778,383	5,001,971	1,783,452	0	10,544,690
Financial liabilities measured at fair value through profit or loss	378,785	111,919,182	752,924,128	1,715,865,500	255,397,745	0	2,836,485,340
Liabilities designated at fair value	*378,785*	*111,919,182*	*752,924,128*	*1,715,865,500*	*255,397,745*	*0*	*2,836,485,340*
Derivatives	0	64,014,995	33,182,408	103,157,497	114,948,164	0	315,303,064
Debt securities	0	211,541,554	375,141,565	1,224,330,940	223,054,468	0	2,034,068,527
Subordinated debts	0	0	0	140,848,125	204,908,258	0	345,756,383
TOTAL	8,423,990,679	11,621,204,198	2,786,581,571	3,638,728,688	879,656,715	0	27,350,161,851

NET POSITION	31/12/22					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,686,656,442)	(1,278,982,404)	(1,879,683,917)	2,002,779,615	12,177,996,291	299,951,159

	31/12/23					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(3,216,813,122)	(10,244,916,654)	(1,067,758,656)	3,793,321,519	12,219,433,108	309,487,478

CONTINGENT LIABILITIES AND COMMITMENTS	31/12/22						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Regular way trade	0	334,306,777	2,093,523	0	0	14,641,853	351,042,153
Guarantees	5,084,624	139,019,996	369,385,159	671,230,086	413,486,009	897,416,717	2,495,622,591
Loan commitments	29,077,616	50,031,758	321,402,776	612,858,812	852,154,516	1,156,149,197	3,021,674,675
Other commitments	0	1,151,698,834	534,103,762	2,234,072,650	8,886,287,732	238,747,311,863	251,553,474,841
TOTAL	34,162,240	1,675,057,365	1,226,985,220	3,518,161,548	10,151,928,257	240,815,519,630	257,421,814,260

	31/12/23						
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
Regular way trade	0	1,742,530,452	59,411,277	52,492,852	1,282,929	0	1,855,717,510
Guarantees	8,820	111,349,268	354,134,319	332,197,455	780,479,028	90,258,079	1,668,426,969
Loan commitments	34,562,819	110,093,252	415,859,867	736,395,449	1,785,629,363	282,768,883	3,365,309,633
Other commitments	0	794,555,215	1,399,900,285	1,802,341,133	8,454,868,799	245,070,670,691	257,522,336,123
TOTAL	34,571,639	2,758,528,187	2,229,305,748	2,923,426,889	11,022,260,119	245,443,697,653	264,411,790,235

The sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

The amounts are presented discounted for financial assets and liabilities measured at amortised cost.

8.7. Currency risk

	31/12/22				
	EUR	Other EU currencies	USD	Other	Total
Assets	26,650,510,913	272,622,748	2,536,244,986	2,117,051,507	31,576,430,154
Liabilities	25,645,989,036	797,199,702	4,172,256,440	960,984,976	31,576,430,154
NET ON-BALANCE SHEET POSITION	1,004,521,877	(524,576,954)	(1,636,011,454)	1,156,066,531	0
Off-balance sheet – receivable	1,995,021,228	843,306,335	2,247,741,626	1,017,343,603	6,103,412,792
Off-balance sheet – payable	3,000,775,667	296,239,992	608,876,462	2,245,099,177	6,150,991,298
NET OFF-BALANCE SHEET POSITION	(1,005,754,439)	547,066,343	1,638,865,164	(1,227,755,574)	(47,578,506)

	31/12/23				
	EUR	Other EU currencies	USD	Other	Total
Assets	26,236,862,819	233,022,364	2,106,751,640	1,421,150,186	29,997,787,009
Liabilities	23,930,126,282	883,561,092	4,092,309,085	1,091,790,550	29,997,787,009
NET ON-BALANCE SHEET POSITION	2,306,736,537	(650,538,728)	(1,985,557,445)	329,359,636	0
Off-balance sheet – receivable	1,904,085,970	920,073,275	3,096,887,391	878,490,519	6,799,537,155
Off-balance sheet – payable	4,423,824,358	246,242,280	1,014,665,265	1,141,583,989	6,826,315,892
NET OFF-BALANCE SHEET POSITION	(2,519,738,388)	673,830,995	2,082,222,126	(263,093,470)	(26,778,737)

8.8. Solvency ratios

	31/12/22	31/12/23
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	1,848,066,865	2,011,409,475
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,429,829,906	1,502,497,254
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	1,047,528,634	1,040,441,421
Regulatory and transitional adjustments	(524,334,959)	(444,580,398)
ADDITIONAL TIER 1 CAPITAL (AT1)	175,000,000	175,000,000
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	243,236,959	333,912,221
Subordinated liabilities	243,236,959	333,912,221
RISK WEIGHTED ASSETS	10,301,850,591	11,836,747,627
Credit Risk	9,383,085,404	10,751,885,609
Market Risk	13,869,141	34,023,752
Operational Risk	899,405,378	1,038,838,772
Credit Value Adjustments	5,490,668	11,999,495
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	13.88%	12.69%
Tier 1 ratio	15.58%	14.17%
Capital Adequacy ratio	17.94%	16.99%
REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1		
Goodwill and intangible assets	(253,923,253)	(49,440,430)
Deferred tax assets that rely on future probability	(122,639,638)	(106,106,399)
Fair value reserves related to gains or losses cash flow hedges	(3,769,310)	(1,992,645)
Gains or losses on liabilities at fair value resulting from own credit risk	(1,160,554)	(1,812,138)
Other regulatory adjustments	(52,781,281)	(74,889,347)
Additional Value Adjustment	(90,949,409)	(71,632,793)
Transitional provisions related to introduction of IFRS 9	20,293,411	0
IRB shortfall	(1,910,925)	(125,023,645)
Defined benefit pension fund assets	(17,494,000)	(13,683,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	(524,334,959)	(444,580,398)

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. 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 30 September 2020.

The solvency ratios as at 31 December 2022 and published in the Financial Statements as at 31 December 2022 were restated following the subsequent formal decision of the relevant body in charge on 27 April 2023, confirming the final profit or loss and the dividend distribution and allowing inclusion in Common Equity Tier 1 (CET1), the eligible result for the year 2022 for an amount of EUR 38,951,769.

Note 9: Additional information

9.1. Litigation

Please refer to Note 10 of the Consolidated Financial Statements that includes the litigation affecting BIL S.A.

9.2. Post-balance sheet events

Please refer to Note 10 of the Consolidated Financial Statements that includes the post-balance sheet event affecting BIL S.A.

Proposed allocation of 2023 net income

EUR	
Net income for the year	187,617,661
Dividend	(79,942,096)
Allocation to "Legal reserve"	0
Allocation to "Retained earnings"	(107,675,565)
TOTAL	**0**

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