



Rating Action: Moody's Ratings affirms BIL's long-term deposit and issuer ratings of A2 with stable outlooks

23 Feb 2026

Baseline Credit Assessment affirmed at baa2

Paris, February 23, 2026 -- Moody's Ratings (Moody's) today affirmed all ratings and assessments of Banque Internationale a Luxembourg (BIL) including its A2 long-term deposit, long-term issuer and senior unsecured debt ratings. The outlook on these ratings remains stable.

Concurrently, we affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA of baa2, its short-term deposit and Other Short Term ratings of Prime-1 and (P)Prime-1 respectively, its senior unsecured MTN program rating of (P)A2, its junior senior unsecured rating of Baa2, its junior senior unsecured MTN program rating of (P)Baa2, its subordinate ratings of Baa3, its subordinate MTN program rating of (P)Baa3 and its preferred stock non-cumulative rating of Ba2(hyb).

We also affirmed BIL's commercial paper rating of P-1, its long-term and short-term Counterparty Risk Ratings (CRRs) of A1 and Prime-1 respectively and its long-term and short-term Counterparty Risk Assessments (CRAs) of A1(cr) and Prime-1(cr) respectively.

RATINGS RATIONALE

RATING AFFIRMATION REFLECTS THE STRENGTH AND STABILITY OF CREDIT FUNDAMENTALS

-- AFFIRMATION OF THE BCA

The affirmation of BIL's BCA of baa2 reflects its good solvency and sound liquidity based on a well-established franchise in the domestic retail and commercial banking and its wealth management activities primarily focusing on Western European clients.

BIL has a long track-record of contained cost of risk, primarily reflecting its exposures focused on Luxembourg and some neighboring countries' economies. The loan portfolio is nonetheless significantly exposed to Luxembourg's residential real estate development sector. This sector suffered from a downturn in 2023 and 2024, leading to a sharp increase in the problem loans ratio of the bank to a peak of 5% in 2024. We expect a slight improvement in this ratio since then, primarily due to gradual improvement of the debt affordability of real estate borrowers and the impact of management actions.

BIL's capital position is strong and provides substantial buffers, even though it is somewhat lower compared to its main domestic peers. BIL's tangible common equity (TCE) ratio was 15.8% at end-June 2025, commensurate with the bank's concentrated asset risk profile.

Over the next twelve to eighteen months, we expect the bank to maintain steady return on total assets of approximately 0.6%. This level of profitability is lower than that of domestic peers, and experienced some volatility in the past, as a result of the bank's international wealth management activities, which continue to yield modest efficiency. While cost-saving measures and our expectation of reducing impairment charges will have positive impacts, these benefits will be counterbalanced by lower interest margins and limited lending growth.

BIL's benefits from diversified funding but has a moderate reliance on less-stable sources as deposits from its wealth management business can be more sensitive to confidence than retail deposit. The relatively high share of public entities and institutional clients may also imply some funding concentration risk. However, the

refinancing risk of BIL is mitigated by a strong buffer of highly liquid assets.

-- AFFIRMATION OF LONG-TERM DEPOSIT, ISSUER AND SENIOR UNSECURED DEBT RATINGS

BIL's A2 long-term deposit, long-term issuer and senior unsecured debt ratings reflect the affirmation of the bank's baa2 BCA, our unchanged assumption of a very low and loss given failure under our Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch uplift. Additionally, these ratings factor in our unchanged moderate probability of support from the Government of Luxembourg (Aaa stable), reflecting the bank systemic importance in the country. This assumption results in a one-notch additional uplift to senior unsecured, long-term deposit and issuer ratings.

STABLE OUTLOOK

The outlook on the long-term deposit, issuer and senior unsecured debt ratings is stable. This reflects our view that the bank's overall solvency and liquidity profiles will remain resilient over the coming quarters, and incorporates our expectation that the volume of both senior unsecured debt and subordinate instruments will stay roughly unchanged over the outlook period.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

BIL's ratings could be upgraded following an upgrade of its BCA. The BCA could be upgraded mainly if sector and single borrower concentrations were to materially decrease, or if its capitalization and profitability were to increase sustainably.

The long-term deposit, issuer and senior unsecured debt ratings could be upgraded as a result of a decrease in loss-given-failure should these instruments benefit from higher subordination.

A downgrade of the BCA would likely result in a downgrade of all the long-term ratings of the bank. The BCA could be downgraded if the bank's asset quality and solvency were to deteriorate materially, or if governance risks were to increase for example in the case of an unexpected strategic shift.

The long-term issuer and senior unsecured debt ratings could also be downgraded as a result of an increase in loss-given-failure should senior unsecured debt account for a smaller share of the bank's overall liability structure.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454566>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

BIL's assigned BCA score of baa2 is set two notches below the Financial Profile initial score of a3 to reflect some concentration on the domestic commercial real estate sector, operational risk associated with wealth management activities and the expected capital and profitability metrics.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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