



Investor Presentation

November 2023

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Overview



Leading franchise in a AAA rated country with **stable and resilient economy**



Unique business model by integrating corporate business and lending capability with wealth management business across markets



Attractive revenue mix with significant contribution from **recurring fee business** from international wealth management business



Strong focus on **responsible and sustainable business** considering all stakeholders



Robust balance sheet with strong asset quality, sound capitalisation with significant organic capital generation and resilient funding base



Best-in-class financial profile with profitable growth and **targeted diversification** of revenue sources through the **development of international markets**



Highly experienced management team supported by **blue chip shareholders**

Overview

A leading bank in the Luxembourg economy



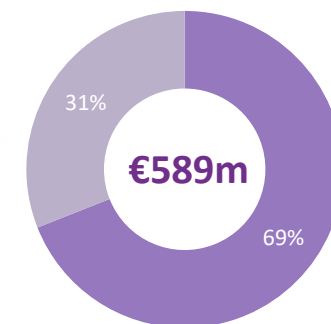
Key Information

- Founded in 1856, BIL is the **oldest multi-business and #1 independent bank** in Luxembourg with local **market shares of 15.4% in lending and 12.1% in deposits**¹
 - **>150 years of experience** and **systemic importance** in Luxembourg
 - The Group has also **dedicated wealth management offices** in **Switzerland** and **China** as well as **trading floors** in **Luxembourg** and **Zurich**
- Operates under **2 business segments**: (i) Luxembourg Market & CIB and (ii) Wealth Management
- Reputation for **operational excellence** among professionals and **entrepreneurial mindset**
- **Holding financial participations in major national companies**: (i) 13.14% stake in Luxair and (ii) 10% stake in Luxembourg Stock Exchange
- **Strong shareholder backing by Legend Holdings and the Grand Duchy of Luxembourg**

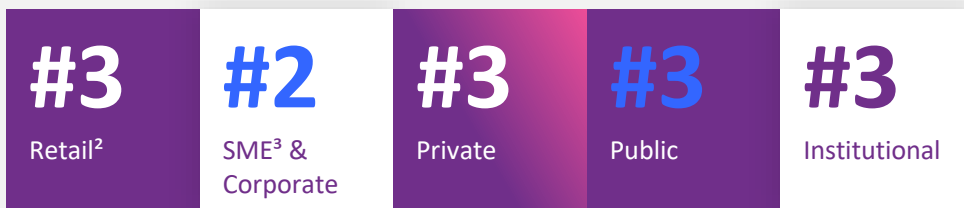
Operating Segments

- **Luxembourg Market & CIB** segment comprises Retail, WM Luxembourg and Corporate and Institutional Banking in Luxembourg as well as the international dimension of the Corporate and Institutional Banking
- **Wealth Management** comprises Wealth Management International activities for international cross-border clients

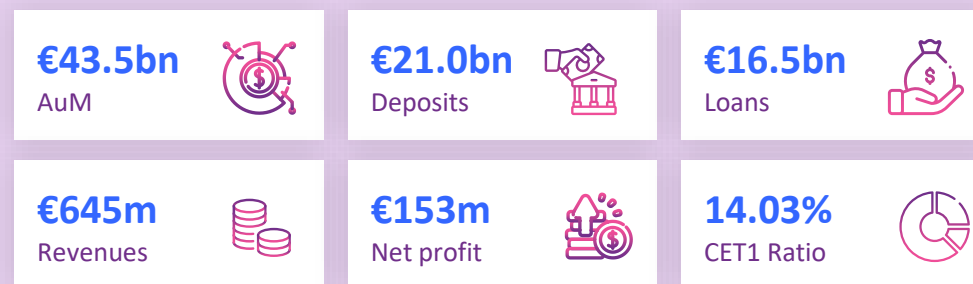
Core Operating Revenues



Leading Independent Bank in Luxembourg



Key Financials as at Year End 2022



(1): Information based on BCL volumes as of December 2022. Local market share in lending from 15.8% (Dec. 2021) to 15.4% (Dec. 2022) and deposits from 12.6% (Dec. 2021) to 12.1% (Dec. 2022)

(2): TNS Ilres banking market survey for retail clients 2022 – market share 13.1%

(3): TNS Luxembourg banking survey 2022 for SMEs and Corporate clients – market share 23%

Overview

Key milestones of the oldest bank in Luxembourg



1856

Banque Internationale à Luxembourg, the first public limited bank in the country, undertook its first issues of banknotes



1963

BIL was underwriter of the first Euro bond listed on the Luxembourg Stock Exchange



1970

BIL is one of the founding members of CEDEL, which grew to become the clearing firm Clearstream International



1985

The Bank commenced its private banking activities in Switzerland



2012

Precision Capital and The Grand Duchy of Luxembourg bought BIL from Dexia



2015

Merger of the private banking business of KBL (Switzerland) into BIL Switzerland



2018

Legend Holdings acquired Precision Capital's stake in BIL



2019

BIL opened the Representative Office in Beijing, China



2020

The bank acquired BIL Wealth Management Ltd. Hong Kong SAR, China

Overview

Broad product and financial services offering



Retail Banking

- ✔ One of the **top Luxembourg retail banks**, delivering **high value added to clients**
- ✔ Providing **clients with daily banking services**, as well as **investment and lending services**
- ✔ **Omni-channel delivery model** combining **high value-added human interactions** with a **digital and remote support**



Corporate & Institutional Banking

- ✔ **One of the top Luxembourg banks** for companies of all sizes, financial institutions and the public sector
- ✔ **Comprehensive range of services and advice**, with tailor-made and flexible financing solutions and corporate finance offering in Luxembourg and Switzerland
- ✔ **Competitive time-to-market** enabled by a **rapid and local decision making process**



Wealth Management

- ✔ **Wealth Management activities for Luxembourg-based clients**, as well as for **international cross-border clients**
- ✔ **Booking centres in Luxembourg and Switzerland**, and asset management in Hong Kong
- ✔ **Trusted advisor** delivering **high value-added investment services and lending facilities to clients with an entrepreneurial background**



Luxembourg

- Luxembourg Market & CIB (Retail, WM Luxembourg and Corporate and Institutional Banking), Wealth Management International and Financial Markets
- BIL Manage Invest (BMI)
- Belair House, multi-family office
- BIL Lease, financial leasing solutions



Switzerland

- Private Banking activities
- #1 destination for international wealth management with an increasing exposure to high-growth geographies
- Niche private bank with offices in Zurich, Geneva, Lugano
- Corporate Banking services



China

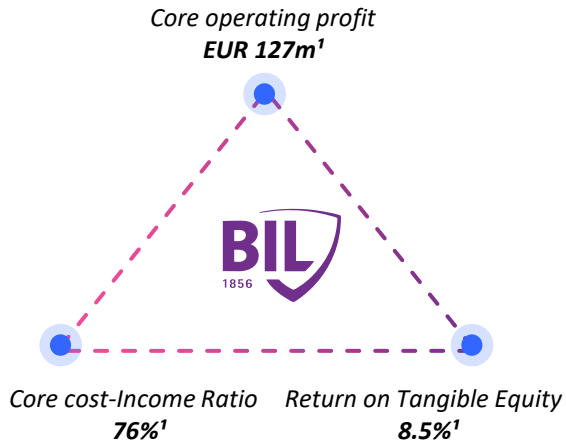
- Rep. Office in Beijing conducting market research and promoting the BIL brand in the Chinese market
- BIL Wealth Management Ltd. in Hong Kong SAR, China specialising in securities dealing, advisory and discretionary services

BIL's Outlook

As part of the Energise Create Together 2025 strategy, throughout 2022, BIL continued to pursue the development of international markets to drive future growth, especially the Chinese market which is key to diversifying our revenue sources

- 1 Leverage on cross-border capacity in Luxembourg, Switzerland and Hong Kong SAR, China, BIL serves Chinese entrepreneurs by offering them various tailor-made services
- 2 With the establishment of a representative office in Beijing China, coupled with the synergies with Legend Holdings, BIL has started to promote its branding in China
- 3 Building on its increased presence in Hong Kong SAR, China, BIL has started to reinforce its Group Investment offerings by building expertise in Chinese capital markets, to meet the rising demands of European investors looking for investment opportunities in China

3 Pillars Underlying The Plan



The three pillars will drive BIL's long term profitability

Energise Create Together 2025

BIL's Ambitions

In May 2021, BIL updated its five-year strategic plan “Energise Create Together 2025” including 5 key levers to become the best bank for Entrepreneurs in Luxembourg. A revision in H2 2022 confirmed this strategic direction

- | | | |
|--|--|--|
| | Develop a unique positioning in the Luxembourg market | Build on our ability to deliver an unmatched business model at the intersection of Retail Banking, CIB and Private Banking to be the best bank for Entrepreneurs in Luxembourg |
| | Develop China business | Become a leading bank for European clients wanting to invest in China, and Chinese clients wanting to invest in Europe, on a step-by-step basis |
| | Wealth Management as growth engine | Bring Wealth Management back to its 2017 levels of revenues and profitability by 2023 thanks to a fundamental turnaround and growth of our Entrepreneur client base mainly in Luxembourg and the strategic plan in Switzerland |
| | Deliver a new Core Banking System | Deliver a future-proof core banking system to act as backbone for BIL's transformation |
| | Design and implement a new Target Operating Model | Adapt BIL's operating model and culture to create a robust, future-proof and dynamic bank ready to face the future with serenity |

Overview

Strong shareholder backing by Legend Holdings as majority owner



Legend Holdings Overview

Strong Entrepreneurial Background...

- Legend Holdings is a **industrial operations and investments group** headquartered in Beijing, **China**, and listed on the **Hong Kong Stock Exchange** since June 2015
- As at 31 December 2022, Legend Holdings had **assets of EUR 92.63 billion²**, **annual revenues of EUR 68.34 billion³** and **over 100,000 employees** worldwide.
- Legend was founded in 1984 and developed **Lenovo** into a global leader following Lenovo's acquisition of IBM's global PC business in 2004
- Legend Holdings has over a **35-year history** of continued growth and expansion and is rated **AAA in China** (United Credit Ratings Company Limited)

... With an Investment Portfolio with Sustainable Long-Term Growth



BIL Acquisition Overview

- On 2 July 2018, **Legend Holdings Corp.** closed the transaction for the acquisition of Precision Capital's 89.936% stake in **BIL¹**
- The Grand Duchy of Luxembourg remains an important shareholder** in BIL with its 9.998% stake
- Legend Holdings considers BIL as a **long-term strategic investment** and intends to **maintain and invest further in the development** of the BIL brand, in Luxembourg, Switzerland and China
- As at December 2022, **Legend Holdings Corp.** holds **89.980%** stake in **BIL⁴** and the **Grand Duchy of Luxembourg** holds **9.998%** stake.

- **Profitable business:** BIL's asset scale, profit and revenue growth potential and business stability
- **BIL's long history** and deep roots in Luxembourg
- **A well-run bank** with a **diversified business** mix and a focused, long-term strategy
- **A well-capitalised bank** with strong corporate governance and risk management
- **Long-term investment horizon** and capital support
- **Access to China:** business opportunities for BIL with Chinese companies and individuals overseas
- Potential business **synergies with other companies** in Legend's portfolio
- **Experience and network** in artificial intelligence, internet, big data and financial technology



(1): Please refer to BIL press release dated 2 July 2018: "Legend Holdings receives regulatory approval for the acquisition of Banque Internationale à Luxembourg"

(2): Based on EUR/CNY of 0.136 as at 30 December 2022

(3): Based on 2022 average EUR/CNY of 0.1413

(4): After capital increase on 16 December 2019 of EUR 58 million

Overview

2022 key figures¹



Assets Under Management

43.5 EUR billion
-5.3% compared with Dec 2021



Deposits

21.0 EUR billion
+1.7% compared with Dec 2021



Loans

16.5 EUR billion
+0.8% compared with Dec 2021



#3 in Luxembourg
Market share

2,000 Employees
(BIL Group)



91%

of active clients have BILnet and have
logged in over the past six months



119

Automated
teller machines



Net Profit BIL Group

153 EUR million after tax
+13% compared with Dec 2021



Total Balance Sheet BIL Group

32.4 EUR billion
-0.1% compared with Dec 2021



Common Equity Tier 1

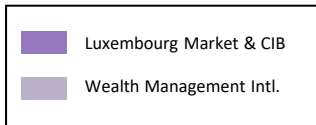
14.03%
CET1 2022 after profit allocation



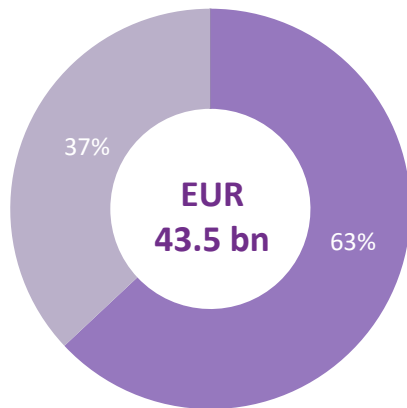
(1): Please refer to the 2022 Annual Report on www.bil.com

Overview

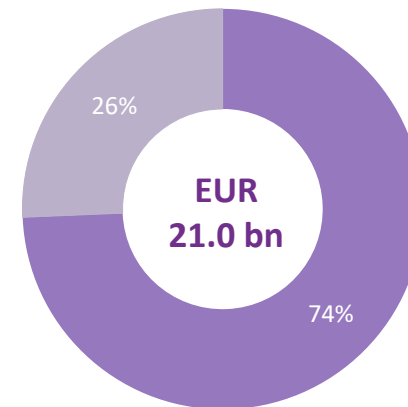
2022 business segments' breakdown



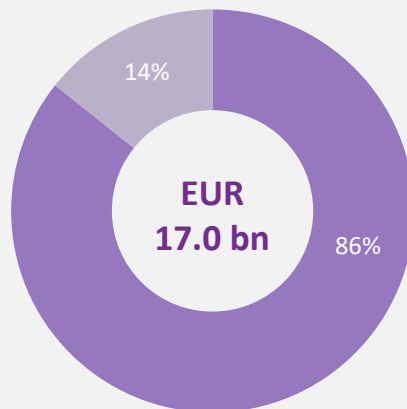
Assets under Management



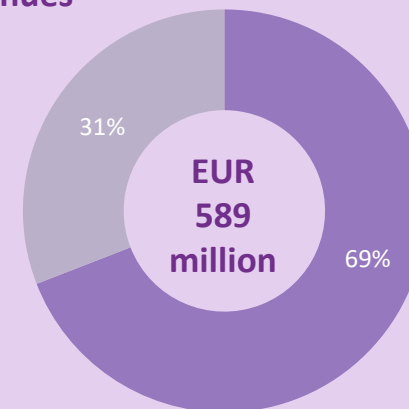
Deposits



Loans¹



Core operating revenues



(1): To match with 2022 Balance Sheet figures (cf. slides 12 and 17), please note that this figure is limited to the commercial business lines excluding impairments on loans.

Overview

Steady growth

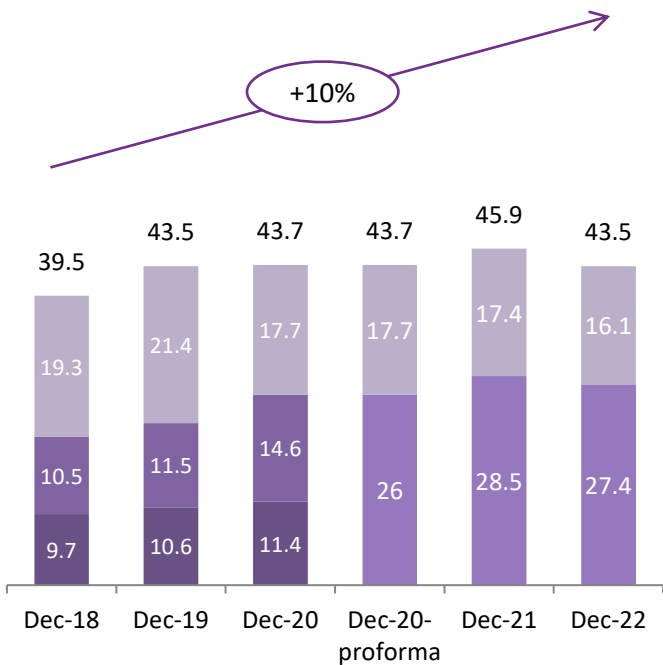
Until 2020

- Retail Banking
- Corporate Banking
- Private Banking

- Luxembourg Market & CIB
- Wealth Management Intl.

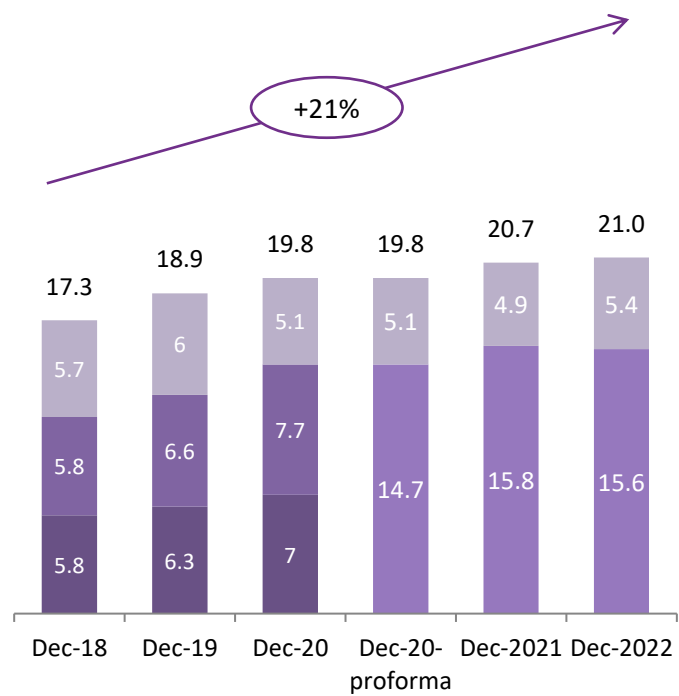


Assets under Management (in EUR billion)



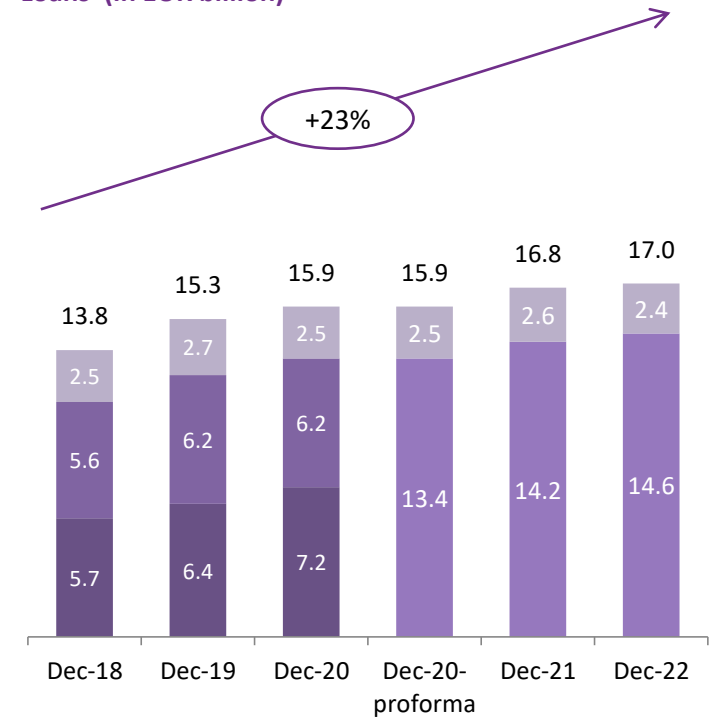
EUR -2.4 billion
 Organic growth EUR +0.9 billion,
 negative market effect EUR -3.3 billion

Deposits (in EUR billion)



EUR 0.3 billion
 of deposits increase

Loans¹ (in EUR billion)



EUR 0.2 billion
 of loans increase

(1): To match with 2022 Balance Sheet figures (c.f. slides 12 and 17), please note that this figure is limited to the commercial business lines excluding impairments on loans

Financial Performance

Financial Performance

2022 Income Statement



Income Statement – Global view (in EUR million)

Income Statement	2021	2022
Revenues	632	645
Interests and dividend income	291	363
Fee income	231	224
Other income	109	57
Expenses	(442)	(460)
Gross operating income	190	185
Cost of Risk	(38)	(19)
Operating income	152	165
Net income from associates	2	0
Net income before tax	154	165
Tax	(24)	(12)
Discontinued operations (net of tax)	5	0
Net income after tax	135	153
Cost-income ratio	70.0%	71.3%

Income Statement – Focus on core operating net income before tax (in EUR million)

Income Statement	2021	2022	Change	
Core operating revenues	553	599	46	8%
Luxembourg Market & CIB	379	407	28	7%
Wealth Management International	169	182	13	8%
Financial Markets	26	43	17	68%
Group center	(21)	(33)	(12)	61%
Core operating expenses	(425)	(455)	(30)	7%
Core operating cost of risk	(38)	(17)	22	(57%)
Net income from associates	2	0	(2)	ns.
Core operating net income before tax	92	127	35	38%
Core cost-income ratio	76.8%	76.0%		

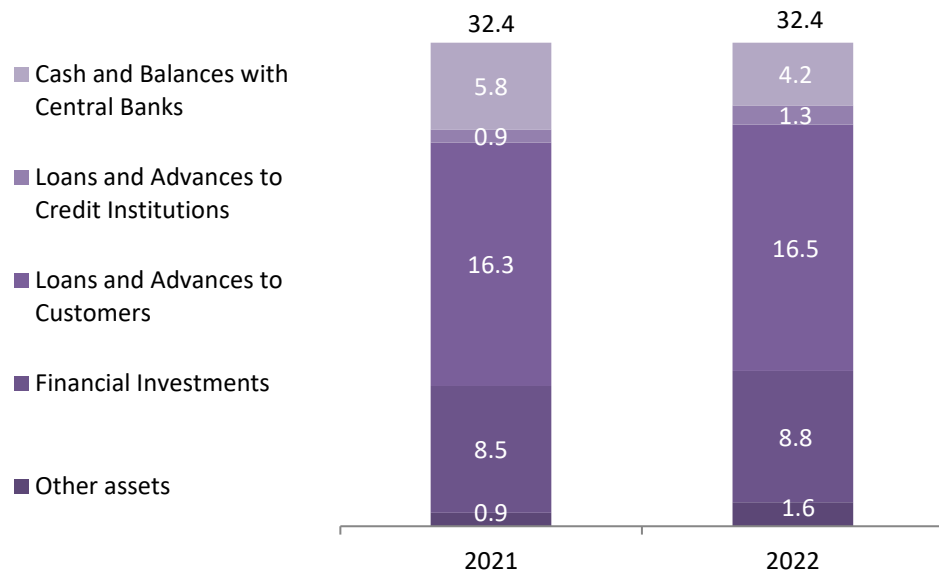
- BIL group reported a net income after tax of EUR 153 million, compared to EUR 135 million in 2021 up by 13%. This stems primarily from resilient revenues from commercial activities and a significant improvement of the cost of risk.
- BIL group's core operating net income before tax (excluding non-recurring items) reached EUR 127 million compared with EUR 92 million in 2021, up by 38%. This evolution was marked by a positive contribution of core operating revenues of EUR 46 million, the core operating cost of risk decrease by EUR 22 million compared to 2021 and a negative contribution of the core operating expenses of EUR 30 million.

Financial Performance

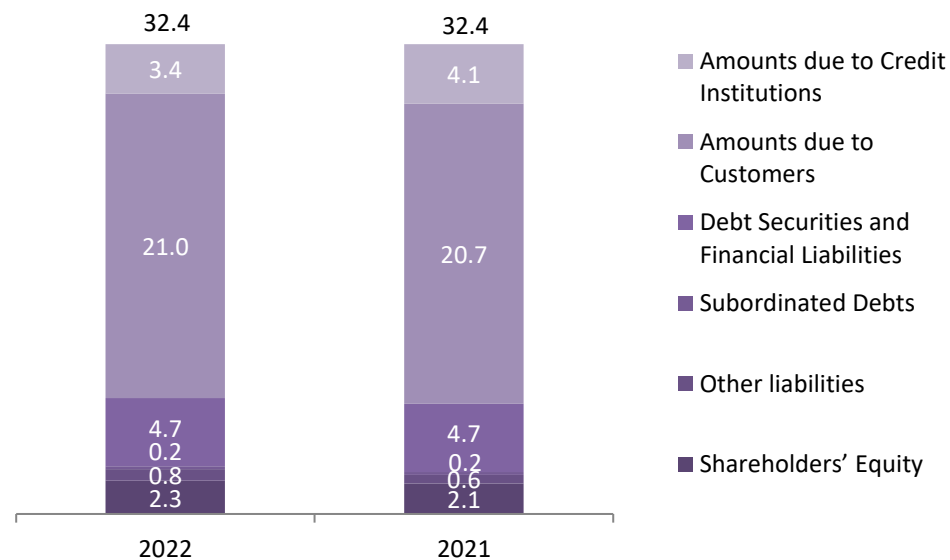
2022 Balance Sheet



Assets (in EUR billion)



Liabilities (in EUR billion)



- Loans and advances to customers amounted to EUR 16.5 billion at the end of 2022 compared with EUR 16.3 billion at the end of 2021 (EUR 0.1 billion or 0.8%). Outstanding mortgage loans increased by EUR 0.2 billion (+2.2%) and investment loans by EUR 0.3 billion (+4.5%) offset by a decrease of EUR 0.2 billion in cash advances (overdraft facilities) granted in particular to Corporate Banking clients.
- Financial investments increased by EUR 0.3 billion to EUR 8.8 billion, new investments offset sales and maturities in 2022.
- Cash at Central Banks and loans and advances to credit institutions amount to EUR 5.5 billion, down by EUR 1.3 billion (-18.6%). The decrease stems mainly from the early repayment of TLTRO which has reduced the Bank's liquidity excess.

- Customer deposits totalled EUR 21 billion in December 2022, representing an increase of +1.7% versus year-end 2021. This growth occurred mainly in fixed term deposits (EUR 2.1 billion) offset by a decrease in current accounts (EUR -1.6 billion).
- Debt securities remained stable at EUR 4.7 billion. In 2022, despite difficult market conditions, the Bank continued its long-term financing programme. New production grew by EUR 1.5 billion offset by 2022 maturities and called deals. In November 2022, the Bank launched a tender offer on its inaugural EUR 300 million Senior Non-Preferred Notes maturing in September 2023. Investors participated in the tender offer for a nominal of EUR 90 million. Following the inauguration of its Green Bond Framework in May 2022, BIL issued EUR 92 million in green bonds.
- Shareholders' equity increased by EUR 176 million (+8.4%). This increase was mainly due to the 2022 net profit of EUR 153 million and the positive evolution of the revaluation reserves of EUR 50 million offset by the coupon payments on AT1 instruments and the dividend payment of EUR 18 million on the 2021 net profit.

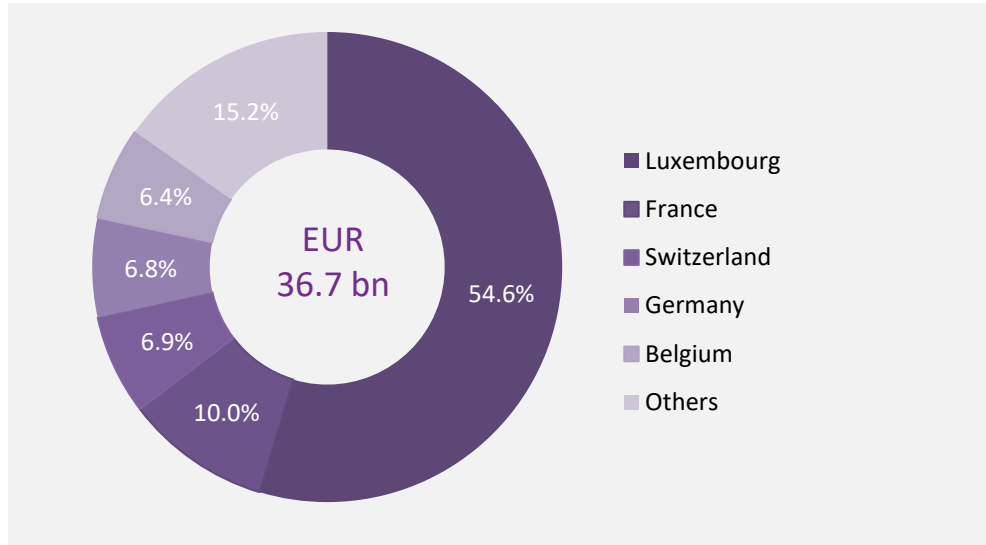
Totals may differ slightly due to rounding

Asset quality

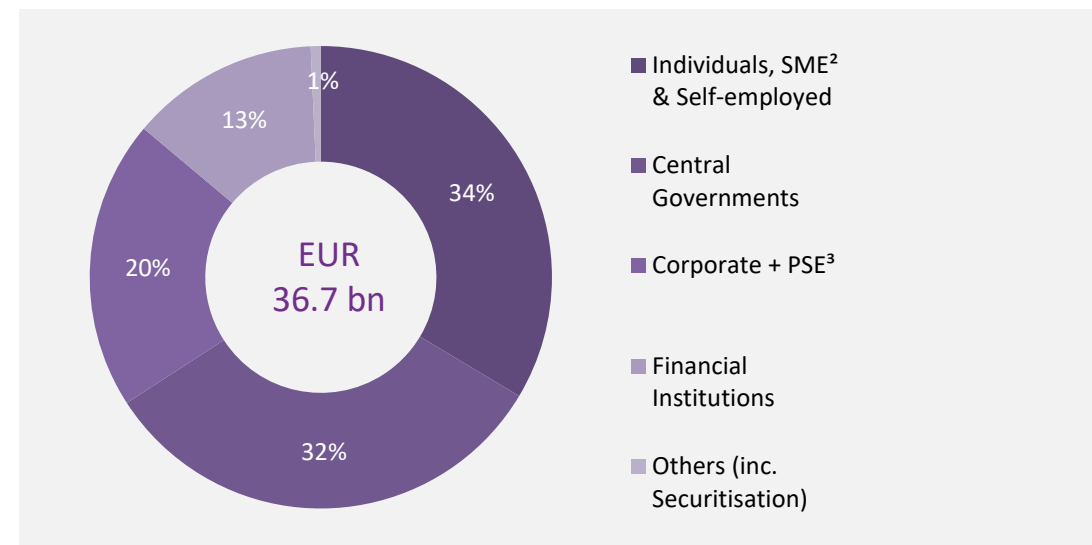
Asset quality

2022 Global Exposure

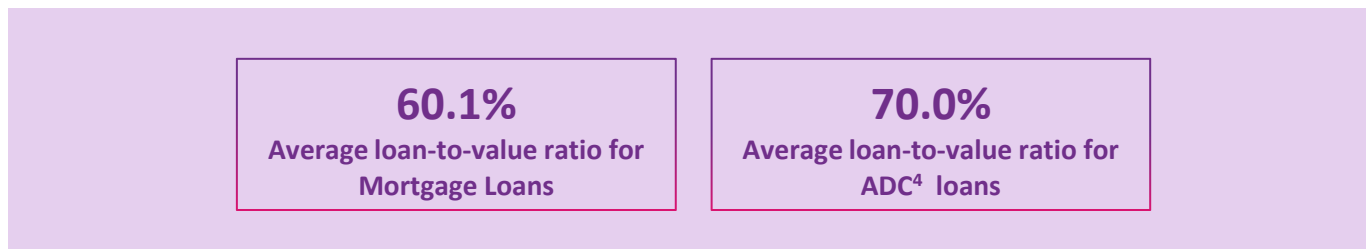
Exposure by Geographic Region (MCRE¹)



Exposure by type of counterparty (MCRE¹)



Loan-to-value ratios



(1): Maximum Credit Risk Exposure (MCRE): • The net carrying value of balance sheet assets other than derivative products (i.e. the carrying value after deduction of expert provisions); • The mark-to-market valuation of derivative products; • The total off-balance sheet commitments corresponding to unused lines of liquidity or to the maximum amount that BIL is committed to as a result of guarantees issued to third parties.

(2): SME – Small and Medium Enterprises (3): PSE – Public Sector Entities

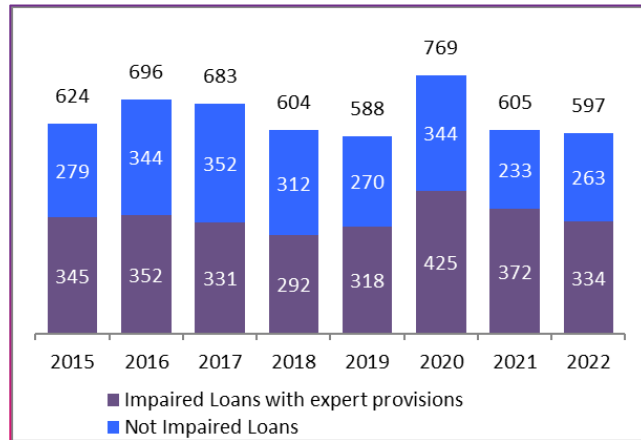
(4): ADC – Acquisition Development and Construction

Asset quality

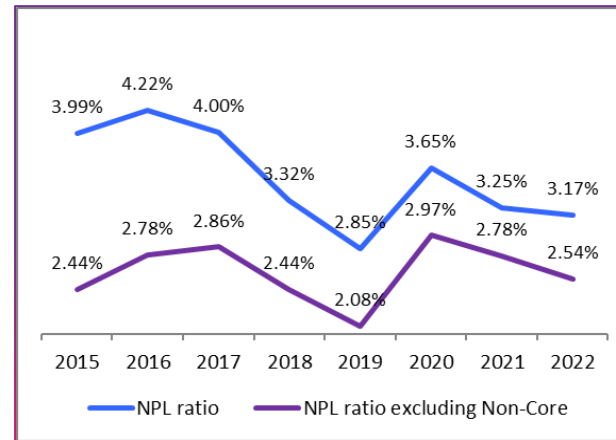
Non-performing loans and asset quality loans



Non-performing loans¹ (exposure, in EUR million)



Non-performing loans (ratios)



Asset quality loans² (ECL and coverage ratio)

Loans and advances to customers	2021	2022
Stage 1		
Outstanding amount (EUR bn)	13.504	13.131
ECL (EUR m)	45	47
Coverage ratio %	0.33%	0.36%
Stage 2		
Outstanding amount (EUR bn)	2.546	3.081
ECL (EUR m)	30	33
Coverage ratio %	1.18%	1.07%
Stage 3		
Outstanding amount (EUR bn)	0.593	0.568
ECL (EUR m)	223	217
Coverage ratio %	37.50%	38.20%
Asset quality ratio (stage 3 / total gross loans and advances to customers)	3.56%	3.38%
Cost of Risk (in bps) excluding non-recurring items	20bps	5bps

- After reaching a peak in 2020, total non-performing loans registered a downward trend to reach pre-pandemic level.

- Decrease of the NPL ratio mainly influenced by the decrease in non-performing loans due to proactive management of the credit portfolios.

(1): Non-performing loans including off-balance sheet items (in 2022 EUR 30m guarantees)

(2) Asset quality ratio limited to loans and advances to customers - Detail in 2022 Annual Report - Risk Management section 3.6 (page 35)

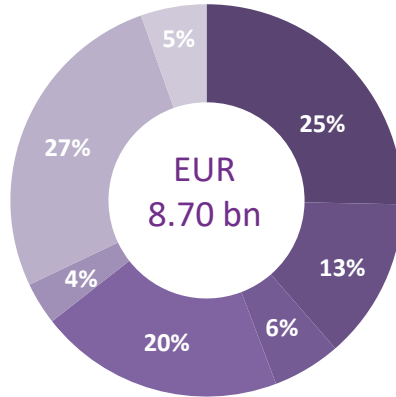
Asset quality

2022 Investment Portfolio



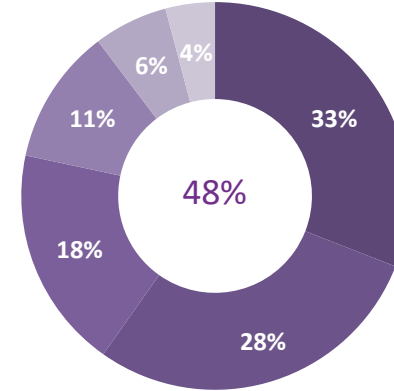
Investment Portfolio by Issuer Type

- European Govies
- Financials / Corp. / Securitisation
- Covered bonds
- Agencies / Supras
- US Govies
- Local Authorities
- Other Govies



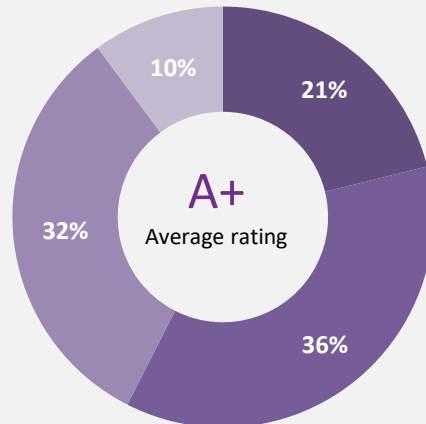
European Govies and Local Authorities (excluding Canada) by Geographic Region

- Belgium
- France
- Spain
- Austria/Germany
- Central Europe
- Other



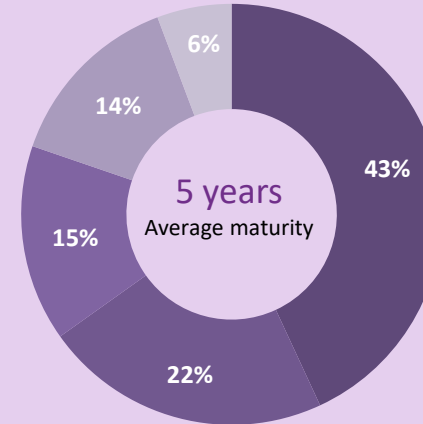
Investment Portfolio by Rating

- AAA
- AA
- A
- BBB



Investment Portfolio by Maturity

- [0;3yrs]
-]3;5yrs]
-]5;7yrs]
-]7;10yrs]
- >10yrs



Solvency and Liquidity

Solvency and Liquidity

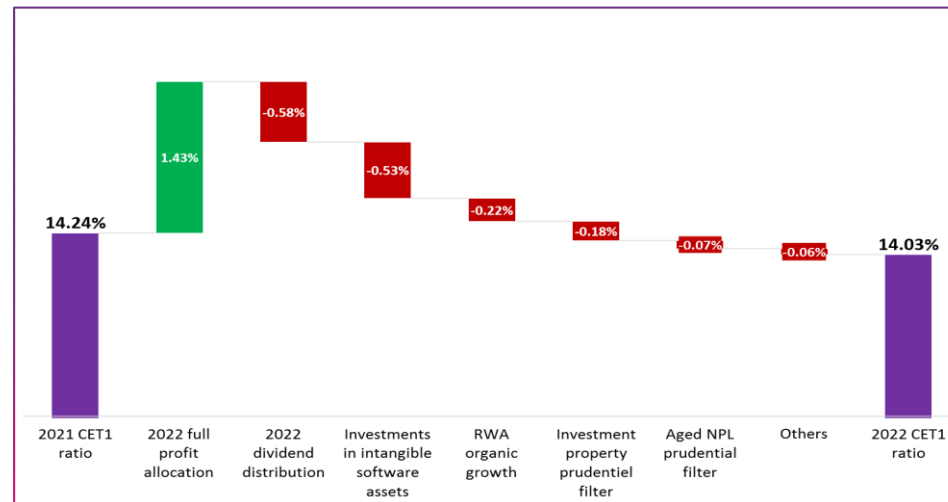
2022 Solvency Position

Solvency Ratios (figures after profit allocation, in EUR million)

	2021	2022
Weighted risks	10,165	10,426
Credit risk & CVA ¹	9,187	9,408
Market risk	23	17
Operational risk	954	1,001
Total capital	1,859	1,881
Common Equity Tier 1	1,447	1,463
Additional Tier 1	175	175
Tier 2	237	243
Solvency ratios		
CET1 ratio	14.24%	14.03%
Tier 1 ratio	15.96%	15.71%
Capital adequacy ratio	18.29%	18.04%

Common Equity Tier 1 (CET1) EUR 16 million increase is mainly due to the shareholders' equity of EUR 198 million and a reduction of prudential filters of EUR 182 million.

CET1 ratio evolution



Risk Weighted Assets (RWA)

Risk Weighted Assets growth (EUR 261 million) is mainly driven by credit risk (EUR 233 million). Credit risk growth is related mainly to organic growth related to the loan portfolio.

14.03%³
CET1 ratio

8.99%
OCR requirements⁴

4.66%
Leverage ratio

(1): CVA - Credit Value Adjustment

(3): 13.35% before 2022 profit allocation

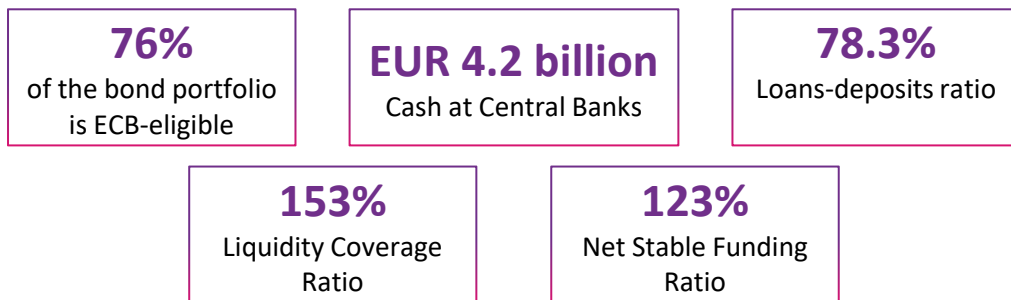
(4): CET1 requirement 4.5%, conservation buffer 2.5%, O-SII buffer 0.5%, countercyclical buffer 0.36%, P2R 1.13%

Solvency and Liquidity

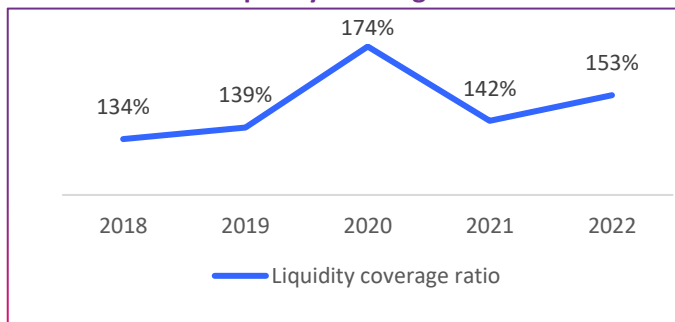
Liquidity and Funding



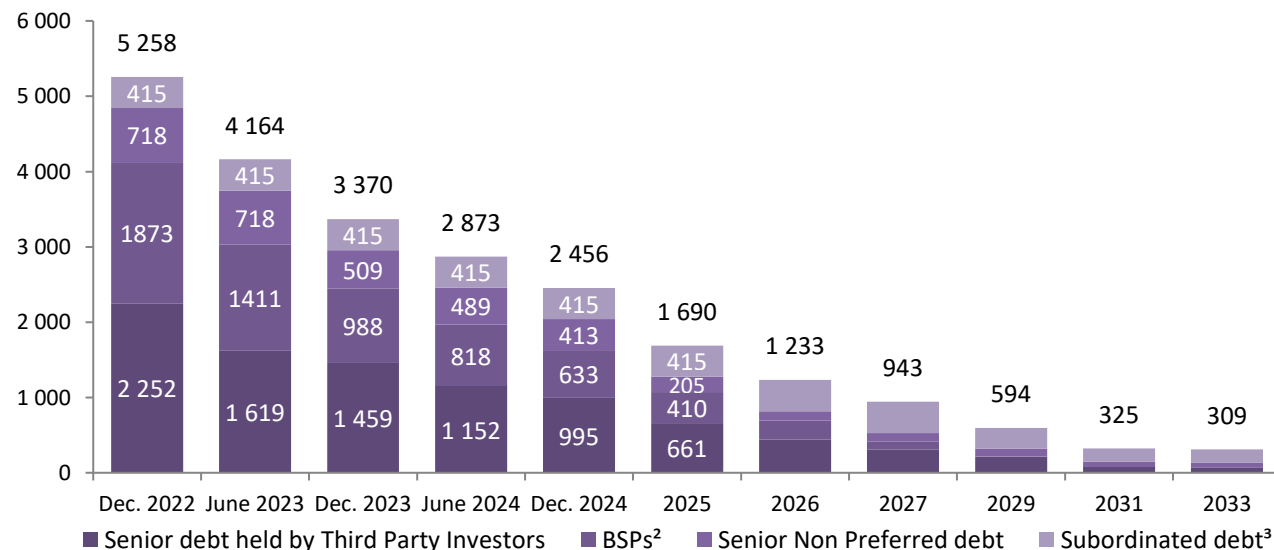
Liquidity



Evolution of the Liquidity Coverage Ratio



BIL debt maturity profile¹ (in EUR million)



BIL's diversified sources of funding

- Standard:
 - Deposits: Retail, Private Banking, Institutional, Corporate
- EMTN Programme:
 - Senior debt to Third Party Investors
 - Subordinated debt (Tier 2 and AT1)
 - BSPs (BIL Structured Products): Debt issuances distributed in BIL's own network (Retail, Private Banking, Corporate) or through Leonteq platform
 - Senior Non-Preferred debt
- Swiss Programme:
 - Partnership to join Leonteq's technology platform to leverage on their expertise to create and distribute structured products

(1): Excluding Corporate deposits

(2): BSPs – BIL Structured Products (incl. BSPs sold through Leonteq Platform)

(3): EUR 175 million AT1, EUR 50 million Tier 2 and USD 100 million Tier 2 maturing 2028 and EUR 100 million Tier 2 (callable 2026 and maturing 2031)

Solvency and Liquidity

BIL's Credit Ratings



S&P Global Ratings

	A-/Stable/A-2
Standalone Rating (SACP)	bbb+
ALAC Support	+1 notch
Last rating action	22 Nov 2019
Ratings affirmed	20 Oct 2023

MOODY'S INVESTORS SERVICE

	A2/Stable/P-1
Standalone Rating (BCA)	baa2
Government uplift	+1 notch
Loss Given Failure (LGF)	+2 notches
Last rating action	15 July 2022
Periodic review (ratings affirmed)	19 July 2023

Sustainability Strategy

Sustainability Strategy Overview

« WE ARE AN INTERNATIONAL BANK THAT STRONGLY SUPPORTS THE LOCAL ECONOMY AND COMMUNITIES. WE ENGAGE WITH OUR EMPLOYEES TO TRANSITION TOWARDS SUSTAINABLE BANKING, CONSCIOUS OF OUR RESPONSIBILITY AND WILLING TO DEVELOP PRODUCTS THAT ALLOW US, TOGETHER WITH OUR CLIENTS, TO MAKE A POSITIVE IMPACT AND TO PREPARE SOLID GROUND FOR FUTURE GENERATIONS »



Pillar 1¹ – Sustainable governance and strategy

Structure the organisation to face ESG (Environment, Societal, Governance) challenges and to support the bank's long-term growth and stability

Pillar 2¹ – Responsible and sustainable products and services

Develop a responsible product and service offering to both create value for clients and support the transition to sustainability

Pillar 3¹ – Responsible employer

With a view to making its employment practices sustainable, BIL is committed to promoting inclusive workplaces, offering training and mobility opportunities to all employees

Pillar 4¹ – Positive impact

Continue to make a positive impact on the local economy and communities and prepare solid ground for future generations

BIL has made 19 commitments to anchor these pillars and translate them into a business strategy, embedded into business-as-usual processes, and then monitored and managed across a wide range of departments

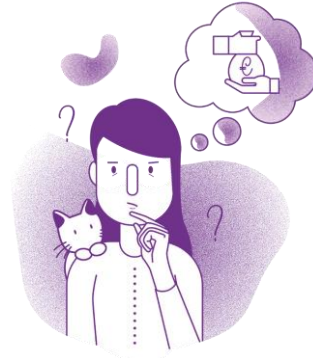
(1): For detailed information on each Pillar of our SustainaBILity Strategy please visit our website <https://www.bil.com/sustainability/index-en.html> or contact us (contact details on the last page of this presentation)

Sustainability Strategy

Exclusion policy and ESG integration in investments

Exclusion Policy

BIL investment services are using an exclusion list targeting individual companies (and their respective bonds and equities) and countries (sovereign debt). Excluded companies are defined as companies presenting unacceptable harm to our society and where engagement makes little sense (ineffective).



Thermal Coal

Companies that derive more than 10% of their revenues from coal extraction and/or power generation from coal



Oil Sand

All companies that derive more than 5% of their revenues from oil extraction



Controversial Weapons

Companies directly involved in development, testing, maintenance and sale of controversial weapons including anti-personnel landmines, cluster bombs, depleted uranium weapons, chemical weapons, biological weapons and white phosphorous weapons



Controversial Behaviour

Companies that violate the United Nations Global Compact Principles covering human rights, labor rights, environment and corruption & bribery considerations



Serious Violations

Countries that have serious violations with regard to political stability or where the governance structure is deemed as unsustainable

ESG Integration

- BIL investment services apply ESG non-financial factors as part of their analysis to identify material risks and growth opportunities
- Using Candriam's proprietary ESG database, BIL obtains access to Candriam's in-house methodologies providing a framework from which a unified outcome can be drawn



Business activity analysis is measured against 5 key sustainability challenges and opportunities

Climate Change

Resource depletion & waste management

Digitalization & innovation

Healthy living & wellbeing

Demographic shifts

Companies are grouped according to the industry or sector, their location and their business model specificities. The degree of exposure to the five key sustainable themes is then assessed and rated

Stakeholder Analysis

Assesses the strategies implemented by the company as well as the company's performance in each category by comparison to its competitors and major trends in the sector

Sustainability Strategy

Recent milestones & 2023 targets



2022 Achievements

- ✓ **Focus on regulatory compliance:** SFDR, MIFID II ESG, CSRD & ESG Risk Roadmap
- ✓ **Green financing:** client and advisor survey to assess business opportunities & needs
- ✓ **Green Bonds issued:** EUR 190 million outstanding (as of 31 March 2023)
- ✓ **Bank Investment portfolio on track for ESG targets:** 15.8% of the total portfolio invested in Green, Social, and Sustainable bonds as of 31 December 2022
- ✓ **Responsible employer initiatives:** training, dialogue enhancement, diversity action plan, health & well-being
- ✓ **Community investments,** focus on health & education
- ✓ **ESG Awareness & upskilling:** 213 people trained
- ✓ **Review of ESG Governance and launch of a transversal ESG Programme,** including ESG Data governance

ESG Frameworks & Guidelines & Labels



2023 Targets

- 🎯 **Develop products & services** to align with bank's business ambition to become a key transition facilitator
- 🎯 **Continue implementation of regulatory projects:** Principal Adverse Impact reporting, MIFID II ESG enhancements, CSRD & Risk Roadmap
- 🎯 **Focus on ESG data quality and integration**
- 🎯 **Training & ESG awareness,** with focus on advisors and ESG specialist
- 🎯 **Confirm strategy pillars** through regular stakeholder engagement
- 🎯 **Set Tangible ESG targets** aligning business model & strategy, and monitoring
- 🎯 **Positive Impact initiatives** on Environment & Social aspects, including Carbon Footprint measures & action plan, responsible Employer initiatives & Community actions

Green Bond Framework

Rationale

- Opportunity to promote and support the long-term development of sustainable solutions through financing sustainable innovations and services in line with the UN Sustainable Development Goals (SDG) 2030 agenda
- Ensure that clients have access to financing that helps them to pursue the transition to an environmentally sustainable future
- Commitment to support the growth of the sustainable finance market, a critical tool to meet the commitments of the Paris Agreement on global climate action and to address investors' willingness to finance sustainable activities
- **Primary focus to channel financing towards energy-efficient real estate in Luxembourg**

Green Bond Principles

Use of Proceeds

Green Buildings

- Financing of refurbishment, acquisition and ownership of existing or future energy-efficient residential buildings in Luxembourg

An independent advisory firm has been mandated to define robust eligibility criteria in Luxembourg

Management of Proceeds

- Proceeds managed on portfolio basis
- Allocation period of 2 years on best effort basis
- Lookback period of 3 years
- Unallocated proceeds held in accordance with BIL's investment guidelines



Process for Asset Evaluation and Selection

- Dedicated process for eligible loan identification, selection and monitoring according to Use of Proceeds criteria
- Green Bond Committee chaired by Chief Financial Officer in charge of allocation of Green Bond proceeds to Eligible Portfolio

Reporting

- Annual allocation and impact report published on BIL's website
- Eligible Portfolio environmental impact assessment performed by independent advisory firm



Has provided a Second Party Opinion on the Framework and is of the opinion that the Banque Internationale à Luxembourg Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021



Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11

BIL's Green Bond Committee will be responsible for the managing and tracking of proceeds via an internal tracking system. This is in line with market practice

Sustainalytics considers that investments in the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11

BIL has also committed to an independent review of its annual reporting, which is in line with best market practice

Eligible Project Category



Eligibility Criteria

As part of the Energise Create Together 2025 strategy, throughout 2022, BIL continued to pursue the development of international markets to drive future growth, especially the Chinese market which is key to diversifying our revenue sources.

- ✓ Buildings either with an **Energy Performance Certificate (EPC) level at least equal to “A” or belonging to the top 15% most energy-efficient buildings** of the national building stock and demonstrated by adequate evidence¹
- ✓ Buildings with **Primary Energy Demand (PED) at least 10% lower than the relevant national threshold** set for nearly zero-energy building (NZEB) requirements
- ✓ Buildings that will achieve or have achieved, after refurbishment a reduction of **primary energy demand (PED) of at least 30 % in comparison to the performance of the building before renovation** or comply with the applicable requirements for major renovations of the EPBD (Energy Performance of Buildings Directive)



UN SDGs



Target 7.3



Target 11.3



Environmental Objective

Substantially contribute to EU Taxonomy environmental objective n°1 “Climate Change Mitigation” (Article 10) by improving energy efficiency, except for power generation activities²

Exclusion Criteria

- ✗ **Nuclear or fossil fuel generation** notably including thermal coal (extraction & power generation) and oil sands extraction
- ✗ **Controversial weapons** anti-personnel landmines, cluster bombs, depleted uranium weapons, chemical weapons, biological weapons and white phosphorous weapons
- ✗ **Gambling, casinos and related businesses**
- ✗ **Tobacco**

(1): BIL has engaged an external consultant to define the top 15% of the national building stock and NZEB-10% in Luxembourg. The results of the assessment will be published on BIL’s website in the following section: <https://www.bil.com/en/bil-group/investor-relations/Pages/index.aspx>

(2): as referred to in Article 19(3) <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020R0852&from=EN>

Green Bond Framework

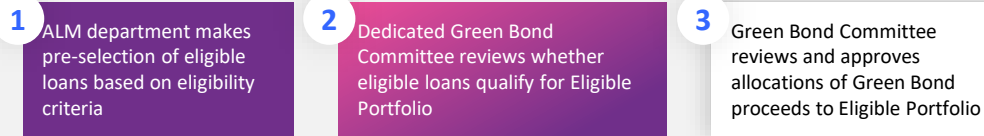
Process for project selection, evaluation and management of proceeds

Process for project selection and evaluation

Governance Guidelines

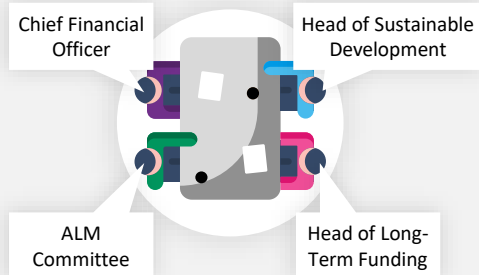
- Loans included in the Eligible Portfolio must comply with BIL's internal policies aimed at mitigating known material social risks and BIL's regular credit policies

Eligible loans identification process



Green Bond Committee Composition

Semi-annual basis meetings

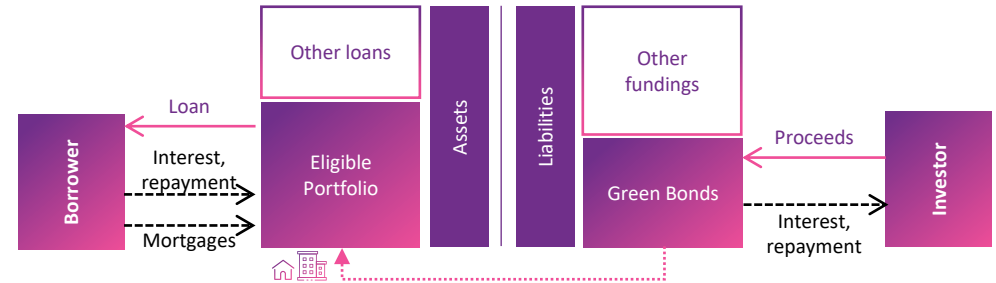


Responsibilities

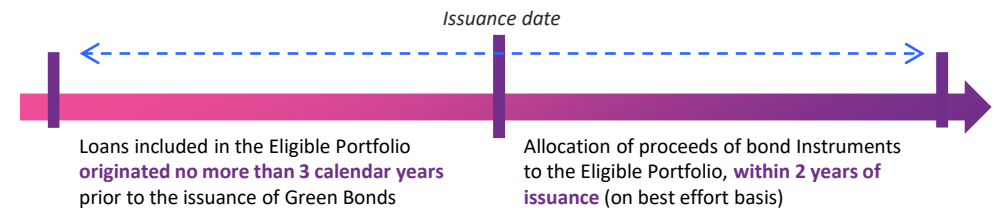
- Review and approve the selection of eligible loans included in the Eligible Portfolio
- Monitor external reviews
- Review and approve Green Bond reporting
- Address changes in Eligible Portfolio and put forward potential alternative eligible loans
- Monitor evolutions of sustainable finance regulation

Management of Proceeds

Aggregated Portfolio Approach




- BIL will strive to maintain an aggregate amount of eligible loans in the Eligible Portfolio that matches or exceeds the balance of net proceeds of all outstanding green bonds
- Pending allocation, unallocated proceeds will temporarily be invested in accordance with BIL's investment guidelines in cash, deposits and money market instruments or any other liquid short-term marketable instruments



Allocation Report

- Overview of green bonds outstanding
- Size of the Eligible Portfolio
- Balance of unallocated proceeds
- Share of new and existing eligible loans including split by year of origination and share of financing vs refinancing

External Review

- Second Party Opinion provided by  SUSTAINALYTICS
- Verification of annual Green Bond report by an external auditor until full allocation of the proceeds and in case of any material changes to the allocation
- External auditor's assurance reports included in the annual reporting as disclosed on BIL's website

Impact Report

- Estimated annual financed GHG emissions and avoided GHG emissions (tCO₂e)
- Estimated ex-ante annual energy consumption and energy savings (KWh/sqm)
- Number of buildings and estimated total floor area (sqm) financed

BIL will aim to align its reporting with the model proposed by the Handbook - Harmonised Framework for Impact Reporting as published by the International Capital Markets Association (ICMA)

Environmental impact evaluation

- National reference benchmarks to determine the environmental impact of the Eligible Portfolio and assessment of the Eligible Portfolio and impact reporting provided by Drees & Sommer
- BIL commits to publish annually a Green Bond Report which is made of an allocation report and an impact report on an aggregated basis
- The annual report will be made available on BIL website and updated annually at least until full allocation

Recent Developments

Overview

H1 2023 key figures¹



Assets Under Management

44.1 EUR billion
+1.4% compared with Dec 2022



Deposits

19.6 EUR billion
-6.8% compared with Dec 2022



Loans

16.4 EUR billion
-0.2% compared with Dec 2022



Liquidity Coverage ratio (LCR)

154%
153% as at Dec 2022



Net Stable Funding ratio (NSFR)

124%
123% as at Dec 2022



Net Profit BIL Group

103 EUR million after tax
+50% compared with June 2022



Total Balance Sheet BIL Group

30.8 EUR billion
-5% compared with Dec 2022



Common Equity Tier 1

13.63%
CET1 June 2023 before profit allocation



(1): Please refer to the 2023 Semi-Annual Report on www.bil.com

Financial Performance

H1 2023 Income Statement



Income Statement – Global view (in EUR million)

Income Statement	H1 2022	H1 2023
Revenues	301	374
Interests and dividend income	155	271
Fee income	111	106
Other income	34	(2)
Expenses	(227)	(235)
Gross operating income	74	139
Cost of Risk	3	(21)
Net income before tax	77	118
Tax	(9)	(15)
Net income after tax	68	103
Cost-income ratio¹	72.4%	60.9%

Income Statement – Focus on core operating net income before tax (in EUR million)

Income Statement	H1 2022	H1 2023	Change	
Core operating revenues	255	376	120	47%
Luxembourg Market & CIB	196	231	35	18%
Wealth Management International	83	113	30	36%
Financial Markets	17	37	20	118%
Group center	(41)	(6)	35	(85%)
Core operating expenses	(225)	(234)	(9)	4%
Core operating cost of risk	5	(21)	(26)	ns
Core operating net income before tax	35	121	85	242%
Core cost-income ratio¹	84%	60.4%		

- BIL group reported a net income after tax of EUR 103 million, up by EUR 34 million compared with June 2022, driven by solid revenues from commercial activities and efficient cost control of expenses (+4%), offset by a negative evolution of the cost of risk in the context of rising interest rates and prolonged inflation.
- BIL group's core operating net income before tax (excluding non-recurring items) totalled EUR 121 million in June 2023 compared with EUR 35 million in June 2022. This solid performance was marked by the increase in core operating revenues of EUR 120 million, offset by a limited increase in core operating expenses of EUR 9 million and an increase in the core cost of risk by EUR 26 million.

Totals may differ slightly due to rounding

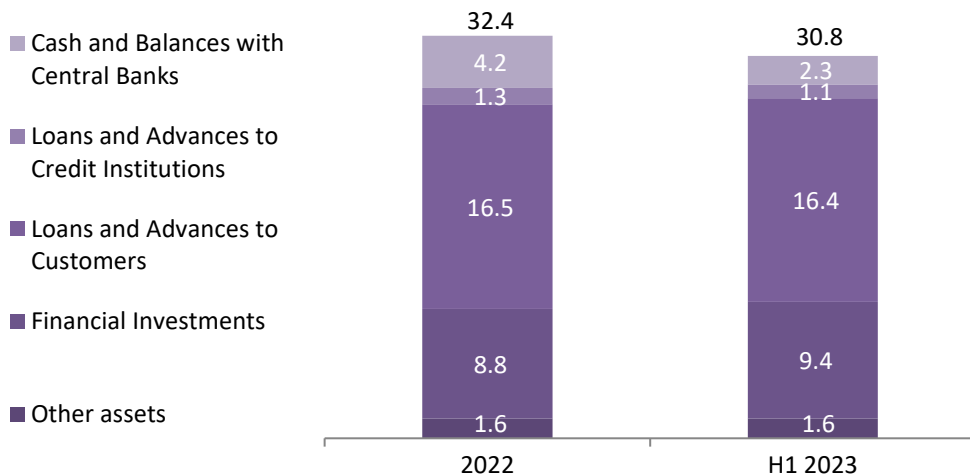
(1): Cost income ratio annualised taking into account DGS & Resolution Funds' contribution at 50%

Financial Performance

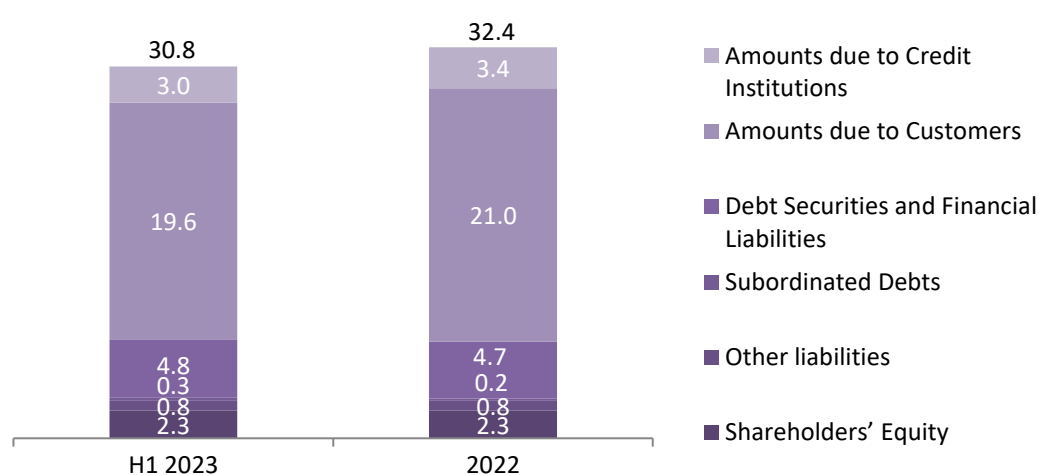
H1 2023 Balance Sheet



Assets (in EUR billion)



Liabilities (in EUR billion)



- Cash at central banks and loans and advances to credit institutions amounted to EUR 3.4 billion, down by EUR 2.1 billion (-37.6%). This reduction in liquidity excess mainly stems from the decrease in “Amounts due to customers” (EUR -1.4 billion) and “Amounts due to credit institutions” (EUR -0.4 billion).
- Loans and advances to customers amounted to EUR 16.4 billion as of 30 June 2023 compared with EUR 16.5 billion at the end of 2022, down by 0.2%. Outstanding mortgage loans decreased by EUR 0.1 billion (-1.9%) offset by an increase in investment loans by EUR 0.1 (+0.8%) billion. 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 and supply chain disruption and early reimbursement as clients are using their excess of liquidity to deleverage their investment profiles.
- Financial investments rose by EUR 0.5 billion to EUR 9.4 billion as of June 2023, as higher new investments measured at amortised cost, largely offset sales and maturities generated during the first semester of 2023. The bulk of this increase (i.e., around EUR 350 million) has a maturity below one year in order to benefit from the inverted yield curve. All these new investments are either Level 1 or Level 2 LCR. These assets enable the Bank to fully comply with liquidity ratio requirements, keeping a comfortable liquidity position translating into a Liquidity Coverage Ratio (LCR) of 154.4% as of 30 June 2023 in line with previous months.

- Amounts due to credit institutions amounted to EUR 3 billion, down by EUR 0.4 billion (-11.5%) compared to year-end 2022. This decrease stems mainly from the early repayment of the last remaining TLTRO tranche III.10 of EUR 0.25 billion and a decrease in interbank deposits and repurchase agreements of EUR 0.16 billion.
- Amounts due to customers totalled EUR 19.6 billion in June 2023, representing a decrease of EUR 1.4 billion versus the end of 2022 (-6.8%). This decrease occurred mainly in current accounts (EUR -2.3 billion), partially offset by the growth in fixed term deposits (EUR +0.8 billion) as favourable interest rates incentivise clients to move their deposits from current accounts to more remunerative products and proceed to the early repayment of variable rate loans. In early 2023, the Bank also witnessed higher volatility in terms of institutional client deposits from a limited number of its institutional client depositors (mainly public sector entities) depending on their cash management needs.
- Debt securities increased by 2.5% to reach EUR 4.8 billion compared with year-end 2022. In the first half of 2023 and as part of its long-term funding programme, the Bank issued EUR 60 million in Senior Non-Preferred and EUR 397 million in Senior Preferred notes. Since the inauguration of its Green Bond Framework in May 2022, a key element in BIL’s sustainability strategy, BIL has issued a total of EUR 247 million green bonds of which EUR 155 million have been issued since the beginning of 2023.
- Subordinated debt increased by 40.5% in the first half of 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 54 million (+2.4%). This increase was mainly due to the half-year 2023 net profit of EUR 103 million, positive evolution of revaluation reserves of EUR 15 million offset by the dividend paid on the 2022 year-end net profit of EUR 60 million and by the coupon payments on AT1 instruments.

Totals may differ slightly due to rounding

Key takeaways

Key Takeaways

—
Systemic bank in the Grand Duchy of Luxembourg **rated AAA (S&P / Moody's / Fitch)**

—
Leading independent bank in Luxembourg with an excellent brand

—
Long-term commitment from both shareholders

—
Strong capital and liquidity positions

—
Solid profitability with a **8.5% return on tangible equity** in 2022

—
Official signatory of the **UN Principles for Responsible Banking (UNPRBs)** and UN Global Compact



Appendix

Governance

Board of Directors



Jing Li^{1 2}
Chair



Peng Li¹
Vice-Chair



Marcel Leyers
Director/CEO



Maurice Lam
Director



Charles Q. Li
Director



Pierrot Rasqué³
Director

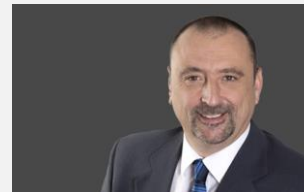


Vincent Thurmes³
Director



Chris van Aeken
Director

Staff Representatives



Ashley Glover
Director
Staff Representative



Benoît Migeaux
Director
Staff Representative



Claude Steffen
Director
Staff Representative



Marc Terzer
Director
Staff Representative

(1): Legend Holdings' directors
(3): Grand Duchy of Luxembourg directors

(2): Interim chair of the Board of Directors as of 17 March 2023 following the resignation of Luc Frieden

Glossary

List of acronyms and specific terms



Acronym	Definition
ALAC	Additional Loss-Absorbing Capacity
BCA	Baseline Credit Assessment
BSP	BIL Structured Products
CET1	Common Equity Tier 1
CEDEL	Centre de Livraison des Valeurs Mobilières
CSRD	Corporate Sustainability Reporting Directive
CSSF	Commission de Surveillance du Secteur Financier
CVA	Credit Value Adjustment
ECB	European Central Bank
EIF	European Investment Fund
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
LGF	Loss Given Failure
MCRE	Maximum Credit Risk Exposure
MiFID	Markets in Financial Instruments Directive

Acronym	Definition
NPL	Non-Performing Loans
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
PSE	Public Sector Entities
P2R	Pillar II Requirement Buffer
RWA	Risk Weighted Assets
SACP	Standalone Credit Profile
SFDR	Sustainable Finance Disclosure Regulation
SME	Small and Medium Enterprises
SREP	Supervisory Review and Evaluation Process
SRI	Socially Responsible Investment
TLTRO	Targeted Long Term Refinancing Operations

Glossary

Alternative Performance Measures (APM)



APM	Definition	Reason for use
(Core) Operating Revenues	Operating revenues = Interest and dividend income + Fee income + Other income Core = operating revenues excluding non-recurring items as presented on slide 16 and slide 37.	Representative measure of BIL's operating performance.
(Core) Operating Expenses	Operating expenses = Staff expenses + General expenses + Amortisation Core = operating expenses excluding non-recurring items as presented on slide 16 and slide 37.	Representative measure of BIL's operating cost.
(Core) Gross Operating income	Gross operating income = Operating revenues - Operating expenses Core = gross operating income excluding non-recurring items as presented on slide 16 and slide 37.	Representative measure of BIL's operating performance.
(Core) Cost of Risk	Cost of risk : net impairment on financial instruments and provisions for credit commitments Core = cost of risk excluding non-recurring items as presented on slide 16 and slide 37.	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 = operating income excluding non-recurring items as presented on slide 16.	Representative measure of BIL's operating performance.
(Core) Operating net income before tax	Net income = Operating income net of income from associates and before tax expenses Core = net income excluding non-recurring items as presented on slide 16.	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 = cost to income ratio excluding non-recurring items as presented on slide 16 and slide 37.	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 on slide 20.	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 on slide 20.	Measure of provisioning for doubtful loans
Return on Tangible Equity (ROTE)	Net income after tax less other equity instruments divided by the average shareholders' equity at the beginning of the year and the end of the period less intangible assets, goodwill and other equity instruments as presented on slide 10.	Measure of profitability in relation to shareholders' equity.

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