S&P Global
Ratings

RatingsDirect®

Banque Internationale a Luxembourg

Primary Credit Analyst:
Clement Collard, Paris +33 144207213; clement.collard@spglobal.com

Secondary Contact:
Francois Moneger, Paris + 33 14 420 6688; francois.moneger@spglobal.com

Table Of Contents

Table Of Contents (cont.)

Banque Internationale a Luxembourg

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A-/Stable/A-2
Resolution Counterparty Rating
A/--/A-1

SACP: bbb+ → **Support: +1** → **Additional factors: 0**

Anchor	a-	
Business position	Moderate	-1
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A-/Stable/A-2
Resolution counterparty rating
A/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	**Key risks**
Leading player in the low-risk retail and commercial banking sectors in Luxembourg.	Narrow geographic focus.
Additional loss-absorbing capacity (ALAC) supports senior creditors.	Credit risk sensitivity to inflation and economic slowdown, while lending activity is set to reduce over the short term.
Board composition and regulated status support high degree of insulation from the parent company.	Majority-owned by a leveraged conglomerate.

Reducing lending origination, resilient credit quality, and higher interest rates underpin our view of Banque Internationale a Luxembourg's (BIL's) creditworthiness. We consider the slowing credit demand in Luxembourg, which started in 2022, will amplify in 2023. The decreasing demand results in a nominal price correction of residential real estate expected between 5% and 10% in 2023 and a lower number of transactions, which could slightly reduce total outstanding loans. While we expect lending, especially mortgage origination, will recover over 2024-2025, we forecast only modest low-single-digit loan book growth. This will affect revenue generation, which benefited significantly from rising interest rates in 2023. On the other hand, BIL's concentrated loan portfolio, which is geared toward corporate, real estate, and small and midsize enterprise (SME) lending, exposes it to credit risks specific to these sectors. Despite this, we expect BIL's asset quality will be somewhat resilient, despite the higher cost of risk, which we expect will stay below 40 base points (bps) over 2023-2025.

BIL's resolution framework is supported by its systemic importance to Luxembourg and includes a substantial, albeit volatile, bail-in buffer. We apply a one-notch uplift to the ratings on BIL because we believe that the bank has a sufficient and sustainable ALAC buffer to protect senior unsecured creditors.

BIL remains insulated from its highly leveraged owner, Legend Holdings (LH). BIL maintains a good degree of isolation from LH, which owns 90% of BIL and has a materially weaker creditworthiness than BIL. Despite the leveraged nature of LH, our issuer credit rating on BIL is therefore at the same level as its group credit profile ('A-', including one notch of ALAC uplift). Even though BIL's creditworthiness does not suffer from LH's ownership, we will continue to monitor whether LH will have a negative effect on BIL, either via a more aggressive strategy or by altering the bank's financial management and policy. Yet, our base-case scenario considers this unlikely, due to BIL's regulated status and the majority of board members being independent. We understand that BIL plans to leverage its parent's contacts to build relationships with Chinese corporates and high-net-worth clients, while developing its wealth management franchise in China.

Outlook

The stable outlook balances our view of BIL's focus on low-risk businesses in a stable and wealthy country, as well as incoming lower net interest margin (NIM) due to liabilities repricing. In the coming two years, we expect our risk-adjusted capital (RAC) ratio for BIL will remain above 10%, on the back of low lending book growth. The rising RAC ratio will be partly offset by higher credit risk provisioning and dividend distribution. We also expect our ALAC ratio will remain well above the S&P Global Ratings-adjusted threshold of 3.5% for one notch of ALAC extraordinary support. We believe BIL's creditworthiness will not be negatively affected by LH's weaker credit standing. This is because of the bank's regulated status and the influence of independent board members, both of which create a high level of insulation, in our view.

Downside scenario

We could lower the ratings if we perceived a detrimental impact from BIL's shareholders on management and governance standards, or if LH deviated uses of the bank's liquidity, funding, or capital resources. Although this is not our base-case scenario, any change in BIL's shareholder structure that shifts the balance of power between LH, the country of Luxembourg, and independent directors could lead to a negative rating action. We may also consider a downgrade if BIL's retained earnings proved insufficient to sustain current solvency levels, notably due to higher cost of risk and a higher cost base amid elevated inflation.

Upside scenario

An upgrade is unlikely over the next two years because we believe our 'A-' long-term issuer credit rating on BIL is adequate, compared with peers. An upgrade would depend on BIL's ALAC buffer increasing more than we expect and translating into an ALAC ratio sustainably above our adjusted threshold of 7.0% for a second notch of uplift. An upgrade would also depend on our view of the bank's business development and performance, compared with those of 'A' rated peers.

Key Metrics

Banque Internationale a Luxembourg--Key ratios and forecasts

	--Fiscal year ends Dec.31--				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	14.2	1.8	9.7-14.5	0.1-0.2	(0.5)-(0.7)
Growth in customer loans	6.0	0.8	(0.2)-(0.3)	1.2-1.8	2.4-3.6
Growth in total assets	6.2	(0.1)	(2.8)-(4.3)	1.4-2.2	2.0-3.2
Net interest income/average earning assets (NIM)	1.1	1.4	1.5-2.0	1.4-2.0	1.4-1.9
Cost-to-income ratio	69.9	71.3	62.0-68.5	63.1-69.8	64.8-71.6
Return on assets	0.4	0.5	0.4-0.7	0.4-0.6	0.4-0.6
New loan loss provisions/average customer loans	0.2	0.1	0.1-0.2	0.2-0.3	0.2-0.2
Gross nonperforming assets/customer loans	3.6	3.4	3.5-3.7	3.7-3.8	3.5-3.7
Risk-adjusted capital ratio	10.1	10.1	10.4-10.8	11.8-12.3	12.4-12.9

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For A Commercial Bank Operating Predominantly In Luxembourg

We use our Banking Industry and Country Risk Assessment economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for a commercial bank operating predominantly in Luxembourg, as is the case for BIL, is 'a-', based on an economic risk score of '2' and an industry risk score of '3'.

Economic risk for Luxembourg's banks remains low by international standards. Luxembourg's prosperous economy is characterized by low government debt, one of the world's highest per capita incomes, stable institutions, and predictable policymaking. We expect Luxembourg's real GDP will grow by 1.6% in 2023 and 2.1% in 2024. Our forecasts for the eurozone are 0.6% and 0.9%, respectively.

We expect high interest rates will lead to a temporary decline in nominal house prices of more than 5% in 2023. This will result in a soft landing and a stabilization, after increases averaged more than 10% annually over 2018-2020 and peaked at about 15% in 2020. Supportive structural factors include limited real estate availability, Luxembourg's economic growth, and strong demographics, boosted by cross-border worker flows. We expect limited domestic credit growth in 2023, reflecting in particular the less dynamic real estate market. We forecast that cost-of-credit risk in the banks' domestic retail and corporate loan books will stabilize at above 30 bps in 2023.

Regulatory standards for Luxembourg banks are broadly in line with those for European peers. Yet, the country's position as an open financial center makes it vulnerable to regulatory and fiscal changes and obliges the regulator to focus closely on compliance and "know your customer" risks. Supervising the banking sector can also be more complex because the sector essentially comprises subsidiaries of larger international groups and holding companies. Additionally, the nonbanking financial sector is significant. Banks' focus on nontraditional lending activities--such as private banking, wealth management, securities services, and fund administration--increases confidence sensitivity and exposes them to higher reputational and legal risks than their counterparts in neighboring countries. Nevertheless, these activities have made Luxembourg a reputable international financial center and are profitable.

High interest rates boosted Luxembourg banks' net interest income in 2023, but intense competition weighed on their return on equity, which we expect will remain at about 7%. We consider that banks price their risks adequately and benefit from structurally low credit losses. We expect non-performing loans will increase on the back of a slowdown in real estate developments and construction activities. In our opinion, the banking sector has a favorable funding structure, supported by an excess of customer deposits over loans.

Business Position: Geographic Concentration In Luxembourg And Modest Private Banking Franchise

Our assessment of BIL's business position is restricted by the narrow geographic focus of its lending business in the small, albeit low-risk and profitable, Luxembourg market. This is underpinned by its limited scope in the private banking sector, which is smaller than that of international peers. BIL aims to defend its domestic market share with a stable increase in retail, corporate, and institutional lending. Its core operating revenue includes contributions from wealth management (29% in 2022), retail and private banking (27%), corporate and institutional banking (37%), and market activities (7%). We expect this mix will remain relatively stable across the cycle. Revenue from retail banking spiked in 2023, thanks to rising interest rates, while corporate and institutional banking and wealth management faced temporary headwinds.

We consider private banking activities are more prone to swings in market confidence. We view positively that BIL has a strong competitive position in its domestic market. 90% of operating revenues of its commercial businesses, including all segments except for market activities, originate in Luxembourg, where the bank enjoys strong brand recognition. Conversely, commercial development outside Luxembourg is very challenging, due to competition from larger, highly competitive, and well-established actors, especially in the Swiss private banking and wealth management sectors. As of June 2023, BIL had assets under management (AUM) of €44.1 billion, which is modest compared with peers. AUM increased by about €0.6 billion in the first half of 2023, thanks to better market conditions and despite net withdrawals.

The Luxembourg lending market in 2023 was negatively affected by decreasing house prices in the residential real estate sector. This resulted in lower loan origination than expected for BIL, which we highlighted as an area of potential concern. We think Luxembourg's mortgage market will remain depressed over 2023-2024, with a lower number of transactions and prices decreasing by about 5% in 2023. Over the long term, we expect the mortgage market will recover on the back of strong structural demand for housing and limited supply. Over the short term, we consider real estate developers' potential inabilities to refinance their bridge loans as a weakness.

We view positively that BIL updated its core banking system in October 2023. This will likely lead to lower IT investments over the next years and will support the bank's digitalization and cost efficiency strategy. Additionally, we think the completion of this long and difficult process will free management time and attention, which will be redirected toward commercial activities. It seems IT issues have been limited, albeit present, for clients. We see operational IT resiliency as highly important for BIL. Consequently, we will continue to closely monitor any IT issues BIL's clients might face.

Importantly, LH's acquisition of an 90% stake in BIL has not fundamentally changed the bank's medium-term strategy. Despite BIL's intention to use LH's contacts to build relationships with Chinese corporates and high-net-worth clients, we acknowledge that corporate financing to Chinese firms will be rolled out in a progressive manner and target Chinese companies setting foot in Europe. We will continue to monitor any potential changes in BIL's strategy. These changes could arise from lending to new customers, particularly other subsidiaries of LH or China-based clientele, or from lending in new geographies. We believe that BIL's governance is strong enough to insulate itself against any potential detrimental influence from LH.

Capital And Earnings: Capitalization And Earnings Under Pressure

We expect our RAC ratio for BIL will improve materially over the next few years. Indeed, we forecast lending growth will recover over 2024-2025, but at a lower level than pre-2022 growth. While this will limit the increase in risk-weighted assets (RWAs), it will also negatively affect revenue. We believe this as well as the ongoing shift from sight to term deposits will lead to a decrease in NIM to 1.6%-1.8% over 2024-2025, from a likely peak of about 1.85% in 2023 and 1.4% in 2022. Even so, BIL's net interest income will strongly exceed pre-2023 levels. We also expect that the currently less favorable credit conditions will have a negative effect on BIL's asset quality, with an increase in credit cost to about 30 bps in 2024.

We expect that our cost-to-income ratio will appreciate from its >70% historical average to about 65%-70% over 2023-2025. Overall, we expect higher profitability thanks to higher interest rates will boost BIL's net profit to about €190 million in 2023 and €160 million-€170 million over 2024-2025. Yet, we remain cautious about future earnings prospects, considering that the decrease in sight deposits in the Luxemburg banking system could raise funding costs beyond our current forecast.

Lastly, we note that BIL started paying ordinary dividends in 2023, and we expect distributions will be similar to those of peers.

All in all, we expect our RAC ratio for BIL will increase by about 250 bps by 2025, from 10.1% in 2022. The increase mainly reflects lower RWAs generation and constitutes a significant improvement in light of RAC ratios of 10%-10.6% in the past five years. Stronger-than-expected lending growth or a change in BIL's risk appetite will have a negative effect on the RAC ratio.

In June 2023, BIL's fully loaded common equity tier 1 ratio stood at 13.6%. We understand that BIL is committed to keeping a buffer that exceeds the maximum distributable amount by 250 bps, which we view positively.

Risk Position: Loan Growth Normalizes, Credit Sensitivity Remains

BIL maintains a high concentration in Luxembourg, and its private banking activities expose it to operational and reputational risks. Additionally, we believe BIL has a higher-than-peers degree of credit sensitivity in its corporate and

SME lending portfolios, though we recognize that the effect of credit events on these portfolios has been limited so far. We expect BIL's risk position will remain under pressure. This is because of higher default risks in parts of its balance sheet that result from a slowdown in the real estate market and still-high inflation. Yet, the moderate housing price correction and significantly reduced mortgage growth in the Luxembourg housing market will be positive for domestic mortgages' credit quality, which partially mitigates higher credit risk from real estate developers and SMEs over the short to medium term.

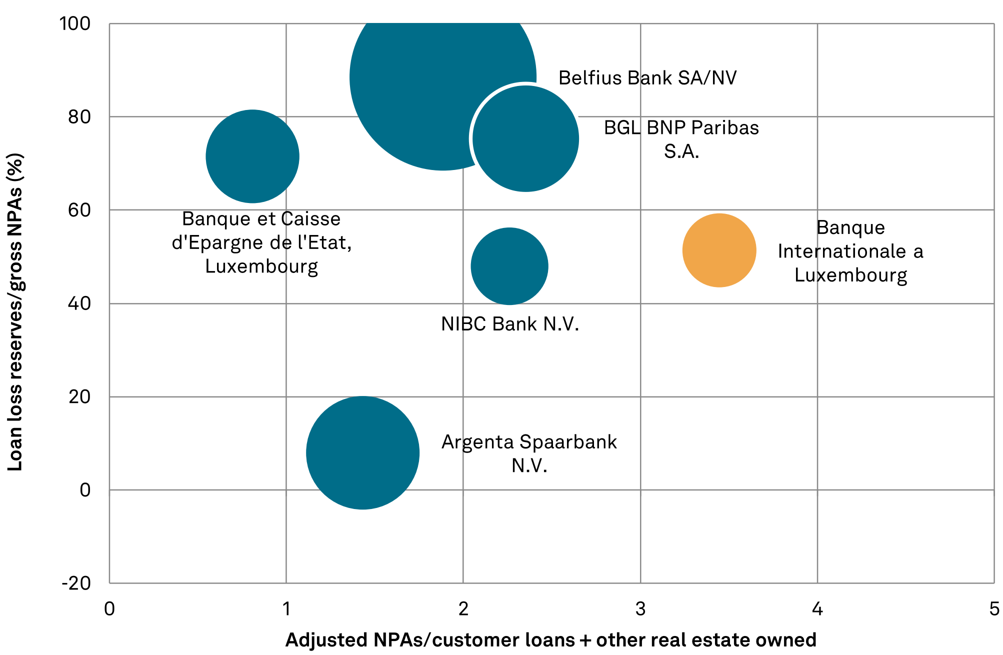
BIL reported a drastic decline in annualized customer loans growth to 0.82% as of end-2022, compared with 6% at end-2021. This growth lags peers in neighboring countries but is in line with our views on the Luxembourg market. BIL's previous loan growth amid low interest rates exposes it to larger credit risk in the current environment. Despite this, we have not observed any deviations in BIL's underwriting standards. We believe BIL's risk appetite remains unchanged and expect nonperforming asset (NPA) coverage will remain above 50% over 2023-2025.

We forecast BIL's asset quality will be somewhat resilient to economic headwinds. Cost of risk will be higher, but manageable, due to the NPA ratio increasing to 3.5%-3.8%. This is significantly higher than peers' NPA ratios (see chart 1) because BIL's activities are more oriented toward corporate clients, who are more prone to credit deterioration than regular retail clients.

Chart 1

BIL's asset quality is riskier than peers and provisioning is slightly below average

Bubble size represents gross customer loans at year-end 2022



NPA--Nonperforming asset. Source: S&P Global Ratings.

While we do not think BIL's asset quality will strongly deteriorate over the coming two years, we cannot rule out higher-than-expected defaults in professional real estate lending if prices continue to decrease over 2024-2025 and the total number of transactions does not recover. Real estate developers are under high pressure to refinance their bridge loans, and some have already defaulted. BIL's exposure to the real estate market is quite significant. The acquisition, development, and construction (ADC) loan portfolio reached €1.2 billion in June 2023, while the income-producing real estate loan portfolio stood at €1.3 billion. BIL's exposure to real estate professionals represents about 15% of its total lending portfolio. This is sizeable but not a major concern at this stage, thanks to a conservative loan-to-value ratio on ADC loans and increasing rents in Luxembourg, which support the income-producing real estate loan portfolio. We expect the high demand, which will likely remain elevated over the long term, and the limited supply for housing in Luxembourg will carry the market over 2024-2025, which supports our view of BIL's risk position.

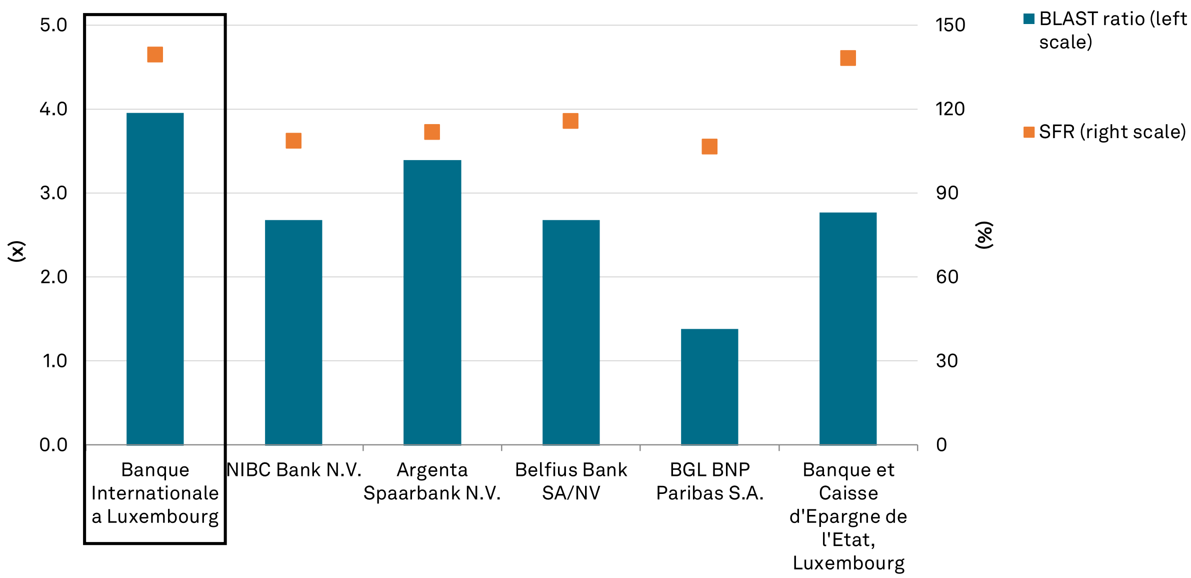
Funding And Liquidity: Large Deposits, Adequate Liquidity

Our view of BIL's funding balances its relatively strong metrics, including the stable funding ratio of 133% and a strong loan-to-deposit ratio of 75% in June 2023, against the higher volatility of corporate, private banking, and institutional deposits, compared with pure domestic retail deposits. Our assessment also reflects that depositor concentration is higher than that of retail banks. Though we view most of BIL's deposits as stable, depositors are likely to continue moving parts of their funds to benefit from higher rates.

Decent liquidity metrics help alleviate some concerns about potential deposit stickiness. The high amount of liquid assets, approximately €10.1 billion according to our estimations, supports BIL's liquidity and covered its short-term wholesale funding needs by 3.65x in June 2023 (see chart 2). We expect BIL's prudent liquidity management will continue supporting its liquidity metrics.

Chart 2

BIL's liquidity and funding metrics exceed those of direct peers
Strong funding and liquidity balance potentially higher deposit volatility



BLAST--Broad liquid assets to short-term wholesale funding. SFR--Stable funding requirement. Data as of year-end 2022.
Source: S&P Global Ratings.

Support: ALAC Buffer Supports Our Rating

On July 25, 2018, the Luxembourg legislator passed a law that created a new category of unsecured debt, known as senior nonpreferred (SNP). SNP debt ranks junior to ordinary unsecured creditors and preferred debt but senior to subordinated debt.

At year-end 2022, BIL's ALAC fell to 5.41%, from 7.15% in 2021 and 6.10% in 2020, due to maturing SNP debt. We expect subsequent issuances will increase BIL's ALAC buffer to 5.6%-6.8% over 2023-2025.

We adjust our usual ALAC thresholds to 3.5% for one notch and 7% for two notches, from 3% and 6%, respectively. This is because the maturity concentration in BIL's issuances leads to a somewhat volatile ALAC ratio.

Consequently, and given BIL's open bail-in resolution plan, the ALAC buffer supports our issuer credit rating on the bank, which is one notch above its stand-alone credit profile (SACP).

Additional Rating Factors

No additional factors affect this rating.

Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of BIL. BIL is primarily exposed to Luxembourg mortgages, the real estate market, and SMEs. Its exposure to carbon-intensive industries, which include shipping, transportation, and oil and gas, is therefore moderate.

Despite LH's leveraged nature and weaker creditworthiness than BIL's, the ownership does not constrain our ratings on the bank. This is because we believe that BIL's creditworthiness will remain delinked from LH's. Several factors support our view: (i) the majority of BIL's board of directors, including two designated by the country of Luxembourg, are independent or staff representatives; (ii) BIL has a bank status and is therefore under close supervision by regulatory authorities; and (iii) BIL must adhere to regulatory minimum requirements regarding capital, leverage, and liquidity. We also note that the Commission de Surveillance du Secteur Financier and the European Central Bank approved BIL's acquisition by LH and believe they will remain cautious in preserving BIL's creditworthiness, particularly when it comes to dividend payments, credit risk underwriting, and funding and liquidity resources.

Rating Approach For Hybrid Instruments And Senior Subordinated Debt

We rate BIL's hybrid instruments, including SNP debt, by notching down from its 'bbb+' SACP. A lowering of the SACP would translate into a lower rating on these instruments.

Our 'BBB' issue credit rating on the SNP debt reflects the deduction of one notch, owing to our view that such notes are subordinated to more senior obligations while being subjected to a possible conversion or write-down only in a resolution scenario.

Our 'BBB-' issue ratings on BIL's nondeferrable tier 2 instruments are two notches below its SACP. This reflects the deduction of one notch for subordination and one further notch because we believe the instruments would absorb losses through the application of a mandatory contingent capital clause, be it contractual or statutory.

Resolution Counterparty Ratings (RCRs)

Based on our view of the jurisdiction in Luxembourg, we have 'A/A-1' RCRs on BIL.

Key Statistics

Table 1

Banque Internationale a Luxembourg--Key figures

	--Year ends Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	30,427.7	32,054.8	32,139.9	30,301.5	27,869.5
Customer loans (gross)	16,768.9	16,780.1	16,643.4	15,704.1	14,986.7
Adjusted common equity	1,263.4	1,235.2	1,205.3	1,139.7	1,067.3
Operating revenues	374.0	644.5	633.1	554.2	557.2
Noninterest expenses	235.4	459.8	442.4	419.7	399.1
Core earnings	98.8	146.3	119.9	48.9	95.2

*Data as of June 30.

Table 2

Banque Internationale a Luxembourg--Business position

	--Year ends Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	374.0	644.0	633.9	604.1	568.0
Commercial and retail banking/total revenues from business line	92.0	91.5	87.0	89.1	94.1
Trading and sales income/total revenues from business line	10.5	9.9	10.2	7.4	7.2
Other revenues/total revenues from business line	-2.5	-1.3	2.8	3.5	-1.3
Return on average common equity	9.3	7.1	7.0	5.6	7.0

*Data as of June 30.

Table 3

Banque Internationale a Luxembourg--Capital and earnings

	--Year ends Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	15.3	15.0	15.9	15.3	14.5
S&P Global Ratings' RAC ratio before diversification	N/A	10.1	10.1	10.4	10.6
S&P Global Ratings' RAC ratio after diversification	N/A	8.6	8.5	8.8	9.1
Adjusted common equity/total adjusted capital	87.9	87.6	87.4	86.8	86.0
Net interest income/operating revenues	72.3	56.2	46.0	56.0	57.0
Fee income/operating revenues	28.2	34.8	36.6	38.8	37.5
Market-sensitive income/operating revenues	4.6	7.7	17.1	6.7	5.8
Cost-to-income ratio	62.9	71.3	69.9	75.7	71.6

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Banque Internationale a Luxembourg--Risk-adjusted capital framework data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government and central banks	12,156	263	2	328	3
Of which regional governments and local authorities	3,883	163	4	139	4

Table 4

Banque Internationale a Luxembourg--Risk-adjusted capital framework data (cont.)					
Institutions and CCPs	2,962	538	18	588	20
Corporate	7,202	5,238	73	6,778	94
Retail	12,106	2,413	20	3,848	32
Of which mortgage	8,042	1,488	18	1,877	23
Securitization§	189	19	10	38	20
Other assets†	672	402	60	745	111
Total credit risk	35,287	8,872	25	12,325	35
Credit valuation adjustment					
Total credit valuation adjustment	--	6	--	0	--
Market risk					
Equity in the banking book	29	537	1,838	245	841
Trading book market risk	--	37	--	55	--
Total market risk	--	573	--	300	--
Operational risk					
Total operational risk	--	1,001	--	1,332	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	10,452	--	13,958	100
Total diversification/ Concentration adjustments	--	--	--	2,469	18
RWA after diversification	--	10,452	--	16,427	118
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		1,567	15.0	1,410	10.1
Capital ratio after adjustments‡		1,567	15.0	1,410	8.6

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2022, S&P Global Ratings.

Table 5

Banque Internationale a Luxembourg--Risk position					
	--Year ends Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Growth in customer loans	-0.1	0.8	6.0	4.8	9.8
New loan loss provisions/average customer loans	0.2	0.1	0.2	0.4	0.2
Net charge-offs/average customer loans	0.0	0.1	0.2	0.0	0.1
Gross nonperforming assets/customer loans + other real estate owned	3.7	3.4	3.6	4.7	3.9
Loan loss reserves/gross nonperforming assets	51.4	51.4	49.4	39.3	46.7

*Data as of June 30.

Table 6

Banque Internationale a Luxembourg--Funding and liquidity					
	--Year ends Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Core deposits/funding base	72.4	73.3	69.7	71.2	74.7
Customer loans (net)/customer deposits	83.9	78.3	79.0	77.9	77.5
Stable funding ratio	133.0	139.3	150.0	141.9	136.2
Short-term wholesale funding/funding base	10.2	10.2	9.6	11.3	11.4
Regulatory net stable funding ratio	124.0	123.0	127.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	3.6	3.9	4.6	3.8	3.5
Broad liquid assets/total assets	32.9	35.7	40.5	38.7	36.0
Regulatory liquidity coverage ratio (LCR) (x)	154.4	153.0	142.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	36.2	37.5	30.9	38.3	43.8

*Data as of June 30. N/A--Not applicable.

Banque Internationale a Luxembourg--Rating component scores	
Issuer credit rating	**A-/Stable/A-2**
SACP	bbb+
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Moderate
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Update: Banque Internationale a Luxembourg, July 27, 2022
- Banking Industry Country Risk Assessment: Luxembourg, May 30, 2023

Ratings Detail (As Of October 30, 2023)*	
Banque Internationale a Luxembourg	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Senior Subordinated	BBB
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
02-Dec-2015	A-/Stable/A-2
29-Apr-2014	A-/Negative/A-2
08-Oct-2012	A-/Stable/A-2
Sovereign Rating	
Luxembourg	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.