Annual Report 2022

BANQUE INTERNATIONALE À LUXEMBOURG

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Foreword

2022 has been everything but a smooth ride for the economy. Inflation, geopolitical conflict, food supply and energy crises and the long tail of the COVID-19 pandemic have caused shockwaves globally. A slowdown of global economic activity is materialising, due, in part, to the tightening of financial conditions to tame inflation.

Luxembourg's economy was not spared as it is one of the most open in the world. Thanks to its resilience, it remained dynamic. Notwithstanding, challenges still loom on the horizon. Slowing demand from the country's main trading partners is forecast to weigh on growth. In addition, the construction sector, a mainstay of the local economy, is facing a dip in demand, as prospective homebuyers postpone their projects due to rising interest rates and high property prices.

In this challenging context, BIL's mission remains unchanged: ensure its clients, be they individuals, entrepreneurs, institutions, or corporations of its unfailing support in bringing their projects to life. The Bank maintained momentum on its transformative five-year strategic plan, Energise Create Together 2025, that will make it future-proof for the years to come. Focus and agility are more essential than ever. Focus on who we are and who we work for: we are a Luxembourgish bank with an international reach, and our aim is to be the best bank for entrepreneurs and individual clients with an entrepreneurial mindset in Luxembourg. We invest heavily to bring our clients top-notch services through our talented employees, our digital banking platform and an expanding range of innovative and sustainable financing and investment solutions.

Focus on our strategy: the banking sector is changing rapidly, and so are we. We have a plan, and we are sticking to it. This clear focus helps us move in the right direction.

In a constantly evolving world, focus alone is not enough to succeed; agility is also essential to adapt. The COVID-19 pandemic tested our ability to rethink our organisation and way of working. We adapted our strategic plan in 2021 to reflect this new environment. The conflict in Ukraine significantly impacted the macroeconomic and regulatory environments. Again, we adapted quickly. The return of inflation and of positive interest rates can be challenging for our clients, and for our bank. We stay by their side to find the best solutions for their situation.

In this everchanging economic backdrop, BIL's revenues increased by 2%, reaching EUR 645 million in 2022. Despite the Russia-Ukraine conflict, commercial activities continued to recover from the impact of COVID-19 and performed better than in 2021. Customer deposits increased by 1.7% compared to 2021, reaching EUR 21 billion. Customer loans increased by 0.8% and stand at EUR 16.5 billion. This limited growth can be explained by a general slowdown in new mortgage loans in Luxembourg due to the rise in interest rates, delays in new construction projects and supply chain stress. The slight decrease of assets under management, standing at EUR 43.5 billion, reflects the challenging year experienced by financial markets. In these turbulent times, BIL nevertheless managed to increase net new assets by EUR +0.87 billion.

In addition to the good performance of commercial activities, the Bank's Financial Markets' revenues were up by 68% at EUR 43 million supported by the drastic change in the interest rate environment.

Throughout the period, general expenses increased by 4%, reaching EUR 460 million. Cost of risk, which has been significantly impacted by the pandemic since the second quarter of 2020, returned to pre-pandemic level at EUR 19 million, thanks to the Bank's continued proactive management of the credit portfolios which led to a decrease of non-performing loans.

Overall in 2022, BIL Group reported a strong financial performance, with a net income of EUR 153 million, up EUR 17 million from 2021, showing its ability to successfully navigate turbulent economic times.

What to expect in 2023? Challenges will certainly remain. The impact of the Russia-Ukraine conflict, whose end is unfortunately not in sight, will still be felt. Slowing demand from the country's main trading partners and further tightening of monetary policy are forecast to weigh on economic growth. The construction sector has already shown signs of slowing down. Statec[1] forecasts a GDP growth of 1.5% in 2023, after 1.7% in 2022 . What is certain is that our clients can expect that BIL will stay true to its mission: we will remain by their side, support them and help them bring their projects to life.

Luc Frieden
Chair of the Board

Marcel Leyers
Chief Executive Officer

[1] Statec, Conjoncture Flash – Publication Mensuelle Sur L'état de La Conjoncture Luxembourgeoise, Janvier 2023.

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Corporate governance (as of 31 December 2022)

Board of Directors and Executive Committee

The Board of Directors (the "BOD") of Banque Internationale à Luxembourg ("BIL" or the "Bank") 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 BOD is responsible for setting and overseeing the overall business and risk strategy including the risk appetite statements and the risk management framework of BIL.

The BOD is assisted by four specialised committees: the Board Strategy Committee, the Board Risk Committee, the Board Audit and Compliance Committee and the Board Remuneration and Nominations Committee.

The BOD delegated the daily management of the Bank to the Management Board (the "MB") and the Chief Executive Officer (the "CEO").

The MB consists of the MB members authorised by the Supervisor (the "Authorised Managers"), including the CEO, who chairs the MB meetings.

The overall objective of the MB is to lead, direct and manage BIL, in order to achieve the strategy and the business objectives in line with the risk appetite set by the BOD. 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 Executive Committee and on an ad-hoc basis, as needed.

The Executive Committee (the "ExCo") consists of the Authorised Managers, including the CEO who chairs the ExCo meetings, 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, with direct reporting lines also to the BOD Chair and to the Chair of the Board Audit and Compliance Committee (amongst other Directors).

Board of Directors

Chair

Luc Frieden	Independent Director[1]

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
Charles Q. Li	Independent Director
Jing Li	Director, VP, Managing Director of Overseas Investment of Legend Holdings Corporation[2]
Pierrot Rasqué	Director, Luxembourg State Representative
Michel Scharff	Director, Staff Representative
Claude Steffen	Director, Staff Representative (as from 7 March 2022)
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 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 Charles Q. Li Vincent Thurmes

[1] Director and chair of the Board of Directors until 16 March 2023.
[2] Interim chair of the Board of Directors as of 17 March 2023 until a new chairperson is appointed.

Board Remuneration and Nominations Committee

Chair	*Members*
Peng Li	Jing Li Michel Scharff (Remuneration matters) (as from 1 January 2022) Vincent Thurmes

Executive Committee

Chair

Marcel Leyers*	Chief Executive Officer

Members

Hans-Peter Borgh	Group Head International
Xin Chen	Head of China Market (as from 1 April 2022)[1]
Olivier Gorin	Chief Transformation Officer
Jeffrey Dentzer*	Chief of the Luxembourg Market and Corporate and Institutional Banking
Helmut Glemser*	Chief Risk Officer[2]
Emilie Hoël	Head of Wealth Management
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

Permanent Invitees

Marie Bourlond	Chief Compliance Officer
Pia Haas	Chief Internal Auditor

* Member of the Management Board (Authorised Management).
1 Xin Chen exited the Executive Committee with effect from 27 January 2023.
2 Hédi Ben Mahmoud has been appointed designated Chief Risk Officer as of 16 January 2023 and member of the Authorised Management subject to the ECB approval.

Business Review and Results

1. Highlights of 2022 and early 2023

After two turbulent years, marked by the COVID-19 pandemic in 2020 and the recessionary shock it caused, the strong economic rebound in 2021, supply-chain issues and the first signs of inflation, 2022 was marked by the war in Ukraine, the inflationary shock and the energy crisis. Zooming in on 2022, the conflict led to high commodity prices which added to more supply disruptions, and rising inflation led central banks to tighten financial conditions. A slowdown of global economic activity is expected.

Luxembourg's economy showed resilience, however, slowing demand from the country's main trading partners and weakening financial outlook are forecast to weigh on growth in 2023. The construction sector has already shown signs of slowing down. Nevertheless, investment and private consumption are forecast to grow at a moderate level, despite rising interest rates expected to weigh on borrowing capacity and demand for mortgages in the country. Private consumption is projected to remain resilient, supported by additional measures introduced by the Government's "Solidaritéitspak" in order to tackle high inflation and to maintain households' purchasing power.

In this challenging context, year after year, BIL ensures its clients, corporate and individual, of its undivided support to bring their projects to life and to offer them innovative financial solutions. The Bank maintained momentum on the roll out of its transformative five-year strategic plan, Energise Create Together 2025. This plan, launched during the second half of 2019 is laying the foundations for the BIL of tomorrow, stronger in the post-pandemic world with a future-proof business model.

Throughout 2022 and 2023 onwards, BIL's priorities remain twofold:

- To support its clients and their projects, its employees and to continue to grow its commercial activities,
- To stay on track of its strategic 5-year roadmap, Energise Create Together 2025.

EXPANDING SERVICE TO ENTREPRENEURS

BIL's markets of focus are clear, and so is its target clientele. BIL is the reference bank for entrepreneurs and private clients with an entrepreneurial mindset. BIL proved again in 2022 its raison d'être by supporting the economy when some companies were experiencing difficulties due to the war in Ukraine. The Bank joined the Government's loan guarantee scheme, a part of the so-called "Solidaritéitspak", a package of measures developed by the Government, business groups and labour unions to support companies and households alike amid rising inflation and high energy prices.

With regards to its services, BIL adopted a 360-view by further integrating private and corporate banking. This allows it to give efficient and personalised support. BIL strengthened its corporate finance services, leveraging on the joint expertise of its Luxembourg and Switzerland teams. 2022 saw the launch of BIL Corporate Finance, a dedicated team providing a unique service offering to entrepreneurs and family-owned corporate clients. It combines lending and advisory services in the context of strategic transactions such as acquisition, major investment, transmission and management buy-out. This team delivers tailor-made solutions across the capital structure (structured finance, debt advisory, equity and quasi-equity, merger and acquisition) and brings a wealth of experience in terms of products, sectors and geographies, covering the Benelux region, Switzerland, France, Germany and China. BIL Corporate Finance already shows a track record of advisory mandates for corporates in various industries such as software or hospitality.

DEVELOP SYNERGIES, INTEGRATE PHYSICAL AND DIGITAL BANKING

Luxembourg is BIL's core market, where it can enhance its unique business model combining Retail, Private, Corporate and Institutional Banking services to deliver added value to entrepreneurial clients and to continue bolstering its strong position as one of the leading banks in Luxembourg. Following a new organisation that brought under one leadership all commercial activities in 2021, BIL implemented its new service model for the Luxembourg market during the first half of 2022. Thanks to a greater specialisation of its client-facing employees, the Bank aims to better meet client expectations in a rapidly changing industry. Business services, mortgages, consumer loans, savings and investments, payments, and accounts management: banking services are diverse and have changed significantly with digital transformation. Specialisation means that depending on the nature of their project, clients can rely on the support of an expert relationship manager to find solutions that perfectly meet their needs. In addition, BIL continues to invest in its network of branches and digital services. It continues to optimise its branch locations throughout Luxembourg and to roll out its stylish interior design concept, integrating physical and digital offering, as seen in its latest new branch opened on the Boulevard Royal in the city of Luxembourg. BIL home, its fully remote branch where relationship managers are available by appointment, by phone or video conference, was launched in 2022. It is the ideal solution for clients on the go or unable to travel to a branch, who already enjoy many online-services on BILnet, the Bank's digital banking platform.

In line with the Energise Create Together 2025 strategy, the Bank also continued to expand its digital service offering and transformed its working environment by creating effective and efficient internal processes and client journeys. To this effect, BIL reviewed its credit card packages simplifying its product range, while adding new services within each package. Launched at the start of 2022, individual clients have the choice between four different packages, and corporate clients have five different packages to choose from. With more services and competitive fees, clients will benefit from this simplified, easy-to-compare range of packages. Digital services remain essential to the Bank's distribution strategy. The COVID-19 pandemic contributed to the change of behaviour of clients: many clients switched to or increased their use of the online-services available on BILnet and to contactless payments. These services will be given a new boost in the months and years that will follow the launch of the new core banking system in 2023.

INNOVATIVE INVESTMENT PRODUCTS OFFERING

The economical and geopolitical context observed in 2022 proved to be significantly challenging. Investors are more hesitant due to the sharp decline on equity markets and rising interest rates are affecting economic growth. With regards to economic slowdown, Europe is more impacted given its exposition to the conflict in Ukraine. Amidst this challenging environment, the Bank remains committed to developing its investment product offering through innovative investment solutions.

BIL entered into a partnership with a renowned asset manager that will expand the Bank's private market offering. With this collaboration, the Bank gains access to an extensive range of private market products and will have the support of experts to select the most appropriate products for its Wealth Management clients. The Bank will thus be able to build a broader and more diversified investment product offering embracing diverse geographies, strategies, themes and private market asset classes.

Sustainable investment also remains a point of focus. In April 2022, BIL launched its green bond framework to support its sustainable strategy and the transition to a low carbon economy. This framework allows the Bank to issue green bonds, guaranteeing investors their funds will be used for a sustainable purpose, the financing of energy-efficient real estate in Luxembourg. In July, BIL successfully issued its first green bond locally, a private placement of EUR 20 million with a 3-year maturity. Indeed, by the end of 2022, eight green bond transactions for a total nominal amount of EUR 92 million have been issued.

FOCUS ON KEY INTERNATIONAL MARKETS

BIL's Wealth Management is an essential activity in the Bank's diversified business model and is key to enable growth and resilience. In addition to its domestic market, BIL's Wealth Management activities are deployed abroad. The Bank streamlined its approach by focusing on a selected number of markets abroad and by optimising its international footprint. In 2021, BIL Group transferred its BIL Denmark branch business activity to Ringkjøbing Landbobank. The Bank now fully concentrates its strengths on its two main centres of excellence, Luxembourg and Switzerland, while growing its expertise and business in its two Chinese locations Beijing and Hong Kong.

Throughout 2022, BIL targeted its commercial development on markets where it has the knowledge and expertise to provide value to its clients, such as, Western and Northern Europe, Eastern Europe, the Middle East and China.

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 2022 condensed consolidated financial statements remain limited. Credit exposure towards Russia represents 0.3% of total exposures as at 31 December 2022 (0.3% of total exposures as at 31 December 2021). All exposures are well collateralised and all collaterals are located in Western Europe.

3. ESG (Environmental, Social and Governance)

The challenges of sustainable development (climate crisis, preservation of biodiversity, reduction of greenhouse gas emissions…) are at the heart of the concerns of citizens, governments, but also businesses, which are called upon to review their model and strategy in favour of a greener and more resilient economy. In this rapidly changing world, the banking sector, which directly or indirectly finances a major part of the economy, is called upon to play a central role in accompanying and supporting this necessary transition. As a major bank in Luxembourg and aware of its role in contributing to balanced economic growth and building a more sustainable and ecological economy, BIL defined its SustainaBILity Strategy in 2021, which is fully integrated in the Bank's Energise Create Together 2025 Strategy.

The SustainaBILity Strategy definition was based on an extensive engagement plan that has involved the Bank's key stakeholders, including its customers (retail, wealth and corporate), employees and shareholders.

Four pillars of commitment and responsibility underpin the SustainaBILity Strategy, which guides BIL's strategic decision-making and day-to-day management:

- **Sustainable governance and strategy**: BIL is committed to structure the organisation to address ESG challenges and to embed sustainable finance into the corporate culture.
- **Sustainable products and services**: BIL is committed to develop responsible products and services that create value

for its clients whilst supporting the global ecological and social transition. BIL wants to play an active role in the integration of Environmental, Social and Governance (ESG) factors to catalyse the redirection of financial flows towards sustainable activities.
- **Responsible employer**: as a responsible employer, BIL is committed to offer a safe and healthy work environment to enable its employees to develop their potential.
- **Positive impact**: as a major financial actor in the Luxembourgish landscape, the Bank is committed to act for a positive impact on local economy and communities and prepare ground for future generations.

In 2022, BIL continued the roll out of its Towards Sustainability programme with significant achievements. This programme brings together all the Bank's departments, which regularly share their experiences and progress with the Towards Sustainability Committee, whose status is in turn reported to the Executive Committee (ExCo) and Board of Directors (BOD).

BIL's priority in 2022 was to meet the regulatory requirements arising from the European Commission's Sustainable Finance Action Plan as well as to identify business opportunities and define a high level ESG business strategy.

SFDR

BIL has enforced the first disclosure requirements under European Regulation (EU) 2019/2088, the Sustainable Finance Disclosure Regulation (SFDR) including requirements linked to the adoption of the first EU Taxonomy Delegated Act.

After the implementation of Level 1 requirements in March 2021, BIL addressed the Level 2 requirements of the SFDR regarding website, pre-contractual and periodic reporting disclosures. Data collection started on the principal adverse impact indicators, via quarterly snapshots to facilitate annual reporting expected from June 2023. Annual reporting will cover the period from the 1 January to the 31 December of the preceding year. BIL also addressed the required entity level disclosures, all published on its website:
- Sustainability Risk Policy - stating how sustainability risks are implemented in the Bank's investment decision- making or advice.
- Remuneration Policy – reflecting how sustainability risks are integrated in the remuneration policy of its staff.
- Principal Adverse Impact (PAI) Statement – regarding consideration of Principal Adverse Impacts of investment decisions / advice on sustainability factors.

Related disclosures can be found on: https://www.bil.com/sustainability/sfdr.html

MIFID

The SFDR disclosure requirements are closely linked to the Markets in Financial Instruments Directive (MiFID II) ESG project, for which a first implementation phase took place. Indeed, ESG MiFID amendments require, as of August 2022, the collection of clients' sustainability preferences. BIL thus implemented a first questionnaire for collecting sustainability preferences and advisors have been trained to discuss the subject with their clients and advise on sustainable investment opportunities. Furthermore, the Asset Report has been enriched with sustainability-related information. The degree to which client preferences are taken into account will evolve over time as the market matures and the range of responsible products offered by the Bank expands.

CSRD

With the upcoming Corporate Sustainability Reporting Directive (CSRD), BIL is gradually improving its non-financial disclosures and data collection processes. BIL has adopted the GRI reporting standards since 2021 and is closely following the reporting requirements of the European Sustainability Reporting Standards (ESRS) for the coming years.

While the EU Taxonomy, SFDR and MiFID focus on the EU's objective of redirecting capital flows towards sustainable investment; the European Central Bank (ECB) guide on climate-related and environmental risks explains how the ECB expects banks to manage and transparently disclose such risks under current prudential rules.

Following a first self-assessment exercise in 2021, BIL continued to implement its ESG Risk roadmap to meet regulatory expectations. In July 2022, BIL finalised the ECB's 2022 Climate Risk Stress Testing Exercise, through which the ECB has assessed BIL's level of preparedness for climate risk in line with other participants' outcomes. BIL also benefitted from the ECB's feedback meeting on the thematic review on climate-related and environmental risks.

Based on these exercises, BIL started phase II of its ESG Risk Roadmap to be rolled out until 2024, focusing on the data framework, the definition of a climate strategy to cascade to portfolios, the improvement of some risk methodologies as well as the development of business opportunities.

Furthermore, BIL started a Pillar 3 Disclosure project aimed at responding to the PILLAR 3 - EBA Final draft Implementing Technical Standards (ITS) on prudential disclosures of ESG risks in Accordance with Article 449a of the Capital Requirements Regulation (CRR).

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GREEN FINANCING

While the focus was on regulatory compliance, BIL also launched business initiatives in line with the second pillar of the Sustainability Strategy. Indeed, BIL's ambition is to become a key transition facilitator and support the Bank's retail and corporate clients in their own transition journeys.

In terms of ESG financing, BIL has two specific products, namely its "Climate loan" and its "Photovoltaic loan" through which 44 projects were subscribed in 2022 for a total amount of EUR 2.3 million. However, the majority of sustainable financing at BIL today is done through more traditional financing products such as real estate and consumer loans for individuals or investment loans for corporate and institutional clients. As yet, the Bank does not have the necessary granularity of data to be able to identify projects, such as the financing of energy renovation works. Nevertheless, BIL is already working to improve the quality of its non-financial data in order to remedy this in the future. Indeed, work has been initiated on the subject of electric mobility that BIL supports through preferential conditions granted through two types of financing:

- Consumer loans: 119 contracts were subscribed in 2022 for a total amount of EUR 3.8 million;
- Leasing: 318 contracts were subscribed in 2022 for a total amount of EUR 17.8 million (+28% versus 2021).

In April 2022, BIL was the first bank in Luxembourg to set up a Green Bond Framework dedicated to the issuance of green bonds. BIL has implemented its Green Bond Framework with a clear commitment to support the growth of the sustainable finance market. A total of eight green transactions amounting to EUR 92 million equivalent have been issued in 2022 mostly in the form of private placements.

Considering the demand for sustainable products and backed by favourable market conditions, BIL decided to propose a specifically dedicated offer to Retail and Wealth Management clients listed on the green platform of the Luxembourg Stock Exchange (LGX). This BIL Green Bond launched in November 2022 was an undeniable success with EUR 25 million subscribed.

The BIL Green Bond Framework has been designed with the intention to reflect current best market practice and alignment with the 2021 International Capital Markets Association (ICMA) Green Bond Principles as confirmed by a second party opinion released by Sustainalytics. The net proceeds will be used exclusively to finance or refinance new or existing loans financing green buildings in Luxembourg with the aim to strengthen BIL's sustainable strategy and have a positive impact on the local economy and communities.

In terms of ESG investment products offer, the Luxflag label was renewed for the four in-house BIL Invest Patrimonial funds, for which the consideration of Principal Adverse Impacts now makes them eligible as "sustainable investments" to comply with ESG MiFID Regulation. These funds are also accessible for smaller investors through the Bank's Flexicav solution, an investment fund savings scheme.

It is planned in the first quarter of 2023 to upgrade two additional BIL Invest funds to Article 8 and to launch an ESG discretionary management service for Wealth Management clients.

Last but not least, BIL's Investment Portfolio also continues to apply the sustainable investment framework, where Green, Social and Sustainable bonds now account for 15.8% of the total Portfolio, for a total amount of EUR 1,377 million in December 2022.

RESPONSIBLE EMPLOYER

Under the "responsible employment" pillar, the Bank has focused its initiatives on the following commitments:

- improving dialogue: with the launch of the internal social media network "Blink" and recurrent exchange and information sessions in the form of town halls or breakfast meetings, including members of the Executive Committee;
- health and well-being: with the month of June 2022 dedicated to health and well-being and marked by conferences on stress management and the ongoing management of the COVID-19 crisis;
- employee development: with in particular the deployment of a Leadership programme dedicated to managers and the finalisation of the first sustainable development training sessions with a total of 400 key people trained by end of the year;
- diversity: for which a dedicated action plan on gender balance has been approved by the ExCo and with the implementation of first concrete actions such as sessions on unconscious bias.

Finally, BIL organised monthly "Sustainability Days" on sustainability-related topics with the aim of continuously raising awareness among employees and embedding sustainability in the corporate culture. In parallel, ESG targets have been defined for most of the Bank's departments, the idea being that ESG considerations are progressively integrated into the Bank's daily operations.

POSITIVE IMPACT

On the "Positive Impact" pillar, the Bank participated in a large number of local initiatives, mainly to support social initiatives. In December 2022, BIL donated EUR 50,000 to ten Luxembourg non-governmental organisations. This donation reflects the Bank's ongoing support for organisations that work tirelessly to improve the living conditions of vulnerable people in Luxembourg.

Considering the environmental impact, in 2022, the Bank also launched the measurement of its carbon footprint as of 31 December 2021. This calculation was made to cover the following scopes:

- Scope 1: direct emissions from energy and heat generation;
- Scope 2: indirect emissions from utility-purchased electricity, steam, heat or cooling; and
- Scope 3: other indirect greenhouse gas (GHG) emissions from upstream and downstream processes.

OPERATIONAL CARBON FOOTPRINT

The Bank considered scopes 1, 2 and 3 for BIL's headquarters in 2021. Scope 3 included Purchased goods and services; Capital goods; Fuel-and-energy related activities; Upstream transportation and distribution; Waste generated in operations; Business travel; Employee commuting and teleworking.

The total operational carbon footprint is 5,185 tCO2e.

Scope 1 represents 19% of the total mainly with stationary combustion elements. With respect to Scope 2 emissions, the electricity consumption relies already on 100% renewable sources. Scope 3 has the highest emissions (81%), mainly due to employees commuting (39% of the total), Capital goods (11%) and Purchased goods (10%).

CARBON FOOTPRINT – FINANCED EMISSIONS

The calculation of financed emissions (Scope 3: Investment) is mainly used by the ESG Risk project to assess transition risk exposure. For this first year, BIL has calculated the emissions of its Bank investment and loan portfolios: the calculation covered 87% of the exposures for a total analysed amount of EUR 20.2 billion. The following asset classes were included in the GHG calculation:

- Private Equity & Business Loans (Analysed Amount EUR: 3.76 billion)
- Listed Instruments (EUR 7.72 billion)
- Real Estate Loans (EUR 8.46 billion)
- Motor Vehicle Loans (EUR 0.22 billion)

In terms of calculating the financed GHG absolute emissions, BIL applied the "Global GHG Accounting & Reporting Standard" from the non-governmental organisation Partnership of Carbon Accounting Financials. Total footprint is 402,504 tCO2e (279,269 tCO2 for the credit portfolio and 123,235 tCO2 for the Bank Investment Portfolio). Improving data quality is one of the main challenges for the years to come as well as progressively enlarging the scope to other assets and setting reduction targets.

Details of the Bank's commitments and the various initiatives undertaken to meet its engagements can be found in the Bank's Sustainability report available on https://www.bil.com/sustainability/reports.html.

In line with its commitment to transparency, BIL has adopted the Global Reporting Initiative (GRI) standards for its sustainability report and is also a signatory to the United Nations (UN) Principles of Responsible Banking and the UN Global Compact since November 2021.

4. Key figures

COMMERCIAL FRANCHISES

Despite turbulent times, the "Luxembourg Market & CIB and Wealth Management" business areas performance remained resilient during 2022:

- Assets under Management (AuM) decreased to EUR 43.5 billion compared with EUR 45.9 billion at the end of 2021. The positive Net New Asset (NNA) inflows (EUR +0.87 billion) were offset by a strong negative market effect of EUR -3.3 billion.
- Customer deposits increased by 1.7% to EUR 21.0 billion compared with EUR 20.7 billion at year-end 2021, driven mainly by an increase in fixed term deposits, as heightened macroeconomic uncertainty compels clients to err on the side of caution and postpone investments.
- Customer loans increased by 0.8% to EUR 16.5 billion mainly due to the commercial activities' contribution which grew by EUR 0.25 billion. This limited growth is linked to a general slowdown in mortgage loan production in Luxembourg explained by the rise in interest rates, delays in new construction projects caused by the rising cost of raw materials and supply chain stress as a result of the Russia-Ukraine conflict beginning in February 2022.

PROFITABILITY

BIL Group reported a net income after tax of EUR 153 million compared with EUR 135 million in 2021, up by 13%, driven by resilient revenue from commercial activities and a significant improvement of the cost of risk.

Non-recurring items before tax amounted to EUR 38 million in 2022 compared with EUR 62 million in 2021. In 2022, non-recurring items were mainly composed of the remeasurement of an investment property at fair value for which EUR 25 million additional revaluation was recognised in December 2022 and capital gains from the Bank's Investment Portfolio of EUR 21 million, offset by an impairment on goodwill of EUR 2 million and restructuring costs. In 2021, non-recurring items were mainly composed of capital gains from the Bank's Investment Portfolio of EUR 39 million and capital gains from the partial sale of BIL's participation in Bourse de Luxembourg for EUR 27 million offset by costs related to the closing of the BIL Denmark branch, regulation and restructuring costs.

Core gross operating income (excluding non-recurring items) amounted to EUR 144 million in 2022, an increase of EUR 16 million, up by +12% compared with EUR 128 million in 2021.

Core operating net income before tax totalled EUR 127 million versus EUR 92 million in 2021, which represents an increase of EUR 35 million (38%). This evolution was marked by an increase in revenues of EUR 46 million from commercial activities and Financial Markets and a decrease of the core cost of risk of EUR 22 million compared to 2021, as despite the difficult macroeconomic context, the quality of the Bank's assets improved significantly in 2022.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In 2022, BIL's ratings by both Moody's and Standard & Poor's remain unchanged compared with 31 December 2021, at A2/Stable/P-1 and A-/Stable/A-2 respectively.

BIL group	Dec 2021	Dec 2022	Outcome
Moody's	A2 Stable P-1	A2 Stable P-1	On 15 July 2022, Moody's Investors Service affirmed BIL's ratings following completion of the periodic review of the Bank's ratings on 6 October 2021.
S&P	A- Stable A-2	A- Stable A-2	On 27 October 2022, S&P Global Ratings affirmed BIL's ratings that follows the affirmation of the ratings on the 25 January 2022 in line with the revised "Financial Institutions Rating methodology" published in December 2021.

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

5. Business line segmentation

In 2022, 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 three business lines: Luxembourg Market & CIB (i.e. Retail Banking, Private Banking Luxembourg and CIB including the international dimension of the CIB business line), Wealth Management Luxembourg and Wealth Management International.
- **"Financial Markets"** is divided into the Banking Book Management (namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management) and Products and Markets activities (Investment Management and Market Access).
- **"Group Center"** mainly includes dividends from unconsolidated shareholdings and the results of non-operating entities as well as certain types of costs not attributable to the other business lines mentioned above, such as DGS, Resolution Funds' contributions and funding costs (such as senior non-preferred debts and subordinated debts).

6. Consolidated statement of income and consolidated balance sheet

The consolidated financial statements of BIL Group for 2022 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The main accounting principles 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

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

BIL group (in EUR million)	**31/12/21**	**31/12/22**	**Change versus 2021**	**%**
Revenues	**632**	**645**	**13**	**2%**
Interest and dividend income	291	363	72	25%
Fees income	231	224	(7)	(3)%
Other income	109	57	(52)	(48)%
Expenses	**(442)**	**(460)**	**(18)**	**4%**
Staff expenses	(231)	(245)	(14)	6%
General expenses	(155)	(159)	(4)	2%
Amortisation	(56)	(56)	0	0%
Gross operating income	**190**	**185**	**(5)**	**(3)%**
Cost of risk and impairment on goodwill	(38)	(19)	18	(49)%
Operating income	**152**	**165**	**14**	**9%**
Net income from associates	2	0	(2)	ns.
Net income before tax	**154**	**165**	**11**	**7%**
Tax expenses	(24)	(12)	12	(49)%
Net income of continuing operations	**130**	**153**	**23**	**18%**
Discontinued operations (net of tax)	5	0	(5)	ns.
Net income	**135**	**153**	**17**	**13%**

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

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 2021	%
	31/12/21	31/12/22	31/12/21	31/12/22	31/12/21	31/12/22		
Revenues	616	653	16	(8)	632	645	13	2%
of which core operating revenues	*573*	*632*	*(21)*	*(33)*	*553*	*599*	*46*	*8%*
Expenses	(411)	(432)	(31)	(28)	(442)	(460)	(18)	4%
of which core operating expenses	*(404)*	*(432)*	*(21)*	*(23)*	*(425)*	*(455)*	*(30)*	*7%*
Gross operating income	205	221	(15)	(36)	190	185	(5)	(3)%
of which core gross operating income	*169*	*200*	*(41)*	*(56)*	*128*	*144*	*16*	*12%*
Cost of risk and impairment on goodwill	(38)	(18)	0	(1)	(38)	(19)	18	(49)%
of which core operating cost of risk	*(38)*	*(16)*	*0*	*(0)*	*(38)*	*(17)*	*22*	*(57)%*
Operating income	167	202	(15)	(37)	152	165	14	9%
of which core operating income	*131*	*184*	*(41)*	*(57)*	*90*	*127*	*37*	*42%*
Net income from associates	0	0	2	0	2	0	(2)	ns.
Net income before tax	167	202	(13)	(37)	154	165	11	7%
of which core operating net income before tax	*131*	*184*	*(39)*	*(57)*	*92*	*127*	*35*	*38%*
Tax expenses					(24)	(12)	12	(49)%
Net income of continuing operations					**130**	**153**	**23**	**18%**
Discontinued operations (net of tax)					5	0	(5)	ns.
Net income					**135**	**153**	**17**	**13%**

Revenues

In 2022, total revenues amounted to EUR 645 million, up by EUR 13 million (2%) compared with 2021 (EUR 632 million). Revenue contributions are presented by business segment and by accounting category in Note 3.

A part of this growth is influenced by the aforementioned non-recurring items evolution (e.g. the remeasurement of an investment property, capital gains). Excluding the non-recurring items, core operating revenue stood at EUR 599 million, up by EUR 46 million (+8%) compared with EUR 553 million at year-end 2021.

Commercial activities' core operating revenues stood at EUR 589 million compared with EUR 548 million at year-end 2021. Despite the Russia-Ukraine conflict, commercial activities continued to recover from the impact of COVID-19, supported by the favourable impact of the interest rate environment which allowed the Bank to perform better than 2021 despite the challenging macroeconomic context. All business lines contributed positively to this performance in particular Corporate Banking and Wealth Management.

Financial Markets' core operating revenues amounted to EUR 43 million, up by EUR 17 million (+ 68%) compared with 2021. This growth, supported by the drastic change in the interest rate environment compared to previous years, positively impacted all Banking Book Management activities by EUR 16 million. In addition, Products & Markets' revenue benefitted from a good performance in foreign exchange transactions and from an increase in volume of structured investment product activity since the launch of the new platform with Leonteq S.A. in May 2021.

Group Center activities generated negative core operating revenues of EUR 33 million in 2022 compared with negative core operating revenues of EUR 21 million in 2021. Group Center is notably composed of the Deposit Guarantee Scheme (DGS) & Resolution Funds' contributions, the funding costs related to the issuance of Tier 2 and senior non-preferred debts and other items not attributable to the commercial business lines. Major evolutions stem from BIL Reinsurance S.A. negative portfolio revaluation by EUR 8 million and funding costs by EUR 2 million in subordinated debts. DGS & Resolution Funds' contribution remained stable at year-end 2022 at EUR 21.6 million.

Expenses

Expenses amounted to EUR 460 million, up by 4% (EUR 18 million) compared with 2021, at EUR 442 million.

Staff costs increased by EUR 14 million, mainly at BIL Luxembourg level following the overall impact of the salary indexation applied in April 2022, rising salaries and higher variable remuneration.

General expenses increased by EUR 4 million driven by higher energy costs, the transition to the new core banking system and renewed travel costs post COVID-19.

The cost income ratio reached 71.3% in 2022 and increased by 1.3% compared with 2021 at 70.0% and the core cost income ratio (excluding non-recurring items) stood at 76.0% and improved by 1% compared with 2021.

Gross operating income

Gross operating income amounted to EUR 185 million compared with EUR 190 million in 2021. Excluding non-recurring items, core gross operating income increased by EUR 16 million (+12%), mainly influenced by a significant increase in core operating revenues (EUR 46 million) at commercial activities and Financial Markets level offset by higher core operating expenses (EUR 30 million).

Cost of risk

BIL Group recorded net provisions on loans and advances and provisions for legal litigations of EUR 19 million compared with EUR 38 million in 2021.

Impairment on goodwill

As at 30 June 2022, BIL Group recorded an impairment of EUR 2 million (on a gross amount before impairment of EUR 22 million) on the goodwill linked to the cash-generating unit ("CGU") "ex-KBLS". The trigger of the impairment is a long-term loss of Assets under Management due to the departure of several clients and relationship managers. No additional impairment is required as at 31 December 2022 as no additional trigger was identified.

Expected credit losses (ECL)

Excluding the provisions for legal litigations and the non-recurring items in 2022 related to the impairment of goodwill, the core cost of risk totalled EUR 17 million in 2022 compared with EUR 38 million in 2021, an overall positive evolution of the cost of risk by EUR 22 million, similar with the situation observed at the end of June 2022.

The 2022 core cost of risk can be broken down into Stage 3 ECL of EUR 4.3 million in 2022 influenced by the decrease in non-performing loans due to the proactive management of the credit portfolios and additional ECL on performing loans (Stage 1 and Stage 2) of EUR 12.4 million. The Stage 1 and Stage 2 expected credit losses of EUR 12.4 million can be explained as follows:

As a reminder, in the context of the COVID-19 sanitary crisis, in 2020 BIL defined "ECL Management Overlays" whose objectives were to adjust the output of the ECL current models to capture some specific effects of the COVID-19 impacts on some exposures benefitting from a moratorium as well as all Mid-Corporate exposures not already benefitting from a moratorium. With regard to expired moratoria, clients were able to resume the normal course of their contractual payments. During the first semester of 2022, the Bank considered that the uncertainties regarding the consequences of the pandemic on BIL's portfolios had been lifted and took the decision to remove the full amount of the management overlays, representing a positive impact of EUR 8.4 million in June 2022.

The Bank remains attentive to the direct and indirect negative consequences of the prolonged Russia-Ukraine conflict but has not, at this stage, identified any business sectors, geographical areas and/or credit portfolios for which it appears necessary to adjust the results of ECL provisioning models. In this context of geopolitical instability, market volatility and a more subdued economic outlook, BIL is carefully monitoring its credit portfolio, anticipating a rise in the cost of risk, given that the latter is at a historically low level, reflecting the prudent management of the effects of the pandemic, the good resilience of BIL's main markets and a good quality of credit origination. Even if the Bank does not see the effects at this stage, the Bank considered that the uncertainties surrounding developments in the economic situation are tending to increase and considered it appropriate to take note of them in a conservative manner. Adopting a prudent provisioning approach and in order to reflect the geopolitical risks, the Bank has reviewed the scenario weighting for ECL computations, reducing the weight of the optimistic scenario to 10% and increasing the weight of the adverse scenario to 30%. This leads to an increase of the ECL stock by EUR 5.5 million which is included in 2022 financials.

In addition to the general model for provisioning performing exposures (Stage 1 and Stage 2 ECL), in 2022, the Bank chose 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.

Excluding these items, ECL increased during 2022 by EUR 13.6 million in line with organic growth and the deterioration of the macroeconomic indicators.

In the Risk Management section, the Bank has published an overview of the asset quality by stage focused on loans and advances to customers. Gross customer loans impairment decreases to 1.77% compared with year-end 2021 at 1.79% following the measures taken by the Bank in 2022 to reduce non-performing loans (Stage 3) by EUR 30 million in 2022.

Net income before tax

Net income before tax stood at EUR 165 million, up by EUR 11 million (7%) compared to year-end 2021 positively influenced by a marked increase in core operating income before tax of EUR 35 million (+38%) and the cost of risk.

Tax

In 2022, tax expenses stood at EUR 12 million. The evolution of tax expenses is explained by the change in net income before tax and the partial write back of impairments on tax losses carried forward.

Discontinued Operations

Net income from discontinued operations (net of tax) generated EUR 5 million in 2021 prior to the finalisation of the sale and the transfer of the business activity of BIL Denmark branch to Ringkjøbing Landbobank at the end of 2021. BIL Denmark business activities were therefore classified as a "disposal group" meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at December 31, 2021 (please refer to Note 1.17 of the 2022 Annual Report for the related accounting policy and Note 8.16 Discontinued Operations).

Net income

In 2022, BIL Group reported a net income of EUR 153 million, a strong performance compared with December 2021 (EUR 135 million) successfully navigating turbulent economic times.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET [1]

BIL Group (in EUR billion)	31/12/21	31/12/22	Change versus 2021	%
ASSETS	**32.4**	**32.4**	**(0.0)**	**(0.1)%**
Cash at central banks and loans and advances to credit institutions	6.7	5.5	(1.3)	(18.6)%
Loans and advances to customers	16.3	16.5	0.1	0.8%
Financial investments	8.5	8.8	0.3	3.7%
Positive fair value of derivative products	0.1	0.8	0.7	ns.
Other assets	0.7	0.8	0.1	8.5%
LIABILITIES	**32.4**	**32.4**	**(0.0)**	**(0.1)%**
Amounts due to credit institutions	4.1	3.4	(0.7)	(17.2)%
Amounts due to customers	20.7	21.0	0.4	1.7%
Negative fair value of derivative products	0.4	0.4	0.1	19.3%
Debt securities	4.7	4.7	0.0	0.0%
Subordinated debts	0.2	0.2	0.0	2.6%
Other liabilities	0.3	0.4	0.1	23.1%
Shareholders' equity	2.1	2.3	0.2	8.4%

ASSET MOVEMENTS

"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. As explained previously, a general slowdown of residential real estate loan production was observed in Luxembourg during 2022.

"Financial investments" rose by EUR 0.3 billion to EUR 8.8 billion at the end of 2022, new investments offset the sales and maturities generated in 2022. 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 2022, the Liquidity Coverage Ratio (LCR) stood at 153% versus 142% at year-end 2021 in line with previous months.

"Cash at central banks and loans and advances to credit institutions" amounted to EUR 5.5 billion, down by EUR 1.3 billion (-18.6%). The decrease stems mainly from the early repayment of Targeted Long Term Refinancing Operations (TLTRO) which has reduced the Bank's liquidity excess.

LIABILITY MOVEMENTS

"Amounts due to credit institutions" amounted to EUR 3.4 billion, down by 17.2% compared to the previous year. This decrease stems largely from the Bank's decision to early repay part of its outstanding TLTRO in order to decrease its excess liquidity which continued to grow as outflows anticipated in 2022 did not materialise. In December 2021, with the objective of continuing to provide intermediated financing to customers the Bank increased its participation in TLTRO to EUR 2.2 billion. At the end of December 2022 current outstanding TLTRO stood at EUR 0.25 billion.

"Amounts due to customers" totalled EUR 21.0 billion in December 2022, representing a growth of 1.7% versus the end of 2021. This growth occurred mainly in fixed term deposits (EUR 2.1 billion) offset by a decrease in current accounts (EUR -1.6 billion), as favourable interest rates create incentives for clients to migrate their deposits from current accounts to term deposits.

"Debt securities" remained stable at EUR 4.7 billion compared with year-end 2021. 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 amount of EUR 90 million, EUR 210 million remain outstanding. Following the inauguration of its Green Bond Framework in May 2022, a key element in BIL's sustainable strategy, 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.

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

7. Movements in share capital

At year-end 2022, 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 2021). In 2022, the Bank did not hold any of its own shares.

8. Research and development

A NEW CORE BANKING SYSTEM FIT FOR THE 21ST CENTURY

Offering innovative products and services is part of the Bank's DNA. To ensure this long-term vision, BIL is replacing its entire operating and information systems. In a context of everchanging market conditions and regulatory framework the new systems will bring more flexibility, reliability and efficiency to the Bank's operations. This is BIL's largest project to date, affecting all its activities.

In parallel to the developments and regular testing of the new systems, the Bank's teams have redefined its current business processes and services. The aim is to ensure that its products and services are already aligned and optimised for the future systems. This has led to the introduction of the Invest cash account available to all its clients with an investment portfolio in 2021 and the launch of its new range of daily banking packages. With more services and competitive fees, clients will benefit from these simplified, easy-to-compare packages. Throughout 2022, BIL pursued the overhaul of the Bank's product range and informed its clients of any potential impacts. It also continued the developments and testing of the new systems with a view to switching from the current systems to new ones in 2023.

BIL SUBSCRIBES TO I-HUB'S AML/KYC SERVICES AND ACQUIRES 10% STAKE

In order to optimise and modernise its operational systems for documenting and understanding its customer relationships (KYC processes), BIL signed up for a new and innovative digital solution for the management and storage of data and documents. Thanks to this solution, the Bank will be able to better serve its clients, while automating an important part of its knowledge and documentation process necessary to attest the compliance of the business relationships. In addition to subscribing to the solution, BIL acquired a 10% stake in I-Hub's equity capital in December 2022.

9. Post-balance sheet events

Uncertainties surrounding the global economy will remain high. The effects of the Russia-Ukraine conflict will still be prevalent. The recent difficulties of a small number of financial institutions in the USA and in Switzerland have caused instability on financial markets. As reaffirmed by the European financial supervisors, the European banking sector is resilient, with robust levels of capital and liquidity. BIL's financial position is robust: its Common Equity Tier 1 ratio stands at 13.35% before 2022 profit allocation and its Liquidity Coverage Ratio at 153%. BIL has no credit exposure with Credit Suisse and Silicon Valley Bank. Notwithstanding these uncertainties, the Bank will keep its focus on the sound management of its activities, governed by its proven risk management framework.

Since the closure of the financial year, no other event that might affect the financial or commercial situation of the Group has occurred.

10. Strategic outlook

ENERGISE CREATE TOGETHER 2025: FULL STEAM AHEAD

In 2022, BIL focused on finalising its bank-wide project, its new core banking system, while ensuring its ambitious commercial targets were met. This investment, a milestone in the life of the Bank, will be instrumental in its transformation. The new core banking system will enable BIL to be even more flexible and responsive to client demands, to minimise risk and adapt to the digital world without losing its human touch.

As the global economy is rapidly changing, BIL will adapt its commercial activities where necessary, while staying focused on its longer-term goals defined in its strategy Energise Create Together 2025.

BIL will remain focused on the implementation of the 5 key initiatives of its strategic plan, whose purpose is to prepare the Bank for the future:

- Luxembourg is BIL's core market, where it can enhance its unique universal bank business model to become the best bank for entrepreneurs and remain one of the leading banks in Luxembourg.
- BIL's Wealth Management is an essential activity in the Bank's diversified business model and will continue to play a key role in enabling growth and resilience.
- BIL continued to 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.
- These business initiatives will be supported by a new and reliable core banking system, entering now the final stages of testing.
- BIL pursued the design of its new target operating model to create a robust and dynamic bank ready to face the future with serenity.

Risk Management

1. Introduction

1.1 Key events of 2022

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 2022, 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.

Due to an increasing uncertainty and rising economic and geopolitical risks, the Bank is actively managing its loan portfolio and significantly reduced its outstanding loans at risk (non-performing and forborne exposures) leading to recoveries. (Please refer to section 3 of the Risk Management report for more information.)

During 2022, the Bank has also continued to strengthen its credit risk identification and measurement capabilities by implementing a number of material changes as per its Credit Risk & ECL Roadmap. These changes relate to Governance and Reporting (for example enriching the Credit Risk Dashboard with new or improved metrics), IFRS 9 (in particular Staging and Management Overlays), immovable collateral valuation and sectorial monitoring.

In this context, faced with the increase in direct and, above all, indirect risks linked to the Russia-Ukraine conflict the Bank opted for several conservative buffers:

- A change in the weighting of the macroeconomic scenarios underlying the calculation of its ECL. In concrete terms, the relative weight of the so-called "downside" scenario was increased from 20% to 30% while, at the same time, that of the so-called "upside" scenario was reduced from 20% to 10% (now 60/30/10 versus 60/20/20 previously). (Please refer to Note 9.2.1.4 Expected Credit Losses measurement "ECL Post-Model Adjustments and Management Overlays" for details on macroeconomic scenarios weighting.)
- The Bank conservatively opted for an "under watch" staging classification of Russian exposures. In credit terms, this means that the Bank does not intend to develop new financing and is therefore content to proactively monitor its existing credit portfolio, periodically re-evaluating the staging classification of these loans according to the evolution of the situation and the sanctions regime.
- Concerned about the rising risks caused by (i) increasing inflation, (ii) the postponement until 2023 of indexed salary increases in Luxembourg and (iii) the continuing rise in interest rates, BIL decided to launch a "client outreach program" at the end of September 2022 covering the risks of deterioration of the portfolio for its variable-rate retail mortgage borrowers that they would no longer be able to meet BIL's minimum internal thresholds of disposable income in the event of a 400 bps increase in variable rates compared with the level observed at 30 June 2022. For operational reasons as it was difficult to finalise this exercise by the end of 2022, the Bank has chosen to implement a management overlay covering the risks of deterioration of the variable-rate retail mortgage borrowers portfolio in question. (Please refer to Note 9.2.1 Expected Credit Losses measurement.)

Moreover, on the Credit Risk Pillar I model framework, BIL has continued to invest time and resources in ensuring that it continues to comply with regulatory expectations. Most notably the European Banking Authority Internal Ratings Based (IRB) Repair programme:

- In 2022, a Joint Supervisory Team (JST) appointed Internal Model Investigation mission assessed the Retail/Wealth models, submitted in 2021, for approval by the ECB. The Bank received a first set of observations and is expecting to receive the definitive conclusions in the first quarter of 2023.
- In order to further simplify the model landscape and address regulatory issues, regulatory capital requirements for financial institution exposures have reverted to the Standardised Approach (ECB approval effective as of January 2022).
- Beyond regulatory matters, the Risk team also continued to develop a risk-adjusted return on capital (RAROC) approach and tool in order to enhance the accurate view on the Bank's return on capital.

Finalisation of Basel III framework, also called the Basel IV framework: The Bank has continued to analyse the different impacts and is participating in the Quantitative Impact Study (QIS) on Basel IV regarding the exposures at the end of June 2022 and end of December 2022 year-end situations. In line with the extended timetable, the Bank is ready to navigate the new challenges.

Interest rate risk in the Banking Book (IRRBB): The Bank revised its non-maturing deposits model and, after internal validation, submitted the new version to the JST by the end of October 2022. The prepayment model development was finalised; the new model was reviewed by the Internal Validation team (the issued recommendations have been closed) and sent to the JST in December 2022. The stress testing models and risk follow-up tools were also further developed. These works on IRRBB related topics/models are in close cooperation with the ALM department.

Bank Recovery and Resolution Directive (BRRD): The Bank updated and submitted its 2022 Recovery Plan in September 2022. In line with digital transformation and the related risks that embrace notably the financial universe, the Bank developed as part of its Recovery Plan one stress scenario involving a cyber incident with severe financial implications, in order to identify the options that are available to counter this event, to assess whether they are sufficiently robust and if their nature is sufficiently varied to cope with such a shock. This scenario is one of four scenarios included in the 2022 Recovery Plan, which included one capital and one liquidity scenario and a combination of the two. Given the recent geopolitical developments, the Bank also considered within the same scope the potential impacts of the Russia-Ukraine conflict when developing the stress scenarios. Moreover, the Bank has reviewed and widened the scope of its set of available recovery options. The Recovery Plan has also enhanced the Overall Recovery Capacity (ORC) to increase the usability of the plan in crisis situations.

Moreover, the Bank has continued to reinforce the operationality of the Recovery Plan, notably through dry-run exercises, noting that a Board-level Recovery Plan dry-run exercise was successfully performed in November 2022. This dry-run exercise aimed at testing different chapters of the Recovery Plan and in particular the operationality of several liquidity and capital recovery options, the ability of the Bank to make decisions and major repositioning of the Bank in times of resolution.

Regarding the resolution component, in December 2021, a detailed version of BIL's Resolution Plan was provided to the Bank by the Single Resolution Board (SRB). In accordance with SRB expectations, the main working priorities for 2022 were, among other areas, liquidity and funding in resolution, mobilisation of collateral in and after resolution, separability and reorganisation and information systems and Management Information Systems (MIS) capabilities for bail-in and valuation data. During 2022, the Bank enhanced its Resolution Plan framework accordingly and in July 2022 submitted a Resolvability Progress Report to the SRB. In parallel, the Bank has performed and will continue to perform dry-run exercises to further demonstrate the effectiveness and operational feasibility of its Resolution Plan. In 2023, the Bank will conduct various tests many of them with the involvement of the management bodies, including topics such as Communication, Business Reorganisation Planning, MIS and Data, internal and external execution processes.

Furthermore, in December 2022, the Bank submitted, the BIL 2023 resolvability work programme which takes into account and reflects the priorities set by the SRB for 2023 (both BIL-specific and across single resolution mechanism (SRM) banks), including the Liquidity Risk assessment in the event of the deployment of the Resolution Plan.

2022 has been an important year for the Bank which has made solid and steady progress at different levels of the project, while the Bank's main objective is on becoming fully resolvable at the end of 2023. In this context, and to achieve this goal, several training sessions were held for a wide internal audience as well as a dedicated BOD training in February 2023.

With regard **the Basel Committee on Banking Supervision (BCBS) 239 principles**, the Bank has further 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, at strengthening the data governance framework, enhancing the enterprise-wide risk data aggregation capabilities and optimising the internal risk reporting practices. The roadmap that the Bank is following shows the progression on the global project improving the entire reporting architecture and monitoring the compliance level of the existing risk reports.

Environmental, Social and Governance (ESG) elements have been considered as an increasing matter in the banking world. BIL has been working on a concrete ESG roadmap for two years now. The support of a dedicated ESG team and the engagement of the Bank's key stakeholders in the 4-pillar Towards Sustainability programme: (i) sustainable governance and strategy (ii) sustainable products and services (iii) responsible employer and (iv) positive local impact have enabled the roll-out of the first short and medium-term actions, regulatory projects and ambitions.

The programme primarily addresses the regulatory agenda, which consists of complex and interdependent regulations, while focusing on disclosure and risk management requirements, the Bank has also begun to address business opportunities. In fact, it is clear that although the regulations do not impose any sustainability obligations on companies, the transparency sought is a strong incentive for the Bank to develop its offerings and work on its impact on environmental and social factors. This is also in line with the commitments that the Bank made by signing the UN Principles of Responsible Banking and the UN Global Compact in 2021.

In this context, several analyses and new approaches/methodologies regarding the enhancement of the ESG Risk framework are underway:

- Credit Risk: (i) An ESG scorecard has been designed. This methodology describes the framework under which Credit Risk Management assesses the ESG risks of a borrower and a transaction. The objective of the ESG assessment is to capture all ESG considerations that have a material impact on the credit quality and can affect the Bank's credit decision and, (ii) The Risk Appetite Framework has been reviewed through the Sector Materiality Score assigned according to the Sustainability Accounting Standards Board (SASB) Materiality Map. SASB is a market recognised standard for ESG assessment (www.sasb.org). The SASB Materiality Map identifies likely material sustainability issues on an industry-by-industry basis (including the real estate sector). The map serves as a snapshot of likely material sustainability issues, which covers the transition and physical risks.
- In term of the Stress Testing framework, the following approaches are currently under development:
  - (i) Enterprise Risk Management (ERM) and the Credit Data Science team (IFRS 9 modelling) have started to work on the Moody's scenarios regarding ESG for the stressed projections of the ECL and RWA. The physical and transition impacts on the economy of temperature change are determined using a model of the global economy. The scenarios are consistent with Orderly, Disorderly, and Hot House World scenarios by the Network of Central Banks and Supervisors for Greening the Financial System,
  - (ii) ERM and the Market and Liquidity Risk Management (MLRM) teams have started to work on the Market Risk impacts regarding several ESG scenarios provided by the different regulators/supervisors (ACPR, ECB, EIOPA, etc.) and,
  - (iii) Regarding Liquidity Risk and capitalising on the deployment of the SASB classifications (please refer to the previous point) ERM and MLRM have started to work on the design of the Liquidity Risk Stress Tests based on the principle given by the Italian banking regulator (Banca d'Italia) that can be summarised as follows: "There will be some need for several counterparties to incur expenses in order to finance their transition towards a low-carbon economy, meaning they will certainly withdraw their deposits to invest in the necessary transition projects, resulting in an increase of outflows for the bank".
- More globally, BIL has measured its operational (company-level) carbon footprint and its financed emissions for the year 2021. While the operational carbon footprint will be used as a basis for future corporate targets, the calculation of financed emissions is mainly used to assess transition risk exposure. Together with an external provider, BIL calculated the emissions of its bank investment and loans portfolio. The provider was able to calculate the emissions of a vast majority of the different portfolios (87%). In this context, several initiatives and potential reductions are underway. (Please refer to Business Review and Results section 3 ESG carbon footprint - financed emissions for more information).

Following the new design of the **ICLAAP framework** that the Bank follows since 2021, the Bank is currently deploying the enhanced elements notably: (i) Risk Cartography, (ii) Reshaping of the Risk Dashboard, (iii) Review of the Economic Capital (ECAP) approaches (including the redesign of the documentation) and the Stress testing framework, (iv) Enhancement of the data framework and (v) Increasing coverage of the Internal validation scope.

In this context, the ECAP and ICLAAP Stress Testing frameworks are continuously improved, including migrations of the models in Python and enhanced documentation. The ECAP figures are computed on a monthly basis (compared to a quarterly basis previously) and Stress Testing assessments are led quarterly to better support the Bank's ICLAAP process. Recommendations issued by Internal Validation have been addressed for several models and work undertaken to address open recommendations and further improve the frameworks.

The Bank's ICLAAP process is nowadays a dynamic exercise that evolves and aligns with the Bank's strategy and builds on the current market developments incorporating their different indicators as part of the developed scenarios. The Bank now has in place sound, effective and complete strategies and processes to assess, maintain and distribute internal capital. These strategies and processes are all up to date, 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. Finally, the Bank has implemented appropriate arrangements, strategies, processes and mechanisms to comply with the November 2018, ECB ICAAP and ILAAP guides. Moreover, on the ILAAP side, the Bank has implemented robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons and its liquidity currently provides sufficient coverage of liquidity risks.

Risk Management is a stakeholder in the new core banking system project at different levels as a first line user and direct contributor to the project for all Risk Management processes and tools and as a second line of defence (2nd LoD) oversight function. Based on this framework, Risk Management performed functional and technical risk assessments. These assessments allowed to identify, among others, "very high" and "high" residual risks for which first line of defence (1st LoD) ownership has been established and action plans and target dates set and monitored.

In 2022, the Bank launched a new project to redesign the Risk-Adjusted Return Over Capital (RAROC) tool. A new web-application is under development with a deployment in production planned in the second quarter of 2023, providing a more robust framework for business and control functions.

2. Risk management objectives and governance

2.1 Objectives

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. 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 BOD, the Board Risk Committee (BRC) and the Management Board (MB) 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 that 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

According to the CSSF Circular 12/552 (as amended), the risk management function is one of the three distinct internal control functions (together with internal audit and compliance) and acts as a second line of defence in the Bank's three lines of defence model.

The BIL Group risk management Framework is based on a governance which enables prudent and sound management of risks. This governance structure includes:
- The BOD (assisted by the BRC) and the MB and their respective roles in decision-taking and risk management;
- A number of Management Committees in which at least one member of the MB is a permanent member and where all 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, procedures and reporting, 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

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

Board of Directors

The Board of Directors(the "BOD") is responsible for setting and overseeing the overall business strategy, the overall risk strategy and policy including the risk tolerance/appetite and the risk management framework.

According to CSSF Circular 12/552 (as amended), the BOD makes a critical assessment of the internal governance mechanisms. These assessments may be conducted by dedicated internal committees and may be based on information received from the Management Board, e.g. through the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports and the summary reports of the internal control functions which the BOD is called upon to approve on this occasion or any other information the BOD requests from business and control functions.

The BOD 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 BOD.

The BOD 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 BOD:

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

Amongst other things, the BRC

- Reviews the BIL Group Risk Management framework, the global risk limits and capital allocation and recommends changes to the BOD;
- 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, assesses and discusses with the external statutory auditor any significant risks, exposures and the relevant risk assessments on an annual basis;
- Reports regularly to the BOD and makes recommendations amongst others with respect to any of the above-mentioned matters.

Management Board

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

The MB meets either as an integral part of the Executive Committee 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 is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the BOD 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 BOD.

The Authorised Management proposes the Risk Appetite for approval by the BOD. The Management Board further develops, as delegated by the BOD, 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 BOD and makes recommendations with respect to any of the above or other risk-related matters.

- The MB 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 management function.

Executive Committee (ExCo)

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 MB to take decisions on transversal topics of 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 Management Board.

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.

Committee	Topics
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 addresses the following subjects: Managing 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, and
- The Operational Risk Committee is responsible for defining a reliable framework ensuring an efficient monitoring of the Bank's Operational risk exposures and managing all subjects in relation with operational risks such as incident management.

Responsibility for Risk Management across all "lines of defence"

BIL Group has chosen to embed the 'three-lines-of-defence' (3LoD) framework as a fundamental principle of the Group's internal governance and its operational model. It articulates the 3LoD principles that provide an organisational instrument on a Group-wide basis to ensure effective and efficient risk management. The 3LoD framework helps to identify the responsibilities of different parts of the Group for identifying, addressing and managing risks. Each of the lines in the framework has an important role to play and well-defined organisational responsibilities as illustrated in the below figure.

BACC refers to the "Board Audit & Compliance Committee", BRC refers to the "Board Risk Committee" and BSC refers to the "Board Strategy Committee".

In accordance with regulatory guidance, BIL has implemented a "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. They are responsible for:

- identifying, monitoring, measuring, managing and reporting on risks, and ensuring that they are kept within the limits of the Bank's risk appetite statements;
- their operational management directly and on a permanent basis, and ensuring that the business activities are in compliance 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 consists of support functions, such as the financial and accounting function, and more specifically the Compliance and the Risk control functions which control risks on an independent basis and support the first line of defence in complying with the Group policies and procedures providing guidance.

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.

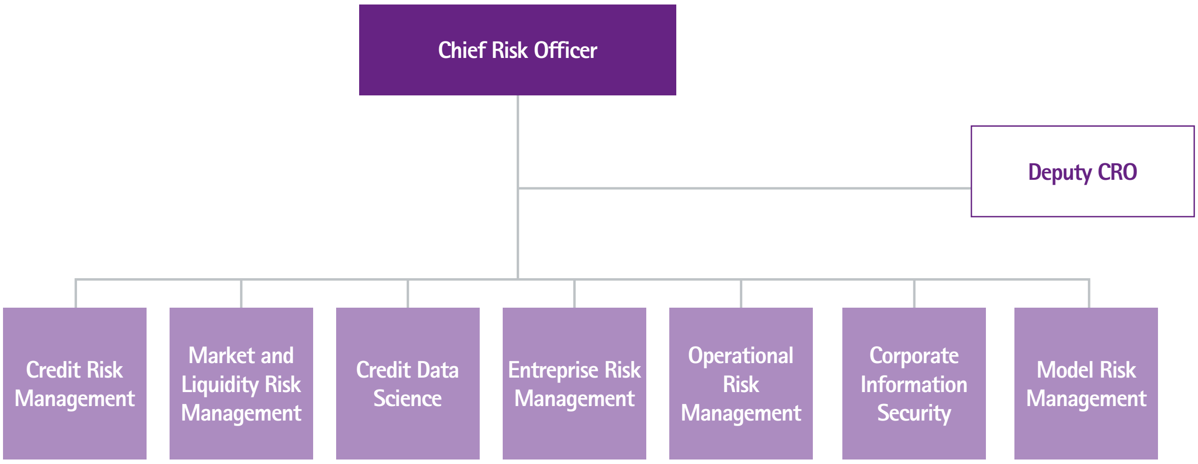
The Internal Audit function maintains close relationship with the Compliance function and the functions in charge of risk management. The 3LoD are complementary, each line of defence assuming its control responsibilities regardless of the other lines. An Internal Control Committee, which is a Management Committee with a delegation of powers by the MB, is in place and strengthens the cooperation between the 3LoD.

Risk Management organisation

In order 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 MB in achieving its defined objectives under the BIL strategy and regulatory requirements.

Risk management organisational chart (as of 31 December 2022)



The Chief Risk Officer (CRO) is responsible for the Risk Management framework, challenge and oversight of the risks entered by the business and for providing any relevant information on risks to the Management Board, thereby enabling the management of the Bank's overall risk profile.

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[1].

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 risk management department has established a general policy and procedural framework in line with the Bank's risk appetite. This framework guides the analysis, decision making and monitoring of credit risk. The risk management department manages the loan issuance process by chairing credit and risk 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 loan 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 risk management department oversees the Bank's credit risk, under the supervision of the Management Board and dedicated committees.

The Risk Policy 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 loans, supervises the counterparties' ratings and monitors exposures. The Risk Policy Committee validates all changes to procedures or risk policies, principles and calculation methods relating to risk.

To streamline the decision-making process, the Management Board 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 of Directors remains the ultimate decision-making body for the largest loan 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 loan issuance 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 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 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.

[1] Credit risk also includes the occurrence of these events.

Forbearance measures can be defined as restructured repayment conditions of a temporary nature established to remedy financial difficulties. They are only applied to debtors facing or about to face difficulties in meeting their financial commitments. These concessions aim to reduce 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 on a monthly basis.

In 2022, despite a context of increasing uncertainty and rising risks, the Bank actively managed its loan portfolio, reduced its outstanding loans at risk (non-performing and forborne exposures) and was able to significantly improve the quality of its assets, which had been impacted by the pandemic since the second quarter of 2020.

The main elements to highlight are:
- Non-performing loans continued their downward trend to reach EUR 568 million at the end of December 2022 compared with EUR 615 million at the end of December 2021, a decrease of EUR 47 million, thanks to the continued proactive management of the Bank's credit portfolios;
- Forborne exposures stood at EUR 563 million at year-end 2022, a decrease of EUR 371 million since the end of December 2021 (EUR 934 million).

3.5 Credit Risk Exposure

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

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

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

As at 31 December 2022, the Bank's total credit risk exposure amounted to EUR 36.74 billion compared with EUR 36.60 billion at year-end 2021. The increase in exposures is mainly influenced by Financial Institutions (EUR +772 million) and Public Sector Entities (EUR +195 million) offset by a decrease in Central Governments and Individuals, SME & Self Employed by an amount of EUR -763 million and EUR -420 million respectively.

Exposures by type of counterparty

In 2022, Individuals, SME & Self Employed exposure weight decreased to 33.6% from 34.9% of the overall exposure compared with the previous year, representing the Bank's largest portfolio. BIL Group's Central Governments segment is the second largest segment of the Bank's portfolio, representing 32.3% of the overall exposure compared with 34.5% at year-end 2021. Finally, it is also worth noting that Corporate exposure weight increased compared with the end of 2021, representing 18.5% (18.3% at the end of 2021) of the overall exposures and the weight of Financial Institutions increased to 13.2% from 11.1% of the overall exposure.

Exposures by counterparty (in EUR million)	**31/12/21**	**31/12/22**	**Variation**
Individuals, SME & Self Employed	12,758	12,338	(420)
Central Governments	12,619	11,856	(763)
Corporate	6,682	6,804	122
Financial Institutions	4,072	4,844	772
Public Sector Entities	444	639	195
Securitisation	15	189	174
Others	11	70	59
TOTAL	**36,601**	**36,740**	**139**

Exposures by geographic region

As at 31 December 2022, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (54.6%), France (10.0%), Switzerland (6.9%), Germany (6.8%) and Belgium (6.4%).

Exposures by geographic region (in EUR million)	**31/12/21**	**31/12/22**	**Variation**
Luxembourg	20,814	20,077	(737)
France	3,237	3,681	444
Switzerland	3,282	2,531	(751)
Germany	1,817	2,507	690
Belgium	2,466	2,342	(124)
United States and Canada	1,008	1,267	259
Other EU countries	1,511	1,170	(341)
Spain	853	941	88
Others	179	644	465
Rest of Europe	443	455	12
Middle East	386	382	(4)
China	226	371	145
Asia	184	229	45
Russia	116	101	(15)
Australia	79	42	(37)
TOTAL	**36,601**	**36,740**	**139**

Exposure by rating

The Bank's credit risk profile has remained stable and is of good quality. Indeed, the Investment Grade (IG) exposures represent 66.83% of the total credit risk exposure, of which 23% lies within the AAA range.

Exposures by rating (in EUR million)	**31/12/21**	**31/12/22**	**Variation**
AAA	8,493	8,441	(52)
AA+ to AA-	3,958	3,292	(666)
A+ to A-	4,464	5,460	996
BBB+ to BBB-	8,311	7,359	(952)
BB+ to BB-	5,060	5,105	45
B+ to B-	3,529	3,414	(115)
CCC	251	300	49
Default	390	373	(17)
Unrated	2,145	2,996	851
TOTAL	**36,601**	**36,740**	**139**

Losses on Immovable Property

The following table displays the limited losses recorded in 2022 on exposures collateralised by residential and commercial immovable property regarding retail counterparties. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of euros.

	31/12/21		**31/12/22**	
Collateralised by:	**Sum of overall losses**	**Sum of the exposures**	**Sum of overall losses**	**Sum of the exposures**
Residential property	0	7,423	0	7,077
Commercial immovable property	0	312	0	281

3.6 Asset Quality

	Notes		31/12/21	31/12/22
Net loans and advances to customers	4.4	a	16,346	16,483
ECL stage 1,2,3	4.4	b	297	297
Gross loans and advances to customers		**c=a+b**	**16,643**	**16,780**
ECL stage 1,2,3 / Gross loans and advances to customers		b/c	1.79%	1.77%
FOCUS ON STAGE 3				
Total stage 3 outstanding amount	4.4	d	593	563
ECL stage 3	4.4	e	223	217
Coverage ratio stage 3		**e/d**	**37.50%**	**38.57%**
Total collateral and guarantees	9.2.2.5	g	347	308
Coverage ratio stage 3 including collateral		**(e+g)/d**	**95.92%**	**93.29%**
Asset quality ratio (stage 3 / Gross loans and advances to customers)		**d/c**	**3.56%**	**3.36%**
ECL stage 3 / total ECL (stage 1,2,3)		**e/b**	**74.88%**	**73.14%**
FOCUS ON STAGE 1 AND STAGE 2				
Total stage 1 outstanding amount	4.4	f	13,504	13,136
ECL stage 1	4.4	h	45	47
Coverage ratio stage 1		h/f	**0.33%**	**0.36%**
Total stage 2 outstanding amount	4.4	i	2,546	3,081
ECL stage 2	4.4	j	30	33
Coverage ratio stage 2		j/i	**1.18%**	**1.06%**
ECL (stage 1,2) / total ECL (stage 1,2,3)		(h+j)/b	**25.12%**	**26.91%**
FOCUS ON COST OF RISK (ALL STAGES)				
Net impairment on loans and advances to customers	8.12	k	(32)	(9)
Cost of Risk (in bps - annualised)		k/c	**19**	**5**
Non-recurring items			**0**	**0**
Net impairment on loans and advances to customers excl. non-recurring items		l	(33)	(9)
Cost of risk excluding non-recurring items (in bps - annualised)		l/c	**20**	**5**

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, foreign exchange 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 Market and Liquidity Risk Management 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 first 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's metric;
- The VaR is supplemented by **back-testing (BT)**. BT 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;
- BIL has implemented stress-testing. **Stress testing** which 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;
- **Sensitivities** measure 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 **nominal** measure is a simple method of limiting exposure to market risk;
- In order to limit the market risk of an activity, 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 financial market activities
In 2022, 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 0.09 million in 2022, compared with EUR 0.17 million in 2021. This decrease is mainly explained by the stoppage of the Fixed Income activity and the decrease of FOREX (FX) Options activity.

VaR (10 days, 99%) (in EUR million)		**31/12/21**							
		Fixed Income & FOREX (TRADING)				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Global Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	**2.00**							

VaR (10 days, 99%) (in EUR million)		**31/12/22**							
		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**			

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

As at 31 December 2022, the Treasury sensitivity was EUR 4.1 million compared with EUR 4.4 million in 2021. In a low rate environment, the Bank keeps a low / quasi-neutral sensitivity.

Sensitivity +1% (in EUR million)	**31/12/21**			
	Treasury			
	Q1	**Q2**	**Q3**	**Q4**
Sensitivity	5.96	3.11	3.71	4.40
Limit	**-9.00**			

Sensitivity +1% (in EUR million)	**31/12/22**			
	Treasury			
	Q1	**Q2**	**Q3**	**Q4**
Sensitivity	6.18	3.62	7.03	4.06
Limit	**-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 2022, the Banking Book sensitivity amounted to EUR -11.1 million (compared with EUR 14.2 million at 2021 year-end) for a +100bp parallel shock.

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

Throughout 2022, the department managed its rate position so that it was as neutral as possible regarding parallel shocks.

Economic Value of Equity (EVE)

In line with the IRRBB EBA regulations (EBA/GL/2018/02, paragraph 113-114), BIL calculates the impact of a parallel shock rate of +/- 200bp and the impact of the six BCBS scenarios on the EVE.

EVE	SCENARIO	31/12/21	31/12/22
Sudden parallel +/- 200 bp	+200bp	20	(46)
	-200bp	13	7
EBA/GL/2018/02 113	**Internal trigger**	**(148)**	**(148)**
	Internal limit	**(180)**	**(180)**
	Regulatory limit	**(309)**	**(309)**

EVE	SCENARIO	31/12/21	31/12/22
Standard. interest rate shock scenarios	Parallel Up	18	(49)
	Parallel Down	13	11
	Steepener	(83)	(61)
	Flattener	71	31
	Short Rate Negative	(29)	(50)
	Short Rate Positive	51	42
EBA/GL/2018/02 114	**Internal trigger**	**(148)**	**(148)**
	Internal limit	**(180)**	**(180)**
	Regulatory limit	**(212)**	**(212)**

In 2022, the gap risk has been managed in a perspective of systematic interest rate sensitivity reduction accompanying the commercial activity, notably focusing on the sensitivity generated by the production of fixed rate mortgage loans which collapsed after the first semester following the interest rate hikes driven by the ECB monetary policy. In this respect, the Bank has managed to maintain a neutral interest rate sensitivity in economic value perspective following a 100bp parallel shift. A reduction of the risk induced by the change in the shape of the yield curve (non-parallel shift scenarios) has also been achieved, which is illustrated by the decrease in the outcome of the BCBS Steepening scenario from EUR -83 million to EUR -61 million.

The EVE outcomes as at 31 December 2022 are in line with the Bank's neutral interest rate sensitivity objective and well below the internal trigger (scaled down in 2021, in line with the interest rate risk strategy). No trigger or limit breach occurred in 2022. The Supervisory Outlier Tests evolution is closely monitored by the ALM Committee (on a quarterly basis).

Net Interest Income (NII)

The Bank measures the impact of a parallel shock rate of +/- 200 on NII.

NII	SCENARIO	31/12/21	31/12/22
Sudden parallel +/- 200 bp	+200bp	106	79
	-200bp	(19)	(79)
	Internal trigger	**(70)**	**(70)**
	Internal limit	**(80)**	**(80)**

As at 31 December 2021, in a low interest rate environment, the size of the NII following a downward shift (-200bp) was limited by the application of the regulatory maturity-dependent floor (impact of EUR -19 million). With the interest rate surging during 2022, the full 200bp down shock has been applied in the scenario, leading, as a result, to a decline in the NII and the breach of the Risk Appetite Framework limit as at 30 September 2022. Remedial actions notably encompassing financial market strategies (e.g. unwind of interest rate swaps hedging fixed rate bonds from the Investment Portfolio) have been activated in the end of the year to reduce the NII decline following an downward parallel shift (+200bp), which lands at EUR -79 million as at 31 December 2022, slightly below the limit. The degree of activation of further financial market strategies will depend on the review of IRRBB modelling, for which a back-testing and a potential recalibration will be performed in light of the recent change in the interest rate environment. In the case of an upward interest rate scenario, the NII deviation is EUR 79 million as at 31 December 2022 (compared with EUR 106 million as at 2021 year-end).

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 8.4 billion as at 31 December 2022 (compared with EUR 7.6 billion as at 31 December 2021).

Most of the bonds are classified in the "Hold-to-Collect" (HTC) portfolio measured at amortised cost: EUR 8.0 billion as at 31 December 2022 (EUR 6.8 billion as at 31 December 2021). The remaining part is classified in the "Hold-to-Collect and Sell" (HTC&S) portfolio measured at fair value through other comprehensive income (OCI): EUR 0.4 billion as at 31 December 2022 (EUR 0.8 billion as at 31 December 2021).

Investment portfolio HTC&S

	Notional amount		Rate bpv		Spread bpv	
(in EUR million)	31/12/21	31/12/22	31/12/21	31/12/22	31/12/21	31/12/22
Treasury	152	307	(0.00)	(0.01)	(0.08)	(0.13)
ALM	650	95	(0.01)	(0.00)	(0.17)	(0.03)

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)	31/12/21	31/12/22
Stock of HQLA	10.30	10.77
Net Cash Outflows	7.28	7.03
LCR ratio	142%	153%
Limit	100%	100%

BIL's liquidity situation remained solid throughout 2022. By keeping a proactive approach in managing its liquidity position, the BIL Group prudently increased its LCR excess liquidity level to around EUR 3.7 billion approaching year end (versus EUR 3 billion as at the end of December 2021) in anticipation of the somewhat heavier redemption schedule in early 2023. The LCR ratio reached 153%, well above the target established by the ALM Committee. The yearly evolution of the LCR is mainly due to new or a roll of deposits over 30 days in a rising interest rate environment with steepening yield curves.

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 2022.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

Following the prudent increase of TLTRO III participation from EUR 1.5 billion to EUR 2.2 billion in December 2021 with the objective of continuing to provide intermediated financing to customers and to support the local economy, the Bank decided to early repay part of its outstanding in order to decrease its excess liquidity position which continued to grow as outflows did not materialise as anticipated over the course of 2022. In summary, EUR 0.8 billion of TLTRO III.4 was repaid in June, EUR 0.7 billion of TLTRO III.9 in September, EUR 0.2 billion and EUR 0.25 billion of TLTRO III.10 in November and December respectively bringing the current outstanding down to EUR 0.25 billion.

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)	31/12/21	31/12/22
Available Stable Funding (ASF)	20.88	18.46
Required Stable Funding (RSF)	16.51	14.98
NSFR ratio	126%	123%
Limit	100%	100%

The NSFR has decreased to 123% down from 126% at year-end 2021. This variation is mainly driven by the decrease of the Available Stable Funding (ASF), negatively impacted by the aging of long term institutional debt securities issued and of treasury term deposits, which have been only partially renewed. The decrease in ASF has been slightly offset by the decrease in the Required Stable Funding (RSF), which has mainly resulted from the decline in loans granted to non-financial customers during the last quarter. The NSFR ratio remains well above the internal Risk Appetite Framework trigger (106%).

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; 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).

The design of the regular Liquidity Stress Tests, was enhanced in 2022 notably to extend the stress observation period and to capture the impact from the concentration of funding, highlighted in the reverse stress testing exercise. The calibration of remedial actions in the scenarios was refined to mitigate second round effects.

The tables below show the results of the liquidity stress test as at 31 December 2022:

31/12/22 (in EUR million)		Market-Wide		Idiosyncratic		Combined	
		Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer
HORIZON	3-month	1,118	3,498	4,554	6,760	4,598	6,320
	6-month	1,348	3,467	5,819	6,678	5,486	6,273
	12-month	891	3,513	5,256	6,510	4,919	6,153

The cumulative buffer column shows a high level for all of the scenarios and all observation points. Although the cumulative gap naturally increases in varying proportions, levels remain below the cumulated buffer. 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.

The stress test results are presented to the ALCO with the other main liquidity indicators (e.g. LCR, NSFR, variation of customer deposits, etc.) on a monthly basis.

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.

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

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 (29.1% in the fourth quarter of 2021) is an available benchmark. By comparison, BIL's ratio was around 4% (see table below) and reflects a low level of asset encumbrance. The trigger in the Risk Appetite Framework is set at 18%.

As at 31 December 2022, EUR 1.4 billion of BIL Group's balance sheet assets are encumbered and the asset encumbrance ratio is 4% (11% as at 31 December 2021). The annual variation of the ratio is essentially explained by the progressive and near-complete early repayment of the TLTRO outstanding.

in EUR million	31/12/21	31/12/22
Encumbered assets	3,420	1,357
Collateral received re-used	192	0
Total amount	3,612	1,357
Ratio	**11%**	**4%**
RAF Limit	**20%**	**20%**

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

5.2.1 Operational Risk Policy

The main purpose of Operational Risk Management (ORM) Policy is to provide details on BIL's operational risk framework encompassing Operational risk governance, Incident Management & Monitoring, Risk and Control Self-Assessment (RCSA). In other words, this policy involves the identification and regular assessment of existing operational risks and requests the implementation of measures to ensure an acceptably low level of risk. This is done in a preventive manner using the RCSA.

It should be noted that the management of the Bank's risk framework also includes the transfer of part of the financial consequences of certain risks to insurance companies.

5.2.2 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 ICT & Security risk reporting that includes an annual report to the Board Risk Committee and the Board of Directors.

5.2.3 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 activities.

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), ORM matters (mainly reporting on major risks, incidents), and any other matters relating to Internal control (at BIL and its entities).
- The Operational Risk Committee (ORC) is a multidisciplinary business committee comprising members of the Bank's main business lines and is responsible for creating a reliable framework to ensure efficient monitoring of the Bank's operational risk exposures. This committee also manages all matters in relation to operational risks, such as incident management. Finally, the ORC acts as a forum for discussion between the Bank's business lines and Operational Risk department.

- 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 of 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 2022 by risk event type is disclosed in the table below. The total gross impact is calculated on an absolute value basis, including losses, 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	48%	3,314
Business Disruption and system failures	42%	133
Clients, Products & Business Practice	6%	16
External fraud	2%	33
Damage to physical assets	1%	0
Employment Practices and Workplace safety	0%	0
Total	**100%**	**3,496**

As in previous years the Execution, Delivery & Process Management category represents the largest both in terms of total number of operational risk events (48%) and in terms of financial impact (95%). However, in 2022, two significant risk events contributed to approximately 73% of the total financial impact for the financial year.

Operational risk events linked to postponements of IT developments due to the project aimed at changing the core banking system, remains the second highest category contributing to approximately 42% of operational risk events. The financial impact, however, is low representing approximately 4% of the total financial impact. In 2022, the Bank's incidents related to External Fraud remain comparatively low from both a volume and overall financial impact perspective. There was no incident linked to an internal fraud detected in 2022.

ORM presents a quarterly report on operational risk matters to the ICC and a semi-annual report 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 2022, the Bank's total RWAs amounted to EUR 10,426 million, compared with EUR 10,165 million at the end of 2021, up by 3% (EUR 261 million).

RWA growth of EUR 261 million is mainly driven by credit risk (EUR 233 million) due to commercial loans' portfolio growth specifically in Luxembourg Market & CIB activities.

Meanwhile, market risk and credit value adjustment RWAs decreased by EUR 19 million, and operational risk RWAs increased by EUR 47 million mainly driven by revenue increase.

6.2 Capital adequacy ratios

(in EUR million)	31/12/21[1]	31/12/22	Variation (%)
Risk Weighted Assets	**10,165**	**10,426**	**3%**
Credit risk	9,169	9,403	3%
Market risk	23	17	(25)%
Operational risk	954	1,001	5%
Credit Value Adjustment risk	18	5	ns.

Regulatory Capital	**31/12/21**	**31/12/22**	**Variation (%)**
Common Equity Tier 1 (CET 1) Capital	1,447	1,392	(4)%
+ Additional Tier 1	*175*	*175*	*0%*
Tier 1 capital	1,622	1,567	(3)%
Tier 2 capital	237	243	3%
Total regulatory capital	1,859	1,810	(3)%

Solvency ratios	**31/12/21**	**31/12/22**	**Variation (%)**
Common Equity Tier 1 (CET 1) ratio *	14.24%	13.35%	(6)%
Tier 1 ratio	15.96%	15.03%	(6)%
Capital Adequacy Ratio	18.29%	17.36%	(5)%

** 2021 partial profit allocation (EUR 113.9 million).*

[1] The solvency ratios as at 31 December 2021 and published in the Consolidated Financial Statements as at 31 December 2021 were amended following a reduction in Risk Weighted Assets, due to the inclusion of life insurance contracts as collateral in Lombard loan activities.

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 to 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 International Financial Reporting Framework Standards (IFRS), 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.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 2022;
- 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 cash flow statement for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant Accounting policies.

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: Impairment of loans and advances to customers

At 31 December 2022, the gross loans and advances to customers of the Bank amount to EUR 16,780.1 million against which an impairment of EUR 297.2 million is recorded (see Note 4.4. to the consolidated financial statements).

Moreover, the Covid-19 crisis Management overlay was reversed for EUR 8.4 million during the year 2022 as the loans concerned by this ECL Management overlay no more represented an increased credit risk. A post-model adjustment for EUR 5.5 million was introduced in 2022 to consider the uncertainties linked to the actual economic environment by increasing the weight of the downside ECL scenario (see Note 9.2.1.4. to the consolidated financial statements).

In 2022, the Bank has also accounted two new Management Overlays:

- A first one, named "Outreach Program overlay", for EUR 1.8 million aimed at anticipating the risks of default on retail mortgage loans exposed to variable interest rates following the successive increases in the key rates in 2022 (see Note 9.2.1.4. to the consolidated financial statements);
- A second one, named "Origination Date overlay", EUR 1.0 million was implemented to address a specific deficiency of the Bank's ECL model whereby the staging of the drawn and undrawn portions of a financial instrument were not aligned (see Note 9.2.1.4. to the consolidated financial statements).

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 expected credit loss (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 Notes 4.4. and 9.2. to the consolidated 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

We tested 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 backtesting 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;
- 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.

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; and
- We verified 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) to:

- 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.

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 "Outreach Program overlay" to verify the accuracy and completeness of the underlying population;
- Evaluation of the adequacy of the "Origination Date overlay" to address the deficiency linked to the misalignment of stages between drawn and undrawn portion(s) of a financial instrument; and
- Assessment of the ECL Management overlays and post-model adjustment methodology (including the mathematical accuracy of the amounts).

Key audit matter: Impairment assessment of goodwill
As at 31 December 2022, the goodwill (arising in a business combination) amounts to a net of EUR 54.3 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 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 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.
- We identified, verified and tested 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 verified the arithmetical accuracy of the calculation performed by the Group; and
- We ensured that the recoverable values of the goodwill are higher than their carrying amounts and that no additional impairment is required at year end.

Key audit matter: Deferred tax assets recognition and impairment

As at 31 December 2022, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 133.5 million, of which EUR 83.8 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 Group 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 Group's assumptions.

Refer to the Accounting policy Note 1.22. and to the Note 6.2. to the consolidated financial statements

How our audit addressed the key audit matter
We performed the following procedures:
- We obtained the Bank's budget for the year 2023, approved by the Board of Directors, and the business plan prepared by the Group for the period 2023-2026 as well as the assumptions made by the Group to extrapolate the net income before tax beyond the horizon of the business plan;
- We reviewed 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 reviewed the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward; and
- We verified the arithmetical accuracy of the computations, including the corporate income tax rate used.

Key audit matter: Fair value measurement using of level 3 inputs for equity investments

As at 31 December 2022, the fair value of level 3 equity investments measured at fair value through other comprehensive income amount to EUR 296.8 million (recognised in "Financial investments measured at fair value") (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. 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 a "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Group was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Group to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Group in the model which included, interalia, benchmarking key metrics; and
- We verified the arithmetical accuracy of the calculation performed by the Group.

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 IFRSs 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 consolidated 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 consolidated 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 13 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Rima Adas　　　　Julie Batsch

Luxembourg, 29 March 2023

Consolidated balance sheet

ASSETS	Notes	31/12/21	31/12/22
Cash, balances with central banks and demand deposits	4.2	5,989,034,370	4,373,270,737
Financial assets held for trading	4.5	24,469,219	15,786,368
Financial investments measured at fair value	4.6	1,138,003,882	952,672,603
Financial investments at fair value through other comprehensive income	*4.6.1*	*1,093,443,120*	*924,933,017*
Non-trading financial investments mandatorily at fair value through profit or loss	*4.6.2*	*44,560,762*	*27,739,586*
Loans and advances to credit institutions	4.3	737,231,429	1,098,751,999
Loans and advances to customers	4.4	16,346,232,744	16,482,938,323
Financial investments measured at amortised cost	4.7	7,383,330,597	7,883,172,234
Derivatives	6.1	131,527,726	840,231,612
Fair value revaluation of portfolios hedged against interest rate risk		93,194	11,872
Investments in associates	4.8	676,682	0
Investment property	4.10	30,975,736	59,748,312
Property, plant and equipment	4.9	107,570,001	116,724,076
Intangible fixed assets and goodwill	4.11	305,857,276	357,525,588
Current tax assets	4.12	996,264	1,295,968
Deferred tax assets	4.12/6.2	163,256,912	151,927,538
Other assets	4.13	86,459,608	78,253,205
TOTAL ASSETS		**32,445,715,640**	**32,412,310,435**

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

LIABILITIES	Notes	31/12/21	31/12/22
Amounts due to credit institutions	5.1	4,103,871,221	3,397,961,782
Amounts due to customers	5.2	20,688,150,882	21,040,952,316
Other financial liabilities	5.3	22,757,968	30,997,505
Financial liabilities measured at fair value through profit or loss	5.4	1,467,315,688	2,014,665,341
Liabilities designated at fair value		*1,467,315,688*	*2,014,665,341*
Derivatives	6.1	350,859,788	418,687,606
Fair value revaluation of portfolios hedged against interest rate risk		70,504	0
Debt securities	5.5	3,200,417,795	2,654,048,520
Subordinated debts	5.6	237,127,187	243,236,959
Provisions and other obligations	5.7	54,365,347	49,391,972
Current tax liabilities	5.8	1,383,500	1,129,834
Deferred tax liabilities	5.8/6.2	10,205,589	10,091,719
Other liabilities	5.9	207,644,441	273,283,273
TOTAL LIABILITIES		**30,344,169,910**	**30,134,446,827**

SHAREHOLDERS' EQUITY	Notes	31/12/21	31/12/22
Subscribed capital	6.4	146,108,270	146,108,270
Share premium		760,527,961	760,527,961
Other equity instruments		174,081,292	174,315,856
Reserves and retained earnings		709,178,093	817,236,900
Net income		135,446,251	152,932,361
SHAREHOLDERS' EQUITY		**1,925,341,867**	**2,051,121,348**
Gains and losses not recognised in the consolidated statement of income		176,203,863	226,742,260
Financial instruments at fair value through other comprehensive income		*196,346,769*	*238,292,334*
Other reserves		*(20,142,906)*	*(11,550,074)*
GROUP EQUITY		**2,101,545,730**	**2,277,863,608**
Non-controlling interests		0	0
TOTAL SHAREHOLDERS' EQUITY		**2,101,545,730**	**2,277,863,608**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**32,445,715,640**	**32,412,310,435**

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

Consolidated statement of income

	Notes	31/12/21	31/12/22
Interest and similar income	8.1	470,690,407	658,968,793
of which : Interest revenue calculated using the effective interest method		*374,799,373*	*493,044,203*
Interest and similar expenses	8.1	(179,597,845)	(296,489,786)
Dividend income	8.2	27,470	595,440
Net trading income	8.3	(16,256,316)	(141,215,778)
Net income on financial instruments measured at fair value and net result of hedge accounting	8.4	64,834,444	161,409,907
Net income on derecognition of financial instruments measured at amortised cost	8.5	59,680,984	29,400,988
Fee and commission income	8.6	271,897,980	268,943,001
Fee and commission expenses	8.6	(40,505,271)	(44,736,576)
Other net income	8.7	1,180,754	7,807,048
REVENUES		**631,952,607**	**644,683,037**
Staff expenses	8.8	(231,174,576)	(245,037,093)
General and administrative expenses	8.9	(155,062,667)	(158,683,109)
Amortisation of tangible, intangible and right-of-use assets	8.11	(55,999,279)	(56,085,293)
EXPENSES		**(442,236,522)**	**(459,805,495)**
GROSS OPERATING INCOME		**189,716,085**	**184,877,542**
Impairments		(37,314,673)	(18,714,206)
Net impairment on financial instruments and provisions for credit commitments	*8.12*	*(37,417,455)*	*(16,683,868)*
Net impairment of tangible, intangible and right-of-use assets		*102,782*	*0*
Impairment on goodwill		*0*	*(2,030,338)*
Provisions for legal litigations	8.13	(542,508)	(774,014)
OPERATING INCOME		**151,858,904**	**165,389,322**
Net income from associates	8.15	2,378,559	0
NET INCOME BEFORE TAX		**154,237,463**	**165,389,322**
Tax expenses	8.14	(24,218,381)	(12,456,961)
NET INCOME OF CONTINUING OPERATIONS		**130,019,082**	**152,932,361**
Discontinued operations, net of tax	8.16	5,427,169	0
NET INCOME		**135,446,251**	**152,932,361**
Net income - Group share		135,446,251	152,932,361
Non-controlling interests		0	0
RETURN ON ASSETS		**0.42%**	**0.47%**

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

Consolidated statement of comprehensive income

	31/12/21	31/12/22
NET INCOME RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**135,446,251**	**152,932,361**
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**135,359,125**	**50,538,397**
Items that will not be reclassified to profit or loss	**139,358,127**	**60,245,465**
Actuarial gains (losses) on defined benefit pension plans	5,159,533	8,411,650
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in own credit risk	(236,659)	1,541,036
Fair value changes of equity instruments measured at fair value through other comprehensive income	135,418,841	52,081,169
Fair value changes of land and buildings - transfer to investment property	0	111,685
Tax on items that will not be reclassified to profit or loss	(983,588)	(1,900,075)
Items that may be reclassified to profit or loss	**(3,999,002)**	**(9,707,068)**
Gains (losses) on net investment hedge	1,447,692	0
Translation adjustments	(2,284,051)	(2,270,667)
Gains (losses) on cash flow hedge	1,212,455	3,645,848
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(4,942,242)	(13,553,124)
Tax on items that may be reclassified to profit or loss	567,144	2,470,875
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**270,805,376**	**203,470,758**
Attributable to equity holders of the parent company	270,805,376	203,470,758
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 01/01/21	**146,108,270**	**760,527,961**	**173,592,617**	**617,488,137**	**101,361,017**	**1,799,078,002**
Classification of income	0	0	0	101,361,017	(101,361,017)	0
Coupon on Additionnal Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Changes in scope of consolidation	0	0	488,675	(488,675)	0	0
Realised performance on equities at fair value through other comprehensive income	0	0	0	5,114	0	5,114
Net income	0	0	0	0	135,446,251	135,446,251
As at 31/12/21	**146,108,270**	**760,527,961**	**174,081,292**	**709,178,093**	**135,446,251**	**1,925,341,867**

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 01/01/21	**64,168,148**	**(963,970)**	**(7,315,062)**	**(15,044,377)**	**40,844,739**
Net change in fair value through equity - fair value through other comprehensive income	162,124,357	0	0	0	162,124,357
Net change in fair value through equity - cash flow hedges	0	1,996,706	0	0	1,996,706
Translation adjustments	3,565	0	(466,095)	(1,946,295)	(2,408,825)
Cancellation of fair value following fair value through other comprehensive income disposals	(29,949,301)	0	0	0	(29,949,301)
Net change in other reserves	0	0	3,933,944	0	3,933,944
Changes in scope of consolidation	0	0	0	(337,757)	(337,757)
As at 31/12/21	**196,346,769**	**1,032,736**	**(3,847,213)**	**(17,328,429)**	**176,203,863**

NON-CONTROLLING INTERESTS	Shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/21	**0**	**0**	**0**
Other transfers	0	0	0
As at 31/12/21	**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 -49,762,384 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 01/01/22	**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 Additionnal Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Changes in scope of consolidation	0	0	0	0	0	0
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**	**817,236,899**	**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.

Consolidated cash flow statement

	Notes	31/12/21	31/12/22
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		135,446,251	152,932,361
Adjustment for :			
- Depreciation and amortisation	4.9/4.11/8.11	55,999,279	56,085,293
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		(102,782)	2,030,338
- Impairment on bonds and other assets	8.12	(2,737,382)	(7,622,907)
- Net gains / (losses) on investments	8.4/8.5	(28,766,384)	(556,142)
- Provisions (including ECL)	5.7/8.12	15,336,553	16,480,393
- Change in unrealised gains / (losses)	8.4	(7,371,296)	(23,354,296)
- Income / (expense) from associates	4.8/8.15	(2,378,559)	0
- Dividends from associates	4.8	1,214,280	0
- Deferred taxes	8.14	23,164,466	11,758,724
- Other adjustments		(372,705)	364,159
- Changes in operating assets and liabilities		1,457,988,801	(1,344,367,038)
Transactions related to interbank and customers transactions		*164,067,939*	*(540,951,144)*
Transactions related to other financial assets and liabilities		*1,256,279,370*	*(838,731,898)*
Transactions related to other non-financial assets and liabilities		*37,641,492*	*35,316,004*
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,647,420,522**	**(1,136,249,115)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	4.9/4.11	(99,061,096)	(123,641,265)
Sale of fixed assets	4.9/4.11	3,537,980	531,643
Purchase of non-consolidated shares		(41,048)	(3,512,179)
Sale of non-consolidated shares		103,453	(15,000)
Sale of subsidiaries and associates		27,666,177	1,019,164
NET CASH FLOW FROM INVESTING ACTIVITIES		**(67,794,534)**	**(125,617,637)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		100,000,000	0
Payments on lease liabilities		(8,520,190)	(5,352,916)
Dividend paid		0	(18,054,808)
NET CASH FLOW FROM FINANCING ACTIVITIES		**91,479,810**	**(23,407,724)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**1,671,105,798**	**(1,285,274,476)**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**4,478,121,951**	**6,171,141,452**
Net cash flow from operating activities		1,647,420,522	(1,136,249,115)
Net cash flow from investing activities		(67,794,534)	(125,617,637)
Net cash flow from financing activities		91,479,810	(23,407,724)
Effect of change in exchange rate on cash and cash equivalents		21,913,703	18,241,664
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**4.1**	**6,171,141,452**	**4,904,108,640**
ADDITIONAL INFORMATION			
Taxes paid		(1,364,904)	(1,268,487)
Dividends received	8.2	27,470	595,440
Interest received		472,574,229	629,037,091
Interest paid		(182,394,610)	(267,189,247)

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

Consolidated changes in liabilities arising from financing activities

	As at 01/01/21	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/21
Subordinated debts	**131,596,018**	100,000,000	0	6,696,407	0	**238,292,425**
Subscribed capital	**146,108,270**	0	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	0	**760,527,961**
Other equity instruments	**173,592,617**	0	0	0	488,675	**174,081,292**

	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**

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 7

Notes on the consolidated off-balance sheet items

7.1 Regular way trade
7.2 Guarantees
7.3 Loan commitments
7.4 Other commitments

Note 8

Notes on the consolidated statement of income

8.1 Interest and similar income - Interest and similar expenses
8.2 Dividend income
8.3 Net trading income
8.4 Net income on financial instruments measured at fair value and net result of hedge accounting
8.5 Net income on derecognition of financial instruments measured at amortised cost
8.6 Fee and commission income and expenses
8.7 Other net income
8.8 Staff expenses
8.9 General and administrative expenses
8.10 Independent auditor's fees
8.11 Amortisation of tangible, intangible and right-of-use assets
8.12 Impairment on financial instruments and provisions for credit commitments
8.13 Provisions for legal litigation
8.14 Tax expenses
8.15 Net income from associates
8.16 Discontinued operations

Note 9

Notes on risk exposures and other information on financial instruments

9.1 Fair value of financial instruments
9.2 Credit risk
9.3 Encumbered assets
9.4 Interest rate risk
9.5 Market risk and Assets & Liabilities Management (ALM)
9.6 Liquidity risk: breakdown by residual maturity
9.7 Currency risk
9.8 Solvency ratios

Note 10

Additional information

10.1 Litigation
10.2 Post-balance sheet events

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

GENERAL INFORMATION

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

BIL Group is integrated in the consolidated financial statements of Legend Holdings Corporation, comprising the largest body of undertakings of which BIL forms part as a subsidiary. The registered office of Legend Holdings Corporation is located at 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 16 March 2023, and signed by Marcel Leyers, Chief Executive Officer of BIL Group.

These consolidated financial statements cover the period beginning on 1 January 2022 and ending on 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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: International Financial Reporting Standards.

ACCOUNTING RULES 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 as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to 31 December 2022.

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 2022.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2022

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020). No impact for BIL.

1.2.2 IASB and IFRIC texts issued and endorsed by the European Commission during previous periods but not yet applicable as at 1 January 2022

IFRS 17, "Insurance contracts" (issued on 18 May 2017). The standard is applicable as from 1 January 2023 (refer to 1.2.6);

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 2022

- 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.

1.2.4 IASB and IFRIC texts issued during previous periods and neither endorsed by the European Commission nor applicable as at 1 January 2022

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020), and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020). No impact for BIL.

1.2.5 IASB and IFRIC texts issued during the current period and neither endorsed by the European Commission nor applicable as at 1 January 2022

- 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: Non-current Liabilities with Covenants (issued on 31 October 2022). No impact for BIL.

1.2.6 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 2022 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 2022, the total gross premiums issued amounts to EUR 6 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. 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.
- As at 1 January 2023 the impact of the measurement at fair value through profit or loss compared with the amortised cost is estimated to EUR - 5.3 million on the carrying amount of loans and advances to customers on a total outstanding loans of 141 million and to EUR - 5.3 million on the retained earning (gross impact before tax). The negative impact is mainly driven by the successive increases of central bank interest rates during the year 2022 as it concerns a fixed rate loan portfolio.
- The impact is considered as immaterial at BIL Group level and expected to lower during the year 2023 due to the short duration of the portfolio. Thus BIL chose to maintain the amortised cost measurement method and to perform a continuous assessment of the impact.

1.2.7 Benchmark Reform and IFRS related amendments

Many financial instruments and financial contracts are valued using benchmarks. A benchmark determination which is accurate, robust and integer is crucial. In 2013, IOSCO (International 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.

<u>Exposure of BIL to Interest Rate Benchmarks and Initiatives with regards to the Benchmark Reform</u>

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").

Net Asset Exposure of BIL Luxembourg as at 31 December 2022

Data as at 31 December 2022	Net Asset Exposure*	
(in EUR million)	H2 2023	Beyond 2023
USD LIBOR	**34**	**218**
o.w Interest Rate Derivatives	(5)	95
o.w Debt Instruments	(8)	(16)
o.w Loans	47	139

* Positive figures for net asset exposure and negative figures for net liability exposure.

After having successfully transitioned all contracts referring to EONIA, GBP, CHF and JPY Libor in 2021, the Bank continued in 2022 the upcoming USD Libor Transition. Preparations for the discontinuation of USD Libor in June 2023 are underway. The Bank has committed since the end of 2021 to no longer issue debt instruments referencing USD Libor and is striving to reduce its exposure. BIL already offers alternative solutions based on SOFR to its clients and intends to actively transition all of its legacy USD Libor contracts before 30 June 2023.

Other entities

The exposures to IBOR Reform from other BIL Group subsidiaries are immaterial.

Benchmark Reform implementation

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

The initiatives of the Bank comprise:
- Including robust fallback clauses in our contracts;
- Integration of regulatory requirements in our prospectuses;
- Maintaining a robust written plan defining the actions that BIL would take in the event that benchmarks materially change, cease to be provide or the administrator (or the benchmark itself in the case of third country benchmarks) has not been registered or will no longer be registered on the ESMA register;
- Signature of the ISDA Fallback Protocol;
- Benchmark exposure management and limits;
- Discussions and negotiations with clients and counterparties;
- Communications with all involved Business Lines;
- IT Implementation;
- Membership in the Luxembourg Banker's Association ("ABBL") Working Group.

IFRS and reporting impacts

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

IFRS 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 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.

As at 31 December 2022, the impacts of IBOR Reform on the consolidated financial statements are immaterial. Potential financial impacts in the scope of the IFRS "IBOR Reform" amendments are considered within the internal project set- up within the Group.

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 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

1.6.3.1.1 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.

1.6.3.1.2 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.

1.6.3.1.3 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 P&L similarly to financial assets at FVPTL, while the recognition of the change in own credit risk is recorded in other comprehensive 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)

A. 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.

B. 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.

The Bank integrates the notions of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for derivatives. 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.

For CVA / DVA calculation, the Probability of Default (PD) parameters are based on credit risk data. The Loss Given Default (LGD) parameters are based on credit risk data.

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 expense

Interest income and expense 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 expense 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's main activity is banking products.

1.11.2 Reinsurance

BIL's reinsurance contracts with third parties containing enough insurance risk to be classified as an insurance contract are accounted for in accordance with IFRS 4.

A reinsurance asset is impaired if, and only if:
- there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
- that the event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

To measure the solvency of a reinsurer, BIL refers to its attributed credit rating and the impairment rules.

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 any accumulated depreciation and any accumulated impairment losses. 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 ".

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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, which can be different from the present value of minimum lease payments.

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

Name	Country	Activity	Reason for non-inclusion	31/12/21		31/12/22		
				Consolidation method	% of capital held	Consolidation method	% of capital held	Ref
Head office and branches								
Banque Internationale à Luxembourg S.A.	Luxembourg	bank						
BIL Danmark, filial af Banque Internationale à Luxembourg S.A.	*Denmark*	*bank*						*1*
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	
BIL Fund & Corporate Services S.A.	Luxembourg	financial services		full consolidation	100			2
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	full consolidation	100	
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	
Associates accounted for by the equity method								
Europay Luxembourg, société coopérative	Luxembourg	financial services		equity method	52.2			3
Non-consolidated subsidiaries								
Audit Trust S.à r.l.	Luxembourg	financial services	insignificant					2
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) On 7 July 2022 BIL Danmark, filial af Banque Internationale à Luxembourg S.A. was closed.

(2) 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.

(3) 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.

Note 3: Business reporting

3.1 Information by business segment

A segment is a distinguishable component of BIL that is engaged either in providing specific products or services (business segment) or in providing specific products or services within a particular economic environment (geographic segment), which is subject to risks and returns that differ from those of other segments. Segments for which a majority of their revenue is earned from sales to external customers and for which income, income before tax or assets represent 10% or more of the total are reported separately.

In 2022, BIL kept the same reporting segmentation of its business lines as put in place in January 2021:

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

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

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

Income (in EUR thousands)	31/12/21				
	Revenues	*of which interest and dividend income*	*of which fees income*	*of which other income*	Net income before tax
Luxembourg Market & CIB and Wealth Management	551,583	*298,726*	*233,669*	*19,189*	122,007
Financial Markets	64,787	*14,556*	*228*	*50,003*	44,834
Group Center	15,583	*(22,162)*	*(2,504)*	*40,248*	(12,604)
TOTAL	**631,953**	***291,120***	***231,393***	***109,440***	**154,237**
Net income before tax					154,237
Tax expenses					(24,218)
Discontinued Operations (net of tax)					5,427
NET INCOME					**135,446**

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)
Discontinued Operations (net of tax)					0
NET INCOME					**152,932**

Assets and liabilities (in EUR thousands)	31/12/21		31/12/22	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Luxembourg Market & CIB and Wealth Management	16,346,233	21,416,101	16,482,938	24,155,127
Financial Markets	15,118,819	6,474,972	14,839,571	4,822,102
Group Center	980,664	2,453,097	1,089,801	1,157,217
TOTAL	**32,445,716**	**30,344,170**	**32,412,310**	**30,134,446**

Other segment information (in EUR thousands)	31/12/21				
	Capital expenditures	**Depreciation and amortisation**	**Impairments**		**Other non-cash expenses**
			Allowances	**Write-backs and recoveries**	
Luxembourg Market & CIB and Wealth Management	105,016	(45,816)	(176,453)	138,669	0
Financial Markets		(1,735)	(22)	71	0
Group Center		(8,449)	(425)	845	(18,176)
TOTAL	**105,016**	**(56,000)**	**(176,900)**	**139,585**	**(18,176)**

Other segment information (in EUR thousands)	31/12/22				
	Capital expenditures	**Depreciation and amortisation**	**Impairments**		**Other non-cash expenses**
			Allowances	**Write-backs and recoveries**	
Luxembourg Market & CIB and Wealth Management	118,568	(40,766)	(191,301)	174,829	0
Financial Markets		(1,052)	(345)	133	0
Group Center		(14,267)	(2,030)	0	(15,940)
TOTAL	**118,568**	**(56,085)**	**(193,676)**	**174,962**	**(15,940)**

"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	United Arab Emirates	Total
Staff (in average FTE)	11	12	0	1,824	108	0	1,955
Revenues	284	3,584	20	586,128	41,679	258	631,953
Net income before tax	(2,167)	(9,749)	7	172,391	(6,568)	323	154,237
Tax expenses	0	(771)	0	(23,245)	(203)	0	(24,218)
Discontinued operations, net of tax	0	5,427	0	0	0	0	5,427
NET INCOME AS AT 31/12/21	**(2,167)**	**(5,093)**	**7**	**149,146**	**(6,771)**	**323**	**135,446**
Staff (in average FTE)	11	0	0	1,851	107	0	1,969
Revenues	500	625	2	591,477	52,079	0	644,683
Net income before tax	(2,202)	608	(12)	165,735	1,261	0	165,389
Tax expenses	0	0	0	(12,586)	129	0	(12,457)
Discontinued operations, net of tax	0	0	0	0	0	0	0
NET INCOME AS AT 31/12/22	**(2,202)**	**608**	**(12)**	**153,149**	**1,390**	**0**	**152,932**

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 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 licenced 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 offers 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 SUBSIDARIES

BIL Wealth Management Limited
BIL Wealth Management Limited, incorporated in March 2017, is a duly licenced 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 is a wholly owned subsidiary of BIL, incorporated in Luxembourg in 2014 and is, as specialised professional of the financial sector (PSF), regulated and supervised by the CSSF. Belair House offers family office and investment management services including tailor made solutions aimed at assisting wealthy families and high net worth clients to organise and structure their wealth.

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	31/12/21	31/12/22
Cash and balances with central banks	5,865,496,714	4,207,044,773
Other demand deposits	124,871,944	166,091,807
Loans and advances to credit institutions	180,772,794	530,972,060
TOTAL	**6,171,141,452**	**4,904,108,640**

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.

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 212,061,237 for the period from 22 December 2021 to 8 February 2022 and amounts to EUR 229,431,372 for the period from 21 December 2022 to 7 February 2023.

4.2 Cash and balances with central banks and demand deposits

Analysis by nature	31/12/21 Gross carrying amount	31/12/21 Accumulated impairment	31/12/21 Net carrying amount
Cash in hand	67,751,252	0	67,751,252
Balances with central banks other than mandatory reserve deposits	2,464,115,671	0	2,464,115,671
Mandatory reserve deposits	3,332,387,482	0	3,332,387,482
Other demand deposits	124,871,944	(91,979)	124,779,965
TOTAL	**5,989,126,349**	**(91,979)**	**5,989,034,370**
of which included in cash and cash equivalents	*5,990,368,658*	*0*	*5,990,368,658*

Analysis by nature	31/12/22 Gross carrying amount	31/12/22 Accumulated impairment	31/12/22 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 stage	31/12/21 Gross carrying amount	31/12/21 Accumulated impairment	31/12/21 Net carrying amount
Stage 1	5,952,873,874	(4,469)	5,952,869,405
Stage 2	36,252,475	(87,510)	36,164,965
Stage 3	0	0	0
TOTAL	**5,989,126,349**	**(91,979)**	**5,989,034,370**

Analysis by stage	31/12/22 Gross carrying amount	31/12/22 Accumulated impairment	31/12/22 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**

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	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash collateral	343,461,897	0	343,461,897
Reverse repurchase agreements	0	0	0
Loans and other advances	393,801,370	(31,838)	393,769,532
TOTAL	**737,263,267**	**(31,838)**	**737,231,429**
of which included in cash and cash equivalents	*180,772,794*	*0*	*180,772,794*

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 stage	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	730,199,705	(31,838)	730,167,867
Stage 2	7,063,562	0	7,063,562
Stage 3	0	0	0
TOTAL	**737,263,267**	**(31,838)**	**737,231,429**

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 of the fair value
see Note 9.1

Analysis by maturity and interest rate
see Notes 9.4, 9.5 and 9.6

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	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	24,794,739	(100)	24,794,639
Other	16,618,582,546	(297,144,441)	16,321,438,105
TOTAL	**16,643,377,285**	**(297,144,541)**	**16,346,232,744**

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 nature	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	146,993,230	(773,574)	146,219,656
Finance leases	212,408,284	(3,467,679)	208,940,605
Other term loans	16,283,975,771	(292,903,288)	15,991,072,483
of which: loans collateralised by immovable property	*11,723,649,795*	*(142,006,700)*	*11,581,643,095*
of which: consumer credits	*726,921,189*	*(8,698,804)*	*718,222,385*
TOTAL	**16,643,377,285**	**(297,144,541)**	**16,346,232,744**

Analysis by nature	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	225,657,480	(2,097,056)	223,560,424
Finance leases	218,561,408	(3,958,285)	214,603,123
Other term loans	16,335,887,647	(291,112,871)	16,044,774,776
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 stage	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	13,504,088,476	(44,544,767)	13,459,543,709
Stage 2	2,545,962,900	(30,090,616)	2,515,872,284
Stage 3	593,325,909	(222,509,158)	370,816,751
TOTAL	**16,643,377,285**	**(297,144,541)**	**16,346,232,744**

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 of the fair value

see Note 9.1

Analysis by maturity and interest rate

see Notes 9.4, 9.5 and 9.6

4.5 Financial assets held for trading

Analysis by counterpart	31/12/21	31/12/22
Public sector	0	0
Credit institutions	24,469,219	15,786,368
Other	0	0
TOTAL	**24,469,219**	**15,786,368**

Analysis by nature	31/12/21	31/12/22
Other bonds and fixed-income instruments	24,469,219	15,786,368
TOTAL	**24,469,219**	**15,786,368**

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

	31/12/21	31/12/22
Financial investments at fair value through other comprehensive income	1,093,443,120	924,933,017
Non-trading financial investments mandatorily at fair value through profit or loss	44,560,762	27,739,586
TOTAL	**1,138,003,882**	**952,672,603**

4.6.1 Financial investments at fair value through other comprehensive income

Analysis by counterpart	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	664,398,626	(11,190)	664,387,436
Debt securities	*664,398,626*	*(11,190)*	*664,387,436*
Credit institutions	176,328,124	(11,605)	176,316,519
Debt securities	*176,328,124*	*(11,605)*	*176,316,519*
Other	252,744,111	(4,946)	252,739,165
Debt securities	*12,405,389*	*(4,946)*	*12,400,443*
Equity instruments	*240,338,722*		*240,338,722*
TOTAL	**1,093,470,861**	**(27,741)**	**1,093,443,120**

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 nature	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	664,398,626	(11,190)	664,387,436
Other bonds and fixed-income instruments	188,733,513	(16,551)	188,716,962
Equities and other variable income instruments	240,338,722		240,338,722
TOTAL	**1,093,470,861**	**(27,741)**	**1,093,443,120**

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
Equities and other variable income instruments	296,826,493		296,826,493
TOTAL	**925,172,617**	**(239,600)**	**924,933,017**

Analysis by stage (debt instruments)	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	853,132,139	(27,741)	853,104,398
TOTAL	**853,132,139**	**(27,741)**	**853,104,398**

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 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	31/12/21	31/12/22
Other	44,560,762	27,739,586
TOTAL	**44,560,762**	**27,739,586**

Analysis by nature	31/12/21	31/12/22
Equities and other variable income instruments	44,560,762	27,739,586
TOTAL	**44,560,762**	**27,739,586**

Analysis of the fair value

see Note 9.1

Analysis by maturity and interest rate

see Notes 9.4, 9.5 and 9.6

4.7 Financial investments measured at amortised cost

Analysis by counterpart	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	4,700,815,334	(1,053,548)	4,699,761,786
Credit institutions	1,547,616,481	(196,640)	1,547,419,841
Other	1,155,320,729	(19,171,759)	1,136,148,970
TOTAL	**7,403,752,544**	**(20,421,947)**	**7,383,330,597**

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 nature	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	4,700,815,334	(1,053,548)	4,699,761,786
Other bonds and fixed-income instruments	2,702,937,210	(19,368,399)	2,683,568,811
TOTAL	**7,403,752,544**	**(20,421,947)**	**7,383,330,597**

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 stage	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	7,187,561,913	(1,908,142)	7,185,653,771
Stage 2	194,205,334	(916,917)	193,288,417
Stage 3	21,985,297	(17,596,888)	4,388,409
TOTAL	**7,403,752,544**	**(20,421,947)**	**7,383,330,597**

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 of the fair value
see Note 9.1

Analysis by maturity and interest rate
see Notes 9.4, 9.5 and 9.6

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

4.8 Investments in associates

Carrying value	31/12/21	31/12/22
CARRYING VALUE AS AT 1 JANUARY	**28,635,871**	**676,682**
Changes in the scope of consolidation (departures)	0	(676,682)
Share of result before tax	2,932,267	0
Share of tax	(553,707)	0
Dividend paid	(1,214,280)	0
Others	(29,123,469)	0
CARRYING VALUE AS AT 31 DECEMBER	**676,682**	**0**

Changes in 2021

The line item "Others" corresponds to the transfer of securities to the IFRS 9 portfolio "FVOCI Equity" still held after the partial sale of securities in Bourse de Luxembourg, the equity accounting being stopped. On 30 September 2021, BIL partially sold its participation in Bourse de Luxembourg reducing its percentage of control from 21.41% to 10.00%. Following this partial sale, BIL lost its significant influence over Bourse de Luxembourg and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

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.

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 01/01/21	**317,455,802**	**43,908,744**	**140,846,716**	**387,051**	**502,598,313**
- Acquisitions	5,652,447	5,426,156	2,823,977	532,532	14,435,112
- Disposals	(4,453,425)	(1,692,383)	(87,690)	0	(6,233,498)
- Transfers and cancellations	(1,977,478)	(9,248,825)	(10,246,238)	(147,582)	(21,620,123)
- Translation adjustments	17,973	706,764	104,578	35,046	864,361
ACQUISITION COST AS AT 31/12/21 (A)	**316,695,319**	**39,100,456**	**133,441,343**	**807,047**	**490,044,165**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(237,475,009)**	**(23,529,474)**	**(127,533,817)**	**(219,355)**	**(388,757,655)**
- Booked	(6,949,354)	(6,795,696)	(3,826,020)	(105,958)	(17,677,028)
- Recognised	0	1,100,000	0	0	1,100,000
- Write-off	3,312,538	4,317,204	0	0	7,629,742
- Transfers and cancellations	2,001,026	3,387,527	10,377,711	147,582	15,913,846
- Translation adjustments	(16,635)	(555,542)	(102,734)	(8,158)	(683,069)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(239,127,434)**	**(22,075,981)**	**(121,084,860)**	**(185,889)**	**(382,474,164)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**77,567,885**	**17,024,475**	**12,356,483**	**621,158**	**107,570,001**

	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**

4.10 Investment property

	2021	2022
ACQUISITION COST AS AT 1 JANUARY	**22,693,895**	**22,697,309**
- Acquisitions	0	5,072,977
- Subsequent expenditures	3,414	0
- Disposals	0	(378,455)
ACQUISITION COST AS AT 31 DECEMBER (A)	**22,697,309**	**27,391,831**
FAIR VALUE ADJUSTMENTS AS AT 1 JANUARY	**711,172**	**8,278,427**
- Revaluation Investment Property	7,567,255	24,078,054
FAIR VALUE ADJUSTMENTS AS AT 31 DECEMBER (B)	**8,278,427**	**32,356,481**
NET CARRYING VALUE AS AT 31 DECEMBER (A) + (B)	**30,975,736**	**59,748,312**

As at 31 December 2022, investment properties are mostly composed of land plots for a total amount of EUR 56.7 million (EUR 29.4 million as at 31 December 2021) and are all classified as Level 3 under IFRS 13:

- The revaluation of investment property of EUR 7,567,255 occurred during the year ended 31 December 2021 is related to a firm purchase commitment received for some land plots. The sale of this land plots occurred on 18 January 2023 for a total amount of EUR 14 million in line with the fair valuation as at 31 December 2022.
- The revaluation of investment property of EUR 24,078,054 occurred during the year ended 31 December 2022 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 is related to an increase of the building potential of this investment property. Its fair value amounts to EUR 42.7 million as at 31 December 2022 (EUR 14.9 million as at 31 December 2021) including an acquisition cost of EUR 10.3 million (EUR 7.1 million as at 31 December 2021). 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 01/01/21	59,692,872	322,808,097	123,860,071	506,361,040
Acquisitions	0	83,472,215	7,109,043	90,581,258
Disposals	0	0	(2,784,954)	(2,784,954)
Transfers and cancellations	0	0	(12,458)	(12,458)
Translation adjustments	965,921	0	397,556	1,363,477
Other	0	0	15,111	15,111
ACQUISITION COST AS AT 31/12/21 (A)	60,658,793	406,280,312	128,584,369	595,523,474
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	(5,408,693)	(180,717,307)	(64,513,647)	(250,639,647)
Booked	0	(24,108,314)	(15,211,155)	(39,319,469)
Disposals/Write-offs	0	0	1,746,169	1,746,169
Transfers and cancellations	0	0	(1,107,862)	(1,107,862)
Translation adjustments	0	0	(345,389)	(345,389)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	(5,408,693)	(204,825,621)	(79,431,884)	(289,666,198)
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	55,250,100	201,454,691	49,152,485	305,857,276

	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	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

The origin of the goodwill is detailed as the following:

- EUR 30.6 million as at 31 December 2022 and 31 December 2021, corresponds to the goodwill allocated to the cash-generating unit "Wealth Management Luxembourg" (Level 3). Until 31 March 2020, the impairment test on the goodwill from the acquisition of Bikuben Girobank International S.A. Luxembourg was performed on the cash generating unit (CGU) "Nordic Market" allocated to Wealth Management activities. Starting from 1 April 2020, this goodwill is allocated to the CGU "Wealth Management Luxembourg" due to internal reorganisation. 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 2022 based on both methodologies. Sensitivity test : +0.5% increase of the discount rate generates EUR -9.3 million goodwill value whereas -0.5% decrease of this rate generates EUR +10.1 million goodwill value. A decrease or an increase of 10bps on the Asset under Management (AuM) multiple generates a EUR 8 million increase (EUR -8 million decrease respectively).
- EUR 21.1 million (CHF 20.8 million) as at 31 December 2022 against EUR 22.1 million (CHF 22.8 million) as at 31 December 2021, 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.

The impairment test leads to an impairment on the ex-KBLS goodwill during the year 2022 of EUR 2 million (CHF 2 million), as the recoverable amount is below the carrying amount. The trigger of the impairment is a long term loss of AuM due to the departure of several clients and relationship managers.
The sensitivity test of +/- 10bps on multiples generates a EUR +/-1.7 million increase/decrease of goodwill valuation and +/-5% on AuM generates EUR +/-1.1 million increase/decrease of goodwill valuation.

- EUR 2.5 million as at 31 December 2022 and 31 December 2021, 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).
  As of 31 December 2022, no impairment test is required based on transaction price considered as best estimate of the fair value. No indicator of impairment identified as of 31 December 2022.

"Other intangible fixed assets include", inter alia and purchased software.

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

	31/12/21	31/12/22
Current tax assets	996,264	1,295,968
Deferred tax assets (see Note 6.2)	163,256,912	151,927,538
TOTAL	**164,253,176**	**153,223,506**

4.13 Other assets

	31/12/21	31/12/22
Other assets *	82,780,973	74,686,278
Other assets specific to insurance activities	3,678,635	3,566,927
TOTAL	**86,459,608**	**78,253,205**

***Analysis by nature**	**31/12/21**	**31/12/22**
Receivables	2,010,560	160,394
Prepaid fees	4,297,456	4,370,262
Other receivables	53,754,226	42,927,075
Pension plan assets	16,886,000	17,494,000
Precious metals	993	1,056
Operating taxes	4,355,795	3,904,010
Other assets	1,475,943	5,829,481
TOTAL	**82,780,973**	**74,686,278**

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

4.14 Leasing

4.14.1 BIL as lessor

Finance lease

Gross investment in finance lease	31/12/21	31/12/22
Less than 1 year	124,843,142	114,733,224
More than 1 year and less than 5 years	232,347,960	250,545,012
SUBTOTAL (A)	**357,191,102**	**365,278,236**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	**(147,754,461)**	**(149,762,025)**
NET INVESTMENT IN FINANCE LEASE (A)-(B)	**209,436,641**	**215,516,211**

Net investment in finance lease may be analysed as follows:	31/12/21	31/12/22
Less than 1 year	73,200,951	67,490,132
More than 1 year and less than 5 years	136,235,690	148,026,079
TOTAL	**209,436,641**	**215,516,211**

	31/12/21	31/12/22
Amount of doubtful debts on finance leases included in the loan loss provision at the end of the financial year	3,467,670	3,958,285
Estimated fair value of finance leases	209,436,641	215,516,211
Accumulated provision for irrecoverable minimum lease payments	2,816,835	2,919,613

Overview of the significant provisions of leasing contracts

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

- 68.83% of the assets is composed of vehicles, mainly passenger cars but also commercial vehicles.
- 9.01% of the assets is composed of IT equipment.
- 21.48% of the assets is composed of industrial equipment : machinery, medical equipment, etc.
- 0.68% of the assets is composed primarily of office furniture.

Operating lease

The Bank did not act as lessor for operational leases as at 31 December 2021 and as at 31 December 2022.

4.14.2 BIL as lessee

Finance lease

The Bank is not involved in any financial lease as at 31 December 2021 and as at 31 December 2022.

Operating lease

Future net minimum lease payments under non-cancellable operating lease	31/12/21	31/12/22
Less than 1 year	427,020	495,650
Between 1 year to 2 years	282,643	274,577
Between 2 years to 3 years	262,699	233,198
Between 3 years to 4 years	221,319	211,106
Between 4 years to 5 years	199,227	184,815
More than 5 years	385,849	225,336
TOTAL	**1,778,757**	**1,624,682**

Lease and sublease payments recognised as an expense during the financial year:	31/12/21	31/12/22
- lease payments	647,087	660,324
TOTAL	**647,087**	**660,324**

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

5.1 Amounts due to credit institutions

Analysis by nature	31/12/21	31/12/22
On demand	246,566,257	208,913,948
Term	141,697,344	23,405,288
Cash collateral	24,624,804	674,149,364
Repurchase agreements	598,005,890	519,578,704
Central banks	2,201,437,577	251,020,469
Other borrowings	891,539,349	1,720,894,009
TOTAL	**4,103,871,221**	**3,397,961,782**

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 (EUR 2,200 million as at 31 December 2021) (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).

5.2 Amounts due to customers

Analysis by nature	31/12/21	31/12/22
Demand deposits	13,299,327,713	11,648,043,041
Saving deposits	3,270,999,472	3,147,035,949
Term deposits	4,116,615,739	6,244,224,948
Cash collateral	1,207,958	1,648,378
TOTAL	**20,688,150,882**	**21,040,952,316**

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	31/12/21	31/12/22
Other financial liabilities	22,757,968	30,997,505
of which lease liabilities	*22,757,968*	*30,997,505*
TOTAL	**22,757,968**	**30,997,505**

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	31/12/21	31/12/22
Non-subordinated liabilities	1,467,315,688	2,014,665,341
TOTAL	**1,467,315,688**	**2,014,665,341**

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 2021 and 31 December 2022 is explained both by net new issuance of structured products and fair value changes.

5.5 Debt securities

Analysis by nature	31/12/21	31/12/22
Certificates of deposit	15,400,597	2,512,575
Non-convertible bonds	3,185,017,198	2,651,535,945
TOTAL	**3,200,417,795**	**2,654,048,520**

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	31/12/21	31/12/22
Non-convertible subordinated debts	237,127,187	243,236,959
TOTAL	**237,127,187**	**243,236,959**

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 6 May 2021, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since 3 December 2021.

5.7 Provisions and other obligations

5.7.1 Analysis by nature

	31/12/21	31/12/22
Litigation	6,020,671	13,246,049
Restructuring (including garden leave)	7,625,925	3,645,631
Defined benefit plans	7,748,524	538,235
Other long-term employee benefits (including jubilee and time saving account)	16,391,058	16,479,534
Provision for off-balance sheet credit commitments	12,962,202	13,243,945
Onerous contracts	1,461,600	790,646
Other provisions	2,155,367	1,447,932
TOTAL	**54,365,347**	**49,391,972**

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 01/01/21	**5,718,424**	**5,067,436**	**20,682,653**	**9,534,888**	**1,889,240**
Exchange differences	165,325	9,119	341,525	27,920	104,401
Additional provisions	838,378	6,472,163	1,924,988	0	3,302,195
Changes due to change in credit risk	0	0	0	284,812	0
Changes due to modifications without derecognition	0	0	0	11,931	0
Increases due to origination or acquisition	0	0	0	6,868,317	0
Decreases due to derecognition	0	0	0	(3,506,157)	0
Revaluation through reserves	0	0	3,013,025	0	0
Unused amounts reversed	(8,913)	(405,058)	(40,706)	0	(183,630)
Used during the year	(692,543)	(3,517,735)	(1,771,903)	0	(1,318,386)
Transfers	0	0	(10,000)	(203,401)	0
Other movements	0	0	0	(56,108)	(176,853)
AS AT 31/12/21	**6,020,671**	**7,625,925**	**24,139,582**	**12,962,202**	**3,616,967**

	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
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 (out)	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**

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	2021	2022
Defined benefit obligations at the beginning of the year	214,803,507	209,965,856
Current service cost	5,154,437	5,293,417
Interest cost	4,057	764,214
Past service cost and gains and losses arising from settlements	121,000	120,536
Actuarial gains/losses	2,267,998	(27,636,806)
Stemming from changes in demographic assumptions	*(1,017,000)*	*(44,000)*
Stemming from changes in financial assumptions	*(6,016,590)*	*(26,890,136)*
Stemming from experience adjustments	*9,301,588*	*(702,670)*
Benefits paid	(14,785,517)	(18,545,745)
Of which: amounts paid in respect of settlements	*0*	*(591,200)*
Pension plan participant contributions	933,640	1,062,411
Currency adjustment	2,079,717	2,199,062
Business combination and disposals	0	0
Other	(612,982)	(615,493)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**209,965,856**	**172,607,452**

Reconciliation of fair value of pension plan assets	2021	2022
Fair value of pension plan assets at the beginning of the year	219,158,255	219,103,332
Actual return on pension plan assets	7,988,615	(18,162,924)
Interest income	*(7,326)*	*812,486*
Return on pension plan assets (excluding interest income)	*7,995,941*	*(18,975,410)*
Employer contributions	4,715,556	4,820,055
Pension plan participant contributions	933,640	1,062,411
Benefits paid	(14,785,517)	(18,545,745)
Of which: amounts paid in respect of settlements	*0*	*(591,200)*
Currency adjustment	1,742,815	1,945,515
Business combination and disposals	0	0
Other	(650,032)	(659,427)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**219,103,332**	**189,563,217**

Reconciliation of the effect of the asset ceiling	2021	2022
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)	**9,137,476**	**16,955,765**

Funded status	31/12/21	31/12/22
Pension plan assets in excess of benefit obligation	(16,886,000)	(17,494,000)
Unrecognised assets	0	0

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Movement in net defined benefit pension liability or asset	2021	2022
Net Asset / (Net liability) at the beginning of the year	4,354,748	9,137,476
Net periodic pension cost recognised in the income statement	(5,323,869)	(5,409,615)
Remeasurements recognised in OCI	5,727,943	8,661,395
Employer contributions	4,715,556	4,820,055
Pension payments by employer	0	0
Of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	0	0
Currency adjustments	(336,902)	(253,546)
Other	0	0
NET ASSET / (NET LIABILITY) AT THE END OF THE YEAR	**9,137,476**	**16,955,765**

Movement in the IAS 19 remeasurement reserve in equity	2021	2022
Recognised reserve at the beginning of the year	(17,428,604)	(12,269,071)
Remeasurements recognised in OCI	5,159,533	8,153,981
Transfers	0	257,669
RECOGNISED RESERVE AT THE END OF THE YEAR	**(12,269,071)**	**(3,857,421)**

Amounts recognised in the income statement	31/12/21	31/12/22
Current service cost	5,154,437	5,293,417
Net interest on the defined benefit liability/asset	11,382	(48,272)
Past service cost	121,000	38,000
Gains and losses arising from settlements	0	82,536
Other	37,049	43,934
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**5,323,869**	**5,409,615**

Amounts recognised in other comprehensive income	31/12/21	31/12/22
Actuarial gains/losses on the defined benefit obligation	2,267,998	(27,636,806)
Actual return on plan assets (excluding amounts included in interest income)	(7,995,941)	18,975,410
Other	0	0
Currency adjustments	568,410	507,415
TOTAL OTHER COMPREHENSIVE INCOME	**(5,159,533)**	**(8,153,981)**

Actual return on pension plan assets (%)	31/12/21	31/12/22
	3.65%	-8.89%

Breakdown of pension plan assets	31/12/21	31/12/22
Fixed income		
Quoted market price on an active market	71.68%	70.62%
Equities		
Quoted market price on an active market	18.07%	16.11%
Alternatives		
Quoted market price on an active market	5.00%	4.33%
Real estate		
Quoted market price on an active market	0.60%	0.60%
Unquoted	2.88%	3.87%
Cash	1.78%	4.47%
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)

Discount rate

DBO sensitivity to changes in discount rate	
Scenario DR -0.5%	3.57%
Scenario DR +0.5%	-3.28%

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase	
Scenario SR -0.5%	-1.21%
Scenario SR +0.5%	1.40%

The Duration of the DBO of the Luxembourgish pension plans in EUR as of 31 December 2022 is 5.75 (6.98 in 2021)
The Duration of the DBO of the Swiss pension plan as of 31 December 2022 is 12.2 (14.6 in 2021)

Expected contributions for next year	4,892,827

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. All these plans are closed and are funded through the institution for occupational retirement pension ("IORP") BIL Pension Fund. They are reported under the current note. No specific event occurred in Luxembourg during the year 2022. For these closed plans, the risk exposure is an exposure to financial risk, and for part of these, to longevity and inflation risks. In Switzerland, the main pension plan is a defined contribution ("DC") pension plan with guaranteed return, considered as a DB plan under IAS 19. No specific event occurred in Switzerland during the year 2022. This plan is funded through a cooperative foundation and the related risk exposure is a financial risk in case of foundation underfunding.

Methods and assumptions used in preparing the sensitivity analysis

The principal assumptions used to assess the defined benefit obligation are as follows:

	Luxembourg		Switzerland	
	31/12/21	**31/12/22**	**31/12/21**	**31/12/22**
Discount rate	0.41%	3.60%	0.30%	2.30%
Salary increase	0.50% - 2.50%	0.75% - 2.50%	1.00%	2.50%
Inflation*	1.50%	2.50%	0.50%	2.00%

* Included in the salary increase for Switzerland.

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 risk exposure.

The investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).

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" hired before 1 November 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.
For employees hired since 1 November 2007, and for employees hired prior to this date and who decided to move to a DC plan, all the pension arrangements are DC plans funded through an external insurance company. These are reported under defined contributions expenses.
In Switzerland, the pension plan (DC formula with a guaranteed return) 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. A new DC plan has started on 1 January 2021. This is a full DC and is reported under defined contributions expenses.

5.8 Tax liabilities

Analysis by nature	31/12/21	31/12/22
Current tax liabilities	1,383,500	1,129,834
Deferred tax liabilities (see Note 6.2)	10,205,589	10,091,719
TOTAL	**11,589,089**	**11,221,553**

5.9 Other liabilities

	31/12/21	31/12/22
Other liabilities*	203,914,519	269,483,924
Other liabilities specific to insurance activities	3,729,922	3,799,349
TOTAL	**207,644,441**	**273,283,273**

*Analysis by nature	31/12/21	31/12/22
Accrued costs	15,217,875	5,097,213
Deferred income	17,049,767	15,883,295
Other payables	96,373,857	94,125,448
Other granted amounts received	562,217	448,172
Salaries and social security costs (payable)	36,274,193	69,315,419
Other operating taxes	28,215,774	30,215,676
Other liabilities	10,220,836	54,398,701
TOTAL	**203,914,519**	**269,483,924**

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 arising from the exposure to impaired loans and collateralised by assets denominated in a different currency to the notional of the loan. Generally speaking:
- The hedged items are the probable future increase or decrease of impairment of loans due to foreign exchange variation of the collateral denominated in a different currency of the notional of the loan;
- The hedging items are long positions denominated in the currency of the loans.

Only the foreign currency risk is hedged.

The foreign currency risk is determined as the change in value of the collateral of the impaired loans due to foreign exchange variation.

The Bank aims to set the hedge ratio to 100% and the efficiency assessment is made on a quarterly basis.

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

	31/12/21		31/12/22	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading	69,242,363	99,891,636	96,481,293	345,760,727
Derivatives designated as fair value hedge	59,726,255	248,211,795	732,071,120	72,282,217
Derivatives designated as cash flow hedge	2,559,108	1,878,163	11,678,660	632,790
Derivatives designated as portfolio hedge against interest rate	0	878,194	539	11,872
TOTAL	**131,527,726**	**350,859,788**	**840,231,612**	**418,687,606**

6.1.2 Detail of derivatives held for trading

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,791,079,238**	**7,793,339,632**	**52,377,653**	**57,946,017**
FX forward	7,562,918,213	7,566,966,808	48,736,577	54,542,237
Cross currency swap	207,572,197	206,471,411	3,588,339	3,399,728
FX options	20,588,828	19,901,413	52,737	4,052
Interest rate derivatives	**719,282,923**	**710,791,716**	**7,008,293**	**19,273,645**
Options-Caps-Floors-Collars-Swaptions	89,574,643	89,574,643	2,779,620	2,779,620
IRS	619,817,073	619,817,073	4,228,673	16,494,025
Interest futures	9,891,207	1,400,000	0	0
Equity derivatives	**870,495,176**	**869,065,260**	**9,856,417**	**22,671,974**
Equity futures	4,778,059	2,571,539	0	0
Equity options	16,382,550	0	1,119,716	213,500
Equity option (OM)	98,252,598	98,252,598	0	0
Other equity derivatives	751,081,969	768,241,123	8,736,701	22,458,474
TOTAL	**9,380,857,337**	**9,373,196,608**	**69,242,363**	**99,891,636**

	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**

6.1.3 Detail of derivatives designated as fair value hedge

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**3,834,944**	**3,856,537**	**7,159**	**82,680**
Cross currency swap	3,834,944	3,856,537	7,159	82,680
Interest rate derivatives	**6,706,518,858**	**6,706,518,858**	**59,719,096**	**248,129,115**
IRS	6,706,518,858	6,706,518,858	59,719,096	248,129,115
TOTAL	**6,710,353,802**	**6,710,375,395**	**59,726,255**	**248,211,795**

	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**

6.1.4 Detail of derivatives designated as cash flow hedge

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**195,960,057**	**197,912,539**	**2,062,469**	**619,847**
Cross currency swap	91,290,575	92,585,265	1,847,469	619,847
Other currency derivatives	104,669,482	105,327,274	215,000	0
Interest rate derivatives	**32,515,655**	**32,515,655**	**496,639**	**1,258,316**
IRS	32,515,655	32,515,655	496,639	1,258,316
TOTAL	**228,475,712**	**230,428,194**	**2,559,108**	**1,878,163**

	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	**278,513,630**	**275,751,256**	**11,678,660**	**632,790**

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.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 3.9 million in 2022 (EUR 4.6 million in 2021) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

6.1.5 Breakdown of derivatives designated as cash flow hedge by residual maturity

	31/12/21				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	226,210	496,639	1,836,259	0	**2,559,108**
Liabilities	127,879	1,214,593	535,691	0	**1,878,163**

	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**

6.1.6 Detail of derivatives designated as portfolio hedge against interest rate

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,834,944	4,690,432	0	784,807
Interest rate derivatives	1,000,000	1,000,000	0	93,387
TOTAL	**4,834,944**	**5,690,432**	**0**	**878,194**

	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**

6.1.7 Maturity profile of hedging instruments used in micro fair value hedge relationships

	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	274,207,358	162,300,167	0	436,507,525
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	260,000,000	273,500,000	268,043,864	801,543,864
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	251,126,237	2,081,156,303	3,104,184,929	5,436,467,469
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	3,856,537	32,000,000	35,856,537
TOTAL	**785,333,595**	**2,520,813,007**	**3,404,228,793**	**6,710,375,395**

	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**

6.1.8 Maturity profile of hedging instruments used in micro cash flow hedge relationships

Derivatives instruments	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
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	3,003,611	0	0	3,003,611
TOTAL	**3,003,611**	**0**	**89,581,654**	**92,585,265**

Derivatives instruments	31/12/22			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
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**

6.1.9 Hedged items in a fair value hedge relationships

	31/12/21	
	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	161,528,520	1,248,184
Debt securities measured at FVTOCI	848,952,588	9,761,693
Debt securities measured at amortised cost	5,579,743,874	(5,677,903)
TOTAL ASSETS	**6,590,224,982**	**5,331,974**
Debt instruments issued	34,907,045	(1,159,666)
TOTAL LIABILITIES	**34,907,045**	**(1,159,666)**

	31/12/22	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the 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)**

6.1.10 Hedge effectiveness for fair value hedge relationships

	31/12/21		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	(193,109,858)	192,925,212	(184,646)
Portfolio fair value hedge	2,262,149	(2,273,462)	(11,313)
TOTAL	**(190,847,709)**	**190,651,750**	**(195,959)**

	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)**

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6.1.11 Hedge effectiveness for cash flow hedge relationships

	31/12/21					
	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	137,842,929	711,639	1,258,315	3,499,680	3,499,680	0
Micro cash flow hedge	92,585,265	1,847,469	619,848	(2,287,225)	(2,287,225)	0
Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	**230,428,194**	**2,559,108**	**1,878,163**	**1,212,455**	**1,212,455**	**0**

	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**

6.1.12 Detail of hedge of net investment in foreign operations against foreign exchange movements

Hedging instruments	31/12/21			
	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	182,944,536	(8,001,230)	0	1,447,696
Deposits in DKK	2,917,950	1,322	0	0
Deposits in HKD	9,384,718	(614,171)	0	0
Deposits in USD	0	0	0	88,912
TOTAL MICRO NET INVESTMENT HEDGES	**195,247,204**	**(8,614,079)**	**0**	**1,536,608**

Hedge of net investment in foreign operations	31/12/21
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in CHF subsidiaries	8,001,230
Investments in DKK subsidiaries	(1,322)
Investments in HKD subsidiaries	614,171
Investments in USD subsidiaries	0
TOTAL	**8,614,079**

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
Deposits in USD	0	0	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**

6.1.13 Hedging activities impact on equity

Equity reconciliation	2021		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT 1 JANUARY	122,668	(15,044,377)	(1,086,638)
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	649,404		
Interest rate swaps	563,051		
Net amount reclassified to profit or loss			
Following hedge discontinuation	0		
Net investment hedges			
Foreign currency revaluation on the hedging financial investments		(8,614,079)	0
Net amount reclassified to profit or loss			
Following hedge discontinuation		88,911	1,447,692
Foreign currency revaluation on the unhedged net foreign operations		6,241,116	
Tax impact on the above	(302,387)		(361,054)
CLOSING BALANCE AS AT 31 DECEMBER	1,032,736	(17,328,429)	0

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	0		
Others (including FX translation)	0		
Net investment hedges			
Foreign currency revaluation on the hedging financial investments		8,477,457	0
Net amount reclassified to profit or loss			
Following hedge discontinuation		9,448	0
Foreign currency revaluation on the unhedged net foreign operations		(10,757,573)	
Tax impact on the above	(909,274)		0
CLOSING BALANCE AS AT 31 DECEMBER	3,769,310	(19,599,097)	0

6.2 Deferred tax

Analysis	31/12/21	31/12/22
Net deferred tax assets	163,256,912	151,927,538
Deferred tax liabilities	(10,205,589)	(10,091,719)
DEFERRED TAX	**153,051,323**	**141,835,819**

Movements	2021	2022
AS AT 1 JANUARY	**176,670,462**	**153,051,323**
Movements during the financial year:		
- Amounts recognised in the statement of income	(23,164,468)	(11,758,723)
- Items directly computed by equity	(523,688)	484,131
- Changes in consolidation scope	0	7
- Exchange differences	69,017	59,081
AS AT 31 DECEMBER	**153,051,323**	**141,835,819**

Deferred tax coming from assets	31/12/21		31/12/22	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	20,188,948	(510,189)	24,480,173	4,291,495
Securities	(1,867,659)	(522,948)	3,764,868	2,230,514
Derivatives	(343,145)	0	(1,252,419)	0
Tangible and intangible fixed assets	(639,985)	(702,401)	(6,787,190)	(7,430,111)
TOTAL	**17,338,159**	**(1,735,538)**	**20,205,432**	**(908,102)**

Deferred tax coming from liabilities	31/12/21		31/12/22	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(844,679)	(1,113,207)	(2,495,806)	43,968
Provisions	2,879,635	3,284,683	2,974,832	130,224
Pensions	226,570	101,558	(3,933,983)	(2,658,520)
Other liabilities specific to insurance companies	(8,181,387)	(1,231,272)	(8,402,136)	(220,749)
TOTAL	**(5,919,861)**	**1,041,762**	**(11,857,093)**	**(2,705,077)**

Deferred tax coming from other items	31/12/21		31/12/22	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	262,571,932	(32,090,692)	240,226,387	(22,345,545)
less: impairments	(120,938,907)	9,620,000	(106,738,907)	14,200,000
TOTAL	**141,633,025**	**(22,470,692)**	**133,487,480**	**(8,145,545)**

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 will enable the Bank 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" comprises EUR 83.8 million after impairment as at 31 December 2022 (EUR 69.6 million after impairment as at 31 December 2021) which are related to the liquidation of a former foreign branch.

6.3 Related party transactions

(in EUR thousands)	Key management		Subsidiaries	
	31/12/21	**31/12/22**	**31/12/21**	**31/12/22**
Loans	6,779	10,905	118	0
Interest received	0	0	0	1
Deposits	8,348	8,229	19	128
Guarantees and commitments given by the Group	51	42	0	0
Assets entrusted from third parties	12,953	14,732	0	0

(in EUR thousands)	Associates		Other related parties	
	31/12/21	**31/12/22**	**31/12/21**	**31/12/22**
Loans	0	0	0	36,651
Interest received	6	3	1	580
Deposits	1,487	772	4,102	2,143
Interest paid	0	0	0	(2)
Derivatives - Total to receive	0	0	16,072	12,609
Derivatives - Total to deliver	0	0	6,142	7,135
Assets entrusted from third parties	0	0	177,848	150,388

Remuneration of board members and personnel management

See Note 8.8 "Staff expenses"

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	31/12/21	31/12/22
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
Number of treasury shares	0	0

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 2021
None.

Year 2022
None.

6.5.2 Main disposals

Year 2021
Bourse de Luxembourg (partially sold on 30 September 2021).
On 30 September 2021, BIL partially sold its participation in Bourse de Luxembourg reducing its percentage of control from 21.41% to 10.00%.
Following this partial sale, BIL lost its significant influence over Bourse de Luxembourg and derecognised the associate by ceasing the application of equity accounting which was subsequently deconsolidated.

Net assets	(28,974,076)
Proceeds from the sale	30,119,712
NET PROCEEDS ON THE SALE	1,145,636
Revaluation of the unsold shares	26,255,628
CAPITAL GAIN ON THE SALE	27,401,264

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

Note 7: Notes on the consolidated off-balance sheet item

7.1 Regular way trade

	31/12/21	31/12/22
Loans to be delivered	249,846,246	155,271,007
Borrowings to be received	227,431,119	174,487,870

7.2 Guarantees

	31/12/21	31/12/22
Guarantees given to credit institutions	168,176,324	167,056,010
Guarantees given to customers	999,158,159	907,356,418
Guarantees received from credit institutions	51,807,974	60,143,597
Guarantees received from customers	1,394,444,206	1,434,248,394

7.3 Loan commitments

	31/12/21	31/12/22
Unused credit lines granted to credit institutions	18,405,155	2,645,168
Unused credit lines granted to customers	3,314,493,555	3,578,184,590

7.4 Other commitments

	31/12/21	31/12/22
Banking activity - Other commitments given	46,450,754,606	41,523,668,588
Banking activity - Other commitments received	240,494,190,562	212,527,960,791
Of which Assets held on behalf of third parties	*228,656,482,526*	*200,534,189,371*

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

	31/12/21	31/12/22
INTEREST AND SIMILAR INCOME	470,690,407	658,968,793
Interest and similar income of assets not measured at fair value through profit or loss	**325,989,111**	**423,702,235**
Cash and balances with central banks	0	1,273,674
Loans and advances to credit institutions	5,654,482	23,370,616
Loans and advances to customers	264,212,861	323,240,528
Financial investments measured at fair value	13,203,939	14,592,962
Financial investments measured at amortised cost	42,612,524	60,950,962
Other	305,305	273,493
Interest and similar income of assets measured at fair value through profit or loss	**103,867,903**	**201,521,753**
Financial assets held for trading	362,982	259,496
Derivatives held for trading	54,389,354	131,646,796
Derivatives used for hedging purposes	49,115,567	69,615,461
Interest income on liabilities	**40,833,393**	**33,744,805**
INTEREST AND SIMILAR EXPENSES	(179,597,845)	(296,489,786)
Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(32,831,808)**	**(109,186,364)**
Amounts due to credit institutions	(6,444,507)	(48,991,382)
Amounts due to customers	(3,072,086)	(32,261,658)
Debt securities	(16,430,367)	(19,419,707)
Subordinated debts	(6,505,754)	(8,131,223)
Lease liability	(335,472)	(358,633)
Other	(43,622)	(23,761)
Interest and similar expenses of liabilities measured at fair value through profit or loss	**(121,698,894)**	**(168,949,544)**
Financial liabilities held for trading	(1,085)	(242)
Financial liabilities designated at fair value through profit or loss	(21,041,649)	(54,235,554)
Derivatives held for trading	(16,345,936)	(39,598,472)
Derivatives used for hedging purposes	(84,310,224)	(75,115,276)
Interest expenses on assets	**(25,067,143)**	**(18,353,878)**
NET INTEREST INCOME	291,092,562	362,479,007

8.2 Dividend income

	31/12/21	31/12/22
Financial investments measured at fair value	27,404	595,440
Financial assets held for trading	66	0
TOTAL	27,470	595,440

8.3 Net trading income

	31/12/21	31/12/22
Net income from trading transactions	3,952,997	8,897,955
of which income from trading securities	*364,075*	*3,976,736*
of which income from trading derivatives	*3,588,922*	*4,921,219*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	(31,143,049)	(163,434,935)
Net foreign exchange gain/(loss)	10,933,736	13,321,202
TOTAL	**(16,256,316)**	**(141,215,778)**

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

	31/12/21	31/12/22
Net income on financial investments measured at fair value through other comprehensive income	29,315,830	5,184,496
Net income on assets and liabilities held for sale	(2,582)	0
Net income on financial investments at fair value through profit or loss	3,729,359	(6,080,418)
of which financial investments mandatorily fair value through profit or loss	*3,729,359*	*(6,080,418)*
Net income on financial liabilities designated at fair value through profit or loss	31,987,796	163,029,587
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**65,030,403**	**162,133,665**
Fair value hedge	**(184,646)**	**(717,663)**
Change in the fair value of the hedged item attributable to the hedged risk	(193,109,858)	(771,626,428)
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	192,925,212	770,908,765
Portfolio hedge against interest rate risk	**(11,313)**	**694**
Fair value revaluation - Portfolio hedge - Hedged items	2,262,149	(16,740)
Fair value revaluation - Derivatives - Portfolio hedge	(2,273,462)	17,434
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**0**	**(6,789)**
NET RESULT OF HEDGE ACCOUNTING	**(195,959)**	**(723,758)**
TOTAL	**64,834,444**	**161,409,907**

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

	31/12/21	31/12/22
Net income on loans and advances measured at amortised cost	5,227,885	873,579
Net income on financial investments measured at amortised cost	39,770,686	27,579,999
Net income on financial liabilities at amortised cost	14,682,413	947,410
TOTAL	**59,680,984**	**29,400,988**

As at 31 December 2021, gains and losses on derecognition on loans respectively amount to EUR 5,227,885 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 39,772,273 and EUR -1,587.

As at 31 December 2022 gains and losses on derecognition on loans respectively amount to EUR 873,579 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 30,343,027 and EUR -2,763,028.

8.6 Fee and commission income and expenses

	31/12/21			31/12/22		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	33,107,362	(7,951,432)	25,155,930	28,916,722	(9,696,842)	19,219,880
Administration of unit trusts and mutual funds	30,033	0	30,033	30,073	0	30,073
Insurance activity	6,188,271	(611,183)	5,577,088	5,712,298	(876,611)	4,835,687
Credit activity	29,020,680	(1,337,218)	27,683,462	30,070,443	(1,577,634)	28,492,809
Purchase and sale on securities	22,189,669	(6,819,940)	15,369,729	18,173,315	(5,595,595)	12,577,720
Purchase and sale of unit trusts and mutual funds	6,816,398	(408,346)	6,408,052	4,864,488	(526,457)	4,338,031
Payment services	32,071,807	(935,023)	31,136,784	37,001,746	(544,984)	36,456,762
Commissions to non-exclusive brokers	0	(247,200)	(247,200)	0	(181,668)	(181,668)
Financial engineering	3,853,335	(371,501)	3,481,834	1,570,003	(112,930)	1,457,073
Services on securities other than safe keeping	6,587,190	(365,254)	6,221,936	6,156,100	(557,404)	5,598,696
Custody	26,656,509	(4,903,834)	21,752,675	29,960,706	(5,528,319)	24,432,387
Issues and placements of securities	8,777,693	(4,618,104)	4,159,589	13,618,571	(8,583,497)	5,035,074
Private banking	62,013,048	(7,773,334)	54,239,714	57,637,172	(6,865,507)	50,771,665
Clearing and settlement	23,017,877	(3,441,548)	19,576,329	22,334,461	(3,137,759)	19,196,702
Securities lending	40,879	(57,911)	(17,032)	26,532	(57,574)	(31,042)
Other	11,527,229	(663,443)	10,863,786	12,870,371	(893,795)	11,976,576
TOTAL	**271,897,980**	**(40,505,271)**	**231,392,709**	**268,943,001**	**(44,736,576)**	**224,206,425**

8.7 Other net income

	31/12/21	31/12/22
Operating taxes	954,685	987,240
Rental income	23,910	73,330
Other rental income	45,108	14,368
Gains on tangible fixed assets	1,367,445	204,867
Technical margins insurance companies (income)	3,137,554	2,813,376
Fair value adjustments on investment property	7,567,255	24,577,051
Other income on other activities	21,475,750	21,888,326
OTHER INCOME	**34,571,707**	**50,558,558**
Operating taxes	(3,893,831)	(3,278,579)
Other bank charges	(21,921,423)	(21,584,146)
Losses on tangible fixed assets	(96,827)	(51,679)
Technical margins insurance companies (expenses)	(1,652,020)	(3,179,192)
Fair value adjustments on investment property	0	(498,997)
Other expenses on other activities	(5,826,852)	(14,158,917)
OTHER EXPENSES	**(33,390,953)**	**(42,751,510)**
TOTAL	**1,180,754**	**7,807,048**

The line item "Other income on other activities" primarily consists of write-backs of provisions and extraordinary operating income.

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

	31/12/21	31/12/22
Wages and salaries	(184,321,919)	(201,982,002)
Social security and insurance costs	(23,435,306)	(24,245,066)
Staff benefits	(12,109,262)	(12,823,023)
Restructuring expenses	(6,067,105)	(3,116,676)
Other expenses	(5,240,984)	(2,870,326)
TOTAL	**(231,174,576)**	**(245,037,093)**

8.8.2 Workforce

(in average FTE)	2021	2022
Senior management	47	40
Employees	1,908	1,929
TOTAL	**1,955**	**1,969**

(in average FTE)	2021			
	Luxembourg	Other Europe	Other Non-Europe	Total BIL group
Senior management	44	2	1	47
Employees	1,780	118	10	1,908
TOTAL	**1,824**	**120**	**11**	**1,955**

(in average FTE)	2022			
	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**

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	
	31/12/21	31/12/22	31/12/21	31/12/22
Board members	1,252,424	1,327,917	0	0
Senior Management	17,432,816	17,347,625	1,717,175	1,486,480
TOTAL	**18,685,240**	**18,675,542**	**1,717,175**	**1,486,480**

8.8.4 Defined contribution plan expenses

	31/12/21	31/12/22
Defined contribution plan expenses	7,625,575	7,728,410
TOTAL	**7,625,575**	**7,728,410**

8.9 General and administrative expenses

	31/12/21	31/12/22
Occupancy	(8,237,913)	(9,929,681)
Operating leases	(334,230)	(880,070)
Professional fees	(33,098,529)	(36,339,378)
Marketing, advertising and public relations	(5,931,024)	(6,967,042)
Technology and system costs	(35,699,949)	(41,799,641)
Software costs and maintenance expenses	(19,760,303)	(21,250,842)
Repair and maintenance expenses	(3,429)	(773)
Operational taxes	(1,501,272)	651,635
Other general and administrative expenses	(50,496,018)	(42,167,317)
TOTAL	**(155,062,667)**	**(158,683,109)**

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 2021 and 2022 are as follows (VAT excluded).

	2021	2022
Statutory audit and Long Form Report	1,814,436	1,150,909
Audit-related fees	454,523	424,487
Tax services	55,677	63,992
Other services	226,787	154,998
TOTAL	**2,551,423**	**1,794,386**

2021 "Audit fees" and "Audit-related fees" include a 2020 overrun for respectively EUR 448,121 and EUR 61,900.

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 assets

	31/12/21	31/12/22
Depreciation on land and buildings	(6,949,354)	(7,741,582)
Depreciation on other tangible fixed assets	(1,029,585)	(1,091,001)
Depreciation on IT equipment	(2,726,379)	(2,740,238)
Depreciation on intangible fixed assets	(39,279,152)	(37,792,139)
Depreciation on right-of-use	(6,014,809)	(6,720,333)
TOTAL	**(55,999,279)**	**(56,085,293)**

8.12 Impairment on financial instruments and provisions for credit commitments

	31/12/21			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits	**18,500**	**39,572**	**0**	**58,072**
Financial assets measured at amortised cost	**(1,855,747)**	**(4,476,196)**	**(27,109,555)**	**(33,441,498)**
Loans and advances to credit institutions measured at amortised cost	221,908	(15,860)	0	206,048
Loans and advances to customers measured at amortised cost	(2,955,647)	(4,624,623)	(24,863,002)	(32,443,272)
Debt securities measured at amortised cost	877,992	164,287	(2,246,553)	(1,204,274)
Financial assets measured at fair value through other comprehensive income	**48,725**	**0**	**0**	**48,725**
Debt securities measured at fair value through other comprehensive income	48,725	0	0	48,725
Other receivables	**0**	**0**	**(423,851)**	**(423,851)**
Off-balance sheet commitments	**(2,388,690)**	**(948,762)**	**(321,451)**	**(3,658,903)**
TOTAL IMPAIRMENTS	**(4,177,212)**	**(5,385,386)**	**(27,854,857)**	**(37,417,455)**

	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)**

As at 31 December 2021:

- Loans and advances to customers classified under Stage 1 include (i) the "moratory" overlay for a total amount of EUR -6,292,000 composed of EUR -6,192,000 on corporate exposures and EUR -100,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -488,000 on corporate exposures. 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 "moratory" overlay for a total amount of EUR -1,467,950 composed of EUR -1,417,950 on corporate exposures and EUR -50,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -172,050 on corporate exposures. Refer to the section "ECL Management Overlays" of note 9.2.1 on Expected Credit Losses measurement.

As at 31 December 2022:

- Loans and advances to customers classified under Stage 1 include (i) the "Outreach Program" Management Overlay for an amount of EUR -1,445,817 and (ii) the "Origination Date" Management Overlay for an amount of EUR +476,851. 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 Program" Management Overlay for an amount of EUR -308,743 and (ii) the "Origination Date" Management Overlay for an amount of EUR -1,502,820. 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

	31/12/21	31/12/22
Income tax for current financial year	(1,121,213)	(695,270)
Deferred taxes	(23,164,466)	(10,676,680)
Tax on current financial year result (A)	**(24,285,679)**	**(11,371,950)**
Income tax for previous year	67,298	(2,967)
Deferred taxes for previous year	0	(1,082,044)
Other tax expenses (B)	**67,298**	**(1,085,011)**
TOTAL (A)+(B)	(24,218,381)	(12,456,961)

Effective corporate income tax rate

The standard tax rate applicable in Luxembourg was 24.94% in 2021 and 2022.
The effective BIL tax rate was 15.99% in 2021 and 6.79% in 2022.
The difference between both rates may be analysed as follows:

	31/12/21	31/12/22
NET INCOME BEFORE TAX	154,237,463	165,389,322
Tax base	**151,858,904**	**167,419,660**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(37,873,611)**	**(41,754,463)**
Effect of different tax rates in other countries	(1,024,190)	(120,297)
Tax effect of non-deductible expenses	(5,722,858)	(2,002,515)
Tax effect of non-taxable income	9,417,936	15,927,321
Tax effect of items taxed at a reduced rate	(58,741)	0
Write-off deferred tax assets	(770,916)	0
Tax effect on the use of previous tax losses not recognised in the assets	9,620,000	14,200,000
Other	2,126,701	2,378,004
Tax on current financial year result	**(24,285,679)**	**(11,371,950)**
EFFECTIVE TAX RATE	15.99%	6.79%

8.15 Net income from associates

	31/12/21	31/12/22
Income from associates before tax	2,932,267	0
Share of tax	(553,707)	0
TOTAL	2,378,559	0

8.16 Discontinued operations

	31/12/21	31/12/22
Interest income	1,237,286	0
Interest expenses	(13,879)	0
Fee and commission income	4,326,110	0
Fee and commission expenses	(168,367)	0
Net income on derecognition of financial instruments at amortised cost	(990,281)	0
Net impairment on financial instruments and provisions for credit commitments	1,036,300	0
DISCONTINUED OPERATIONS, NET OF TAX	**5,427,169**	**0**

BIL Danmark, filial af Banque Internationale à Luxembourg S.A.

Net income from discontinued operations (net of tax) generated EUR 5.4 million in 2021 prior to the termination of the sale of the business activity of BIL Danmark, filial af Banque Internationale à Luxembourg S.A. to Ringkjøbing Landbobank.

On 23 June 2021, BIL has signed a Business Transfer Agreement with Ringkjøbing Landbobank where all the client's activity (Off-balance sheet Assets under management, loans and deposits) of BIL Denmark branch is transferred to the counterparty on 1 July 2021. BIL Danmark, filial af Banque Internationale à Luxembourg S.A. activities are classified as a disposal group meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 30 June 2021. BIL terminated the operational transfer of all clients' assets and loans as at 31 December 2021. BIL Danmark, filial af Banque Internationale à Luxembourg S.A. closed on 7 July 2022.

In 2022, there were no discontinued operations.

BIL Fund & Corporate Services

On 23 March 2021, BIL signed a Sale and Purchase Agreement with ZEDRA to sell its consolidated subsidiary BIL Fund & Corporate Services S.A. ("BFCS"). The closing of the transaction took place on 15 March 2022. No classification under IFRS 5 "Non-current assets and disposal group" has been processed in the consolidated financial statements as at 31 December 2021 as BIL Group considered this classification and related disclosures as immaterial.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

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	31/12/21			31/12/22		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	5,989,034,370	5,989,034,370	0	4,373,270,737	4,373,270,737	0
Financial assets held for trading	24,469,219	24,469,219	0	15,786,368	15,786,368	0
Financial investments measured at fair value	1,138,003,882	1,138,003,882	0	952,672,603	952,672,603	0
Financial assets at fair value through other comprehensive income	*1,093,443,120*	*1,093,443,120*	*0*	*924,933,017*	*924,933,017*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*44,560,762*	*44,560,762*	*0*	*27,739,586*	*27,739,586*	*0*
Loans and advances to credit institutions	737,231,429	737,229,454	(1,975)	1,098,751,999	1,098,751,999	0
Loans and advances to customers	16,346,232,744	16,428,520,589	82,287,845	16,482,938,323	15,651,898,383	(831,039,940)
Financial investments measured at amortised cost	7,383,330,597	7,476,766,910	93,436,313	7,883,172,234	7,812,298,971	(70,873,263)
Derivatives	131,527,726	131,527,726	0	840,231,612	840,231,612	0
Fair value revaluation of portfolios hedged against interest rate risk	93,194	93,194	0	11,872	11,872	0
TOTAL	**31,749,923,161**	**31,925,645,344**	**175,722,183**	**31,646,835,748**	**30,744,922,545**	**(901,913,203)**

Fair value of liabilities	31/12/21			31/12/22		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	4,103,871,221	4,088,679,074	(15,192,147)	3,397,961,782	3,379,822,666	(18,139,116)
Amounts due to customers	20,688,150,882	20,686,783,102	(1,367,780)	21,040,952,316	20,963,642,721	(77,309,595)
Financial liabilities measured at fair value through profit or loss	1,467,315,688	1,467,315,688	0	2,014,665,341	2,014,665,341	0
Derivatives	350,859,788	350,859,788	0	418,687,606	418,687,606	0
Fair value revaluation of Portfolio hedged against interest rate risk	70,504	70,504	0	0	0	0
Debt securities	3,200,417,795	3,218,087,828	17,670,033	2,654,048,520	2,560,406,379	(93,642,141)
Subordinated debts	237,127,187	280,278,980	43,151,793	243,236,959	241,255,756	(1,981,203)
TOTAL	**30,047,813,065**	**30,092,074,964**	**44,261,899**	**29,769,552,524**	**29,578,480,469**	**(191,072,055)**

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.

Assets	31/12/21			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	0	18,429,908	6,039,311	24,469,219
Financial investments measured at fair value	848,952,588	45,663,246	243,388,048	1,138,003,882
Financial assets at fair value through other comprehensive income	*848,952,588*	*4,321,725*	*240,168,807*	*1,093,443,120*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*41,341,521*	*3,219,241*	*44,560,762*
Derivatives	0	126,009,429	5,518,297	131,527,726
TOTAL	**848,952,588**	**190,102,583**	**254,945,656**	**1,294,000,827**

Assets	31/12/22			
	Level 1	**Level 2**	**Level 3**	**Total**
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**	**884,846,386**	**309,678,174**	**1,808,690,583**

Fair Value may also be calculated by the interpolation of market prices.
Level 3 financial assets measured at fair value are mainly composed of equity instruments.

Liabilities	31/12/21			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	905,971,305	561,344,383	1,467,315,688
Derivatives	0	332,109,711	18,750,077	350,859,788
TOTAL	**0**	**1,238,081,016**	**580,094,460**	**1,818,175,476**

Liabilities	31/12/22			
	Level 1	Level 2	Level 3	Total
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**	**1,608,550,731**	**824,802,216**	**2,433,352,947**

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

9.1.3 Transfer between Level 1 and Level 2

Assets	31/12/21		31/12/22	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial investments measured at fair value	0	10,336,460	0	0
FVOCI - Bonds	*0*	*10,336,460*	*0*	*0*
TOTAL	**0**	**10,336,460**	**0**	**0**

Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2021 and 2022.

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9.1.4 Level 3 reconciliation

Assets	31/12/21					
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale	Settlement
Financial assets designated held for trading	5,271,970	475,920	0	1,713,866	(1,422,445)	0
Financial investments measured at fair value	79,353,630	34,456	136,791,578	27,366,720	0	(210,300)
Derivatives	4,098,741	(3,451,530)	0	4,871,086	0	0
TOTAL	**88,724,341**	**(2,941,154)**	**136,791,578**	**33,951,672**	**(1,422,445)**	**(210,300)**

Assets	31/12/21				
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	0	0	0	0	6,039,311
Financial investments measured at fair value	51,964	0	0	0	243,388,048
Derivatives	0	0	0	0	5,518,297
TOTAL	**51,964**	**0**	**0**	**0**	**254,945,656**

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
Financial assets designated held for trading	6,039,311	(913,483)	0	687,085	(3,152,508)	0
Financial investments measured at fair value	243,388,048	86,732	51,673,225	5,159,387	0	(182,744)
Derivatives	5,518,297	(4,292,982)	0	5,472,514	0	0
TOTAL	**254,945,656**	**(5,119,733)**	**51,673,225**	**11,318,986**	**(3,152,508)**	**(182,744)**

Assets	31/12/22				
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	2,660,405
Financial investments measured at fair value	192,018	0	3,274	0	300,319,940
Derivatives	0	0	0	0	6,697,829
TOTAL	**192,018**	**0**	**3,274**	**0**	**309,678,174**

Liabilities	31/12/21			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	207,191,919	(26,763,490)	494,746,389	(116,755,243)
Derivatives	5,143,082	(3,236,614)	16,843,609	0
TOTAL	**212,335,001**	**(30,000,104)**	**511,589,998**	**(116,755,243)**

Liabilities	31/12/21				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	2,924,808	561,344,383
Derivatives	0	0	0	0	18,750,077
TOTAL	**0**	**0**	**0**	**2,924,808**	**580,094,460**

Liabilities	31/12/22			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	561,344,383	(66,375,547)	433,916,144	(186,853,010)
Derivatives	18,750,077	32,821,983	26,510,232	0
TOTAL	**580,094,460**	**(33,553,564)**	**460,426,376**	**(186,853,010)**

Liabilities	31/12/22				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	4,687,954	746,719,924
Derivatives	0	0	0	0	78,082,292
TOTAL	**0**	**0**	**0**	**4,687,954**	**824,802,216**

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 - For foreign currency options, options pricing models (Black-Scholes, Garman-Kohlhagen and others models)

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	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.

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9.2 Credit risk

9.2.1 Expected credit loss measurement

9.2.1.1 Expected Credit Losses (ECL) methodology

Definition of credit risk

Credit risk refers to the risk that a borrower will default 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 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 balance outstanding (or part thereof) whether the legal claim against the borrower remains or not. Write-off will ordinarily be accommodated via utilisation of loan loss provisions raised previously. Approval for write-offs is granted by the Default Committee.

Low credit risk exemption

The low credit risk exemption of IFRS 9 is not used by the Bank.

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 have to be distinguished and they can be broadly conceptualised as follows:
- Stage 1 regroups financial instruments that have a performing status and for which no significant deterioration in credit quality has occurred since their origination;
- Stage 2 regroups financial instruments for which a significant increase in credit risk (SICR) has occurred since their origination;
- Stage 3 regroups financial instruments having a credit-impaired status.

This classification requires BIL to clearly define both quantitative and qualitative approaches for assessing both a significant increase in credit risk and a credit-impaired status for its financial instruments which are under the IFRS 9 scope.

Significant increase in credit risk

A first way to assess a SICR event consists in comparing the credit rating grade of a given exposure that is observed at two different dates: (i) at the time of origination and (ii) at the reporting date where one has to calculate an IFRS 9 provisioning amount. More precisely, a SICR is considered to be effective if the difference between the two previous ratings – (ii) minus (i) – is higher (or equal) than a pre-determined threshold which is conditional to the exposure type (e.g. retail, corporates and so on). Such thresholds correspond to expected average downgrades that were quantitatively defined by means of historical credit rating grades.

Some qualitative indicators also complement the SICR assessment. These latter rely on internal credit risk management practices which aim at targeting exposures that are subject to (i) forbearance measures, and (ii) the occurrence of past-due events (between 30 and 90 days for moving from Stage 1 to Stage 2).

Credit-impaired status

As for the SICR (or Stage 2) assessment, some qualitative or backstop indicators aim at identifying credit-impaired (or Stage 3) exposures. Basically, two cases can be distinguished: (i) the counterparty exposure is either in a default (or non-performing) or (pre-)litigation status and (ii) a past-due event (higher than 90 days) occurs.

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 passed since the forbearance measures were extended;
- Exit from forbearance: a minimum two-year period has passed 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 proposed:
- 12-month ECL: representing the ECL resulting from default events within 12 months on a financial instrument – only applicable to Stage 1 exposures;
- Lifetime ECL: representing the ECL resulting from all possible default events 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:

$$ECL = \sum_{i=1}^{3}\sum_{t=1}^{M} \omega_i \times \left(CPD_{i,t} - CPD_{i,t-1}\right) \times EaD_{i,t} \times LGD \times D_t$$

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).

Every key parameter has been estimated based on BIL internal models.

IFRS 9 ECL parameter approaches

Contrary to regulatory (or Pillar I) credit risk parameters, IFRS 9 ones must exhibit the following properties:
(i) Incorporate forward-looking information by relying on a relevant set of business/financial cycle indicators that are projected according to several macroeconomic scenarios;
(ii) Remain unbiased with respect to ex-post observed credit risk parameters.

If one firstly considers the Probability of Default (PD) parameters, it is clear that they fully respect these two requirements. 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 PDs.

Secondly, regarding the Loss Given Default (LGD) parameters, it can be said that they only satisfy the second property in that one removes conservatism margins and downturn effects from Basel parameters. As one does not observe apparent correlation with macroeconomic indicators, IFRS 9 LGDs remain constant parameters over time.

And finally, like PD parameters, Exposure At Default (EAD) is also satisfying the two requirements. More specifically, forward-looking information is tackled through two components:

(i) The amortisation scheme of a given loan over time and;
(ii) The inclusion of eligible collaterals – in case of mortgage exposures notably, collateral values are evolving over time by considering forecasts of residential property prices.

BIL's overview of active models for IFRS 9 impairment

The Bank has 6 active PD models:

- 2 for Retail (private and professional);
- 3 for Corporates (small, medium and large), and;
- 1 for Banks.

PD model for medium companies is defined further as "MidCorp".

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 IFRS 9 requirements.

The Bank uses the same CCF (Credit Conversion Factor) models as developed for Pillar I and these latter are applied to the EAD parameters in the case of undrawn amounts.

The Bank uses the same Haircut models as developed for Pillar I (on Financial Securities).

Expert-judgment ECL (Stage 3 credit exposures only)

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 related provisions are calculated using expert-judgment input to take into account the specificities of each exposure and associated collateral and other credit enhancements.

The provisions are calculated using the discounted expected future cash flow method. Cash flows from collateral and other credit enhancements are included in the measurement of ECL of the related financial asset when it is a part or integral to the contractual terms of the financial asset. 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.

IL 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 two distinct types of exposures (large corporates and banking institutions) 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.

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 frequency 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 alternative ones. 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 adjustment may be applied on the weighting of scenarios. Refer to the section on ECL Post-Model Adjustments and Management Overlays of this note.

		LUXEMBOURG					
		December 2021			December 2022		
In %		Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2021	7.00	7.00	7.00	5.10	5.10	5.10
	2022	3.00	4.70	(1.30)	1.60	1.60	1.60
	2023	2.80	3.80	1.50	1.10	3.00	(3.00)
	2024	2.70	2.50	3.60	3.10	3.50	0.60
	2025	2.40	2.20	3.30	2.40	2.10	4.00
	2026	2.10	1.80	2.40	2.80	2.70	3.30
Unemployment	2021	5.80	5.80	5.80	5.70	5.70	5.70
	2022	5.50	5.40	5.90	4.80	4.80	4.80
	2023	5.70	5.40	7.00	5.10	5.10	5.90
	2024	5.70	5.40	7.10	4.80	4.80	7.10
	2025	5.70	5.50	6.80	4.80	4.70	6.90
	2026	5.70	5.60	6.50	5.00	4.80	6.30
Consumer Prices	2021	3.40	3.40	3.40	3.50	3.50	3.50
	2022	3.20	4.30	1.80	8.40	8.40	8.40
	2023	1.30	1.80	0.10	4.30	4.30	1.70
	2024	1.60	1.70	1.00	2.20	2.10	0.00
	2025	1.80	1.90	1.60	1.90	1.90	1.50
	2026	2.00	2.00	1.90	2.00	2.00	1.70
Stock Prices	2021	47.00	47.00	47.00	44.90	44.90	44.90
	2022	9.50	30.80	(26.50)	(5.20)	(5.20)	(5.20)
	2023	(1.00)	7.90	3.80	(25.80)	(19.20)	(50.60)
	2024	1.60	(6.30)	6.10	6.10	12.50	13.40
	2025	2.60	(3.40)	6.60	10.60	8.20	25.50
	2026	0.30	(0.70)	3.10	9.50	6.90	18.40
Residential Property Prices	2021	7.00	7.00	7.00	9.40	9.40	9.40
	2022	2.30	6.10	(2.00)	10.30	10.30	10.30
	2023	3.90	6.20	1.20	5.90	6.10	2.60
	2024	2.90	1.50	2.60	6.40	7.90	1.40
	2025	2.70	1.50	4.00	5.10	5.20	3.50
	2026	2.60	1.90	3.60	5.10	5.30	4.70

EUROZONE					
December 2021			December 2022		
Baseline	Upside	Downside	Baseline	Upside	Downside
5.20	5.20	5.20	5.30	5.30	5.30
3.80	5.60	(0.40)	3.30	3.30	3.30
2.70	3.50	1.40	0.50	2.20	(3.40)
2.10	1.80	2.90	2.40	2.90	0.00
1.70	1.40	2.50	2.30	2.10	3.90
1.40	1.30	1.80	1.90	1.90	2.50
7.80	7.80	7.80	7.70	7.70	7.70
7.60	7.10	8.90	6.70	6.70	6.70
7.40	6.70	9.70	7.10	6.80	8.30
7.30	6.80	9.60	7.10	6.60	9.50
7.30	7.00	9.10	7.00	6.60	8.90
7.30	7.10	8.50	7.00	6.70	8.10
2.50	2.50	2.50	2.60	2.60	2.60
3.20	4.40	1.40	8.40	8.40	8.40
1.00	1.80	(0.60)	6.60	6.50	4.00
1.40	1.50	0.70	2.20	2.20	0.00
1.80	1.80	1.40	1.90	1.90	1.40
2.00	2.00	1.90	2.00	2.00	1.80
24.50	24.50	24.50	24.80	24.80	24.80
4.50	13.40	(18.50)	(5.20)	(5.20)	(5.20)
0.80	4.20	7.80	0.30	8.20	(28.10)
1.40	(1.40)	7.90	2.70	4.50	8.30
2.40	(1.00)	5.10	4.20	2.90	19.50
2.50	1.00	4.00	5.70	3.50	11.50
7.30	7.30	7.30	8.00	8.00	8.00
6.00	8.40	1.30	7.00	7.00	7.00
4.70	7.00	(2.20)	(0.10)	1.00	(4.80)
3.90	4.50	0.50	2.10	4.20	(3.60)
3.30	3.20	2.50	4.10	4.80	1.80
2.80	2.70	3.70	4.80	4.80	4.80

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			31/12/21		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL	60%	20%	20%	47.20	33.02	80.22
Stressed ECL	100%	0%	0%	36.79	31.30	68.09
	0%	100%	0%	28.83	29.65	58.47
	0%	0%	100%	96.80	41.54	138.34
	80%	0%	20%	48.79	33.35	82.14
	60%	0%	40%	60.80	35.39	96.19
	60%	10%	30%	54.00	34.20	88.20

(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

The reported ECL exclude 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 require to be adjusted anticipatively to capture new events of changing circumstances not yet modelled. The Group has introduced since 2020 "Management Overlays" and/or "Post-model adjustments" to reflect the new circumstances such as the COVID-19 pandemic and the deteriorated macroeconomic environment following the Russia-Ukraine conflict.

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 applies the following weighting: 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 weighting 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) on 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 Russia-Ukraine conflict and the progressive normalisation of monetary policies made by central banks.

The impact of the Post-Model Adjustment on the modelled ECL (stage 1 and stage 2 exposures) as at 31 December 2022 amounts to EUR 5.5 million 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.

ECL Management Overlays

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

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

ECL Management Overlays (COVID-19)

From 31 December 2020 to 31 December 2021, the Bank implemented two management overlays related to the COVID-19 pandemic to Modelled ECL affecting stage 1 and stage 2 exposures classified under Loans and Advances to Customers:

- A "Moratory" overlay that results in a one-notch downgrade for exposures that have benefitted in 2020 from moratoria. The Moratory overlay is explained by model limitations to capture the effect of moratoria on credit worthiness of concerned exposures;
- A "MidCorp" overlay that results in a one-notch downgrade from exposures under the Medium Corporate model of probability of default. The MidCorp overlay is extended to all exposures under the MidCorp model given that related exposures are globally affected by the crisis but the effect of crisis is not fully reflected in ratings mostly based on last financial statements of exposures.

These two management overlays were reversed as from 30 June 2022. This reversal is justified by the continued repayments made on the loans benefitting from moratoria and the analysis of the financial documents for the MidCorp perimeter that do not justify the one-notch downgrade anymore.

ECL Management Overlay (Outreach Program)

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.

ECL Management Overlay (Origination Date)

The Bank has addressed through a management overlay a deficiency identified in its ECL model where the Significant Increase in Credit Risk for some exposure was not calibrated based on the issuance date of a Credit Commitment but on the first drawdown of a credit line leading to a management overlay for a total amount of EUR 1 million. This management overlay is applied at Group level and mainly concerns BIL, head office of the Group. Besides the Bank has classified the related exposures in the right exposures (moving from Stage 1 to Stage 2 or from Stage 2 to Stage 1). Refer to the Note 9.2.2 on Movement on Loans and Securities by Stages for details on the staging movements on the exposures).

This table summarises the impact of the management overlays and post-model adjustments on the stock of ECL (Stage 1 and Stage 2):

	Stage	31/12/21	31/12/22
ECL Modelled	Stage 1	47,115,133	60,048,275
	Stage 2	33,014,832	32,394,384
ECL Post-Model Adjustment (Scenario Weighting)	Stage 1		4,281,787
	Stage 2		1,199,036
ECL Management Overlay (COVID-19)	Stage 1	6,780,000	
	Stage 2	1,640,000	
ECL Management Overlay (Outreach Program)	Stage 1		1,445,817
	Stage 2		308,743
ECL Management Overlay (Origination Date)	Stage 1		(476,851)
	Stage 2		1,502,820
TOTAL	**Stage 1**	**53,895,133**	**65,299,028**
	Stage 2	**34,654,832**	**35,404,983**

Other information about credit risk is included in the following sections:
- Asset quality limited to loans and advances to customers (Risk Management section of the Management Report),
- Loans and advances to customers by counterpart and by nature,
- Impairment on loans and provisions for credit commitments (Note 8.12) by stage.

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)	**31/12/21**	**31/12/22**	**Variation**
Individuals, SME & Self Employed	12,758	12,338	(420)
Central Governments	12,619	11,856	(763)
Corporate	6,682	6,804	122
Financial Institutions	4,072	4,844	772
Public Sector Entities	444	639	195
Securitisation	15	189	174
Others	11	70	59
TOTAL	**36,601**	**36,740**	**139**

Exposures by geographic region (in EUR million)	**31/12/21**	**31/12/22**	**Variation**
Luxembourg	20,814	20,077	(737)
France	3,237	3,681	444
Switzerland	3,282	2,531	(751)
Germany	1,817	2,507	690
Belgium	2,466	2,342	(124)
United States and Canada	1,008	1,267	259
Other EU countries	1,511	1,170	(341)
Spain	853	941	88
Others	179	644	465
Rest of Europe	443	455	12
Middle East	386	382	(4)
China	226	371	145
Asia	184	229	45
Russia	116	101	(15)
Australia	79	42	(37)
TOTAL	**36,601**	**36,740**	**139**

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.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

9.2.2.2 Exposures by stage and ratings

Stage 1 Credit Risk Exposure *(in EUR million)*	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Commitments in respect of guarantees given	140	487	713	379	0	1,719
Commitments in respect of loans granted	230	1,444	742	416	0	2,832
Financial investments at FVOCI (excluding variable income securities)	705	116	0	31	0	852
Financial investments at amortised cost	4,620	2,288	15	192	0	7,115
Loans and advances at amortised cost	6,293	7,526	4,971	973	0	19,763
Other financial instruments at amortised cost	288	55	24	0	0	367
TOTAL STAGE 1 EXPOSURES	**12,276**	**11,916**	**6,465**	**1,991**	**0**	**32,648**

Stage 2 Credit Risk Exposure *(in EUR million)*	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Commitments in respect of guarantees given	0	6	119	0	0	125
Commitments in respect of loans granted	6	38	331	58	0	433
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0
Financial investments at amortised cost	108	67	20	0	0	195
Loans and advances at amortised cost	17	442	1,901	91	0	2,451
Other financial instruments at amortised cost	0	0	0	0	0	0
TOTAL STAGE 2 EXPOSURES	**131**	**553**	**2,371**	**149**	**0**	**3,204**

Stage 3 Credit Risk Exposure *(in EUR million)*	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Commitments in respect of guarantees given	3	0	0	0	6	9
Commitments in respect of loans granted	0	0	0	0	26	26
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	4	4
Loans and advances at amortised cost	21	0	3	0	350	374
Other financial instruments at amortised cost	0	0	0	0	0	0
TOTAL STAGE 3 EXPOSURES	**24**	**0**	**3**	**0**	**386**	**413**

Credit Risk Exposure without staging *(in EUR million)*	31/12/21 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Derivatives	19	304	4	5	4	336
Financial assets held-for-trading	0	0	0	0	0	0
TOTAL EXPOSURES WITHOUT STAGING	**19**	**304**	**4**	**5**	**4**	**336**

TOTAL ALL STAGES	**12,450**	**12,773**	**8,843**	**2,145**	**390**	**36,601**

"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.

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	149	361	673	426	0	1,609
	432	1,193	782	565	0	2,972
	301	269	0	50	0	620
	5,611	1,966	34	644	0	8,255
	4,636	7,299	5,013	1,185	0	18,133
	322	42	21	0	0	385
	11,451	**11,130**	**6,523**	**2,870**	**0**	**31,974**

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	1	21	81	26	0	129
	48	36	274	14	0	372
	0	0	0	0	0	0
	10	67	15	0	0	92
	174	333	1,914	76	0	2,497
	0	0	0	1	0	1
	233	**457**	**2,284**	**117**	**0**	**3,091**

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	6	0	4	0	21	31
	0	0	2	0	22	24
	0	0	0	0	0	0
	0	0	0	0	0	0
	24	0	0	0	330	354
	0	0	0	0	0	0
	30	**0**	**6**	**0**	**373**	**409**

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	18	1,233	5	10	0	1,266
	0	0	0	0	0	0
	18	**1,233**	**5**	**10**	**0**	**1,266**

	11,732	**12,820**	**8,818**	**2,997**	**373**	**36,740**

9.2.2.3 Collateral and other credit enhancements

31/12/21 (in EUR million)	Gross exposure	Credit Risk Mitigation (CRM)				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	852	0	0	0	0	0	852	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	23,758	243	319	1,699	7,995	10,256	13,502	290
Financial investments at amortised cost	7,333	1,042	0	0	0	1,042	6,291	20
Derivatives	336	0	0	0	0	0	336	0
Other financial instruments at amortised cost	1,352	0	885	101	0	986	366	0
Commitments in respect of guarantees given	1,922	10	0	92	17	119	1,803	4
Commitments in respect of loans granted	3,639	67	74	765	637	1,543	2,096	12
TOTAL	**39,192**	**1,362**	**1,278**	**2,657**	**8,649**	**13,946**	**25,246**	**326**

31/12/22 (in EUR million)	Gross exposure	Credit Risk Mitigation (CRM)				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements	Financial collateral	Physical collateral			
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**

"Gross exposure" is the 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

	31/12/21		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	51,163,658	47,208,461	8,057,861
TOTAL	**51,163,658**	**47,208,461**	**8,057,861**

	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**

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

	31/12/21			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(17,596,888)	4,388,409	4,388,409
Loans and advances measured at amortised cost	593,325,909	(222,509,158)	370,816,751	346,584,927
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**615,311,206**	**(240,106,046)**	**375,205,160**	**350,973,336**

	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**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/21	31/12/22
Cash	16,341,114	0
Equity instruments	0	368,392
Debt instruments	339,199	0
Other assets	4,855,850	2,712,181
TOTAL	**21,536,163**	**3,080,573**

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)

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 1 JANUARY	**4,245,324,853**	**0**	**0**	**4,245,324,853**
From Stage 1 to Stage 2	(10,115,357)	10,115,357		0
From Stage 2 to Stage 1	0	0		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	1,890,323,677	31,181,975	0	1,921,505,652
Derecognition during the period other than write-offs	(187,543,020)	(5,182,119)	0	(192,725,139)
Changes in interest accrual	(1,242,309)	0	0	(1,242,309)
Conversion difference (FX change)	16,979,292	137,262	0	17,116,554
Other movements	(853,262)	0	0	(853,262)
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 31 DECEMBER	**5,952,873,874**	**36,252,475**	**0**	**5,989,126,349**

	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	0
From Stage 3 to Stage 1	0		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**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT 1 JANUARY	**13,292,644,685**	**2,781,592,526**	**735,931,551**	**16,810,168,762**
From Stage 1 to Stage 2	(590,424,978)	590,424,978		0
From Stage 2 to Stage 1	612,662,821	(612,662,821)		0
From Stage 2 to Stage 3		(61,697,639)	61,697,639	0
From Stage 3 to Stage 2		37,906,926	(37,906,926)	0
From Stage 1 to Stage 3	(20,857,084)		20,857,084	0
From Stage 3 to Stage 1	9,537,482		(9,537,482)	0
Origination	4,538,134,303	478,490,992	72,912,353	5,089,537,648
Derecognition during the period other than write-offs	(3,632,945,169)	(655,303,254)	(221,177,623)	(4,509,426,046)
Changes in interest accrual	2,460,491	16,857	0	2,477,348
Changes in fair value (fair value hedge and FVOCI)	(448,743)	(5,559,161)	0	(6,007,904)
Write-offs	0	0	(29,287,326)	(29,287,326)
Conversion difference (FX change)	23,524,373	(182,942)	(163,361)	23,178,070
LOANS AND ADVANCES AS AT 31 DECEMBER	**14,234,288,181**	**2,553,026,462**	**593,325,909**	**17,380,640,552**

	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**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT 1 JANUARY	**8,302,367,503**	**411,902,573**	**21,985,297**	**8,736,255,373**
From Stage 1 to Stage 2	(98,502,167)	98,502,167		0
From Stage 2 to Stage 1	315,239,162	(315,239,162)		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	1,315,334,164	10,919,920	0	1,326,254,084
Derecognition during the period other than write-offs	(1,617,609,923)	(6,468,387)	0	(1,624,078,310)
Changes in interest accrual	(1,176,154)	(1,415,029)	0	(2,591,183)
Changes in premium / discount	(27,144,057)	5,076,126	0	(22,067,931)
Changes in fair value (fair value hedge)	(180,037,987)	(12,664,291)	0	(192,702,278)
Conversion difference (FX change)	32,223,511	3,591,417	0	35,814,928
DEBT SECURITIES AS AT 31 DECEMBER	**8,040,694,052**	**194,205,334**	**21,985,297**	**8,256,884,683**

	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**

As at 31 December 2022, the Group has implemented a management overlay "Origination Date" whose objective is to address a deficiency noted on the ECL model. Refer to the Note 9.2 Credit Risk, section ECL Management Overlays for the related details. This management overlay impacts the stock of ECL as at 31 December 2022 for a total amount of EUR 1.0 million. The impact as at 31 December 2021 is estimated to EUR +1.3 million on ECL stock and has not been corrected due to immateriality. The impact of the correction was fully recognised in the year 2022.

As at 31 December 2022, the impact on this management overlay on the staging of exposures is a transfer of EUR 832 million (EUR 816 million as at 31 December 2021) from Stage 1 to Stage 2 exposures and a transfer of EUR 187 million (EUR 200 million as at 31 December 2021) from Stage 2 to Stage 1 exposures with a net impact of EUR +645 million (EUR +616 million as at 31 December 2021) from Stage 1 to Stage 2. These movements from staging for the year 2022 in the above table relate to this correction and not to a significant increase in credit risk that occurred during the year 2022.

9.2.2.7 Movements in allowances for credit losses

	As at 01/01/21	Increases due to origination or acquisition
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(45,217,041)**	**(8,722,212)**
Cash, balances with central banks and demand deposits	0	0
Debt securities at amortised cost	(2,763,547)	(464,516)
Debt securities at fair value through other comprehensive income	(75,996)	(16,442)
Loans and advances at amortised cost	(42,377,498)	(8,241,254)
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(26,367,849)**	**0**
Cash, balances with central banks and demand deposits	0	0
Debt securities at amortised cost	(1,074,350)	0
Loans and advances at amortised cost	(25,293,499)	0
Allowances for credit-impaired debt instruments (Stage 3)	**(239,840,752)**	**(2,064,644)**
Debt securities at amortised cost	(15,350,335)	0
Loans and advances at amortised cost	(224,490,417)	(2,064,644)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(311,425,642)**	**(10,786,856)**
Commitments and financial guarantees given (Stage 1)	(5,028,130)	(6,203,925)
Commitments and financial guarantees given (Stage 2)	(2,602,237)	(267,509)
Commitments and financial guarantees given (Stage 3)	(1,904,521)	(396,883)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,534,888)**	**(6,868,317)**

	As at 01/01/22	Increases due to origination or acquisition
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(46,516,957)**	**(29,121,300)**
Cash, balances with central banks and demand deposits	(4,469)	0
Debt securities at amortised cost	(1,908,142)	(3,389,542)
Debt securities at fair value through other comprehensive income	(27,741)	(113,388)
Loans and advances at amortised cost	(44,576,605)	(25,618,370)
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(31,095,043)**	**0**
Cash, balances with central banks and demand deposits	(87,510)	0
Debt securities at amortised cost	(916,917)	0
Loans and advances at amortised cost	(30,090,616)	0
Allowances for credit-impaired debt instruments (Stage 3)	**(240,106,046)**	**(2,215,241)**
Debt securities at amortised cost	(17,596,888)	0
Loans and advances at amortised cost	(222,509,158)	(2,215,241)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(317,718,046)**	**(31,336,541)**
Commitments and financial guarantees given (Stage 1)	(7,378,176)	(6,778,240)
Commitments and financial guarantees given (Stage 2)	(3,559,788)	(435,054)
Commitments and financial guarantees given (Stage 3)	(2,024,237)	(357,591)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(12,962,201)**	**(7,570,885)**

Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/21	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
2,899,814	**4,033,876**	**0**	**0**	**488,606**	**(46,516,957)**	**n.a**	**n.a**
0	18,500	0	0	(22,969)	(4,469)	n.a	n.a
108,070	1,234,438	0	0	(22,587)	(1,908,142)	n.a	n.a
11,420	53,747	0	0	(470)	(27,741)	n.a	n.a
2,780,324	2,727,191	0	0	534,632	(44,576,605)	n.a	n.a
1,449,969	**(5,886,593)**	**0**	**0**	**(290,570)**	**(31,095,043)**	**n.a**	**n.a**
0	39,572	0	0	(127,082)	(87,510)	n.a	n.a
0	164,287	0	0	(6,854)	(916,917)	n.a	n.a
1,449,969	(6,090,452)	0	0	(156,634)	(30,090,616)	n.a	n.a
5,050,566	**(30,822,564)**	**0**	**30,844,011**	**(3,272,663)**	**(240,106,046)**	**317,878**	**(27,320,124)**
0	(2,246,553)	0	0	0	(17,596,888)	0	0
5,050,566	(28,576,011)	0	30,844,011	(3,272,663)	(222,509,158)	317,878	(27,320,124)
9,400,349	**(32,675,281)**	**0**	**30,844,011**	**(3,074,627)**	**(317,718,046)**	**317,878**	**(27,320,124)**
2,365,591	1,449,644	0	0	38,644	(7,378,176)	0	0
1,102,701	(1,772,023)	(11,931)	0	(8,790)	(3,559,789)	0	0
37,865	37,567	0	0	201,735	(2,024,237)	0	0
3,506,157	**(284,812)**	**(11,931)**	**0**	**231,589**	**(12,962,202)**	**0**	**0**

Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (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
15,342,814	**3,380,684**	**(261,841)**	**0**	**(127,287)**	**(57,303,887)**	**n.a**	**n.a**
0	(51,337)	0	0	0	(55,806)	n.a	n.a
688,302	(4,103,350)	0	0	1,976	(8,710,755)	n.a	n.a
132,915	(231,472)	0	0	86	(239,600)	n.a	n.a
14,521,597	7,766,843	(261,841)	0	(129,350)	(48,297,725)	n.a	n.a
3,995,828	**(6,232,616)**	**(155,211)**	**0**	**313,377**	**(33,173,665)**	**n.a**	**n.a**
0	48,129	0	0	(10,154)	(49,535)	n.a	n.a
1,003	430,841	0	0	21,669	(463,404)	n.a	n.a
3,994,825	(6,711,586)	(155,211)	0	301,862	(32,660,726)	n.a	n.a
2,546,528	**(3,770,135)**	**0**	**11,348,713**	**14,955,363**	**(217,240,818)**	**229,237**	**(11,097,781)**
0	(5,635)	0	0	17,602,523	0	0	0
2,546,528	(3,764,500)	0	11,348,713	(2,647,160)	(217,240,818)	229,237	(11,097,781)
21,885,170	**(6,622,067)**	**(417,052)**	**11,348,713**	**15,141,453**	**(307,718,370)**	**229,237**	**(11,097,781)**
2,054,617	4,059,905	0	0	46,754	(7,995,140)	0	0
822,999	952,928	0	0	(12,403)	(2,231,318)	0	0
226,093	(825,798)	0	0	(35,954)	(3,017,487)	0	0
3,103,709	**4,187,035**	**0**	**0**	**(1,603)**	**(13,243,945)**	**0**	**0**

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

31/12/21				
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,467,315,688	236,659	(5,133)	(31,190,506)

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)

In 2021 and in 2022, 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.

As at 31 December 2022, BIL Group's forborne exposures amounted to EUR 563 million (EUR 934 million in 2021) including EUR 18 million (EUR 48 million in 2021) as given guarantees.

9.3 Encumbered assets

9.3.1 Collateral received by the reporting institution

	31/12/21			
	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	25,832,762	*25,832,762*	0	*0*
Debt securities	247,258,681	*247,258,681*	191,637,733	*191,637,733*
TOTAL	**273,091,443**	***273,091,443***	**191,637,733**	***191,637,733***

	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***

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

9.3.2 Encumbered assets

	31/12/21			
	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	2,657,455,729	*2,295,199,115*	2,693,099,331	*2,330,442,202*
of which: issued by general governments	*1,381,725,064*	*1,152,613,415*	*1,409,665,096*	*1,179,853,692*
of which: issued by other financial corporations	*994,819,316*	*874,097,537*	*999,144,798*	*878,762,455*
of which: issued by non-financial corporations	*280,911,349*	*268,488,163*	*284,289,437*	*271,826,055*
Debt securities at fair value through other comprehensive income	392,152,543	*392,152,543*	392,152,543	*392,152,543*
of which: issued by general governments	*278,241,020*	*278,241,020*	*278,241,020*	*278,241,020*
of which: issued by other financial corporations	*103,575,063*	*103,575,063*	*103,575,063*	*103,575,063*
of which: issued by non-financial corporations	*10,336,460*	*10,336,460*	*10,336,460*	*10,336,460*
Loans and advances other than loans on demand	370,316,832	*366,232,039*	370,316,832	*366,232,039*
TOTAL	**3,419,925,104**	***3,053,583,697***	**3,455,568,706**	***3,088,826,784***

	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*
Other assets	0	*0*	0	*0*
TOTAL	**1,357,162,099**	***1,129,777,231***	**1,345,772,369**	***1,131,158,255***

9.3.3 Sources of encumbrance

	31/12/21		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	350,859,788	370,316,832	*0*
Repurchase agreements	598,005,890	589,537,584	*0*
Collateralised deposits other than repurchase agreements	2,201,437,577	2,201,437,577	*191,637,733*
of which: central banks	*2,201,437,577*	*2,201,437,577*	*191,637,733*
Fair value of securities borrowed with non cash collateral	438,896,414	450,566,769	*0*
TOTAL	**3,589,199,669**	**3,611,858,762**	***191,637,733***

	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***

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	31/12/21				
	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 exposure
Derivatives	131,527,726	0	131,527,726	25,832,762	105,694,964
Reverse repurchase agreements	0	0	0	0	0
TOTAL	**131,527,726**	**0**	**131,527,726**	**25,832,762**	**105,694,964**

Financial liabilities recognised at end of reporting period	31/12/21				
	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 exposure
Derivatives	350,859,788	0	350,859,788	350,859,788	0
Repurchase agreements	598,005,890	0	598,005,890	589,537,584	8,468,306
Collateralised deposits other than repurchase agreements	2,201,437,577	0	2,201,437,577	2,201,437,577	0
TOTAL	**3,150,303,255**	**0**	**3,150,303,255**	**3,141,834,949**	**8,468,306**

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 exposure
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 exposure
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**

9.4 Interest rate risk

Assets	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	5,989,034,370	0
Financial assets held for trading	18,740,214	344,856
Financial investments measured at fair value	13,996,067	10,636,762
Financial investments measured at fair value through other comprehensive income	*13,996,067*	*10,636,762*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	687,756,253	49,475,176
Loans and advances to customers	4,782,096,083	479,971,614
Financial investments measured at amortised cost	419,433,686	170,106,417
Derivatives	5,777	1,381,495
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**11,911,062,450**	**711,916,320**

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**

Derivatives are used to hedge the balance sheet sensitivity gap.

31/12/21				
Between 3 months and 1 year	**Between 1 year and 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
0	0	0	0	5,989,034,370
2,140,023	3,244,126	0	0	24,469,219
259,224,860	280,579,344	288,837,281	284,729,568	1,138,003,882
259,224,860	*280,579,344*	*288,837,281*	*240,168,806*	*1,093,443,120*
0	*0*	*0*	*44,560,762*	*44,560,762*
0	0	0	0	737,231,429
460,262,678	1,820,551,925	8,803,350,444	0	16,346,232,744
408,937,085	3,006,509,190	3,378,344,219	0	7,383,330,597
64,930	12,500	0	130,063,024	131,527,726
0	0	0	93,194	93,194
1,130,629,576	**5,110,897,085**	**12,470,531,944**	**414,885,786**	**31,749,923,161**

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**

Liabilities	At sight or on demand	Less than 3 months
Amounts due to credit institutions	951,729,915	573,476,913
Amounts due to customers	18,382,194,152	1,431,925,510
Other financial liabilities	7,289,259	1,014,244
Financial liabilities measured at fair value through profit or loss	195,873,047	17,931,974
Liabilities designated at fair value	*195,873,047*	*17,931,974*
Derivatives	0	878,066
Fair value revaluation of portfolios hedged against interest rate risk	0	0
Debt securities	1,095,578,942	83,547,460
Subordinated debts	48,676,438	0
TOTAL	**20,681,341,753**	**2,108,774,167**

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
Debt securities	736,983,320	20,548,546
Subordinated debts	49,110,443	0
TOTAL	**18,899,420,123**	**3,823,254,077**

Net position	At sight or on demand	Less than 3 months
Balance sheet sensitivity gap	(8,770,279,303)	(1,396,857,847)

Net position	At sight or on demand	Less than 3 months
Balance sheet sensitivity gap	(8,061,185,522)	(2,579,279,626)

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 9.5).

31/12/21				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
339,606,312	2,192,708,567	46,349,514	0	4,103,871,221
501,394,645	363,041,693	9,594,882	0	20,688,150,882
2,917,926	8,848,883	2,687,656	0	22,757,968
134,511,145	601,201,535	517,797,987	0	1,467,315,688
134,511,145	*601,201,535*	*517,797,987*	*0*	*1,467,315,688*
203,336	8,612	0	349,769,774	350,859,788
0	0	0	70,504	70,504
276,238,612	1,504,221,258	240,831,523	0	3,200,417,795
0	0	188,450,749	0	237,127,187
1,254,871,976	**4,670,030,548**	**1,005,712,311**	**349,840,278**	**30,070,571,033**

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
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**

31/12/21			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(124,242,400)	440,866,537	11,464,819,633	65,045,508

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

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 2022, 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 0.09 million in 2022, compared with EUR 0.17 million in 2021. This decrease is mainly explained by the stoppage of the Fixed Income activity and the decrease of the FX options activity.

VaR (10 days, 99%)		**31/12/21**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Global Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	2.00							

VaR (10 days, 99%)		**31/12/22**							
(in EUR million)		**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			

Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)		31/12/21				31/12/22			
		+100bp interest rate sensitivity				+100bp interest rate sensitivity			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Treasury	Sensitivity	5.96	3.11	3.71	4.40	6.18	3.62	7.03	4.06
	Limit	-9.00				-9.00			

Treasury Investment Portfolio

Exposures include swapped and non-swapped positions. The portfolio's interest rate is managed by Treasury.

(in EUR million)	**31/12/21**	**31/12/22**
Exposure (notional amount)	152	307
Interest-rate sensitivity (+1 bp)	(0.00)	(0.01)
Credit spread sensitivity (+1 bp)	(0.08)	(0.13)

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)		2021							
		+100bp Interest rate sensitivity				+1bp credit spread sensitivity			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
ALM	Sensitivity	-14	-12	-31	10	-3	-2	-2	-2
	Limit	-90							

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							

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).

ALM Investment Portfolio HTC&S

(in EUR million)	**31/12/21**	**31/12/22**
Exposures (notional amount)	650	95
Interest rate sensitivity (+1 bp)	(0.01)	(0.00)
Credit spread sensitivity (+1 bp)	(0.17)	(0.03)

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9.6 Liquidity risk: breakdown by residual maturity

BIL approach to liquidity risk management is described under point 4 of the note "Market risk, 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	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	5,989,034,370	0
Financial assets held for trading	4,226,065	2,145,568
Financial investments measured at fair value	169,916	10,636,991
Financial investments measured at fair value through other comprehensive income	*169,916*	*10,636,991*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	392,913,545	161,458,002
Loans and advances to customers	2,833,056,171	2,442,364,970
Financial investments measured at amortised cost	0	180,106,158
Derivatives	3,172,671	58,603,418
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**9,222,572,738**	**2,855,315,107**

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	15,786,368	0
Financial investments measured at fair value	0	249,386,632
Financial investments measured at fair value through other comprehensive income	*0*	*249,386,632*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	472,283,809	433,840,116
Loans and advances to customers	2,164,655,094	2,594,650,212
Financial investments measured at amortised cost	46,880,605	493,146,140
Derivatives	1,360,779	43,880,390
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**7,074,237,392**	**3,814,903,490**

31/12/21				
Between 3 months and 1 year	**Between 1 year and 5 years**	**More than 5 years**	**Undetermined maturity**	**Total**
0	0	0	0	5,989,034,370
4,025,883	10,289,828	3,781,875	0	24,469,219
259,224,860	280,579,344	302,663,202	284,729,569	1,138,003,882
259,224,860	*280,579,344*	*302,663,202*	*240,168,807*	*1,093,443,120*
0	*0*	*0*	*44,560,762*	*44,560,762*
0	182,859,882	0	0	737,231,429
416,441,331	1,792,501,843	8,861,868,429	0	16,346,232,744
552,802,546	3,187,413,757	3,463,008,136	0	7,383,330,597
7,124,684	13,524,802	49,102,151	0	131,527,726
93,194	0	0	0	93,194
1,239,712,498	**5,467,169,456**	**12,680,423,793**	**284,729,569**	**31,749,923,161**

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
0	0	0	0	15,786,368
127,489	215,036,364	163,729,527	324,392,591	952,672,603
127,489	*215,036,364*	*163,729,527*	*296,653,005*	*924,933,017*
0	*0*	*0*	*27,739,586*	*27,739,586*
192,628,074	0	0	0	1,098,751,999
872,861,945	1,891,456,731	8,959,314,340	0	16,482,938,322
481,613,107	3,356,260,047	3,505,272,335	0	7,883,172,234
31,213,099	213,666,692	550,110,652	0	840,231,612
11,872	0	0	0	11,872
1,578,455,586	**5,676,419,834**	**13,178,426,854**	**324,392,591**	**31,646,835,747**

Liabilities	At sight or on demand	Less than 3 months
Amounts due to credit institutions	431,901,866	988,917,763
Amounts due to customers	18,298,884,015	1,513,135,151
Other financial liabilities	2,460,694	1,014,244
Financial liabilities measured at fair value through profit or loss	0	22,673,384
Liabilities designated at fair value	*0*	*22,673,384*
Derivatives	3,715,803	66,755,274
Fair value revaluation of portfolios hedged against interest rate risk	0	0
Debt securities	11,821,562	468,890,338
Subordinated debts	0	0
TOTAL	**18,748,783,940**	**3,061,386,154**

Liabilities	At sight or on demand	Less than 3 months
Amounts due to credit institutions	900,102,195	1,612,941,849
Amounts due to customers	16,283,284,917	2,592,423,398
Other financial liabilities	63,029	841,361
Financial liabilities measured at fair value through profit or loss	0	95,921,046
Liabilities designated at fair value	*0*	*95,921,046*
Derivatives	0	94,678,443
Debt securities	0	382,981,780
Subordinated debts	0	0
TOTAL	**17,183,450,141**	**4,779,787,877**

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	At sight or on demand	Less than 3 months
Net liquidity gap	(9,526,211,202)	(206,071,047)

Net position	At sight or on demand	Less than 3 months
Net liquidity gap	(10,109,212,749)	(964,884,387)

31/12/21				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
444,095,764	2,192,606,314	46,349,514	0	4,103,871,221
503,495,141	363,041,693	9,594,882	0	20,688,150,882
2,917,926	13,677,448	2,687,656	0	22,757,968
161,877,546	760,963,144	521,801,614	0	1,467,315,688
161,877,546	*760,963,144*	*521,801,614*	*0*	*1,467,315,688*
17,421,884	89,391,177	173,575,650	0	350,859,788
70,504	0	0	0	70,504
306,246,621	2,172,627,751	240,831,523	0	3,200,417,795
0	0	237,127,187	0	237,127,187
1,436,125,386	**5,592,307,527**	**1,231,968,026**	**0**	**30,070,571,033**

31/12/22				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
571,756,500	250,131,667	63,029,571	0	3,397,961,782
1,757,888,068	403,670,546	3,685,387	0	21,040,952,316
5,700,436	15,402,788	8,989,891	0	30,997,505
429,623,460	1,192,008,437	297,112,398	0	2,014,665,341
429,623,460	*1,192,008,437*	*297,112,398*	*0*	*2,014,665,341*
75,678,069	120,986,636	127,344,458	0	418,687,606
491,775,238	1,544,841,111	234,450,391	0	2,654,048,520
0	0	243,236,959	0	243,236,959
3,332,421,771	**3,527,041,185**	**977,849,055**	**0**	**29,800,550,029**

31/12/21			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(196,412,888)	(125,138,071)	11,448,455,767	284,729,569

31/12/22			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(1,753,966,185)	2,149,378,649	12,200,577,799	324,392,591

Contingent liabilities and commitments	31/12/21			
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Regular way trade	433	477,276,932	0	0
Guarantees	67,047,693	175,277,621	197,287,909	715,903,435
Loan commitments	281,606,837	49,423,439	353,045,014	503,620,976
Other commitments	3,001,617,324	218,155,972	498,541,188	1,786,400,393
TOTAL	**3,350,272,287**	**920,133,964**	**1,048,874,111**	**3,005,924,804**

Contingent liabilities and commitments	31/12/21		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	477,277,365
Guarantees	430,329,991	1,027,740,014	2,613,586,663
Loan commitments	900,680,105	1,244,522,339	3,332,898,710
Other commitments	8,775,506,782	272,664,723,509	286,944,945,168
TOTAL	**10,106,516,878**	**274,936,985,862**	**293,368,707,906**

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
Regular way trade	0	313,023,501	2,093,523	0
Guarantees	86,795,231	139,019,996	369,385,159	671,230,086
Loan commitments	588,232,699	50,031,758	321,402,776	612,858,812
Other commitments	2,498,154,537	1,151,698,834	534,103,762	2,234,072,650
TOTAL	**3,173,182,467**	**1,653,774,089**	**1,226,985,220**	**3,518,161,548**

Contingent liabilities and commitments	31/12/22		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	14,641,853	329,758,877
Guarantees	413,486,009	888,887,938	2,568,804,419
Loan commitments	852,154,516	1,156,149,197	3,580,829,758
Other commitments	8,886,287,732	238,747,311,863	254,051,629,378
TOTAL	**10,151,928,257**	**240,806,990,851**	**260,531,022,432**

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

	31/12/21				
	EUR	Other EU currencies	USD	Other	Total
Assets	27,187,566,878	399,232,268	2,057,388,278	2,801,528,216	32,445,715,640
Liabilities	26,631,931,664	700,082,761	4,000,414,270	1,113,286,945	32,445,715,640
NET ON-BALANCE SHEET POSITION	**555,635,214**	**(300,850,493)**	**(1,943,025,992)**	**1,688,241,271**	**0**
Off-balance sheet – receivable	2,182,560,294	992,818,340	3,219,205,701	1,783,085,923	8,177,670,258
Off-balance sheet – payable	2,653,524,515	713,453,104	1,380,868,932	3,435,648,987	8,183,495,538
NET OFF-BALANCE SHEET POSITION	**(470,964,221)**	**279,365,236**	**1,838,336,769**	**(1,652,563,064)**	**(5,825,280)**

	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)**

9.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/21	31/12/22
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,859,241,754**	**1,810,027,128**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,447,114,568**	**1,391,790,169**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	999,281,956	1,043,979,161
Regulatory and transitional adjustments	(458,803,619)	(558,825,223)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**237,127,186**	**243,236,959**
Subordinated liabilities	237,127,186	243,236,959
RISK WEIGHTED ASSETS	**10,164,619,586**	**10,425,514,075**
Credit Risk	9,169,350,849	9,402,677,230
Market Risk	22,999,585	17,260,030
Operational Risk	954,428,257	1,000,537,499
Credit Value Adjustments	17,840,895	5,039,316
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	14.24%	13.35%
Tier 1 ratio	15.96%	15.03%
Capital Adequacy ratio	18.29%	17.36%

REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**31/12/21**	**31/12/22**
Goodwill and intangible assets	(253,452,221)	(308,764,699)
Deferred tax assets that rely on future probability	(132,899,628)	(122,639,638)
Fair value reserves related to gains or losses cash flow hedges	(1,032,736)	(3,769,310)
Gains or losses on liabilities at fair value resulting from own credit risk	(3,853)	(1,160,554)
Other regulatory adjustments	(20,572,752)	(30,885,678)
Additional Value Adjustment	(56,440,503)	(90,827,753)
Transitional provisions related to introduction of IFRS9	24,235,357	18,627,334
IRB shortfall	(1,751,282)	(1,910,925)
Defined benefit pension fund assets	(16,886,000)	(17,494,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**(458,803,619)**	**(558,825,223)**

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 as at 31 December 2021 and published in the Consolidated Financial Statements as at 31 December 2021 were amended following a reduction in Risk Weighted Assets, due to inclusion of life insurance contracts as collateral in Lombard loan activities.

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.

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 the Common Law Claims and the Contract Claims but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The Bankruptcy Court also declined to dismiss claims for constructive trust against so-called Knowledge Defendants, i.e., specific defendants alleged to have had knowledge of the Madoff fraud. BIL is alleged to be Knowledge Defendant in two cases because, it is alleged, the knowledge of a specific intermediary should be attributed to BIL (among many other defendants). The decision to dismiss the Common Law Claims and the Contract Claims is on appeal to the District Court (Judge Broderick). Briefing on this appeal was completed in April 2020, but no decision has been issued yet. In the meantime, the defendants filed a second motion to dismiss directed at the BVI Insolvency Claims and the Bankruptcy Court has decided to dismiss those claims as well. This decision now has also been appealed to the District Court and has been consolidated with the earlier appeals. Briefing on this second appeal was completed in December 2021, and both appeals remain pending before the District Court. The only claim remaining against BIL is a claim for constructive trust (based on the allegation that BIL is a Knowledge Defendant). The Knowledge Defendants as a group are seeking interlocutory appeal of the decision declining to dismiss this claim, which is pending before the District Court. In addition, in November 2021, BIL filed a motion in the Bankruptcy Court to dismiss the constructive trust claim for lack of personal jurisdiction, and that motion is pending before the Bankruptcy Court. 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 amongst other banks including BIL 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 preservations 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 took place on the 14 December 2022 and will be discussed in the next status conference with the Court. A deposition of this type is not unusual in US litigation.

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 the 2 September 2022.

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 2022, no material provision for clawback actions has been made.

10.2. Post-balance sheet events

Since the closure of the financial year, no event that might affect the financial or commercial situation of the Group has occurred.

Financial statements of the parent company

Audit report

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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 2022;
- 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, which include a summary of significant Accounting policies.

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 8.10. 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: Impairment of loans and advances to customers

At 31 December 2022, the gross loans and advances to customers of the Bank amount to EUR 16,227.3 million against which an impairment of EUR 291.5 million is recorded (see Note 4.4. to the financial statements).

Moreover, the Covid-19 crisis Management overlay was reversed for EUR 8.4 million during the year 2022 as the loans concerned by this ECL Management overlay no more represented an increased credit risk. A post-model adjustment for EUR 5.3 million was introduced in 2022 to consider the uncertainties linked to the actual economic environment by increasing the weight of the downside ECL scenario (see Note 9.2.1.3. to the financial statements).

In 2022, the Bank has also accounted two new Management Overlays:

- A first one, named "Outreach Program overlay", for EUR 1.8 million aimed at anticipating the risks of default on retail mortgage loans exposed to variable interest rates following the successive increases in the key rates in 2022 (see Note 9.2.1.3. to the financial statements);
- A second one, named "Origination Date overlay", EUR 1.0 million was implemented to address a specific deficiency of the Bank's ECL model whereby the staging of the drawn and undrawn portions of a financial instrument were not aligned (see Note 9.2.1.3. to the financial statements).

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 expected credit loss (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 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

We tested 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 backtesting 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;
- 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.

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; and
- We verified 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) to:

- 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.

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 "Outreach Program overlay" to verify the accuracy and completeness of the underlying population;

- Evaluation of the adequacy of the "Origination Date overlay" to address the deficiency linked to the misalignment of stages between drawn and undrawn portion(s) of a financial instrument; and
- Assessment of the ECL Management overlays and post-model adjustment methodology (including the mathematical accuracy of the amounts).

Key audit matter: Deferred tax assets recognition and impairment

As at 31 December 2022, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 132.2 million, of which EUR 83.8 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 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 financial statements.

How our audit addressed the key audit matter

We performed the following procedures:

- We obtained the Bank's budget for the year 2023, approved by the Board of Directors, and the business plan prepared by the Bank for the period 2023-2026 as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan;
- We reviewed 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 reviewed the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward; and
- We verified 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 2022, the Bank holds investment in its Subsidiary Banque Internationale à Luxembourg (Suisse) SA for EUR 173.7 million which is impaired for an amount of EUR 112.1 million and thus presenting a carrying amount of EUR 61.6 million (EUR 133.1 million after considering the fair value hedge adjustment) (see Note 4.8.1. 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 five year period forecast with a terminal value on the net income after tax.

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 4.8.1. 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 verified 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 2022, the fair value of level 3 equity investments measured at fair value through other comprehensive income amount to EUR 296.6 million (recognised in "Financial investments measured at fair value") (see Notes 4.6.1. and 4.8.2. 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 Note 1.2. to the financial statements and to Notes 1.6.3.2. -1.6.3.3. to the consolidated financial statements and to Notes 4.6.1., 4.8.2. and 9.1.2. 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 a "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 verified 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 IFRSs 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 13 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Rima Adas Julie Batsch

Luxembourg, 29 March 2023

Balance sheet

ASSETS	Notes	31/12/21	31/12/22
Cash, balances with central banks and demand deposits	4.2	5,483,495,331	4,209,854,738
Financial assets held for trading	4.5	24,469,219	15,786,368
Financial investments measured at fair value	4.6	1,092,340,865	914,290,670
Financial assets at fair value through other comprehensive income	*4.6.1*	*1,089,121,624*	*910,797,223*
Non-trading financial assets mandatorily at fair value through profit or loss	*4.6.2*	*3,219,241*	*3,493,447*
Loans and advances to credit institutions	4.3	895,022,689	1,223,546,498
Loans and advances to customers	4.4	15,802,366,759	15,935,814,253
Financial investments measured at amortised cost	4.7	7,226,374,299	7,600,820,995
Derivatives	6.1	131,894,847	840,415,059
Fair value revaluation of portfolios hedged against interest rate risk		93,194	11,872
Investments in subsidiaries and associates	4.8	207,129,914	160,755,179
Investment property	4.10	23,525,736	52,448,312
Property, plant and equipment	4.9	103,046,291	98,672,666
Intangible fixed assets and goodwill	4.11	249,124,470	301,974,775
Current tax assets	4.12	2,006	2,006
Deferred tax assets	4.12/6.2	160,439,244	150,831,073
Other assets	4.13	72,822,645	71,205,690
TOTAL ASSETS		**31,472,147,509**	**31,576,430,154**

The notes are an integral part of these financial statements.

LIABILITIES	Notes	31/12/21	31/12/22
Amounts due to credit institutions	5.1	4,117,865,430	3,409,894,719
Amounts due to customers	5.2	19,798,025,536	20,353,697,491
Other financial liabilities	5.3	13,958,720	13,167,318
Financial liabilities measured at fair value through profit or loss	5.4	1,467,315,688	2,014,665,341
Liabilities designated at fair value		*1,467,315,688*	*2,014,665,341*
Derivatives	6.1	350,124,740	416,425,803
Fair value revaluation of portfolios hedged against interest rate risk		70,504	0
Debt securities	5.5	3,200,417,795	2,654,048,520
Subordinated debts	5.6	237,127,187	243,236,959
Provisions and other obligations	5.7	40,349,403	43,403,934
Other liabilities	5.9	176,662,221	239,400,594
TOTAL LIABILITIES		**29,401,917,224**	**29,387,940,679**

SHAREHOLDERS' EQUITY	Notes	31/12/21	31/12/22
Subscribed capital	6.4	146,108,270	146,108,270
Share premium		760,527,961	760,527,961
Other equity instruments		174,081,292	174,315,856
Reserves and retained earnings		657,129,815	731,138,277
Net income		101,618,197	98,960,523
SHAREHOLDERS' EQUITY		**1,839,465,535**	**1,911,050,887**
Gains and losses not recognised in the statement of income		230,764,750	277,438,588
Financial instruments at fair value through other comprehensive income		*222,850,271*	*264,702,067*
Other reserves		*7,914,479*	*12,736,521*
EQUITY		**2,070,230,285**	**2,188,489,475**
TOTAL SHAREHOLDERS' EQUITY		**2,070,230,285**	**2,188,489,475**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**31,472,147,509**	**31,576,430,154**

The notes are an integral part of these financial statements.

Statement of income

	Notes	31/12/21	31/12/22
Interest and similar income	8.1	454,417,707	639,684,840
of which : Interest revenue calculated using the effective interest method		*358,283,024*	*473,724,018*
Interest and similar expenses	8.1	(176,806,477)	(298,588,943)
Dividend income	8.2	2,314,877	2,317,771
Net trading income	8.3	(21,152,792)	(146,275,432)
Net income on financial instruments measured at fair value and net result of hedge accounting	8.4	33,779,722	162,641,094
Net income on derecognition of financial instruments at amortised cost	8.5	59,680,984	29,180,240
Fee and commission income	8.6	221,195,089	221,747,903
Fee and commission expenses	8.6	(29,769,524)	(34,662,298)
Other net income	8.7	(3,187,716)	7,374,864
REVENUES		**540,471,870**	**583,420,039**
Staff expenses	8.8	(192,021,750)	(205,065,296)
General and administrative expenses	8.9	(140,009,224)	(146,491,017)
Amortisation of tangible, intangible and right-of-use assets	8.11	(51,949,488)	(51,505,696)
EXPENSES		**(383,980,462)**	**(403,062,009)**
GROSS OPERATING INCOME		**156,491,408**	**180,358,030**
Impairments	8.12	(39,197,860)	(69,191,218)
Net impairment on financial instruments and provisions for credit commitments	*8.12.1*	*(35,399,501)*	*(15,606,629)*
Net impairment on participations in consolidated companies	*8.12.2*	*(3,687,986)*	*(53,584,589)*
Net impairment of tangible, intangible and right-of-use assets		*(110,373)*	*0*
Provisions for legal litigations	8.13	(542,508)	(774,014)
OPERATING INCOME		**116,751,040**	**110,392,798**
NET INCOME BEFORE TAX		**116,751,040**	**110,392,798**
Tax expenses	8.14	(20,560,012)	(11,432,275)
NET INCOME OF CONTINUING OPERATIONS		**96,191,028**	**98,960,523**
Discontinued operations, net of tax	8.15	5,427,169	0
NET INCOME		**101,618,197**	**98,960,523**
RETURN ON ASSETS		**0.32%**	**0.31%**

The notes are an integral part of these financial statements.

Statement of comprehensive income

	31/12/21	31/12/22
NET INCOME RECOGNISED IN THE STATEMENT OF INCOME	**101,618,197**	**98,960,523**
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	**113,950,687**	**46,673,838**
Items that will not be reclassified to profit or loss	**115,730,418**	**53,669,013**
Actuarial gains (losses) on defined benefit pension plans	8,655,601	829,111
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in own credit risk	(236,659)	1,541,036
Fair value changes of equity instruments measured at fair value through other comprehensive income	108,942,797	51,764,841
Fair value changes of land and buildings - transfer to investment property	0	111,685
Tax on items that will not be reclassified to profit or loss	(1,631,321)	(577,660)
Items that may be reclassified to profit or loss	**(1,779,731)**	**(6,995,175)**
Gains (losses) on net investment hedge	1,447,692	0
Translation adjustments	(193,044)	222,605
Gains (losses) on cash flow hedge	1,212,455	3,645,848
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(4,774,039)	(13,261,862)
Tax on items that may be reclassified to profit or loss	527,205	2,398,234
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**215,568,884**	**145,634,361**

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 01/01/21	**146,108,270**	**760,527,961**	**173,592,617**	**579,065,892**	**57,773,573**	**1,717,068,313**
Classification of income	0	0	0	57,773,573	(57,773,573)	0
Coupon on Additionnal Tier One Instrument	0	0	0	(9,187,500)	0	(9,187,500)
Other movements	0	0	488,675	(488,675)	0	0
Realised performance on equities at fair value through other comprehensive income	0	0	0	29,966,525	0	29,966,525
Net income	0	0	0	0	101,618,197	101,618,197
As at 31/12/21	**146,108,270**	**760,527,961**	**174,081,292**	**657,129,815**	**101,618,197**	**1,839,465,535**

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 01/01/21	**117,022,504**	**(963,970)**	**785,090**	**(29,561)**	**116,814,063**
Net change in fair value through equity - fair value through other comprehensive income	135,777,068	0	0	0	135,777,068
Net change in fair value through equity - cash flow hedges	0	1,996,706	0	0	1,996,706
Translation adjustments	0	0	0	(193,044)	(193,044)
Cancellation of fair value following fair value through other comprehensive income disposals	(29,949,301)	0	0	0	(29,949,301)
Net change in other reserves	0	0	6,319,258	0	6,319,258
As at 31/12/21	**222,850,271**	**1,032,736**	**7,104,348**	**(222,605)**	**230,764,750**

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 01/01/22	**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 Additionnal 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 notes are an integral part of these financial statements.

Cash flow statement

	Notes	31/12/21	31/12/22
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		101,618,197	98,960,523
Adjustment for :			
- Depreciation and amortisation	4.9/4.11/8.11	51,949,488	51,505,696
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		110,373	0
- Impairment on bonds and other assets	8.12	2,776,842	46,060,643
- Net gains / (losses) on investments	8.4/8.5	(1,393,231)	4,435,495
- Provisions (including ECL)	5.7/8.12	14,790,971	15,899,042
- Change in unrealised gains / (losses)	8.3	(5,157,377)	(23,505,093)
- Deferred taxes	8.14	20,560,012	11,432,486
- Changes in operating assets and liabilities		1,754,462,231	(1,138,106,043)
Transactions related to interbank and customers transactions		*448,754,345*	*(447,998,622)*
Transactions related to other financial assets and liabilities		*1,259,724,134*	*(729,102,709)*
Transactions related to other non-financial assets and liabilities		*45,983,752*	*38,995,288*
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,939,717,506**	**(933,317,251)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	4.9/4.11	(96,879,167)	(106,006,775)
Sale of fixed assets	4.9/4.11	2,527,307	457,631
Purchase of shares		(41,048)	(3,512,179)
Sale of shares		29,974,534	(15,000)
Capital increase on subsidiaries		(5,957,651)	(4,061,963)
Sale of subsidiaries		264,912	(4,112,192)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(70,111,113)**	**(117,250,478)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		100,000,000	0
Payments on lease liabilities		(5,894,880)	(792,577)
Dividend paid		0	(18,054,808)
NET CASH FLOW FROM FINANCING ACTIVITIES		**94,105,120**	**(18,847,385)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**1,963,711,513**	**(1,069,415,114)**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**3,864,450,142**	**5,828,163,794**
Net cash flow from operating activities		1,939,717,506	(933,317,251)
Net cash flow from investing activities		(70,111,113)	(117,250,478)
Net cash flow from financing activities		94,105,120	(18,847,385)
Effect of change in exchange rate on cash and cash equivalents		2,139	(259)
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**4.1**	**5,828,163,794**	**4,758,748,421**
ADDITIONAL INFORMATION			
Taxes paid	8.14	0	211
Dividends received	8.2	2,314,877	2,317,771
Interest received		456,582,532	610,899,950
Interest paid		(179,962,324)	(266,341,384)

The notes are an integral part of these financial statements.

Changes in liabilities arising from financing activities

	As at 01/01/21	Acquisition/ Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/21
Subordinated debts	**131,596,018**	100,000,000	0	6,696,407	0	**238,292,425**
Subscribed capital	**146,108,270**	0	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	0	**760,527,961**
Other equity instruments	**173,592,617**	0	0	0	488,675	**174,081,292**

	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**

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 9

Notes on risk exposures and other information on financial instruments

Note 10

Additional information

Note 1: Accounting principles and rules of the financial statements

The accounting principles and rules 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.

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 as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to 31 December 2022 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 branches, subsidiaries and associates

Name	Country	Activity	31/12/21 % of capital held	31/12/22 % of capital held	Ref
Head office and branches					
Banque Internationale à Luxembourg S.A.	Luxembourg	bank			
BIL Danmark, filial af Banque Internationale à Luxembourg S.A.	Denmark	bank			1
Subsidiaries					
Audit Trust S.à r.l.	Luxembourg	financial services	100		
Banque Internationale à Luxembourg (Suisse) S.A.	Switzerland	bank	100	100	
Belair House S.A.	Luxembourg	financial services	100	100	
BIL Fund & Corporate Services S.A.	Luxembourg	financial services	100		2
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	100	
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	52.20	46.67	3

(1) On 7 July 2022 BIL Danmark, filial af Banque Internationale à Luxembourg S.A. was closed.

(2) 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.

(3) 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%.

Note 3: Business reporting

3.1 Information by business segment

Please refer to Note 3 of the consolidated financial statements.

Income (in EUR thousands)	31/12/21				
	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	496,976	*286,327*	*196,409*	*14,240*	128,680
Financial Markets	64,392	*14,209*	*228*	*49,954*	44,251
Group Center	(20,896)	*(20,610)*	*(5,211)*	*4,926*	(56,180)
TOTAL	**540,472**	***279,926***	***191,426***	***69,120***	**116,751**
Net income before tax					116,751
Tax expenses					(20,560)
Discontinued operations (net of tax)					5,427
NET INCOME					**101,618**

Income (in EUR thousands)	31/12/22				
	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	527,696	*331,492*	*188,116*	*8,088*	164,362
Financial Markets	63,308	*21,020*	*589*	*41,698*	36,312
Group Center	(7,584)	*(9,098)*	*(1,619)*	*3,135*	(90,281)
TOTAL	**583,420**	***343,414***	***187,086***	***52,921***	**110,393**
Net income before tax					110,393
Tax expenses					(11,432)
Discontinued operations (net of tax)					0
NET INCOME					**98,961**

Assets and liabilities (in EUR thousands)	31/12/21		31/12/22	
	Assets	Liabilities	Assets	Liabilities
Luxembourg Market & CIB and Wealth Management	15,802,367	20,525,976	15,935,814	23,467,872
Financial Markets	14,610,325	6,488,231	14,504,775	4,831,773
Group Center	1,059,456	2,387,711	1,135,841	1,088,295
TOTAL	**31,472,148**	**29,401,918**	**31,576,430**	**29,387,940**

Other segment information (in EUR thousands)	31/12/21				
	Capital expenditures	Depreciation and amortisation	Impairments		Other non-cash expenses
			Allowances	Write-backs and recoveries	
Luxembourg Market & CIB and Wealth Management		(41,709)	(176,326)	136,876	0
Financial Markets	101,045	(1,735)	(22)	67	0
Group Center		(8,505)	(535)	742	(16,014)
TOTAL	**101,045**	**(51,949)**	**(176,883)**	**137,685**	**(16,014)**

Other segment information (in EUR thousands)	31/12/22				
	Capital expenditures	Depreciation and amortisation	Impairments		Other non-cash expenses
			Allowances	Write-backs and recoveries	
Luxembourg Market & CIB and Wealth Management		(36,192)	(247,676)	178,636	0
Financial Markets	100,935	(1,052)	(283)	132	0
Group Center		(14,262)	0	0	(13,203)
TOTAL	**100,935**	**(51,506)**	**(247,959)**	**178,768**	**(13,203)**

"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

Please refer to Note 3.2 of the Consolidated Financial Statements that includes information by geographic area after affecting BIL S.A.

Consolidated management report

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Financial statements of the parent company

Note 4: Notes on the assets of the 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	31/12/21	31/12/22
Cash and balances with central banks	5,366,427,708	4,058,403,853
Other demand deposits	118,401,910	151,316,728
Loans and advances to credit institutions	343,334,176	549,027,840
TOTAL	**5,828,163,794**	**4,758,748,421**

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 212,061,237 for the period from 22 December 2021 to 8 February 2022 and amounts to EUR 229,431,372 for the period from 21 December 2022 to 7 February 2023.

4.2 Cash and balances with central banks and demand deposits

Analysis by nature	31/12/21 Gross carrying amount	31/12/21 Accumulated impairment	31/12/21 Net carrying amount
Cash in hand	67,751,253	0	67,751,253
Balances with central banks other than mandatory reserve deposits	1,965,046,665	0	1,965,046,665
Mandatory reserve deposits	3,332,387,482	0	3,332,387,482
Other demand deposits	118,401,910	(91,979)	118,309,931
TOTAL	**5,483,587,310**	**(91,979)**	**5,483,495,331**
of which included in cash and cash equivalents	*5,484,829,618*	*0*	*5,484,829,618*

Analysis by nature	31/12/22 Gross carrying amount	31/12/22 Accumulated impairment	31/12/22 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*

Analysis by stage	31/12/21 Gross carrying amount	31/12/21 Accumulated impairment	31/12/21 Net carrying amount
Stage 1	5,447,334,835	(4,469)	5,447,330,366
Stage 2	36,252,475	(87,510)	36,164,965
Stage 3	0	0	0
TOTAL	**5,483,587,310**	**(91,979)**	**5,483,495,331**

Analysis by stage	31/12/22 Gross carrying amount	31/12/22 Accumulated impairment	31/12/22 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**

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	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Cash collateral	339,377,104	0	339,377,104
Loans and other advances	555,687,664	(42,079)	555,645,585
TOTAL	**895,064,768**	**(42,079)**	**895,022,689**
of which included in cash and cash equivalents	*343,334,176*	*0*	*343,334,176*

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 stage	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	888,001,206	(42,079)	887,959,127
Stage 2	7,063,562	0	7,063,562
Stage 3	0	0	0
TOTAL	**895,064,768**	**(42,079)**	**895,022,689**

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 of the fair value

see Note 9.1

Analysis by maturity and interest rate

see Notes 9.4, 9.5 and 9.6

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	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	24,794,739	(100)	24,794,639
Other	16,070,142,334	(292,570,214)	15,777,572,120
TOTAL	**16,094,937,073**	**(292,570,314)**	**15,802,366,759**

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 nature	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	146,993,230	(773,574)	146,219,656
Other term loans	15,947,943,843	(291,796,740)	15,656,147,103
of which: loans collateralised by immovable property	11,667,945,915	(142,006,700)	11,525,939,215
of which: consumer credits	240,249,929	(7,456,365)	232,793,564
TOTAL	**16,094,937,073**	**(292,570,314)**	**15,802,366,759**

Analysis by nature	31/12/22		
	Gross carrying amount	Accumulated impairment	Net carrying amount
On demand and short notice	225,657,480	(2,097,056)	223,560,424
Other term loans	16,001,691,078	(289,437,249)	15,712,253,829
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 stage	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	13,011,657,850	(43,679,077)	12,967,978,773
Stage 2	2,493,536,173	(29,964,938)	2,463,571,235
Stage 3	589,743,050	(218,926,299)	370,816,751
TOTAL	**16,094,937,073**	**(292,570,314)**	**15,802,366,759**

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 of the fair value

see Note 9.1

Analysis by maturity and interest rate

see Notes 9.4, 9.5 and 9.6

4.5 Financial assets held for trading

Analysis by counterpart	31/12/21	31/12/22
Public sector	0	0
Credit institutions	24,469,219	15,786,368
Other	0	0
TOTAL	**24,469,219**	**15,786,368**

Analysis by nature	31/12/21	31/12/22
Other bonds and fixed-income instruments	24,469,219	15,786,368
TOTAL	**24,469,219**	**15,786,368**

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

	31/12/21	31/12/22
Financial investments at fair value through other comprehensive income	1,089,121,624	910,797,223
Non-trading financial investments mandatorily at fair value through profit or loss	3,219,241	3,493,447
TOTAL	**1,092,340,865**	**914,290,670**

4.6.1 Financial investments at fair value through other comprehensive income

Analysis by counterpart	31/12/21		
	Gross carrying amount	**Accumulated impairment**	**Net carrying amount**
Public sector	663,189,956	(11,190)	663,178,766
Debt securities	*663,189,956*	*(11,190)*	*663,178,766*
Credit institutions	175,448,982	(11,390)	175,437,592
Debt securities	*175,448,982*	*(11,390)*	*175,437,592*
Other	250,505,557	(291)	250,505,266
Debt securities	*10,336,751*	*(291)*	*10,336,460*
Equity instruments	*240,168,806*		*240,168,806*
TOTAL	**1,089,144,495**	**(22,871)**	**1,089,121,624**

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 nature	31/12/21		
	Gross carrying amount	**Accumulated impairment**	**Net carrying amount**
Bonds issued by public bodies	663,189,956	(11,190)	663,178,766
Other bonds and fixed-income instruments	185,785,733	(11,681)	185,774,052
Equities and other variable income instruments	240,168,806		240,168,806
TOTAL	**1,089,144,495**	**(22,871)**	**1,089,121,624**

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
Equities and other variable income instruments	296,631,200		296,631,200
TOTAL	**910,970,712**	**(173,489)**	**910,797,223**

Analysis by stage (debt instruments)	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	848,975,689	(22,871)	848,952,818
Stage 2	0	0	0
Stage 3	0	0	0
TOTAL	**848,975,689**	**(22,871)**	**848,952,818**

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 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	31/12/21	31/12/22
Public sector	0	0
Credit institutions	0	0
Other	3,219,241	3,493,447
TOTAL	**3,219,241**	**3,493,447**

Analysis by nature	31/12/21	31/12/22
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equities and other variable income instruments	3,219,241	3,493,447
TOTAL	**3,219,241**	**3,493,447**

Qualitative analysis

see Note 9.1 and 9.2

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	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Public sector	4,670,492,539	(1,023,469)	4,669,469,070
Credit institutions	1,533,638,317	(196,261)	1,533,442,056
Other	1,042,355,120	(18,891,947)	1,023,463,173
TOTAL	**7,246,485,976**	**(20,111,677)**	**7,226,374,299**

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 nature	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Bonds issued by public bodies	4,670,492,540	(1,023,469)	4,669,469,071
Other bonds and fixed-income instruments	2,575,993,436	(19,088,208)	2,556,905,228
TOTAL	**7,246,485,976**	**(20,111,677)**	**7,226,374,299**

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 stage	31/12/21		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Stage 1	7,030,295,345	(1,597,872)	7,028,697,473
Stage 2	194,205,334	(916,917)	193,288,417
Stage 3	21,985,297	(17,596,888)	4,388,409
TOTAL	**7,246,485,976**	**(20,111,677)**	**7,226,374,299**

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 of the fair value

see Note 9.1

Analysis by maturity and interest rate

see Notes 9.4, 9.5 and 9.6

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4.8 Investments in subsidiaries and associates

	31/12/21	31/12/22
NET CARRYING VALUE	**207,129,914**	**160,755,179**

4.8.1 Investment in subsidiaries (measured at cost)

	31/12/21		
	Banks	**Other**	**Total**
Gross carrying amount	173,670,993	37,964,543	211,635,536
Fair value hedge adjustment	62,563,522	(70,887)	62,492,635
Impairment	(53,289,978)	(14,547,128)	(67,837,106)
NET CARRYING AMOUNT	**182,944,537**	**23,346,528**	**206,291,065**

	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**

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.

4.8.2 Investment in associates (measured at fair value through other comprehensive income)

Analysis by counterpart	31/12/21	31/12/22
Other	838,849	0
TOTAL	**838,849**	**0**

Analysis by nature	31/12/21	31/12/22
Unlisted equities and other variable income instruments	838,849	0
TOTAL	**838,849**	**0**

4.9 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 01/01/21	**317,363,846**	**25,442,661**	**128,559,762**	**471,366,269**
- Acquisitions	5,652,447	4,165,582	2,740,625	12,558,654
- Disposals	(4,453,425)	(477,051)	(87,690)	(5,018,166)
- Transfers and cancellations	(1,977,478)	(7,559,430)	(963,028)	(10,499,936)
- Translation adjustments	11,007	16,872	4,256	32,135
ACQUISITION COST AS AT 31/12/21 (A)	**316,596,397**	**21,588,634**	**130,253,925**	**468,438,956**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(237,412,819)**	**(10,811,883)**	**(116,135,079)**	**(364,359,781)**
- Booked	(6,926,255)	(3,387,000)	(3,086,370)	(13,399,625)
- Writen-off	3,312,538	4,317,204	0	7,629,742
- Transfers and cancellations	2,001,026	1,684,782	1,082,821	4,768,629
- Translation adjustments	(11,007)	(16,439)	(4,184)	(31,630)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(239,036,517)**	**(8,213,336)**	**(118,142,812)**	**(365,392,665)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**77,559,880**	**13,375,298**	**12,111,113**	**103,046,291**

	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**

4.10 Investment property

	2021	2022
ACQUISITION COST AS AT 1 JANUARY	**17,461,228**	**17,461,228**
- Acquisitions	0	5,072,180
- Disposals	0	(378,455)
ACQUISITION COST AS AT 31 DECEMBER (A)	**17,461,228**	**22,154,953**
FAIR VALUE ADJUSTMENTS AS AT 1 JANUARY	**711,172**	**6,064,508**
- Revaluation Investment Property	5,353,336	24,228,851
FAIR VALUE ADJUSTMENTS AS AT 31 DECEMBER (B)	**6,064,508**	**30,293,359**
NET CARRYING VALUE AS AT 31 DECEMBER (A) + (B)	**23,525,736**	**52,448,312**

As at 31 December 2022, investment properties are mostly composed of land plots for a total amount of EUR 56.7 million (EUR 29.4 million as at 31 December 2021) and are all classified as Level 3 under IFRS 13:

- The revaluation of investment property of EUR 5,353,336 occurred during the year ended 31 December 2021 is related to a firm purchase commitment received for some land plots. The sale of this land plots occurred on 18 January 2023 for a total amount of EUR 14 million in line with the fair valuation as at 31 December 2022.
- The revaluation of investment property of EUR 24,228,851 occurred during the year ended 31 December 2022 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 is related to an increase of the building potential of this investment property. Its fair value amounts to EUR 42.7 million as at 31 December 2022 (EUR 14.9 million as at 31 December 2021) including an acquisition cost of EUR 10.3 million (EUR 7.1 million as at 31 December 2021). 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

	Software / internally developped	Other intangible fixed assets	Total
ACQUISITION COST AS AT 01/01/21	**321,940,209**	**113,419,521**	**435,359,730**
Acquisitions	83,404,528	5,081,567	88,486,095
Translation adjustments	0	157	157
ACQUISITION COST AS AT 31/12/21 (A)	**405,344,737**	**118,501,245**	**523,845,982**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/21	**(180,034,795)**	**(54,917,699)**	**(234,952,494)**
Booked	(24,031,052)	(14,629,184)	(38,660,236)
Transfers and cancellations	0	(1,108,640)	(1,108,640)
Translation adjustments	0	(142)	(142)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/21 (B)	**(204,065,847)**	**(70,655,665)**	**(274,721,512)**
NET CARRYING VALUE AS AT 31/12/21 (A) + (B)	**201,278,890**	**47,845,580**	**249,124,470**

	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**

"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

	31/12/21	31/12/22
Current tax assets	2,006	2,006
Deferred tax assets (see Note 6.2)	160,439,244	150,831,073
TOTAL	**160,441,250**	**150,833,079**

4.13 Other assets

	31/12/21	31/12/22
Other assets *	72,822,645	71,205,690
TOTAL	**72,822,645**	**71,205,690**

*** Analysis by nature**	**31/12/21**	**31/12/22**
Prepaid fees	3,021,432	3,151,726
Other receivables	47,222,168	40,242,939
Pension plan assets	16,805,000	17,494,000
Precious metals	993	1,056
Operating taxes	4,023,398	3,815,418
Other assets	1,749,654	6,500,551
TOTAL	**72,822,645**	**71,205,690**

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

4.14 Leasing

4.14.1 BIL as lessor

The Bank did not act as a lessor for financial or operational leases as at 31 December 2021 and as at 31 December 2022.

4.14.2 BIL as lessee

Finance lease

The Bank did not act as a lessor for financial or operational leases as at 31 December 2021 and as at 31 December 2022.

Operating lease

Future net minimum lease payments under non-cancellable operating lease	31/12/21	31/12/22
Less than 1 year	208,276	257,933
Between 1 year to 2 years	154,512	143,288
Between 2 years to 3 years	142,805	101,909
Between 3 years to 4 years	101,425	79,817
Between 4 years to 5 years	79,333	53,526
More than 5 years	136,070	83,106
TOTAL	**822,421**	**719,579**

Lease and sublease payments recognised as an expense during the financial year:		
- lease payments	459,540	422,607
TOTAL	**459,540**	**422,607**

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Note 5: Notes on the liabilities of the balance sheet

5.1 Amounts due to credit institutions

Analysis by nature	31/12/21	31/12/22
On demand	254,709,644	211,909,722
Term	147,474,657	25,103,849
Cash collateral	24,624,804	674,149,364
Repurchase agreements	598,005,890	519,578,704
Central banks	2,201,437,577	251,020,469
Other borrowings	891,612,858	1,728,132,611
TOTAL	**4,117,865,430**	**3,409,894,719**

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 (EUR 2,200 million as at 31 December 2021) (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 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).

5.2 Amounts due to customers

Analysis by nature	31/12/21	31/12/22
Demand deposits	12,397,328,788	10,944,976,279
Saving deposits	3,275,373,051	3,152,306,582
Term deposits	4,124,115,739	6,254,766,252
Cash collateral	1,207,958	1,648,378
TOTAL	19,798,025,536	20,353,697,491

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	31/12/21	31/12/22
Other financial liabilities	13,958,720	13,167,318
of which lease liabilities	*13,958,720*	*13,167,318*
TOTAL	13,958,720	13,167,318

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	31/12/21	31/12/22
Non-subordinated liabilities	1,467,315,688	2,014,665,341
TOTAL	1,467,315,688	2,014,665,341

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 recognizing 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 2021 and 31 December 2022 is explained both by net new issuance of structured products and fair value changes.

5.5 Debt securities

Analysis by nature	31/12/21	31/12/22
Certificates of deposit	15,400,597	2,512,575
Non-convertible bonds	3,185,017,198	2,651,535,945
TOTAL	**3,200,417,795**	**2,654,048,520**

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	31/12/21	31/12/22
Non-convertible subordinated debts	237,127,187	243,236,959
TOTAL	**237,127,187**	**243,236,959**

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 debt" is available upon request.
On 6 May 2021, BIL issued a subordinated debt for a notional of EUR 100 million, eligible as Tier 2 capital since 3 December 2021.

5.7 Provisions and other obligations

5.7.1 Analysis by nature

	31/12/21	31/12/22
Litigation	2,074,159	9,021,612
Restructuring (including garden leave)	7,429,542	3,453,985
Other long-term employee benefits (including jubilee and time saving account)	16,145,109	16,377,002
Provision for off-balance sheet credit commitments	12,736,265	12,933,967
Onerous contracts	1,964,328	1,617,368
TOTAL	**40,349,403**	**43,403,934**

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 01/01/21	**1,804,352**	**4,787,642**	**16,025,368**	**9,375,579**	**89,756**
Exchange differences	140	530	0	18,067	3,379
Additional provisions	792,508	6,472,163	1,891,644	0	1,964,307
Changes due to change in credit risk	0	0	0	228,037	0
Changes due to modifications without derecognition	0	0	0	11,931	0
Increases due to origination or acquisition	0	0	0	6,868,317	0
Decreases due to derecognition	0	0	0	(3,506,157)	0
Unused amounts reversed	(863)	(313,058)	0	0	(93,114)
Used during the year	(521,978)	(3,517,735)	(1,771,903)	0	0
Transfers	0	0	0	(203,401)	0
Other movements	0	0	0	(56,108)	0
AS AT 31/12/21	**2,074,159**	**7,429,542**	**16,145,109**	**12,736,265**	**1,964,328**

	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 modifications without derecognition	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)
Other movements	0	0	0	0	0
AS AT 31/12/22	**9,021,612**	**3,453,985**	**16,377,002**	**12,933,967**	**1,617,368**

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5.7.3 Provision for pension

Reconciliation of benefit obligations	2021	2022
Defined benefit obligations at the beginning of the year	174,790,999	161,719,000
Current service cost	3,495,460	3,109,067
Interest cost	(56,774)	614,836
Past service cost and gains and losses arising from settlements	121,000	38,000
Actuarial gains / (losses)	(2,537,858)	(20,100,079)
Stemming from changes in demographic assumptions	*0*	*(44,000)*
Stemming from changes in financial assumptions	*(6,212,000)*	*(19,627,000)*
Stemming from experience adjustments	*3,674,142*	*(429,079)*
Benefits paid	(13,951,000)	(13,970,000)
Other	(142,827)	(270,824)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**161,719,000**	**131,140,000**

Reconciliation of fair value of pension plan assets	2021	2022
Fair value of pension plan assets at the beginning of the year	183,521,000	178,524,000
Actual return on pension plan assets	6,057,000	(18,581,000)
Expected return on pension plan assets	*(60,743)*	*689,969*
Actuarial gains / (losses)	*6,117,743*	*(19,270,969)*
Employer contributions	3,039,827	2,931,824
Benefits paid	(13,951,000)	(13,970,000)
Other	(142,827)	(270,824)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**178,524,000**	**148,634,000**

Reconciliation of the effect of the asset ceiling	2021	2022
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)	**16,805,000**	**17,494,000**

Funded status	31/12/21	31/12/22
Pension plan assets in excess of benefit obligation	(16,805,000)	(17,494,000)
Unrecognised assets	0	0

Movement in net defined benefit pension liability or asset	2021	2022
Net Asset / (Net liability) at the beginning of the year	8,730,001	16,805,000
Net periodic pension cost recognised in the income statement	(3,620,429)	(3,071,935)
Remeasurements recognised in OCI	8,655,601	829,111
Employer contributions	3,039,827	2,931,824
NET ASSET / (NET LIABILITY) AT THE END OF THE YEAR	**16,805,000**	**17,494,000**

Movement in the ias 19 remeasurement reserve in equity	2021	2022
Recognised reserve at the beginning of the year	(7,625,671)	1,029,930
Remeasurements recognised in OCI	8,655,601	829,111
RECOGNISED RESERVE AT THE END OF THE YEAR	**1,029,930**	**1,859,041**

Amounts recognised in the income statement	31/12/21	31/12/22
Current service cost	3,495,460	3,109,067
Net interest on the defined benefit liability/asset	3,969	(75,132)
Past service cost and gains and losses arising from settlements	121,000	38,000
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**3,620,429**	**3,071,935**

Amounts recognised in other comprehensive income	31/12/21	31/12/22
Actuarial gains/losses on the defined benefit obligation	(2,537,858)	(20,100,079)
Actual return on plan assets (excluding amounts included in interest income)	(6,117,743)	19,270,969
TOTAL OTHER COMPREHENSIVE INCOME	**(8,655,601)**	**(829,110)**

Actual return on pension plan assets (%)	31/12/21	31/12/22
	3.35%	-11.36%

Breakdown of pension plan assets	31/12/21	31/12/22
Fixed-income		
Quoted market price on an active market	78.72%	79.08%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	14.45%	10.88%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	4.93%	4.94%
Unquoted	0.00%	0.00%
Cash	1.90%	5.10%
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)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR - 0.5 %	2.64%
	Scenario DR + 0.5 %	-2.49%

Expected rate of salary increase

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR - 0.5 %	-1.38%
	Scenario SR + 0.5 %	1.62%

The Duration of the pension plans DBO as of 31 December 2022 is 5.75 (6.98 as at 31 December 2021).

Expected contributions for next year	2,931,824

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 benefits ("DB") pension plans under IAS19. For retirees, the pension plan is a DB plan. All these plans are closed and are funded through the institution for occupational retirement pension ("IORP") BIL Pension Fund. They are reported under the current note.

No specific event occurred in Luxembourg during the year 2022. For these closed plans, the risk exposure is actually an exposure to financial risk, and for part of these, to longevity and inflation risks.

Methods and assumptions used in preparing the sensitivity analysis

The principal assumptions used to assess the defined benefit obligation are follows:

	31/12/21	31/12/22
Discount rate	0.41%	3.60%
Salary increase	0.50% - 2.50%	0.75% - 2.50%
Inflation	1.50%	2.50%

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 liabilites 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 vehicule 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 1 November 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.

5.8 Tax liabilities

Due to tax losses carried forward consumption, no current tax liabilities have been recognized as at 31 December 2021 and 31 December 2022.

5.9 Other liabilities

	31/12/21	31/12/22
Other liabilities*	176,662,221	239,400,594
TOTAL	176,662,221	239,400,594

*Analysis by nature	31/12/21	31/12/22
Accrued costs	199,004	2,321,344
Deferred income	16,197,468	15,577,543
Other payables	92,076,337	86,711,270
Other granted amounts received	562,217	448,172
Salaries and social security costs (payable)	34,533,398	54,697,796
Other operating taxes	27,473,846	27,769,618
Other liabilities	5,619,951	51,874,851
TOTAL	176,662,221	239,400,594

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 6: Other notes on the 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. Refer to Note 6.1 of the consolidated financial statements for a description of hedging strategies.

6.1.1 Analysis by nature

	31/12/21		31/12/22	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	69,824,484	99,156,588	98,025,519	343,498,924
Derivatives designated as fair value hedge	59,726,255	248,211,795	732,071,120	72,282,217
Derivatives designated as cash flow hedge	2,344,108	1,878,163	10,317,881	632,790
Derivatives designated as portfolio hedge against interest rate	0	878,194	539	11,872
TOTAL	**131,894,847**	**350,124,740**	**840,415,059**	**416,425,803**

6.1.2 Detail of derivatives held for trading

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,961,261,709**	**7,962,963,161**	**52,959,774**	**57,210,969**
FX forward	7,731,830,852	7,735,349,299	49,286,499	53,807,189
Cross currency swap	207,572,197	206,471,411	3,588,339	3,399,728
FX options	21,858,660	21,142,451	84,936	4,052
Interest rate derivatives	**719,282,923**	**710,791,716**	**7,008,293**	**19,273,645**
Options-Caps-Floors-Collars-Swaptions	89,574,643	89,574,643	2,779,620	2,779,620
IRS	619,817,073	619,817,073	4,228,673	16,494,025
Interest futures	9,891,207	1,400,000	0	0
Equity derivatives	**870,495,176**	**869,065,260**	**9,856,417**	**22,671,974**
Equity futures	4,778,059	2,571,539	0	0
Equity options	16,382,550	0	1,119,716	213,500
Equity option (OM)	98,252,598	98,252,598	0	0
Other equity derivatives	751,081,969	768,241,123	8,736,701	22,458,474
TOTAL	**9,551,039,808**	**9,542,820,137**	**69,824,484**	**99,156,588**

	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**

6.1.3 Detail of derivatives designated as fair value hedge

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**3,834,944**	**3,856,537**	**7,159**	**82,680**
Cross currency swap	3,834,944	3,856,537	7,159	82,680
Interest rate derivatives	**6,706,518,858**	**6,706,518,858**	**59,719,096**	**248,129,115**
IRS	6,706,518,858	6,706,518,858	59,719,096	248,129,115
TOTAL	6,710,353,802	6,710,375,395	59,726,255	248,211,795

	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

6.1.4 Detail of derivatives designated as cash flow hedge

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**91,290,575**	**92,585,265**	**1,847,469**	**619,847**
Cross currency swap	91,290,575	92,585,265	1,847,469	619,847
Interest rate derivatives	**32,515,655**	**32,515,655**	**496,639**	**1,258,316**
IRS	32,515,655	32,515,655	496,639	1,258,316
TOTAL	123,806,230	125,100,920	2,344,108	1,878,163

	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

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.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 1.8 million in 2022 (EUR 1.1 million in 2021) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

6.1.5 Breakdown of derivatives designated as cash flow hedge by residual maturity

	31/12/21				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	11,210	496,639	1,836,259	0	**2,344,108**
Liabilities	127,879	1,214,593	535,691	0	**1,878,163**

	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**

6.1.6 Detail of derivatives designated as portfolio hedge against interest risk

	31/12/21			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,834,944	4,690,432	0	784,807
Interest rate derivatives	1,000,000	1,000,000	0	93,387
TOTAL	**4,834,944**	**5,690,432**	**0**	**878,194**

	31/12/22			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	500,000	500,000	539	11,872
TOTAL	**500,000**	**500,000**	**539**	**11,872**

6.1.7 Maturity profile of hedging instruments used in micro fair value hedge relationship

	31/12/21			
	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)	274,207,358	162,300,167	0	436,507,525
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	260,000,000	273,500,000	268,043,864	801,543,864
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	251,126,237	2,081,156,303	3,104,184,929	5,436,467,469
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	3,856,537	32,000,000	35,856,537
Non-derivatives instruments				
Deposits in CHF	0	0	182,944,536	182,944,536
Deposits in HKD	0	0	9,384,718	9,384,718
TOTAL	**785,333,595**	**2,520,813,007**	**3,596,558,047**	**6,902,704,649**

	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**

6.1.8 Maturity profile of hedging instruments used in micro cash flow hedge relationship

Derivatives instruments	31/12/21			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
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	3,003,611	0	0	3,003,611
TOTAL	**3,003,611**	**0**	**89,581,654**	**92,585,265**

Derivatives instruments	31/12/22			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
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**

6.1.9 Hedged items in a fair value hedge relationship

	31/12/21	
	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	161,528,520	1,248,184
Participations in consolidated companies	192,329,253	7,930,343
Debt securities measured at FVTOCI	848,952,588	9,761,693
Debt securities measured at amortised cost	5,579,743,874	(5,677,903)
TOTAL ASSETS	**6,782,554,235**	**13,262,317**
Debt instruments issued	34,907,045	(1,159,666)
TOTAL LIABILITIES	**34,907,045**	**(1,159,666)**

	31/12/22	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the 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)**

6.1.10 Hedge effectiveness for fair value hedge relationships

	31/12/21		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	(193,109,858)	192,925,212	(184,646)
Portfolio fair value hedge	2,262,149	(2,273,462)	(11,313)
TOTAL	**(190,847,709)**	**190,651,750**	**(195,959)**

	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)**

6.1.11 Hedge effectiveness for cash flow hedge relationships

	31/12/21					
	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	32,515,655	496,639	1,258,315	3,499,680	3,499,680	0
Micro cash flow hedge	92,585,265	1,847,469	619,848	(2,287,225)	(2,287,225)	0
Non-derivatives instruments						
Macro cash flow hedge	0	0	0	0	0	0
TOTAL	**125,100,920**	**2,344,108**	**1,878,163**	**1,212,455**	**1,212,455**	**0**

	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**

6.1.12 Detail of hedge of net investment in foreign operations against foreign exchange movements

Hedging instruments	31/12/21			
	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	1,447,696
Deposits in DKK	2,917,950	1,322	0	0
Deposits in USD	0	0	0	88,912
TOTAL MICRO NET INVESTMENT HEDGES	**2,917,950**	**1,322**	**0**	**1,536,608**

Hedge of net investment in foreign operations	31/12/21
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	(1,322)
TOTAL	**(1,322)**

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**

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6.1.13 Hedging activities impact on equity

Equity reconciliation	2021		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT 1 JANUARY	**122,668**	**(29,561)**	**(1,086,638)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	649,404		
Interest rate swaps	563,051		
Loans and deposits	0		
Net amount reclassified to profit or loss			
Following hedge discontinuation	0		
Following utilisation	0		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		1,322	0
Net amount reclassified to profit or loss			
Following hedge discontinuation		88,912	1,447,692
Foreign currency reevaluation on the unhedged net foreign operations		(283,277)	
Tax impact on the above	(302,387)		(361,054)
CLOSING BALANCE AS AT 31 DECEMBER	**1,032,736**	**(222,604)**	**0**

Equity reconciliation	2022		
	Cash flow hedging reserve	Translation reserve	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	0		
Net amount reclassified to profit or loss			
Following hedge discontinuation	0		
Others (including FX translation)	0		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		0	0
Net amount reclassified to profit or loss			
Following hedge discontinuation		9,448	0
Following utilisation		0	
Foreign currency reevaluation on the unhedged net foreign operations		213,156	
Tax impact on the above	(909,274)		0
CLOSING BALANCE AS AT 31 DECEMBER	**3,769,310**	**0**	**0**

6.2 Deferred tax

Analysis	31/12/21	31/12/22
Net deferred tax assets	160,439,244	150,831,073
DEFERRED TAX	**160,439,244**	**150,831,073**

Movements	2021	2022
AS AT 1 JANUARY	**182,108,679**	**160,439,244**
Movements during the financial year:		
- Amounts recognised in the statement of income	(20,560,012)	(11,432,486)
- Items directly computed by equity	(1,109,830)	1,820,574
- Exchange differences	407	0
- Other movements	0	3,741
AS AT 31 DECEMBER	**160,439,244**	**150,831,073**

Deferred tax coming from assets	31/12/21		31/12/22	
	Balance sheet	**P&L**	**Balance sheet**	**P&L**
Cash loans and loss provisions	19,998,723	(651,570)	24,077,937	4,079,216
Securities	(1,217,973)	1,127,119	3,575,304	1,440,718
Derivatives	(343,145)	0	(1,252,419)	0
Tangible and intangible fixed assets	136,786	(1,595,045)	(6,265,740)	(6,374,672)
TOTAL	**18,574,391**	**(1,119,496)**	**20,135,082**	**(854,738)**

Deferred tax coming from liabilities	31/12/21		31/12/22	
	Balance sheet	**P&L**	**Balance sheet**	**P&L**
Borrowings, deposits and issuance of debt securities	125,704	(164,112)	(344,432)	(85,802)
Provisions	2,784,916	3,284,040	2,902,918	(2,602,962)
Pensions	(1,144,943)	96,960	(4,030,866)	41,822
TOTAL	**1,765,677**	**3,216,888**	**(1,472,380)**	**(2,646,943)**

Deferred tax coming from other items	31/12/21		31/12/22	
	Balance sheet	**P&L**	**Balance sheet**	**P&L**
Tax losses carried forward	261,038,083	(32,277,086)	238,907,278	(22,130,805)
less: impairments	*(120,938,907)*	*9,620,000*	*(106,738,907)*	*14,200,000*
TOTAL	**140,099,176**	**(22,657,086)**	**132,168,371**	**(7,930,805)**

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 will enable the Bank 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 83.8 million after impairment as at 31 December 2022 (EUR 69.6 million after impairment as at 31 December 2021) which are related to the liquidation of a former foreign branch.

6.3 Related party transactions

(in EUR thousands)	Key management		Subsidiaries	
	31/12/21	31/12/22	31/12/21	31/12/22
Loans	3,831	5,158	374,153	343,089
Interest received	0	0	548	1,092
Deposits	5,008	6,356	44,142	47,141
Contingent convertible bond (compound instrument)	0	0	0	0
Interest paid	0	0	(624)	(2,967)
Derivatives - Total to receive	0	0	289,566	215,751
Derivatives - Total to deliver	0	0	288,238	213,980
Commission paid	0	0	(2,004)	(3,689)
Commissions received	0	0	5,944	2,817
Guarantees and commitments given by the Group	31	33	8,329	0
Guarantees and commitments given to the Group	0	0	19,179	8,529
Assets entrusted from third parties	12,184	13,811	0	0

(in EUR thousands)	Associates		Other related parties	
	31/12/21	31/12/22	31/12/21	31/12/22
Loans	0	0	2,948	42,398
Interest received	6	3	1	580
Deposits	1,487	772	7,442	4,016
Contingent convertible bond (compound instrument)	0	0	0	0
Interest paid	0	0	0	(2)
Derivatives - Total to receive	0	0	16,072	12,609
Derivatives - Total to deliver	0	0	6,142	7,135
Commission paid	0	0	0	0
Commissions received	0	0	0	0
Guarantees and commitments given by the Group	0	0	20	9
Guarantees and commitments given to the Group	0	0	0	0
Assets entrusted from third parties	0	0	178,617	151,308

REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

See Note 8.8 "Staff expenses"

All loans with related parties are granted at market conditions. No Stage 3 impairment was recorded on loans to the related parties.

6.4 Subscribed and authorised capital

By share category	31/12/21	31/12/22
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 7: Notes on the off-balance sheet items

7.1 Regular way trade

	31/12/21	31/12/22
Loans to be delivered	280,675,807	165,900,120
Borrowings to be received	258,318,358	185,142,033

7.2 Guarantees

	31/12/21	31/12/22
Guarantees given to credit institutions	163,922,905	160,617,031
Guarantees given to customers	996,500,755	892,228,387
Guarantees received from credit institutions	19,179,462	8,528,779
Guarantees received from customers	1,394,444,206	1,434,248,394

7.3 Loan commitments

	31/12/21	31/12/22
Unused credit lines granted to credit institutions	18,405,155	2,645,168
Unused credit lines granted to customers	3,050,665,026	3,019,029,507

7.4 Other commitments

	31/12/21	31/12/22
Banking activity - Other commitments given	46,440,463,689	41,522,307,767
Banking activity - Other commitments received	237,502,864,155	210,031,167,074
of which Assets held on behalf of third parties	*225,665,156,119*	*198,037,395,654*

The line items "Banking activity - Other commitments given" are mainly composed of assets entrusted to third parties.

Note 8: Notes on the statement of income

8.1 Interest and similar income – Interest and similar expenses

	31/12/21	31/12/22
INTEREST AND SIMILAR INCOME	454,417,707	639,684,840
Interest and similar income of assets not measured at fair value through profit or loss	**312,936,131**	**406,564,308**
Cash and balances with central banks	0	1,273,674
Loans and advances to credit institutions	6,022,304	24,098,926
Loans and advances to customers	253,627,237	308,110,804
Financial investments measured at fair value	11,308,583	12,669,450
Financial investments measured at amortised cost	41,672,703	60,137,961
Other	305,304	273,493
Interest and similar income of assets measured at fair value through profit or loss	**100,648,183**	**199,375,727**
Financial assets held for trading	362,982	259,496
Derivatives held for trading	54,633,004	131,683,027
Derivatives used for hedging purposes	45,652,197	67,433,204
Interest income on liabilities	**40,833,393**	**33,744,805**
INTEREST AND SIMILAR EXPENSES	(176,806,477)	(298,588,943)
Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(30,018,071)**	**(110,569,674)**
Amounts due to credit institutions	(3,377,212)	(50,691,191)
Amounts due to customers	(3,453,975)	(32,126,870)
Debt securities	(16,430,367)	(19,419,707)
Subordinated debts	(6,505,754)	(8,131,223)
Lease liability	(209,595)	(176,922)
Other	(41,168)	(23,761)
Interest and similar expenses of liabilities measured at fair value through profit or loss	**(121,721,263)**	**(169,674,595)**
Financial liabilities held for trading	(1,085)	(242)
Financial liabilities designated at fair value through profit or loss	(21,041,649)	(54,235,554)
Derivatives held for trading	(16,368,305)	(40,323,523)
Derivatives used for hedging purposes	(84,310,224)	(75,115,276)
Interest expenses on assets	**(25,067,143)**	**(18,344,674)**
NET INTEREST INCOME	277,611,230	341,095,897

8.2 Dividend income

	31/12/21	31/12/22
Financial investments measured at fair value	531	567,771
Financial assets held for trading	66	0
Subsidiaries and associates	2,314,280	1,750,000
TOTAL	2,314,877	2,317,771

8.3 Net trading income

	31/12/21	31/12/22
Net income from trading transactions	3,952,997	8,897,955
of which income from trading securities	*364,075*	*3,976,736*
of which income from trading derivatives	*3,588,922*	*4,921,219*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	(31,143,049)	(163,434,935)
Net foreign exchange gain/(loss)	6,037,260	8,261,548
TOTAL	**(21,152,792)**	**(146,275,432)**

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 fair value and net result of hedge accounting

	31/12/21	31/12/22
Net income on financial investments measured at fair value through other comprehensive income	1,914,822	264,966
Net income on financial investments at fair value through profit or loss	73,063	70,299
of which financial investments mandatorily fair value through profit or loss	*73,063*	*70,299*
Net income on financial liabilities designated at fair value through profit or loss	31,987,796	163,029,587
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**33,975,681**	**163,364,852**
Fair value hedge	**(184,646)**	**(717,663)**
Change in the fair value of the hedged item attributable to the hedged risk	(184,494,457)	(771,626,428)
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	184,309,811	770,908,765
Portfolio hedge against interest rate risk	**(11,313)**	**694**
Fair value revaluation - Portfolio hedge - Hedged items	2,262,149	(16,740)
Fair value revaluation - Derivatives - Portfolio hedge	(2,273,462)	17,434
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**0**	**(6,789)**
NET RESULT OF HEDGE ACCOUNTING	**(195,959)**	**(723,758)**
TOTAL	**33,779,722**	**162,641,094**

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.

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8.5 Net income on derecognition of financial instruments measured at amortised cost

	31/12/21	31/12/22
Net income on loans and advances measured at amortised cost	5,227,885	873,579
Net income on financial investments measured at amortised cost	39,770,686	27,359,251
Net income on financial liabilities at amortised cost	14,682,413	947,410
TOTAL	**59,680,984**	**29,180,240**

As at 31 December 2021 gains and losses on derecognition on loans respectively amount to EUR 5,227,885 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 39,772,273 and EUR -1,587.
As at 31 December 2022 gains and losses on derecognition on loans respectively amount to EUR 873,579 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 30,034,575 and EUR -2,675,324.

8.6 Fee and commission income and expenses

	31/12/21			31/12/22		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	17,537,099	(786,611)	16,750,488	12,800,146	(861,145)	11,939,001
Administration of unit trusts and mutual funds	30,033	0	30,033	30,073	0	30,073
Insurance activity	6,054,171	(611,183)	5,442,988	5,605,848	(876,611)	4,729,237
Credit activity	28,545,386	(1,337,218)	27,208,168	29,742,288	(1,577,634)	28,164,654
Purchase and sale on securities	14,815,567	(4,862,523)	9,953,044	12,655,912	(4,154,540)	8,501,372
Purchase and sale of unit trusts and mutual funds	5,770,155	(408,346)	5,361,809	3,907,819	(526,457)	3,381,362
Payment services	31,613,254	(935,023)	30,678,231	36,314,424	(544,875)	35,769,549
Commissions to non-exclusive brokers	0	(247,200)	(247,200)	0	(181,668)	(181,668)
Financial engineering	0	0	0	0	(45,000)	(45,000)
Services on securities other than safe keeping	6,507,359	(365,254)	6,142,105	6,016,720	(557,404)	5,459,316
Custody	14,482,062	(3,375,218)	11,106,844	17,260,177	(4,140,802)	13,119,375
Issues and placements of securities	8,777,693	(4,618,104)	4,159,589	13,618,571	(8,583,497)	5,035,074
Private banking	55,121,014	(8,214,452)	46,906,562	51,335,436	(6,445,199)	44,890,237
Clearing and settlement	23,378,141	(2,723,739)	20,654,402	22,667,915	(2,465,047)	20,202,868
Securities lending	40,879	(57,911)	(17,032)	26,532	(57,574)	(31,042)
Other	8,522,276	(1,226,742)	7,295,534	9,766,042	(3,644,845)	6,121,197
TOTAL	**221,195,089**	**(29,769,524)**	**191,425,565**	**221,747,903**	**(34,662,298)**	**187,085,605**

8.7 Other net income

	31/12/21	31/12/22
Operating taxes	954,685	987,240
Rental income	23,910	73,330
Gains on tangible fixed assets	1,348,167	130,855
Fair value adjustments on investment property	5,353,336	24,577,051
Other income on other activities	20,433,578	21,256,900
OTHER INCOME	**28,113,676**	**47,025,376**
Operating taxes	(3,818,159)	(3,155,739)
Other bank charges	(21,921,423)	(21,584,146)
Losses on tangible fixed assets	(49,437)	(51,679)
Fair value adjustments on investment property	0	(348,200)
Other expenses on other activities	(5,512,373)	(14,510,748)
OTHER EXPENSES	**(31,301,392)**	**(39,650,512)**
TOTAL	**(3,187,716)**	**7,374,864**

The line item "Other income on other activities" primarily consists of write-backs of provisions and extraordinary operating income.

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.

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8.8 Staff expenses

8.8.1 Staff expenses

	31/12/21	31/12/22
Wages and salaries	(153,019,088)	(167,664,923)
Social security and insurance costs	(20,884,977)	(21,856,744)
Staff benefits	(9,854,703)	(10,086,679)
Restructuring expenses	(6,159,105)	(3,116,676)
Other expenses	(2,103,877)	(2,340,274)
TOTAL	**(192,021,750)**	**(205,065,296)**

8.8.2 Workforce

(in average FTE)	2021	2022
Senior management	41	36
Employees	1,729	1,773
TOTAL	**1,770**	**1,809**

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	
	31/12/21	31/12/22	31/12/21	31/12/22
Board members	1,252,424	1,327,917	0	0
Senior Management	14,921,912	14,770,236	1,530,864	1,330,344
TOTAL	**16,174,336**	**16,098,153**	**1,530,864**	**1,330,344**

8.8.4 Defined contribution plan expenses

	31/12/21	31/12/22
Defined contribution plan expenses	6,552,815	6,616,988
TOTAL	**6,552,815**	**6,616,988**

8.9 General and administrative expenses

	31/12/21	31/12/22
Occupancy	(7,307,713)	(8,708,437)
Operating leases	(459,540)	(422,607)
Professional fees	(27,056,320)	(33,655,305)
Marketing, advertising and public relations	(4,592,853)	(5,569,489)
Technology and system costs	(29,188,944)	(35,003,759)
Software costs and maintenance expenses	(19,185,309)	(20,940,477)
Operational taxes	192,911	2,234,006
Other general and administrative expenses	(52,411,456)	(44,424,949)
TOTAL	**(140,009,224)**	**(146,491,017)**

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 by the independent auditor (including network firms) for the years 2021 and 2022 are as follows (VAT excluded).

	2021	2022
Statutory audit and Long Form Report	1,276,332	778,725
Audit-related fees	311,900	255,200
Tax services	55,677	63,992
Other services	226,787	117,498
TOTAL	**1,870,696**	**1,215,415**

2021 "Audit fees" and "Audit-related fees" include a 2020 overrun for respectively EUR 448,121 and EUR 61,900.
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 assets

	31/12/21	31/12/22
Depreciation on land and buildings	(6,926,255)	(7,711,366)
Depreciation on other tangible fixed assets	(617,178)	(538,578)
Depreciation on IT equipment	(2,399,135)	(2,719,687)
Depreciation on intangible fixed assets	(38,619,920)	(37,407,699)
Depreciation on right-of-use	(3,387,000)	(3,128,366)
TOTAL	**(51,949,488)**	**(51,505,696)**

8.12 Impairment on financial instruments and provisions for credit commitments

8.12.1. Impairment on financial instruments and provisions for credit commitments

	31/12/21			
	Stage 1	Stage 2	Stage 3	Total
Cash, balances with central banks and demand deposits	**18,500**	**39,572**	**0**	**58,072**
Financial assets measured at amortised cost	**(1,148,248)**	**(4,661,064)**	**(26,091,102)**	**(31,900,414)**
Loans and advances to credit institutions measured at amortised cost	243,110	(15,860)	0	227,250
Loans and advances to customers measured at amortised cost	(2,397,373)	(4,619,875)	(23,844,549)	(30,861,797)
Debt securities measured at amortised cost	1,006,015	(25,329)	(2,246,553)	(1,265,867)
Financial assets measured at fair value through other comprehensive income	**44,969**	**0**	**0**	**44,969**
Debt securities measured at fair value through other comprehensive income	44,969	0	0	44,969
Other receivables	**0**	**0**	**0**	**0**
Off-balance sheet commitments	**(2,332,062)**	**(948,615)**	**(321,451)**	**(3,602,128)**
TOTAL IMPAIRMENTS	**(3,416,841)**	**(5,570,107)**	**(26,412,553)**	**(35,399,501)**

	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)**
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)**

As at 31 December 2021:

- "Loans and advances to customers" classified under Stage 1 include (i) the "moratory" overlay for a total amount of EUR -6,292,000 composed of EUR -6,192,000 on corporates exposures and EUR -100,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -488,000 on corporate exposures. 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 "moratory" overlay for a total amount of EUR -1,467,950 composed of EUR -1,417,950 on corporates exposures and EUR -50,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -172,050 on corporate exposures. Refer to the section "ECL Management Overlays" of Note 9.2.1 on Expected Credit Losses measurement.

As at 31 December 2022:

- "Loans and advances to customers" classified under Stage 1 include (i) the "Outreach Program" Management Overlay for an amount of EUR –1,445,817 and (ii) the "Origination Date" Management Overlay for an amount of EUR +476,851. 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 Program" Management Overlay for an amount of EUR –308,743 and (ii) the "Origination Date" Management Overlay for an amount of EUR –1,502,820. Refer to the section "ECL Management Overlays" of Note 9.2.1 on Expected Credit Losses measurement.

8.12.2. Impairment on participations in consolidated companies

	31/12/21	31/12/22
Net impairment on participations in consolidated companies	(3,687,986)	(53,584,589)
TOTAL	(3,687,986)	(53,584,589)

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

	31/12/21	31/12/22
Deferred taxes	(20,560,012)	(11,432,486)
Tax on current financial year result (A)	**(20,560,012)**	**(11,432,486)**
Income tax for previous year	0	211
Other tax expenses (B)	**0**	**211**
TOTAL (A)+(B)	(20,560,012)	(11,432,275)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2021 and 2022.
The effective BIL tax rate was 17.61% in 2021 and 10.36% in 2022.
The difference between both rates may be analysed as follows:

	31/12/21	31/12/22
NET INCOME BEFORE TAX	116,751,040	110,392,798
Tax base	**116,751,040**	**110,392,798**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(29,117,709)**	**(27,531,964)**
Effect of different tax rates in other countries	(286,612)	17,861
Tax effect of non-deductible expenses	(3,186,073)	(1,115,881)
Tax effect of non-taxable income	948,676	724,049
Tax effect of items taxed at a reduced rate	(58,741)	0
Tax effect on the use of previous tax losses not recognised in the assets	9,620,000	14,200,000
Write-off on the use of previous tax losses not recognised in the assets	(770,916)	0
Other	2,291,363	2,273,449
Tax on current financial year result	**(20,560,012)**	**(11,432,486)**
EFFECTIVE TAX RATE	17.61%	10.36%

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8.15 Discontinued operations

	31/12/21	31/12/22
Interest income	1,237,286	0
Interest expenses	(13,879)	0
Fee and commission income	4,326,110	0
Fee and commission expenses	(168,367)	0
Net income on derecognition of financial instruments at amortised cost	(990,281)	0
Net impairment on financial instruments and provisions for credit commitments	1,036,300	0
DISCONTINUED OPERATIONS, NET OF TAX	**5,427,169**	**0**

BIL Danmark, filial af Banque Internationale à Luxembourg S.A.

Net income from discontinued operations (net of tax) generated EUR 5.4 million in 2021 prior to the termination of the sale of the business activity of BIL Danmark, filial af Banque Internationale à Luxembourg S.A. to Ringkjøbing Landbobank.

On 23 June 2021, BIL has signed a Business Transfer Agreement with Ringkjøbing Landbobank where all the client's activity (Off-balance sheet Assets under management, loans and deposits) of BIL Denmark branch is transferred to the counterparty on 1 July 2021. BIL Danmark, filial af Banque Internationale à Luxembourg S.A. activities are classified as a disposal group meeting the definition of discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 30 June 2021. BIL terminated the operational transfer of all clients' assets and loans as at 31 December 2021. BIL Danmark, filial af Banque Internationale à Luxembourg S.A. closed on 7 July 2022.

In 2022, there were no discontinued operations.

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	31/12/21			31/12/22		
	Carrying value	**Fair value**	**Difference**	**Carrying value**	**Fair value**	**Difference**
Cash and balances with central banks and demand deposits	5,483,495,331	5,483,495,331	0	4,209,854,738	4,209,854,738	0
Financial assets held for trading	24,469,219	24,469,219	0	15,786,368	15,786,368	0
Financial investments measured at fair value	1,092,340,865	1,092,340,865	0	914,290,670	914,290,670	0
Financial assets at fair value through other comprehensive income	*1,089,121,624*	*1,089,121,624*	*0*	*910,797,223*	*910,797,223*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*3,219,241*	*3,219,241*	*0*	*3,493,447*	*3,493,447*	*0*
Loans and advances to credit institutions	895,022,689	895,022,689	0	1,223,546,498	1,223,546,498	0
Loans and advances to customers	15,802,366,759	15,884,689,974	82,323,215	15,935,814,253	15,104,774,313	(831,039,940)
Financial investments measured at amortised cost	7,226,374,299	7,319,841,464	93,467,165	7,600,820,995	7,540,976,714	(59,844,281)
Derivatives	131,894,847	131,894,847	0	840,415,059	840,415,059	0
Fair value revaluation of portfolios hedged against interest rate risk	93,194	93,194	0	11,872	11,872	0
Investments in subsidiaries and associates	838,849	838,849	0	0	0	0
TOTAL	**30,656,896,052**	**30,832,686,432**	**175,790,380**	**30,740,540,453**	**29,849,656,232**	**(890,884,221)**

Fair value of liabilities	31/12/21			31/12/22		
	Carrying value	**Fair value**	**Difference**	**Carrying value**	**Fair value**	**Difference**
Amounts due to credit institutions	4,117,865,430	4,102,673,283	(15,192,147)	3,409,894,719	3,391,755,603	(18,139,116)
Amounts due to customers	19,798,025,536	19,796,657,756	(1,367,780)	20,353,697,491	20,276,387,896	(77,309,595)
Financial liabilities measured at fair value through profit or loss	1,467,315,688	1,467,315,688	0	2,014,665,341	2,014,665,341	0
Liabilities designated at fair value	*1,467,315,688*	*1,467,315,688*	*0*	*2,014,665,341*	*2,014,665,341*	*0*
Derivatives	350,124,740	350,124,740	0	416,425,803	416,425,803	0
Fair value revaluation of Portfolio hedged against interest rate risk	70,504	70,504	0	0	0	0
Debt securities	3,200,417,795	3,218,087,828	17,670,033	2,654,048,520	2,560,406,379	(93,642,141)
Subordinated debts	237,127,187	280,278,980	43,151,793	243,236,959	241,255,756	(1,981,203)
TOTAL	**29,170,946,880**	**29,215,208,779**	**44,261,899**	**29,091,968,833**	**28,900,896,778**	**(191,072,055)**

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.

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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.

Assets	31/12/21			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	0	18,429,908	6,039,311	24,469,219
Financial investments measured at fair value	848,952,588	230	243,388,047	1,092,340,865
Financial assets at fair value through other comprehensive income	*848,952,588*	*230*	*240,168,806*	*1,089,121,624*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*0*	*3,219,241*	*3,219,241*
Derivatives	0	126,376,550	5,518,297	131,894,847
Investments in subsidiaries and associates	0	0	838,849	838,849
TOTAL	**848,952,588**	**144,806,688**	**255,784,504**	**1,249,543,780**

Assets	31/12/22			
	Level 1	Level 2	Level 3	Total
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**	**846,843,193**	**309,482,881**	**1,770,492,097**

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	31/12/21			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	905,971,305	561,344,383	1,467,315,688
Derivatives	0	331,374,663	18,750,077	350,124,740
TOTAL	**0**	**1,237,345,968**	**580,094,460**	**1,817,440,428**

Liabilities	31/12/22			
	Level 1	Level 2	Level 3	Total
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**	**1,606,288,928**	**824,802,216**	**2,431,091,144**

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

9.1.3 Transfer between level 1 and level 2

Assets	31/12/21		31/12/22	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets measured at FV	0	10,336,460	0	0
FVOCI - Bonds	*0*	*10,336,460*	*0*	*0*
TOTAL	**0**	**10,336,460**	**0**	**0**

Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2021 and 2022.

9.1.4 Level 3 reconciliation

Assets	31/12/21					
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income- Realised & Unrealised	Purchase	Sale	Settlement
Financial assets held for trading	5,271,970	475,920	0	1,713,866	(1,422,445)	0
Financial investments measured at fair value	79,270,409	34,456	136,874,798	27,366,720	0	(210,300)
Derivatives	4,098,741	(3,451,530)	0	4,871,086	0	0
Investments in subsidiaries and associates	53,902,884	0	0	0	(53,064,035)	0
TOTAL	**142,544,004**	**(2,941,154)**	**136,874,798**	**33,951,672**	**(54,486,480)**	**(210,300)**

Assets	31/12/21				
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	0	0	0	0	6,039,311
Financial investments measured at fair value	51,964	0	0	0	243,388,047
Derivatives	0	0	0	0	5,518,297
Investments in subsidiaries and associates	0	0	0	0	838,849
TOTAL	**51,964**	**0**	**0**	**0**	**255,784,504**

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
Financial assets held for trading	6,039,311	(913,483)	0	687,085	(3,152,508)	0
Financial investments measured at fair value	243,388,047	86,732	51,673,225	5,159,387	0	(182,744)
Derivatives	5,518,297	(4,292,982)	0	5,472,514	0	0
Investments in subsidiaries and associates	838,849	0	0	0	0	0
TOTAL	**255,784,504**	**(5,119,733)**	**51,673,225**	**11,318,986**	**(3,152,508)**	**(182,744)**

Assets	31/12/22				
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets held for trading	0	0	0	0	2,660,405
Financial investments measured at fair value	0	0	0	0	300,124,647
Derivatives	0	0	0	0	6,697,829
Investments in subsidiaries and associates	0	0	0	(838,849)	0
TOTAL	**0**	**0**	**0**	**(838,849)**	**309,482,881**

Liabilities	31/12/21			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	207,191,919	(26,763,490)	494,746,389	(116,755,243)
Derivatives	5,143,082	(3,236,614)	16,843,609	0
TOTAL	**212,335,001**	**(30,000,104)**	**511,589,998**	**(116,755,243)**

Liabilities	31/12/21				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	2,924,808	561,344,383
Derivatives	0	0	0	0	18,750,077
TOTAL	**0**	**0**	**0**	**2,924,808**	**580,094,460**

Liabilities	31/12/22			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	561,344,383	(66,375,547)	433,916,144	(186,853,010)
Derivatives	18,750,077	32,821,983	26,510,232	0
TOTAL	**580,094,460**	**(33,553,564)**	**460,426,376**	**(186,853,010)**

Liabilities	31/12/22				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	4,687,954	746,719,924
Derivatives	0	0	0	0	78,082,292
TOTAL	**0**	**0**	**0**	**4,687,954**	**824,802,216**

9.1.5 Valuation techniques used for Level 2 and Level 3 instruments

Description	Valuation techniques (Level 2 and Level 3 instruments)
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)

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 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.

9.2 Credit risk

9.2.1 Expected credit loss measurement

9.2.1.1 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.

9.2.1.2 ECL Sensitivity

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

(in EUR million)	Scenarios weights			31/12/2021		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total
Reported ECL	60%	20%	20%	45.66	32.89	78.55
Stressed ECL	100%	0%	0%	35.45	31.17	66.63
	0%	100%	0%	27.65	29.53	57.18
	0%	0%	100%	94.28	41.40	135.68
	80%	0%	20%	47.22	33.22	80.44
	60%	0%	40%	58.98	35.26	94.25
	60%	10%	30%	52.32	34.08	86.39

(in EUR million)	Scenarios weights			31/12/2022		
	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

9.2.1.3 ECL Post-Model Adjustments and Management Overlays

Refer to the note 9.2 of the consolidated financial statements included in this report.

	Stage	31/12/21	31/12/22
ECL Modelled	Stage 1	45,718,718	57,746,918
	Stage 2	32,889,043	32,164,182
ECL Post-Model Adjustment (Scenario Weighting)	Stage 1		4,157,394
	Stage 2		1,192,754
ECL Management Overlay (COVID-19)	Stage 1	6,780,000	
	Stage 2	1,640,000	
ECL Management Overlay (Outreach Program)	Stage 1		1,445,817
	Stage 2		308,743
ECL Management Overlay (Origination Date)	Stage 1		(476,851)
	Stage 2		1,502,820
TOTAL	**Stage 1**	**52,498,718**	**62,873,278**
	Stage 2	**34,529,043**	**35,168,499**

The reported ECL exclude ECL Management Overlays.

9.2.2 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 geographic region (in EUR million)	**31/12/21**	**31/12/22**	**Variation**
Luxembourg	20,777	20,040	(737)
France	3,173	3,620	447
Germany	1,817	2,507	690
Belgium	2,439	2,326	(113)
Switzerland	2,314	1,726	(588)
United States and Canada	1,008	1,267	259
Other EU countries	1,505	1,162	(343)
Spain	853	941	88
Others	179	644	465
Rest of Europe	448	449	1
Middle East	386	382	(4)
China	226	371	145
Asia	184	229	45
Russia	110	93	(17)
Australia	79	42	(37)
TOTAL	**35,498**	**35,799**	**301**

Exposures by counterparty (in EUR million)	**31/12/21**	**31/12/22**	**Variation**
Individuals, SME & Self Employed	12,011	11,573	(438)
Central Governments	12,060	11,518	(542)
Corporate	6,709	6,845	136
Financial Institutions	4,256	4,984	728
Public Sector Entities	436	629	193
Securitisation	15	189	174
Others	11	61	50
TOTAL	**35,498**	**35,799**	**301**

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.

9.2.2.1 Exposures by stage and ratings

Stage 1 Credit Risk Exposure *(in EUR million)*	31/12/21					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Commitments in respect of guarantees given	140	502	691	379	0	1,712
Commitments in respect of loans granted	230	1,491	601	416	0	2,738
Financial investments at FVOCI (excluding variable income securities)	705	116	0	31	0	852
Financial investments at amortised cost	4,579	2,170	13	207	0	6,969
Loans and advances at amortised cost	5,783	7,818	4,411	966	0	18,978
Other financial instruments at amortised cost	266	55	7	1	0	329
TOTAL STAGE 1 EXPOSURES	**11,703**	**12,152**	**5,723**	**2,000**	**0**	**31,578**

Stage 2 Credit Risk Exposure *(in EUR million)*	31/12/21					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Commitments in respect of guarantees given	0	6	119	0	0	125
Commitments in respect of loans granted	6	38	331	58	0	433
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0
Financial investments at amortised cost	108	67	20	0	0	195
Loans and advances at amortised cost	17	439	1,870	91	0	2,417
Other financial instruments at amortised cost	0	0	0	0	0	0
TOTAL STAGE 2 EXPOSURES	**131**	**550**	**2,340**	**149**	**0**	**3,170**

Stage 3 Credit Risk Exposure *(in EUR million)*	31/12/21					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Commitments in respect of guarantees given	3	0	0	0	6	9
Commitments in respect of loans granted	0	0	0	0	26	26
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	4	4
Loans and advances at amortised cost	21	0	0	0	349	370
Other financial instruments at amortised cost	0	0	0	0	0	0
TOTAL STAGE 3 EXPOSURES	**24**	**0**	**0**	**0**	**385**	**409**

Credit Risk Exposure without staging *(in EUR million)*	31/12/21					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
Derivatives	19	309	2	5	4	339
Financial assets held-for-trading	0	0	0	0	0	0
TOTAL EXPOSURES WITHOUT STAGING	**19**	**309**	**2**	**5**	**4**	**339**
TOTAL ALL STAGES	**11,877**	**13,011**	**8,065**	**2,154**	**389**	**35,496**

"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.

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	149	363	655	426	0	1,593
	432	1,243	624	565	0	2,864
	301	269	0	50	0	620
	5,572	1,872	34	644	0	8,122
	4,500	7,551	4,465	1,166	0	17,682
	300	42	11	1	0	354
	11,254	**11,340**	**5,789**	**2,852**	**0**	**31,235**

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	1	21	81	26	0	129
	48	36	274	14	0	372
	0	0	0	0	0	0
	10	67	15	0	0	92
	25	330	1,869	76	0	2,300
	0	0	0	1	0	1
	84	**454**	**2,239**	**117**	**0**	**2,894**

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	6	0	4	0	21	31
	0	0	2	0	21	23
	0	0	0	0	0	0
	0	0	0	0	0	0
	24	1	0	0	323	348
	0	0	0	0	0	0
	30	**1**	**6**	**0**	**365**	**402**

	31/12/22					
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	Total
	18	1,237	3	10	0	1,268
	0	0	0	0	0	0
	18	**1,237**	**3**	**10**	**0**	**1,268**

	11,386	**13,032**	**8,037**	**2,979**	**365**	**35,799**

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9.2.3. Collateral and other credit enhancements

31/12/21 (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)	852	0	0	0	0	0	852	0
Financial assets held-for-trading	0	0	0	0	0	0	0	0
Loans and advances at amortised cost	22,870	243	319	1,375	7,948	9,885	12,985	289
Financial investments at amortised cost	7,187	1,029	0	0	0	1,029	6,158	20
Derivatives	339	0	0	0	0	0	339	0
Other financial instruments at amortised cost	1,314	0	885	101	0	986	328	0
Commitments in respect of guarantees given	1,908	10	0	68	15	93	1,815	4
Commitments in respect of loans granted	3,522	67	74	691	635	1,467	2,055	12
TOTAL	**37,992**	**1,349**	**1,278**	**2,235**	**8,598**	**13,460**	**24,532**	**325**

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**

"Gross exposure" is the 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.

9.2.4. Past due but not impaired financial assets

	31/12/21		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	51,163,658	47,208,461	8,057,861
TOTAL	**51,163,658**	**47,208,461**	**8,057,861**

	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**

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.

9.2.5. Credit risk mitigation for credit-impaired assets

	31/12/21			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(17,596,888)	4,388,409	4,388,409
Loans and advances measured at amortised cost	589,743,050	(218,926,299)	370,816,751	346,584,927
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**611,728,347**	**(236,523,187)**	**375,205,160**	**350,973,336**

	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**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/21	31/12/22
Cash	16,341,114	0
Equity instruments	0	368,392
Debt instruments	339,199	0
Other assets	4,855,850	2,712,181
TOTAL	**21,536,163**	**3,080,573**

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

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

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 1 JANUARY	**3,633,908,019**	**0**	**0**	**3,633,908,019**
From Stage 1 to Stage 2	(10,115,357)	10,115,357		0
From Stage 2 to Stage 1	0	0		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	1,843,901,069	31,181,975	0	1,875,083,044
Derecognition during the period other than write-offs	(13,053,798)	(5,182,119)	0	(18,235,917)
Changes in interest accrual	(1,242,309)	0	0	(1,242,309)
Conversion difference (FX change)	(5,209,527)	137,262	0	(5,072,265)
Other movements	(853,262)	0	0	(853,262)
CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS AS AT 31 DECEMBER	**5,447,334,835**	**36,252,475**	**0**	**5,483,587,310**

	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
From Stage 3 to Stage 1	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**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT 1 JANUARY	**13,199,907,608**	**2,648,578,225**	**730,266,429**	**16,578,752,262**
From Stage 1 to Stage 2	(590,360,324)	590,360,324		0
From Stage 2 to Stage 1	532,919,111	(532,919,111)		0
From Stage 2 to Stage 3		(61,697,639)	61,697,639	0
From Stage 3 to Stage 2		37,906,926	(37,906,926)	0
From Stage 1 to Stage 3	(18,449,327)		18,449,327	0
From Stage 3 to Stage 1	9,537,482		(9,537,482)	0
Origination	4,540,857,377	478,490,992	72,912,353	5,092,260,722
Derecognition during the period other than write-offs	(3,775,852,112)	(654,339,847)	(219,704,629)	(4,649,896,588)
Changes in interest accrual	1,760,038	16,857	0	1,776,895
Changes in fair value (fair value hedge and FVOCI)	(448,743)	(5,559,161)	0	(6,007,904)
Write-offs	0	0	(26,256,339)	(26,256,339)
Conversion difference (FX change)	(212,054)	(237,831)	(177,322)	(627,207)
LOANS AND ADVANCES AS AT 31 DECEMBER	**13,899,659,056**	**2,500,599,735**	**589,743,050**	**16,990,001,841**

	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**

	2021			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT 1 JANUARY	**8,151,453,909**	**381,111,352**	**21,985,297**	**8,554,550,558**
From Stage 1 to Stage 2	(98,502,167)	98,502,167		0
From Stage 2 to Stage 1	290,896,245	(290,896,245)		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	1,303,356,580	10,919,920	0	1,314,276,500
Derecognition during the period other than write-offs	(1,583,842,262)	0	0	(1,583,842,262)
Changes in interest accrual	(1,121,992)	(1,415,029)	0	(2,537,021)
Changes in premium / discount	(28,272,322)	5,076,126	0	(23,196,196)
Changes in fair value (fair value hedge and FVOCI)	(179,869,784)	(12,664,291)	0	(192,534,075)
Conversion difference (FX change)	25,172,827	3,571,334	0	28,744,161
DEBT SECURITIES AS AT 31 DECEMBER	**7,879,271,034**	**194,205,334**	**21,985,297**	**8,095,461,665**

	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**

As at 31 December 2022, the Group has implemented a management overlay "Origination Date" whose objective is to address a deficiency noted on the ECL model. Refer to the Note 9.2 Credit Risk, section ECL Management Overlays for the related details. This management overlay impacts the stock of ECL as at 31 December 2022 for a total amount of EUR 1.0 million. The impact as at 31 December 2021 is estimated to EUR +1.3 million on ECL stock and has not been corrected due to immateriality. The impact of the correction was fully recognised in the year 2022.

As at 31 December 2022, the impact on this management overlay on the staging of exposures is a transfer of EUR 832 million (EUR 816 million as at 31 December 2021) from Stage 1 to Stage 2 exposures and a transfer of EUR 187 million (EUR 200 million as at 31 December 2021) from Stage 2 to Stage 1 exposures with a net impact of EUR +645 million (EUR +616 million as at 31 December 2021) from Stage 1 to Stage 2. These movements from staging for the year 2022 in the above table relate to this correction and not to a significant increase in credit risk that occurred during the year 2022.

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9.2.7. Movements in allowances for credit losses

	As at 01/01/21	Increases due to origination or acquisition
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(44,791,002)**	**(8,722,212)**
Cash, balances with central banks and demand deposits	0	0
Debt securities at amortised cost	(2,594,787)	(464,516)
Debt securities at fair value through other comprehensive income	(67,371)	(16,442)
Loans and advances at amortised cost	(42,128,844)	(8,241,254)
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(26,057,454)**	**0**
Cash, balances with central banks and demand deposits	0	0
Debt securities at amortised cost	(884,858)	0
Loans and advances at amortised cost	(25,172,596)	0
Allowances for credit-impaired debt instruments (Stage 3)	**(234,175,630)**	**(2,064,644)**
Debt securities at amortised cost	(15,350,335)	0
Loans and advances at amortised cost	(218,825,295)	(2,064,644)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(305,024,086)**	**(10,786,856)**
Commitments and financial guarantees given (Stage 1)	(4,868,781)	(6,203,925)
Commitments and financial guarantees given (Stage 2)	(2,602,278)	(267,509)
Commitments and financial guarantees given (Stage 3)	(1,904,521)	(396,883)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,375,580)**	**(6,868,317)**

	As at 01/01/22	Increases due to origination or acquisition
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(45,346,368)**	**(29,121,300)**
Cash, balances with central banks and demand deposits	(4,469)	0
Debt securities at amortised cost	(1,597,872)	(3,389,542)
Debt securities at fair value through other comprehensive income	(22,871)	(113,388)
Loans and advances at amortised cost	(43,721,156)	(25,618,370)
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(30,969,365)**	**0**
Cash, balances with central banks and demand deposits	(87,510)	0
Debt securities at amortised cost	(916,917)	0
Loans and advances at amortised cost	(29,964,938)	0
Allowances for credit-impaired debt instruments (Stage 3)	**(236,523,187)**	**(2,215,241)**
Debt securities at amortised cost	(17,596,888)	0
Loans and advances at amortised cost	(218,926,299)	(2,215,241)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(312,838,920)**	**(31,336,541)**
Commitments and financial guarantees given (Stage 1)	(7,152,350)	(6,778,240)
Commitments and financial guarantees given (Stage 2)	(3,559,678)	(434,976)
Commitments and financial guarantees given (Stage 3)	(2,024,237)	(357,591)
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(12,736,265)**	**(7,570,807)**

Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/21	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
2,899,814	**4,737,619**	**0**	**0**	**529,413**	**(45,346,368)**	**n.a**	**n.a**
0	18,500	0	0	(22,969)	(4,469)	n.a	n.a
108,070	1,362,461	0	0	(9,100)	(1,597,872)	n.a	n.a
11,420	49,991	0	0	(469)	(22,871)	n.a	n.a
2,780,324	3,306,667	0	0	561,951	(43,721,156)	n.a	n.a
1,449,969	**(6,071,461)**	**0**	**0**	**(290,419)**	**(30,969,365)**	**n.a**	**n.a**
0	39,572	0	0	(127,082)	(87,510)	n.a	n.a
0	(25,329)	0	0	(6,730)	(916,917)	n.a	n.a
1,449,969	(6,085,704)	0	0	(156,607)	(29,964,938)	n.a	n.a
5,050,566	**(28,331,117)**	**0**	**26,256,339**	**(3,258,701)**	**(236,523,187)**	**317,878**	**(27,320,124)**
0	(2,246,553)	0	0	0	(17,596,888)	n.a	n.a
5,050,566	(26,084,564)	0	26,256,339	(3,258,701)	(218,926,299)	317,878	(27,320,124)
9,400,349	**(29,664,959)**	**0**	**26,256,339**	**(3,019,707)**	**(312,838,920)**	**317,878**	**(27,320,124)**
2,365,591	1,506,272	0	0	48,493	(7,152,350)	0	0
1,102,701	(1,771,876)	(11,931)	0	(8,785)	(3,559,678)	0	0
37,865	37,567	0	0	201,735	(2,024,237)	0	0
3,506,157	**(228,037)**	**(11,931)**	**0**	**241,443**	**(12,736,265)**	**0**	**0**

Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (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
15,342,182	**4,007,033**	**0**	**0**	**(69,468)**	**(55,187,921)**	**n.a**	**n.a**
0	(51,337)	0	0	0	(55,806)	n.a	n.a
688,302	(4,052,449)	0	0	18,095	(8,333,466)	n.a	n.a
132,283	(169,599)	0	0	86	(173,489)	n.a	n.a
14,521,597	8,280,418	0	0	(87,649)	(46,625,160)	n.a	n.a
3,995,828	**(6,277,244)**	**0**	**0**	**313,405**	**(32,937,376)**	**n.a**	**n.a**
0	48,129	0	0	(10,154)	(49,535)	n.a	n.a
1,003	430,841	0	0	21,669	(463,404)	n.a	n.a
3,994,825	(6,756,214)	0	0	301,890	(32,424,437)	n.a	n.a
2,546,528	**(2,508,307)**	**0**	**10,200,966**	**14,962,959**	**(213,536,282)**	**229,237**	**(11,097,781)**
0	(5,635)	0	0	17,602,523	0	n.a	n.a
2,546,528	(2,502,672)	0	10,200,966	(2,639,564)	(213,536,282)	229,237	(11,097,781)
21,884,538	**(4,778,518)**	**0**	**10,200,966**	**15,206,896**	**(301,661,579)**	**229,237**	**(11,097,781)**
2,054,617	4,131,438	0	0	59,178	(7,685,357)	0	0
822,999	952,928	0	0	(12,396)	(2,231,123)	0	0
226,093	(825,798)	0	0	(35,954)	(3,017,487)	0	0
3,103,709	**4,258,568**	**0**	**0**	**10,828**	**(12,933,967)**	**0**	**0**

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

As at 31/12/21	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,467,315,688	236,659	(5,133)	(31,190,506)

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)

In 2021 and in 2022, 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.

9.2.9. 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.

As at 31 December 2022, BIL's forborne exposures amounted to EUR 563 million (EUR 934 million as at 31 December 2021) including EUR 18 million (EUR 48 million as at 31 December 2021) as given banking guarantees.

9.3 Encumbered assets

9.3.1 Collateral received by the reporting institution

	31/12/21			
	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	25,832,762	*25,832,762*	0	*0*
Debt securities	247,258,681	*247,258,681*	191,637,733	*191,637,733*
TOTAL	**273,091,443**	***273,091,443***	**191,637,733**	***191,637,733***

	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***

9.3.2 Encumbered assets

	31/12/21			
	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	2,657,455,729	*2,295,199,115*	2,693,099,331	*2,330,442,202*
of which: issued by general governments	*1,381,725,064*	*1,152,613,415*	*1,409,665,096*	*1,179,853,692*
of which: issued by other financial corporations	*994,819,316*	*874,097,537*	*999,144,798*	*878,762,455*
of which: issued by non-financial corporations	*280,911,349*	*268,488,163*	*284,289,437*	*271,826,055*
Debt securities at fair value through other comprehensive income	392,152,543	*392,152,543*	392,152,543	*392,152,543*
of which: issued by general governments	*278,241,020*	*278,241,020*	*278,241,020*	*278,241,020*
of which: issued by other financial corporations	*103,575,063*	*103,575,063*	*103,575,063*	*103,575,063*
of which: issued by non-financial corporations	*10,336,460*	*10,336,460*	*10,336,460*	*10,336,460*
Loans and advances other than loans on demand	366,232,039	*366,232,039*	366,232,039	*366,232,039*
TOTAL	**3,415,840,311**	***3,053,583,697***	**3,451,483,913**	***3,088,826,784***

	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	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***

9.3.3 Sources of encumbrance

	31/12/21		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	350,124,740	366,232,039	*0*
Repurchase agreements	598,005,890	589,537,584	*0*
Collateralised deposits other than repurchase agreements	2,201,437,577	2,201,437,577	*191,637,733*
of which: central banks	*2,201,437,577*	*2,201,437,577*	*191,637,733*
Fair value of securities borrowed with non cash collateral	438,896,414	450,566,769	*0*
TOTAL	**3,588,464,621**	**3,607,773,969**	***191,637,733***

	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***

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	31/12/21				
	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 exposure
Derivatives	131,894,847	0	131,894,847	25,832,762	106,062,085
TOTAL	**131,894,847**	**0**	**131,894,847**	**25,832,762**	**106,062,085**

Financial liabilities recognised at end of reporting period	31/12/21				
	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 exposure
Derivatives	350,124,740	0	350,124,740	350,124,740	0
Repurchase agreements	598,005,890	0	598,005,890	589,537,584	8,468,306
Collateralised deposits other than repurchase agreements	2,201,437,577	0	2,201,437,577	2,201,437,577	0
TOTAL	**3,149,568,207**	**0**	**3,149,568,207**	**3,141,099,901**	**8,468,306**

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 exposure
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 exposure
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**

9.4 Interest rate risk

Assets	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	5,483,495,331	0
Financial assets held for trading	18,740,214	344,856
Financial investments measured at fair value	13,826,151	10,336,460
Financial investments measured at fair value through other comprehensive income	*13,826,151*	*10,336,460*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	684,635,042	210,387,647
Loans and advances to customers	4,769,429,101	162,358,567
Financial investments measured at amortised cost	419,433,687	170,106,417
Derivatives	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**11,389,559,526**	**553,533,947**

Assets	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	4,209,854,738	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	1,086,680,370	65,778,489
Loans and advances to customers	4,510,684,132	235,554,073
Financial investments measured at amortised cost	977,830,388	357,883,674
Derivatives	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**10,801,856,918**	**910,048,360**

Derivatives are used to hedge the balance sheet sensitivity gap.

	31/12/21			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
0	0	0	0	5,483,495,331
2,140,023	3,244,126	0	0	24,469,219
258,762,422	277,389,484	288,638,301	243,388,047	1,092,340,865
258,762,422	*277,389,484*	*288,638,301*	*240,168,806*	*1,089,121,624*
0	*0*	*0*	*3,219,241*	*3,219,241*
0	0	0	0	895,022,689
329,489,383	1,762,461,841	8,778,627,867	0	15,802,366,759
406,491,971	2,859,421,996	3,370,920,228	0	7,226,374,299
0	0	0	131,894,847	131,894,847
0	0	0	93,194	93,194
996,883,799	**4,902,517,447**	**12,438,186,396**	**375,376,088**	**30,656,057,203**

	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	4,209,854,738
1,448,932	3,510,619	1,020,494	0	15,786,368
0	192,831,464	163,501,467	300,124,648	914,290,670
0	*192,831,464*	*163,501,467*	*296,631,201*	*910,797,223*
0	*0*	*0*	*3,493,447*	*3,493,447*
71,087,639	0	0	0	1,223,546,498
452,160,816	1,845,329,232	8,892,086,000	0	15,935,814,253
434,766,605	3,061,197,681	2,769,142,647	0	7,600,820,995
0	0	0	840,415,059	840,415,059
0	0	0	11,872	11,872
959,463,992	**5,102,868,996**	**11,825,750,608**	**1,140,551,579**	**30,740,540,453**

Liabilities	At sight or on demand	Less than 3 months
Amounts due to credit institutions	948,239,990	587,430,222
Amounts due to customers	17,492,569,142	1,431,425,174
Other financial liabilities	0	825,158
Financial liabilities measured at fair value through profit or loss	195,873,047	17,931,974
Liabilities designated at fair value	*195,873,047*	*17,931,974*
Derivatives	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0
Debt securities	1,095,578,942	83,547,460
Subordinated debts	48,676,438	0
TOTAL	**19,780,937,559**	**2,121,159,988**

Liabilities	At sight or on demand	Less than 3 months
Amounts due to credit institutions	851,303,208	1,612,007,785
Amounts due to customers	16,194,369,714	2,100,597,880
Other financial liabilities	0	778,442
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	0
Debt securities	736,983,320	20,548,546
Subordinated debts	49,110,443	0
TOTAL	**18,229,937,195**	**3,813,302,079**

Net position	At sight or on demand	Less than 3 months
Balance sheet sensitivity gap	(8,391,378,033)	(1,567,626,041)

Net position	At sight or on demand	Less than 3 months
Balance sheet sensitivity gap	(7,428,080,277)	(2,903,253,719)

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 9.5.2).

31/12/21				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
343,137,137	2,192,708,567	46,349,514	0	4,117,865,430
501,394,645	363,041,693	9,594,882	0	19,798,025,536
2,250,661	8,195,245	2,687,656	0	13,958,720
134,511,145	601,201,535	517,797,987	0	1,467,315,688
134,511,145	*601,201,535*	*517,797,987*	*0*	*1,467,315,688*
0	0	0	350,124,740	350,124,740
0	0	0	70,504	70,504
276,238,612	1,504,221,258	240,831,523	0	3,200,417,795
0	0	188,450,749	0	237,127,187
1,257,532,200	**4,669,368,298**	**1,005,712,311**	**350,195,244**	**29,184,905,600**

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	3,409,894,719
1,648,024,072	406,970,270	3,735,555	0	20,353,697,491
2,226,727	7,515,338	2,646,811	0	13,167,318
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*
0	0	0	416,425,803	416,425,803
371,766,003	1,290,304,980	234,445,671	0	2,654,048,520
0	0	194,126,516	0	243,236,959
3,052,526,849	**2,799,587,867**	**793,356,358**	**416,425,803**	**29,105,136,151**

31/12/21			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(260,648,401)	233,149,149	11,432,474,085	25,180,844

31/12/22			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(2,093,062,857)	2,303,281,129	11,032,394,250	724,125,776

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.

9.5.1.1 Trading: Value at Risk – 99%, 10 days

In 2022, 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 0.09 million in 2022, compared with EUR 0.17 million in 2021. This decrease is mainly explained by the stoppage of the Fixed Income activity and the decrease of FX options activity.

VaR (10 days, 99%)		**31/12/21**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.16	0.18	0.17	0.00	0.00	0.00	0.00
	Maximum	0.53	0.46	0.63	0.44	0.01	0.00	0.00	0.00
Trading	Average	0.17							
	Maximum	0.63							
	End of period	0.09							
	Limit	2.00							

VaR (10 days, 99%)		**31/12/22**							
(in EUR million)		**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
	Average	0.09				0.42			
	Maximum	0.29				1.19			
	End of period	0.12				1.12			
	Limit	2.00				1.50			

9.5.1.2 Treasury: 1% sensivity

The treasury activity is subject to sensitivity limits.

Sensitivity (in EUR million)		31/12/21				31/12/22			
		+100bp interest rate sensitivity				+100bp interest rate sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Treasury	Sensitivity	6.12	3.21	3.62	2.80	5.84	3.46	6.75	3.65
	Limit	-9.00				-9.00			

9.5.1.3 Treasury HTC&S Investment Portfolio

Exposures include swapped and non-swapped positions. The portfolio's interest rate risk is managed by Treasury.

(in EUR million)	31/12/21	31/12/22
Exposure (notional amount)	152	307
Interest-rate sensitivity (+1 bp)	(0.00)	(0.01)
Credit spread sensitivity (+1 bp)	(0.08)	(0.13)

9.5.2 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.

9.5.2.1 ALM

The ALM interest rate and credit spread sensitivities are disclosed below (own funds are excluded):

Sensitivity (in EUR million)		2021							
		+100bp Interest rate sensitivity				+1bp credit spread sensitivity			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	-14	-12	-29	10	-3	-2	-2	-2
	Limit	-90							

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							

9.5.2.2 Investment Portfolio HTC&S

The portfolio's interest-rate is managed by the ALM.

	31/12/21	31/12/22
Exposures (notional amount)	650	95
Interest rate sensitivity (+1 bp)	(0.01)	(0.00)
Credit spread sensitivity (+1 bp)	(0.17)	(0.03)

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

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	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	5,483,495,331	0
Financial assets held for trading	4,226,065	2,145,568
Financial investments measured at fair value	0	10,336,689
Financial investments measured at fair value through other comprehensive income	*0*	*10,336,689*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	388,792,331	323,370,476
Loans and advances to customers	2,815,424,882	2,129,716,386
Financial investments measured at amortised cost	0	180,106,158
Derivatives	3,166,894	59,053,746
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**8,695,105,503**	**2,704,729,023**

Assets	At sight or on demand	Less than 3 months
Cash and balances with central banks and demand deposits	4,209,854,738	0
Financial assets held for trading	15,786,368	0
Financial investments measured at fair value	0	249,386,632
Financial investments measured at fair value through other comprehensive income	*0*	*249,386,632*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*
Loans and advances to credit institutions	464,689,320	495,164,828
Loans and advances to customers	2,090,328,286	2,346,246,472
Financial investments measured at amortised cost	46,880,605	356,129,658
Derivatives	0	45,425,546
Fair value revaluation of portfolios hedged against interest rate risk	0	0
TOTAL	**6,827,539,317**	**3,492,353,136**

	31/12/21			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
0	0	0	0	5,483,495,331
4,025,883	10,289,828	3,781,875	0	24,469,219
258,762,422	277,389,484	302,464,223	243,388,047	1,092,340,865
258,762,422	*277,389,484*	*302,464,223*	*240,168,806*	*1,089,121,624*
0	*0*	*0*	*3,219,241*	*3,219,241*
0	182,859,882	0	0	895,022,689
285,748,396	1,734,331,243	8,837,145,852	0	15,802,366,759
550,357,432	3,040,326,564	3,455,584,145	0	7,226,374,299
7,059,754	13,512,302	49,102,151	0	131,894,847
93,194	0	0	0	93,194
1,106,047,081	**5,258,709,303**	**12,648,078,246**	**243,388,047**	**30,656,057,203**

	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	4,209,854,738
0	0	0	0	15,786,368
0	201,384,353	163,568,526	299,951,159	914,290,670
0	*201,384,353*	*163,568,526*	*296,457,712*	*910,797,223*
0	*0*	*0*	*3,493,447*	*3,493,447*
263,692,350	0	0	0	1,223,546,498
719,578,229	1,850,513,095	8,929,148,171	0	15,935,814,253
434,766,605	3,256,369,210	3,506,674,917	0	7,600,820,995
31,212,169	213,666,692	550,110,652	0	840,415,059
11,872	0	0	0	11,872
1,449,261,225	**5,521,933,350**	**13,149,502,266**	**299,951,159**	**30,740,540,453**

Liabilities

	At sight or on demand	Less than 3 months
Amounts due to credit institutions	439,451,990	988,917,763
Amounts due to customers	17,409,259,005	1,512,634,815
Other financial liabilities	0	825,158
Financial liabilities measured at fair value through profit or loss	0	22,673,384
Liabilities designated at fair value	*0*	*22,673,384*
Derivatives	3,715,803	66,169,591
Fair value revaluation of portfolios hedged against interest rate risk	0	0
Debt securities	11,821,562	468,890,338
Subordinated debts	0	0
TOTAL	**17,864,248,360**	**3,060,111,049**

Liabilities

	At sight or on demand	Less than 3 months
Amounts due to credit institutions	912,051,736	1,612,925,245
Amounts due to customers	15,602,144,023	2,586,309,467
Other financial liabilities	0	778,442
Financial liabilities measured at fair value through profit or loss	0	95,921,046
Liabilities designated at fair value	*0*	*95,921,046*
Derivatives	0	92,419,560
Debt securities	0	382,981,780
Subordinated debts	0	0
TOTAL	**16,514,195,759**	**4,771,335,540**

Net position

	At sight or on demand	Less than 3 months
Net liquidity gap	(9,169,142,857)	(355,382,026)

Net position

	At sight or on demand	Less than 3 months
Net liquidity gap	(9,686,656,442)	(1,278,982,404)

31/12/21				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
450,539,849	2,192,606,314	46,349,514	0	4,117,865,430
503,495,141	363,041,693	9,594,882	0	19,798,025,536
2,250,661	8,195,245	2,687,656	0	13,958,720
161,877,546	760,963,144	521,801,614	0	1,467,315,688
161,877,546	*760,963,144*	*521,801,614*	*0*	*1,467,315,688*
17,281,131	89,382,565	173,575,650	0	350,124,740
70,504	0	0	0	70,504
306,246,621	2,172,627,751	240,831,523	0	3,200,417,795
0	0	237,127,187	0	237,127,187
1,441,761,453	**5,586,816,712**	**1,231,968,026**	**0**	**29,184,905,600**

31/12/22				
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity	Total
571,756,500	250,131,667	63,029,571	0	3,409,894,719
1,757,888,068	403,670,546	3,685,387	0	20,353,697,491
2,226,727	7,515,338	2,646,811	0	13,167,318
429,623,460	1,192,008,437	297,112,398	0	2,014,665,341
429,623,460	*1,192,008,437*	*297,112,398*	*0*	*2,014,665,341*
75,675,149	120,986,636	127,344,458	0	416,425,803
491,775,238	1,544,841,111	234,450,391	0	2,654,048,520
0	0	243,236,959	0	243,236,959
3,328,945,142	**3,519,153,735**	**971,505,975**	**0**	**29,105,136,151**

31/12/21			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(335,714,372)	(328,107,409)	11,416,110,220	243,388,047

31/12/22			
Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
(1,879,683,917)	2,002,779,615	12,177,996,291	299,951,159

Contingent liabilities and commitments	31/12/21			
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Regular way trade	433	538,993,732	0	0
Guarantees	0	183,606,517	197,287,909	715,903,435
Loan commitments	17,778,308	49,423,439	353,045,014	503,620,976
Other commitments	0	218,155,972	498,541,188	1,786,400,393
TOTAL	**17,778,741**	**990,179,660**	**1,048,874,111**	**3,005,924,804**

Contingent liabilities and commitments	31/12/21		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	538,994,165
Guarantees	430,329,991	1,046,919,476	2,574,047,328
Loan commitments	900,680,105	1,244,522,339	3,069,070,181
Other commitments	8,775,506,782	272,664,723,509	283,943,327,844
TOTAL	**10,106,516,878**	**274,956,165,324**	**290,125,439,518**

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
Regular way trade	0	334,306,777	2,093,523	0
Guarantees	5,084,624	139,019,996	369,385,159	671,230,086
Loan commitments	29,077,616	50,031,758	321,402,776	612,858,812
Other commitments	0	1,151,698,834	534,103,762	2,234,072,650
TOTAL	**34,162,240**	**1,675,057,365**	**1,226,985,220**	**3,518,161,548**

Contingent liabilities and commitments	31/12/22		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	14,641,853	351,042,153
Guarantees	413,486,009	897,416,717	2,495,622,591
Loan commitments	852,154,516	1,156,149,197	3,021,674,675
Other commitments	8,886,287,732	238,747,311,863	251,553,474,841
TOTAL	**10,151,928,257**	**240,815,519,630**	**257,421,814,260**

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.

9.7 Currency risk

	31/12/21				
	EUR	Other EU currencies	USD	Other	Total
Assets	26,831,815,732	386,276,073	1,850,974,007	2,403,081,697	31,472,147,509
Liabilities	26,362,737,067	669,708,900	3,452,387,236	987,314,306	31,472,147,509
NET ON-BALANCE SHEET POSITION	**469,078,665**	**(283,432,827)**	**(1,601,413,229)**	**1,415,767,391**	**0**
Off-balance sheet – receivable	2,200,575,074	993,897,575	3,097,069,282	2,014,887,851	8,306,429,782
Off-balance sheet – payable	2,660,071,527	710,604,334	1,494,669,167	3,444,942,950	8,310,287,978
NET OFF-BALANCE SHEET POSITION	**(459,496,453)**	**283,293,241**	**1,602,400,115**	**(1,430,055,099)**	**(3,858,196)**

	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)**

9.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/21	31/12/22
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,804,854,557**	**1,831,010,699**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,392,727,371**	**1,412,773,740**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	887,894,565	1,008,576,865
Regulatory and transitional adjustments	(401,803,425)	(502,439,356)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**237,127,187**	**243,236,959**
Subordinated liabilities	237,127,187	243,236,959
RISK WEIGHTED ASSETS	**10,379,809,108**	**10,301,850,591**
Credit Risk	9,483,993,303	9,383,085,404
Market Risk	20,714,828	13,869,141
Operational Risk	856,735,815	899,405,378
Credit Value Adjustments	18,365,162	5,490,668
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	13.42%	13.71%
Tier 1 ratio	15.10%	15.41%
Capital Adequacy ratio	17.39%	17.77%

REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	31/12/21	31/12/22
Goodwill and intangible assets	(197,425,302)	(253,923,253)
Deferred tax assets that rely on future probability	(132,899,628)	(122,639,638)
Fair value reserves related to gains or losses cash flow hedges	(1,032,736)	(3,769,310)
Gains or losses on liabilities at fair value resulting from own credit risk	(3,853)	(1,160,554)
Other regulatory adjustments	(20,572,753)	(30,885,678)
Additional Value Adjustment	(56,601,140)	(90,949,409)
Transitional provisions related to introduction of IFRS9	27,346,395	20,293,411
IRB shortfall	(3,809,408)	(1,910,925)
Defined benefit pension fund assets	(16,805,000)	(17,494,000)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**(401,803,425)**	**(502,439,356)**

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 from 30 September 2020.

Note 10: Additional information

10.1 Litigation

Please refer to Note 10 of the Consolidated Financial Statements that includes the litigation affecting BIL S.A.

10.2 Post-balance sheet events

Please refer to Note 10 of the Consolidated Financial Statements that includes the post-balance sheet events affecting BIL S.A.

Proposed allocation of 2022 net income

Net income for the year	98,960,523
Dividend	(60,008,754)
Allocation to "Legal reserve"	0
Allocation to "Retained earnings"	(38,951,769)
TOTAL	**0**