



# Investor presentation

- September 2024

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# Agenda

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# Overview

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# 01





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



**Unique business model** with resilient revenue and profit from Luxembourg home market, coupled with growth potential from international wealth management



**Attractive revenue mix** integrating corporate business and lending capability with wealth management business, resulting in significant contribution from **recurring fee business**



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



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



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



**Highly experienced management team** supported by **motivated and loyal staff**

# Overview

## A leading bank in the Luxembourg economy



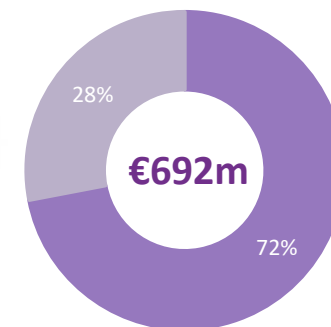
### Key Information

- Founded in 1856, BIL is the **oldest multi-business and #1 independent bank** in Luxembourg with local **market shares of 15.3% in lending** and **11.4% in deposits**<sup>(1)</sup>
  - **>150 years of experience** and **systemic importance** in Luxembourg
  - The Group has also **dedicated wealth management offices** in **Switzerland** and **China** as well as **trading floors** in **Luxembourg** and **Zurich**
- Operates under **2 business segments**: (i) Luxembourg Market & CIB and (ii) Wealth Management
- Reputation for **operational excellence** among professionals and **entrepreneurial mindset**
- **Holding financial participations in major national companies**: (i) 13.14% stake in Luxair and (ii) 10% stake in Luxembourg Stock Exchange
- **Strong shareholder backing by Legend Holdings and the Grand Duchy of Luxembourg**

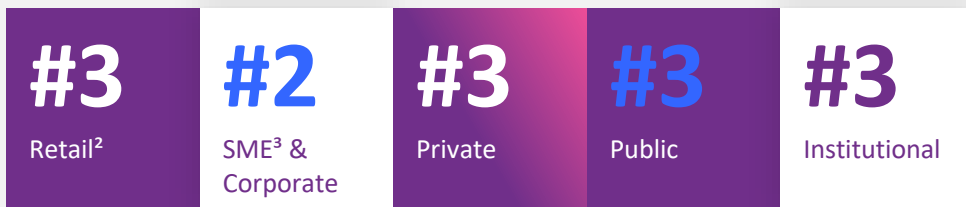
### Operating Segments

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

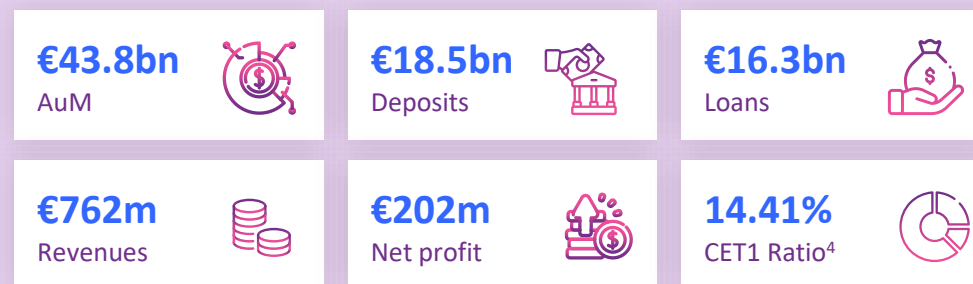
### Core Operating Revenues



### Leading Independent Bank in Luxembourg



### Key Financials as at Year End 2023



(1): Information based on BCL volumes as of December 2023. Local market share in lending from 15.3% (Dec. 2022) to 15.3% (Dec. 2023) and deposits from 12.1% (Dec. 2022) to 11.4% (Dec. 2023)

(2): TNS Ilres banking market survey for retail clients 2023 – market share 13.0%  
(3): TNS Luxembourg banking survey 2022 for SMEs and Corporate clients – market share 23%

(4): CET1 after 2023 profit allocation

# Overview

## Key milestones of the oldest bank in Luxembourg



1856

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



1963

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



1970

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



1985

The Bank commenced its private banking activities in Switzerland



2012

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



2015

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



2018

Legend Holdings acquired Precision Capital's stake in BIL



2019

BIL opened the Representative Office in Beijing, China



2020

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

# Overview

## Broad product and financial services offering



### Retail Banking

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



### Corporate & Institutional Banking

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



### Wealth Management

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





### Luxembourg

- Luxembourg Market & CIB (Retail, Corporate and Institutional Banking), Wealth Management and Financial Markets
- BIL Manage Invest (BMI)
- Belair House, real estate boutique
- BIL Lease, financial leasing solutions



### Switzerland

- Full-fledged Swiss private bank for international clients, with an increasing exposure to high-growth geographies
- Corporate Advisory services
- Niche private bank with offices in Zurich, Geneva, Lugano



### China

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

## BIL's Outlook

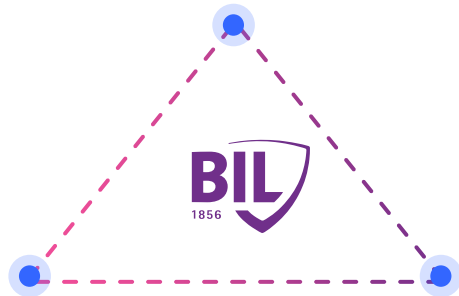
As part of the Energise Create Together 2025 strategy, throughout 2023, BIL continued to pursue the development of international markets to drive future growth

- 1 Leveraging on cross-border capacity in Luxembourg, Switzerland and Hong Kong SAR/China, BIL serves clients by offering them various tailor-made services
- 2 Clients have the choice between booking centres in Luxembourg and Switzerland, where they are offered holistic value-added products and advice
- 3 With the establishment of a representative office in Beijing China and its licensed legal entity<sup>1</sup> in Hong Kong SAR, BIL can benefit from proximity to clients in Chinese markets

(1) The licensed legal entity BIL Wealth Management Ltd. holds licence Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management).

### 3 Pillars Underlying The Plan

Net Income After Tax  
EUR 201.8 m<sup>1</sup>



Core Cost-Income Ratio 65.0%<sup>1</sup>    Return on Tangible Equity 10.74%<sup>1</sup>

The three pillars will drive BIL's long term profitability

Energise Create Together 2025

### BIL's Ambitions

In May 2021, BIL updated its five-year strategic plan “Energise Create Together 2025” including 5 key levers to become the best bank for Entrepreneurs in Luxembourg. A revision in H2 2023 confirmed this strategic direction

- Develop a unique positioning in the Luxembourg market**

Build on our ability to deliver an unmatched business model at the intersection of Retail Banking, CIB and Private Banking to be the best bank for Entrepreneurs in Luxembourg
- Develop China business**

Become a leading bank for European clients wanting to invest in China, and Chinese clients wanting to invest in Europe, on a step-by-step basis
- Wealth Management as growth engine**

Bring Wealth Management back to its 2017 levels of revenues and profitability thanks to a fundamental turnaround and growth of our Entrepreneur client base mainly in Luxembourg and the strategic plan in Switzerland
- Deliver a new Core Banking System**

Deliver a future-proof core banking system to act as backbone for BIL's transformation (*delivered in September 2023*)
- Design and implement a new Target Operating Model**

Adapt BIL's operating model and culture to create a robust, future-proof and dynamic bank ready to face the future with confidence

(1): Figures end of December 2023

# Overview

## Strong shareholder backing by Legend Holdings as majority owner



### Legend Holdings Overview

#### Strong Entrepreneurial Background...

- Legend Holdings is an **industrial operations and investments group** headquartered in Beijing, **China**, and listed on the **Hong Kong Stock Exchange** since June 2015
- As at 31 December 2023, Legend Holdings had **assets of EUR 84.81 billion<sup>1</sup>**, **annual revenues of EUR 56.90 billion<sup>2</sup>** and **approx. 90,000 employees** worldwide.
- Legend Holdings was founded in 1984 and developed **Lenovo** into a global leader following Lenovo's acquisition of IBM's global PC business in 2004
- Legend Holdings has over a **35-year history** of continued growth and expansion and is rated **AAA in China** (United Credit Ratings Company Limited)

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



### BIL Acquisition Overview

- On 2 July 2018, **Legend Holdings Corp.** closed the transaction for the acquisition of Precision Capital's 89.936% stake in **BIL<sup>3</sup>**
- The Grand Duchy of Luxembourg remains an important shareholder** in BIL with its 9.998% stake
- Legend Holdings considers BIL as a **long-term strategic investment** and intends to **maintain and invest further in the development** of the BIL brand, in Luxembourg, Switzerland and China
- As at December 2023, **Legend Holdings Corp.** holds **89.980%** stake in **BIL<sup>4</sup>** and the **Grand Duchy of Luxembourg** holds **9.998%** stake.

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



(1): Based on EUR/CNY of 0.1274 as at 29 December 2023

(2): Based on 2023 average EUR/CNY of 0.1305

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

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

# Overview

## 2023 key figures<sup>1</sup>



### Assets Under Management

**43.8** EUR billion  
+0.7% compared with Dec 2022



### Deposits

**18.5** EUR billion  
-12.3% compared with Dec 2022



### Loans

**16.3** EUR billion  
-0.9% compared with Dec 2022



**#3** **2,023**

in Luxembourg  
Market share

Employees  
(BIL Group)



**+200,000**

Clients



**+20%**

Share of sustainable investment in the  
Bank's Investment Portfolio



### Net Profit BIL Group

**202** EUR million after tax  
+32% compared with Dec 2022



### Total Balance Sheet BIL Group

**30.5** EUR billion  
-5.8% compared with Dec 2022



### Common Equity Tier 1

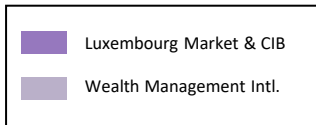
**14.41%**  
CET1 2023 after profit allocation



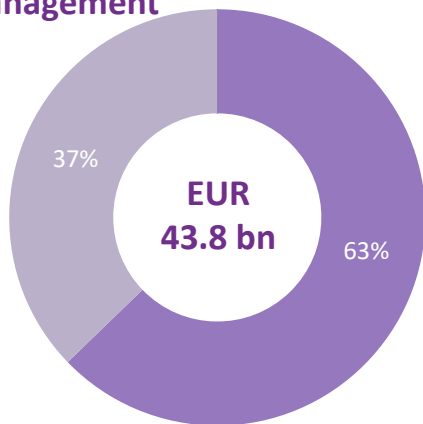
(1): Please refer to the 2023 Annual Report on [www.bil.com](http://www.bil.com)

# Overview

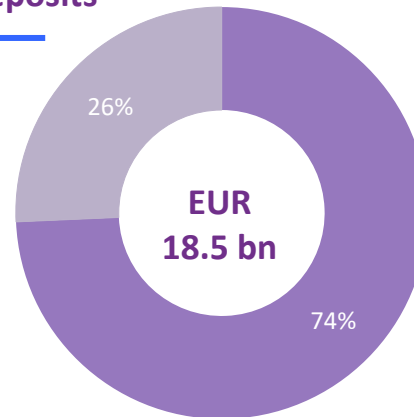
## 2023 business segments' breakdown



### Assets under Management



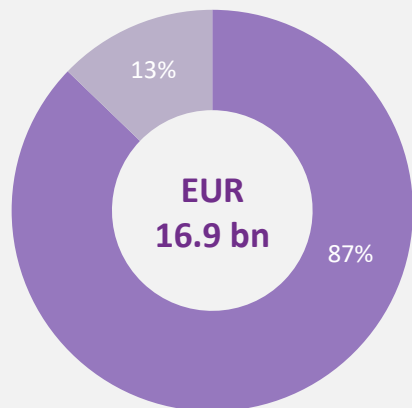
### Deposits



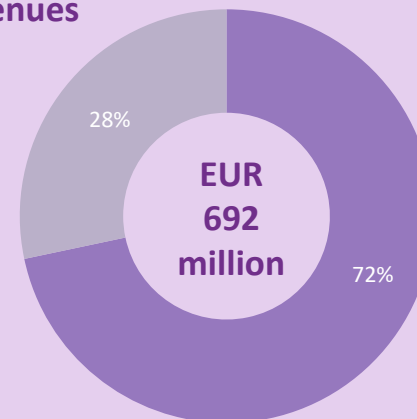
### Deposits by Geographic breakdown

Luxembourg	74%
Belgium	5%
France	4%
Germany	3%
Other Eurozone countries	4%
Switzerland	2%
UK	1%
Rest of Europe	3%
China	2%
Rest of the world	3%

### Loans<sup>1</sup>



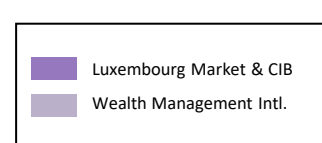
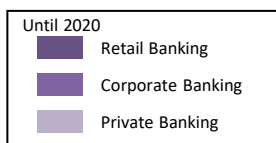
### Core operating revenues



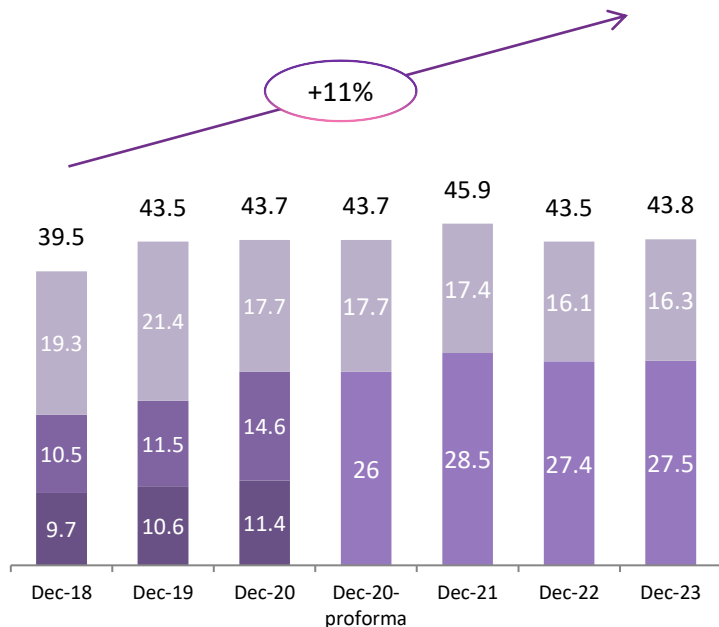
(1): To match with 2023 Balance Sheet figures (cf. slides 12 and 17), please note that this figure is limited to the commercial business lines excluding impairments on loans.

# Overview

## Commercial franchise evolution

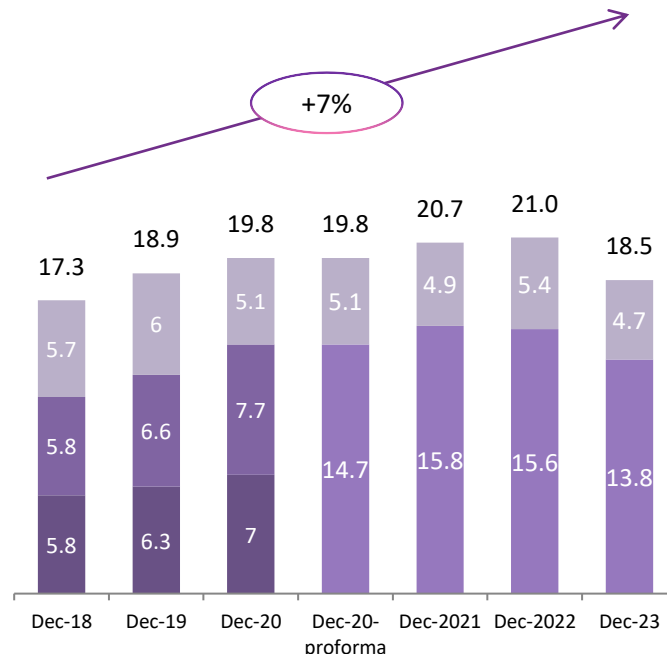


Assets under Management (in EUR billion)



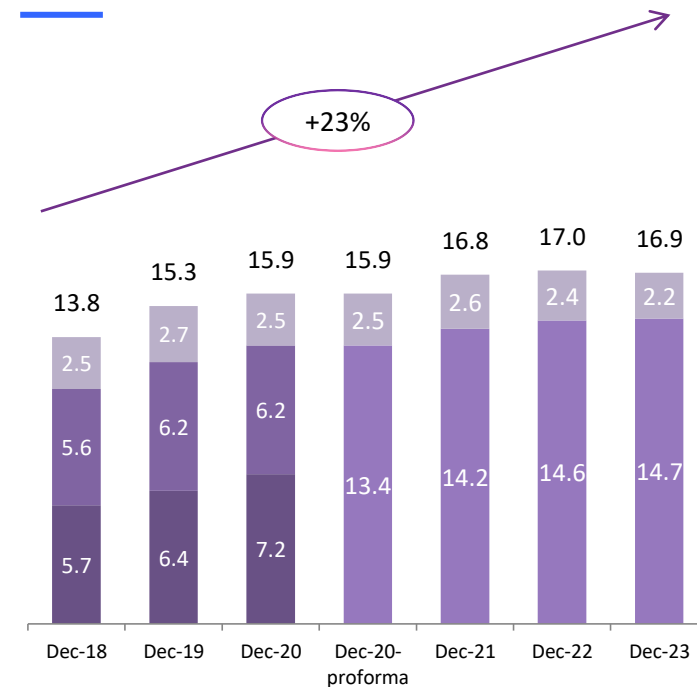
**EUR +0.3 billion**  
 positive market effect EUR 0.7 billion  
 negative organic growth EUR 0.4 billion

Deposits (in EUR billion)



**EUR -2.5 billion<sup>2</sup>**  
 of deposits decrease

Loans<sup>1</sup> (in EUR billion)



**EUR -0.1 billion**  
 of loans decrease

(1): To match with 2023 Balance Sheet figures (c.f. slides 12 and 17), please note that this figure is limited to the commercial business lines excluding impairments on loans

(2): 2023 deposits continued the downward trend already observed in June 2023, as clients moved their deposits to higher return investments and proceeded to the early repayment of their variable rate loans. The Bank also witnessed higher volatility in terms of institutional client depositors depending on their cash management requirements.

# Financial Performance

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# Q2



# Financial Performance

## 2023 Income Statement



### Income Statement – Global view (in EUR million)

Income Statement	2022	2023
Revenues	645	762
Interests and dividend income	363	538
Fee income	224	212
Other income	57	12
Expenses	(460)	(505)
Gross operating income	185	257
Cost of Risk	(19)	(26)
<b>Net income before tax</b>	<b>165</b>	<b>230</b>
Tax	(12)	(29)
<b>Net income after tax</b>	<b>153</b>	<b>202</b>
<b>Cost-income ratio</b>	<b>71.3%</b>	<b>66.3%</b>

- BIL group reported a net income after tax of EUR 202 million, compared to EUR 153 million in 2022, up by 32%, driven by higher revenues from commercial activities offset by an increase in expenses and cost of risk.

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

Income Statement	2022	2023	Change	
<b>Core operating revenues</b>	<b>599</b>	<b>763</b>	<b>164</b>	<b>27%</b>
Luxembourg Market & CIB	407	496	89	22%
Wealth Management International	182	196	14	8%
Financial Markets	43	53	10	23%
Group center	(33)	17	50	152%
<b>Core operating expenses</b>	<b>(455)</b>	<b>(496)</b>	<b>(40)</b>	<b>9%</b>
Core operating cost of risk	(17)	(28)	(12)	71%
<b>Core operating net income before tax</b>	<b>127</b>	<b>239</b>	<b>112</b>	<b>88%</b>
<b>Core cost-income ratio</b>	<b>76.0%</b>	<b>65.0%</b>		

- BIL group's core operating net income before tax (excluding non-recurring items) amounts to EUR 239 million compared with EUR 127 million in 2022, up by 88%. This evolution was marked by a positive contribution of the core operating revenues of EUR 164 million offset by a negative contribution of the core operating expenses of EUR 40 million and a higher core operating cost of risk by EUR 12 million.



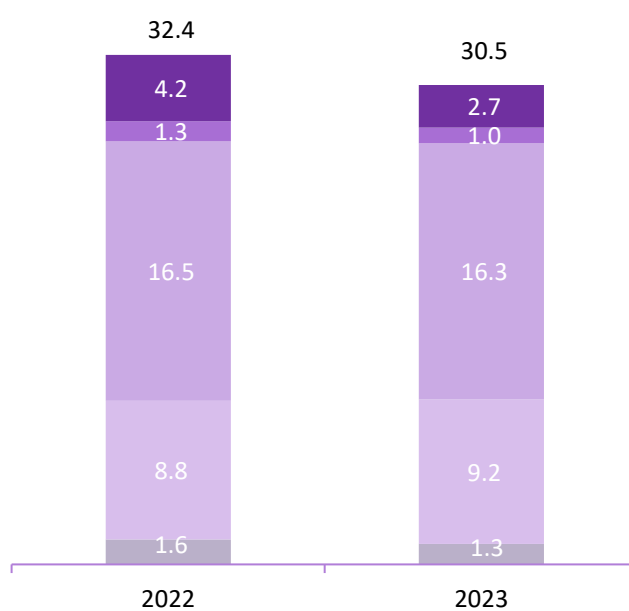
# Financial Performance

## 2023 Balance Sheet



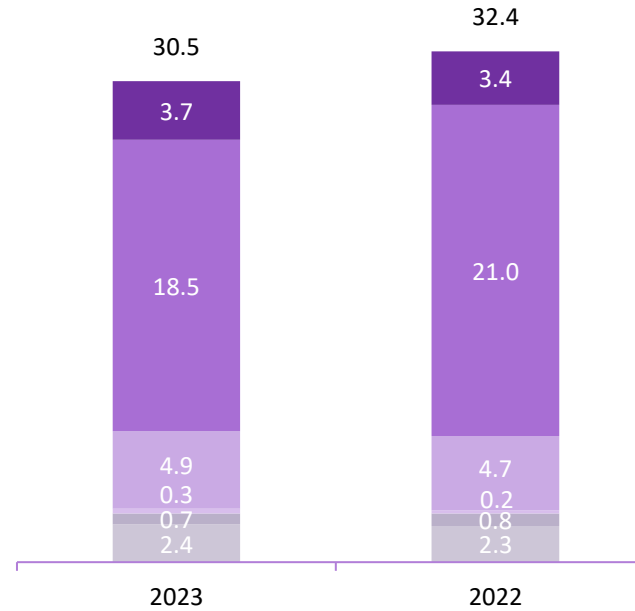
### Assets (in EUR billion)

- Cash and Balances with Central Banks
- Loans and Advances to Credit Institutions
- Loans and Advances to Customers
- Financial Investments
- Other assets



### Liabilities (in EUR billion)

- Amounts due to Credit Institutions
- Amounts due to Customers
- Debt Securities and Financial Liabilities
- Subordinated Debts
- Other liabilities
- Shareholders' Equity



- Loans and advances to customers amounted to EUR 16.3 billion at the end of 2023 compared with EUR 16.5 billion at the end of 2022 (EUR 0.2 billion or -0.9%). Outstanding mortgage loans decreased by EUR 0.2 billion (-3%). This decrease is linked to the continued general slowdown in mortgage loan production in Luxembourg, impacted by the rapid rise in interest rates and delays in new construction projects caused by the current downturn in the real estate sector and early reimbursement as clients are using their excess liquidity to deleverage their investment portfolios.
- Financial investments increased by EUR 0.4 billion to EUR 9.2 billion, as higher new investments recognised at amortised cost were partially offset by sales and maturities generated in 2023.
- Cash at Central Banks and loans and advances to credit institutions amounted to EUR 3.7 billion, down by EUR 1.8 billion (-33%). This decrease mainly stems from “Amounts due to Customers” down by EUR -2.6 billion which has reduced the Bank’s liquidity excess.

- Customer deposits totalled EUR 18.5 billion in December 2023, down by 12.3% versus year-end 2022. This decrease occurred mainly in current accounts (EUR -3.4 billion), partially offset by an increase in fixed term deposits (EUR 1 billion) as favourable interest rates incentivise clients to move their deposits to more remunerative products and clients proceed to the early repayment of their variable rate loans.
- Debt securities increased by 4.3% to reach EUR 4.9 billion compared with year-end 2022. As part of its long-term financing programme, in 2023 the Bank issued EUR 2.1 billion in Senior Preferred and EUR 70 million in Senior Non-Preferred notes. Since the inauguration of its Green Bond Framework in May 2022, BIL issued a total of EUR 440 million in green bonds of which EUR 350 million were issued in 2023.
- Shareholders’ equity increased by EUR 136 million (+5.9%). This increase was mainly due to the 2023 net profit of EUR 202 million and the positive evolution of the revaluation reserves of EUR 3 million offset by the dividend paid on the 2022 net profit of EUR 60 million and by the coupon payments on AT1 instruments.

Totals may differ slightly due to rounding

# Asset Quality

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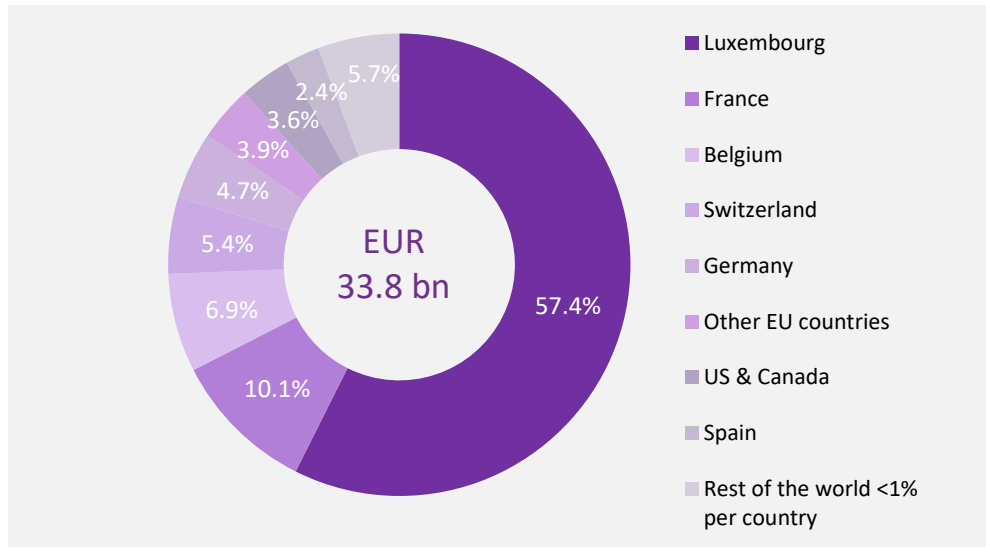
# OS



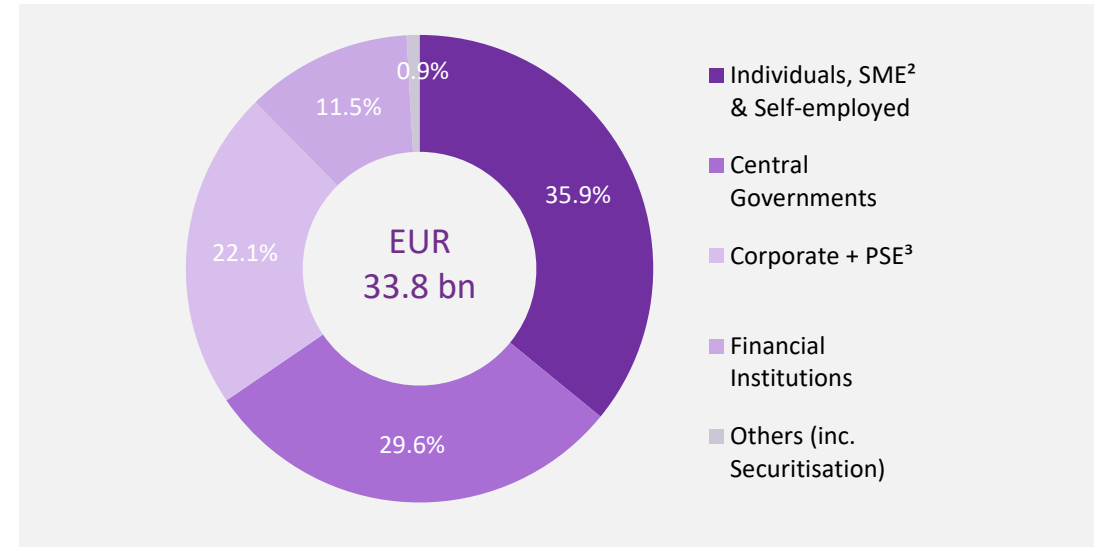
# Asset quality

## 2023 Global Exposure

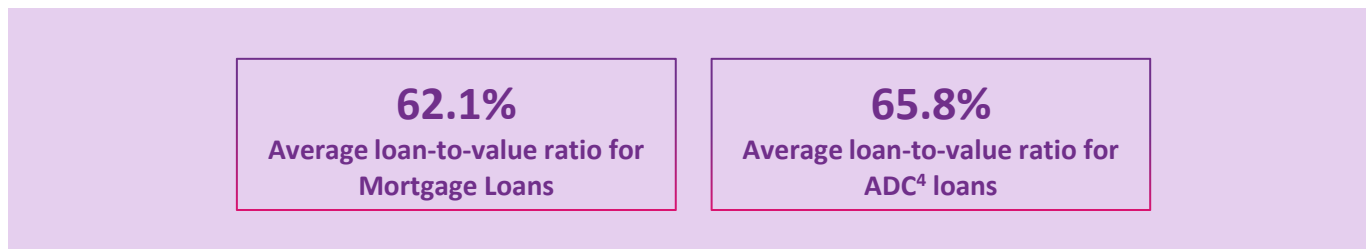
### Exposure by Geographic Region (MCRE<sup>1</sup>)



### Exposure by type of counterparty (MCRE<sup>1</sup>)



### Loan-to-value ratios



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

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

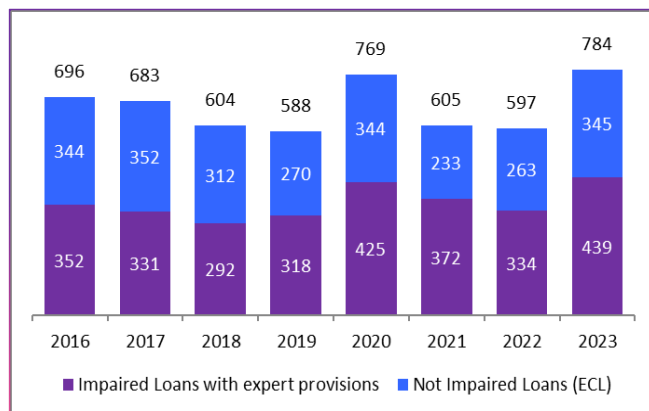
(4): ADC – Acquisition Development and Construction

# Asset quality

## Non-performing loans and asset quality loans

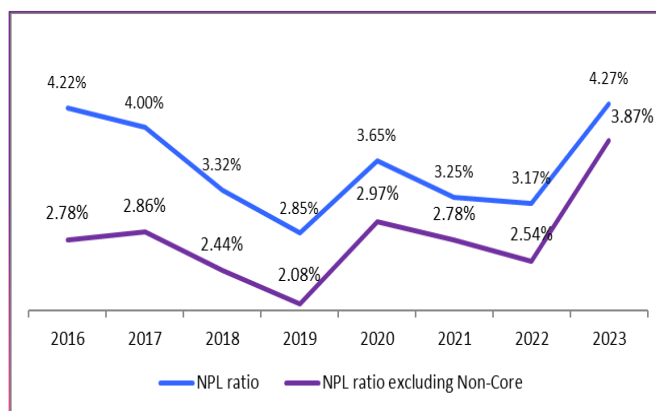


### Non-performing loans<sup>1</sup> (exposure, in EUR million)



- Total non-performing loans reversed their downward trend to reach a level comparable to that of the post-pandemic period.

### Non-performing loans (ratios)



- The NPL ratio is mainly influenced by an increase in non-performing loans linked to the difficulties exposed to Luxembourg's residential real estate sector. This sector is currently facing a downturn that is tied to a slowdown in economic growth and a higher interest rate environment.

### Asset quality loans<sup>2</sup> (ECL and coverage ratio)

Loans and advances to customers	2022	2023
<b>Stage 1</b>		
Outstanding amount (EUR bn)	13.131	13.841
ECL (EUR m)	47	39
Coverage ratio %	0.36%	0.28%
<b>Stage 2</b>		
Outstanding amount (EUR bn)	3.081	1.985
ECL (EUR m)	33	23
Coverage ratio %	1.07%	1.16%
<b>Stage 3</b>		
Outstanding amount (EUR bn)	0.568	0.776
ECL (EUR m)	217	212
Coverage ratio %	38.20%	27.32%
Asset quality ratio (stage 3 / total gross loans and advances to customers)	3.38%	4.67%
<b>Cost of Risk (in bps) excluding non-recurring items</b>	<b>5bps</b>	<b>20bps</b>

(1): Non-performing loans including off-balance sheet items ( in 2023 EUR 23m guarantees)

(2): Asset quality ratio limited to loans and advances to customers - Detail in 2023 Annual Report - Risk Management section 3.6 (page 38)

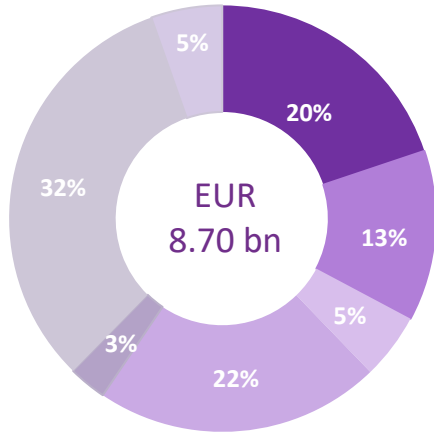
# Asset quality

## 2023 Investment Portfolio



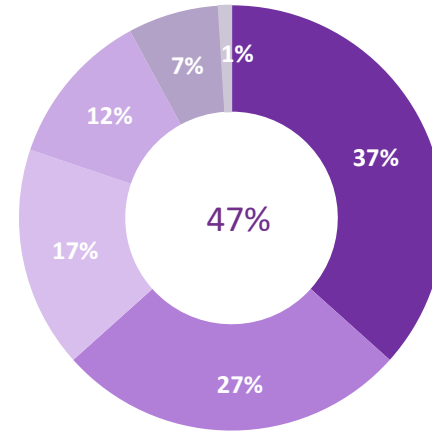
Investment Portfolio by Issuer Type

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



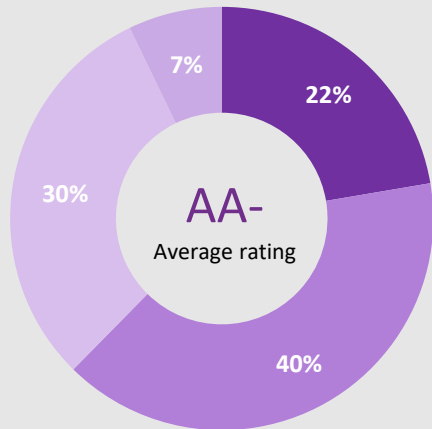
European Govies and Local Authorities (excluding Canada) by Geographic Region

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



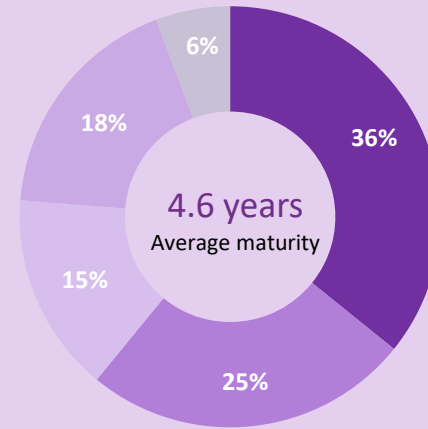
Investment Portfolio by Rating

- AAA
- AA
- A
- BBB



Investment Portfolio by Maturity

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



# Solvency and Liquidity

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04

The background features two purple flags on a pole against a cloudy sky. The flags have white text and a logo. The visible text includes 'BIL' in large letters, '1856' below it, and 'BANQUE INTERNATIONALE À LU...' at the top right. A logo consisting of a stylized 'V' or 'U' shape is also visible on the right flag.

# Solvency and Liquidity

## 2023 Solvency Position

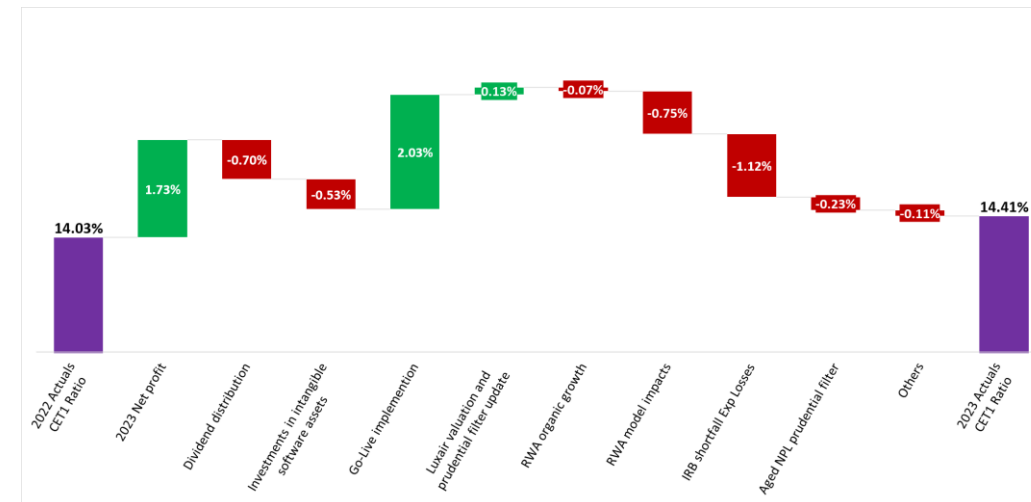
### Solvency Ratios (figures after profit allocation, in EUR million)

	2022	2023
<b>Weighted risks</b>	<b>10,426</b>	<b>11,451</b>
Credit risk & CVA <sup>1</sup>	9,408	10,273
Market risk	17	24
Operational risk	1,001	1,154
<b>Total capital</b>	<b>1,881</b>	<b>2,159</b>
Common Equity Tier 1	1,463	1,650
Additional Tier 1	175	175
Tier 2	243	334
<b>Solvency ratios</b>		
CET1 ratio	14.03%	14.41%
Tier 1 ratio	15.71%	15.93%
Capital adequacy ratio	18.04%	18.85%

(1): CVA - Credit Value Adjustment

**Common Equity Tier 1 (CET1)** up by EUR 187 million mainly due to the shareholders' equity increase of EUR 115 million and a reduction of prudential filters of EUR 72 million.

### CET1 ratio evolution



### Risk Weighted Assets (RWA)

Risk Weighted Assets growth (EUR 1,206 million) is mainly driven by credit risk (EUR 866 million) due to the implementation of the new retail models, the commercial loans' portfolio evolution and the prudential treatment of intangible software assets (after go-live implementation of the new Core Banking System)

**14.41%<sup>3</sup>**  
CET1 ratio

**9.40%**  
OCR requirements<sup>4</sup>

**5.33%**  
Leverage ratio

(3): 13.37% before 2023 profit allocation

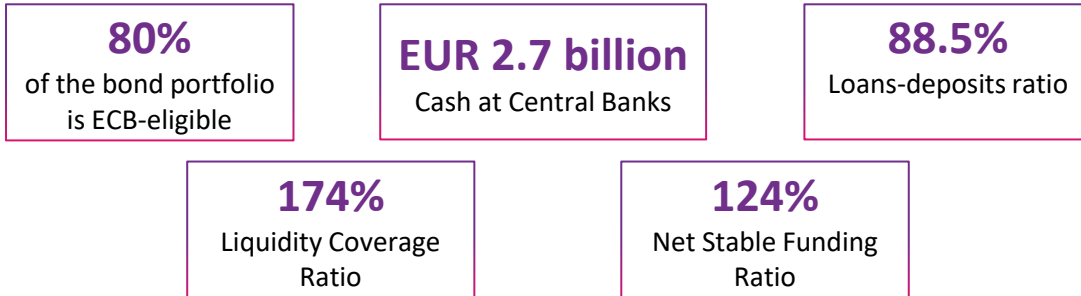
(4): CET1 requirement 4.5%, conservation buffer 2.5%, O-SII buffer 0.5%, countercyclical buffer 0.5%, P2R 1.4% (as of 1 Jan. 2024)

# Solvency and Liquidity

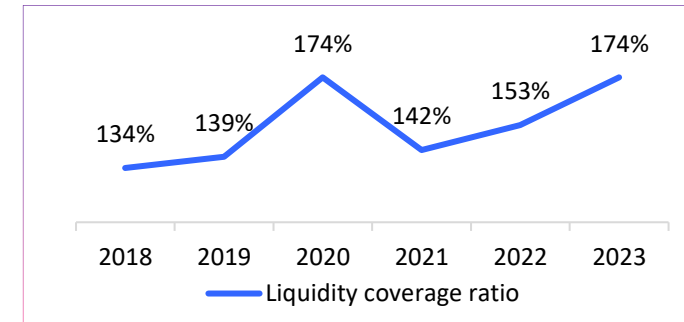
## Liquidity and Funding



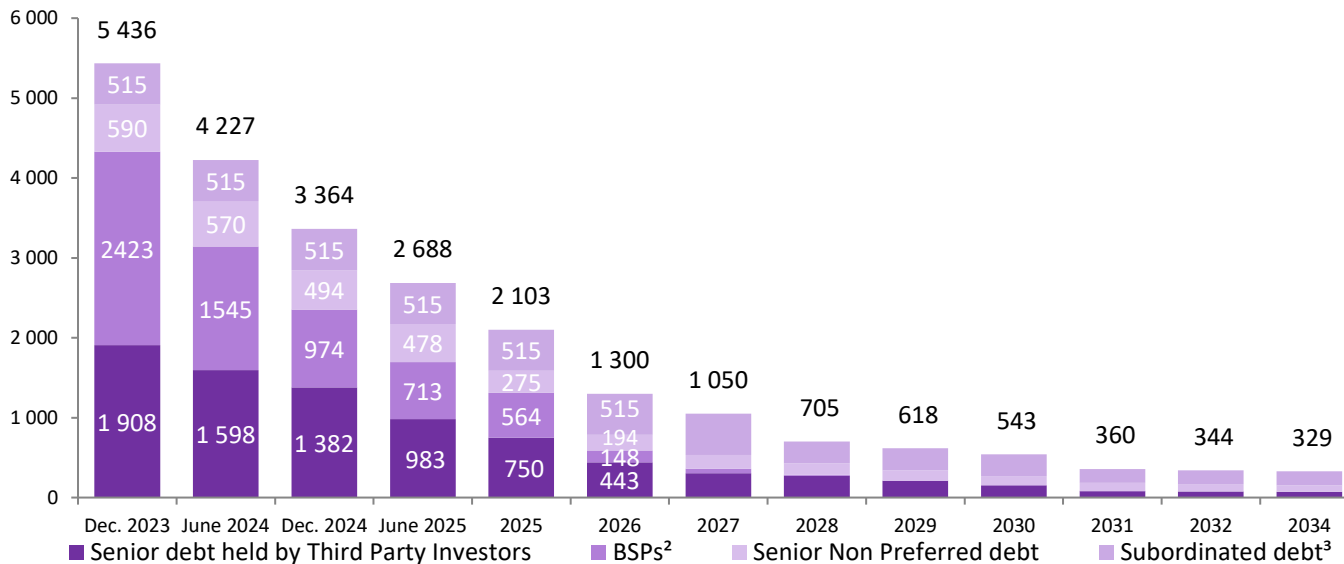
### Liquidity



### Evolution of the Liquidity Coverage Ratio



### BIL debt maturity profile<sup>1</sup> (in EUR million)



### BIL's diversified sources of funding

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

(1): Excluding Corporate deposits

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

(3): EUR 175 million AT1, EUR 50 million Tier 2, USD 100 million Tier 2 maturing 2028, EUR 100 million Tier 2 (callable 2026 and maturing 2031) and EUR 100 million Tier2 (callable 2028 and maturing 2033)



# Solvency and Liquidity

## BIL's Credit Ratings



### S&P Global Ratings

	<b>A-/Stable/A-2</b>
Standalone Rating (SACP)	bbb+
ALAC Support	+1 notch
Last rating action	03 Nov 2019
Ratings affirmed	20 Oct 2023

### MOODY'S INVESTORS SERVICE

	<b>A2/Stable/P-1</b>
Standalone Rating (BCA)	baa2
Government uplift	+1 notch
Loss Given Failure (LGF)	+2 notches
Last rating action	03 April 2024

# Sustainability strategy

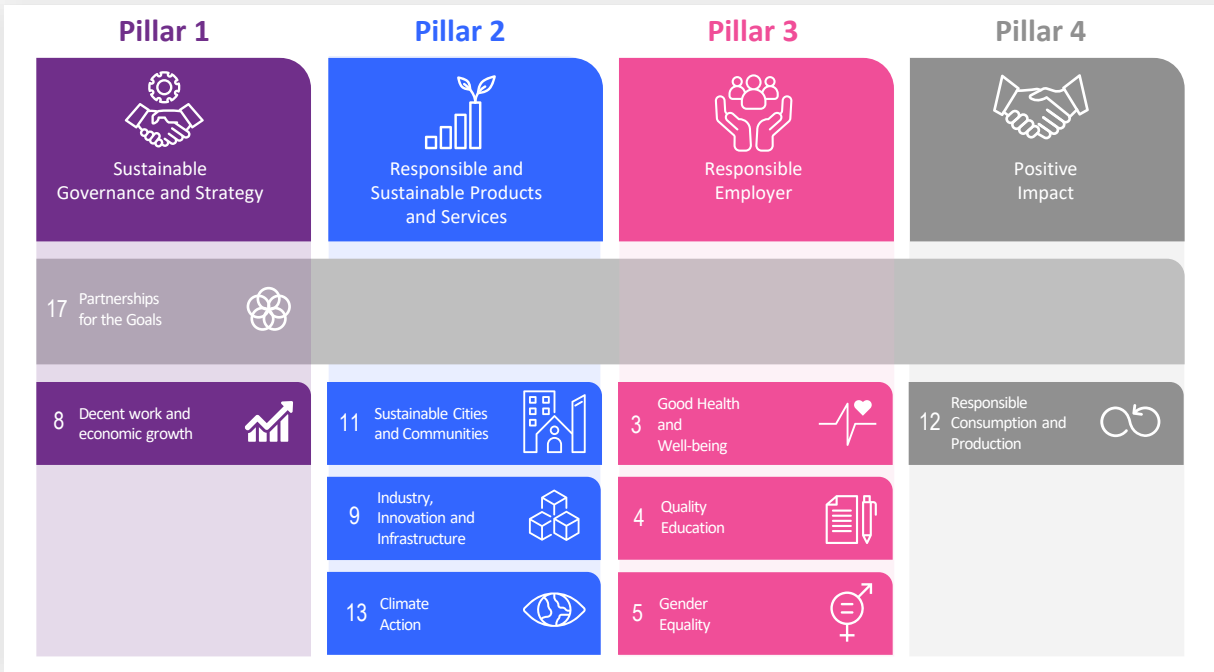
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# Sustainability Strategy Overview

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



## Pillar 1<sup>1</sup> – Sustainable governance and strategy

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

## Pillar 2<sup>1</sup> – Responsible and sustainable products and services

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

## Pillar 3<sup>1</sup> – Responsible employer

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

## Pillar 4<sup>1</sup> – Positive impact

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

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

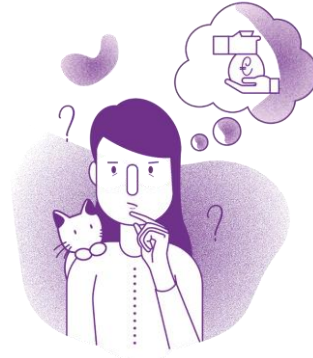
(1): For detailed information on each Pillar of our SustainaBILity Strategy please visit our [website](#) , consult our latest [Sustainability Report](#) or contact us (contact details on the last page of this presentation)

# Sustainability Strategy

## Exclusion policy and ESG integration in investments

### Exclusion Policy

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



#### Thermal Coal

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



#### Oil Sand

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



#### Controversial Weapons

Zero tolerance towards investing in companies involved in controversial weapons activities.



#### Controversial Behaviour

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



#### Serious Violations

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

### ESG Integration

- Integrating environmental, social and governance (ESG) factors results in better-informed investment decisions and/or recommendations
- BIL investment services apply ESG non-financial factors as part of their analysis to identify material risks and growth opportunities



# Sustainability Strategy

## Recent Achievements & 2024 Targets



### 2023 Achievements

- ✓ **Focus on regulatory compliance:** SFDR, MIFID, Integration of climate risks, CSRD.
- ✓ Development of **article 8** in-house funds.
- ✓ **Integration of ESG considerations** in lending and investment activities and development of risk assessment framework.
- ✓ **1<sup>st</sup> ESG Risk Rating** (Sustainalytics).
- ✓ **1<sup>st</sup> ESG targets** and Board oversight of ESG Dashboard.
- ✓ Systematic integration of **EPC** in mortgage processes.
- ✓ Systematic **sustainability preferences** collection.

### 2024 Targets

- 🎯 Pursue reflections on **climate strategy**, sectorial implications and impact on business model and strategy.
- 🎯 Reflect on long-term **targets** and bank ambitions.
- 🎯 Ensure **transparency** on bank's governance and ESG policies.
- 🎯 Create **client awareness** on ESG products & services.
- 🎯 Continue to develop **ESG offering and linked pricing reflections**.
- 🎯 Continue to develop **ESG Risk Framework**.
- 🎯 Address **regulatory requirements** with focus on MIFID, Risk roadmap, CSRD and SFDR.
- 🎯 Work on **Culture & Training**.

#### ESG Frameworks & Labels



BIL conducted an ESG Risk Rating which measures the company's exposure to industry-specific material ESG risks and how well the company is managing those risks.

BIL was awarded a score of **11.2** (15/09/2023):

- Low risk
- Strong overall management of material ESG issues
- Strong performance on Data Privacy & Security, Human Capital, Product Governance, ESG Integration, Corporate Governance and Business Ethics

# Green Bond Framework

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06



### Rationale

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

### Green Bond Principles

#### Use of Proceeds

##### Green Buildings

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

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

#### Management of Proceeds

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



#### Process for Asset Evaluation and Selection

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

#### Reporting

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



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



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

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

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

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

### Eligible Project Category



### Eligibility Criteria

- ✓ Buildings either with an **Energy Performance Certificate (EPC) level at least equal to “A” or belonging to the top 15% most energy-efficient buildings** of the national building stock and demonstrated by adequate evidence<sup>1</sup>
- ✓ Buildings with **Primary Energy Demand (PED) at least 10% lower than the relevant national threshold** set for nearly zero-energy building (NZEB) requirements
- ✓ Buildings that will achieve or have achieved, after refurbishment, a reduction of **primary energy demand (PED) of at least 30 % in comparison to the performance of the building before renovation** or comply with the applicable requirements for major renovations of the EPBD (Energy Performance of Buildings Directive)



### UN SDGs



### Environmental Objective

Substantially contribute to EU Taxonomy environmental objective n°1 “Climate Change Mitigation” (Article 10) by improving energy efficiency, except for power generation activities<sup>2</sup>

### Exclusion Criteria

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

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

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



# Green Bond Framework

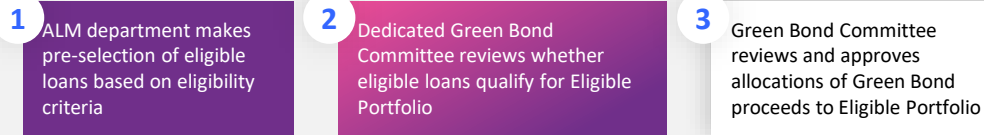
## Process for project selection, evaluation and management of proceeds

### Process for project selection and evaluation

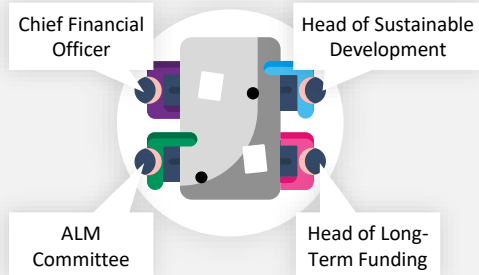
#### Governance Guidelines

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

#### Eligible loans identification process



#### Green Bond Committee

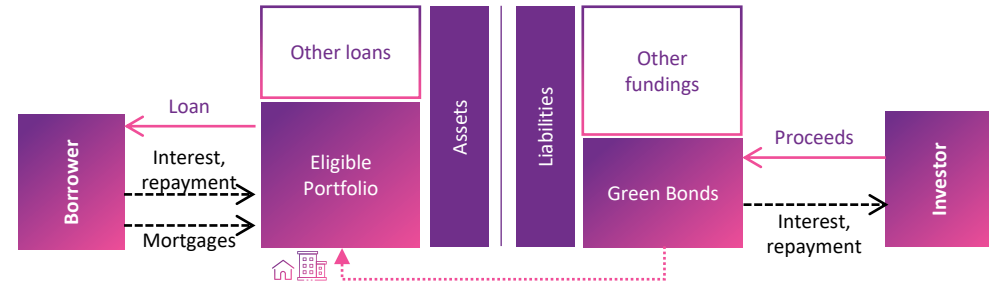


#### Responsibilities

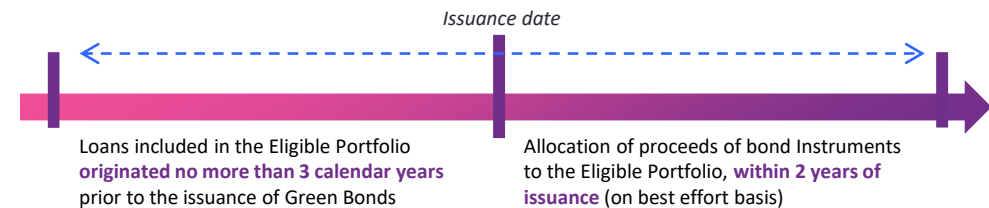
- Review and approve the selection of eligible loans included in the Eligible Portfolio
- Monitor external reviews
- Review and approve Green Bond reporting
- Address changes in Eligible Portfolio and put forward potential alternative eligible loans
- Monitor evolutions of sustainable finance regulation

### Management of Proceeds

#### Aggregated Portfolio Approach



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



### Allocation Report


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

### Impact Report

- Estimated annual financed GHG emissions and avoided GHG emissions (tCO<sub>2</sub>e)
- Estimated ex-ante annual energy consumption and energy savings (KWh/sqm)
- Number of buildings and estimated total floor area (sqm) financed

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

### External Review

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

### Environmental impact evaluation

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

# Recent Developments

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# 07



# Overview

## H1 2024 key figures<sup>1</sup>



### Assets Under Management

**45.5** EUR billion  
+3.8% compared with Dec 2023



### Deposits

**18.5** EUR billion  
+0.5% compared with Dec 2023



### Loans

**16.6** EUR billion  
+1.6% compared with Dec 2023



**#3** **2,023**

in Luxembourg  
Market share

Employees  
(BIL Group)



**+200,000**

Clients



**+22%**

Share of sustainable investment in the  
Bank's Investment Portfolio



### Net Profit BIL Group

**83** EUR million after tax  
-19% compared with June 2023



### Total Balance Sheet BIL Group

**32.1** EUR billion  
+5.1% compared with Dec 2023



### Common Equity Tier 1

**13.88%**  
CET1 June 2024 before profit allocation



(1): Please refer to the 2024 Semi-Annual Report on [www.bil.com](http://www.bil.com)

# Financial Performance

## H1 2024 Income Statement



### Income Statement – Global view (in EUR million)

Income Statement	H1 2023	H1 2024
Revenues	374	363
Interests and dividend income	271	243
Fee income	106	104
Other income	(2)	15
Expenses	(235)	(253)
Gross operating income	139	110
Cost of Risk	(21)	(16)
<b>Net income before tax</b>	<b>118</b>	<b>94</b>
Tax	(15)	(11)
<b>Net income after tax</b>	<b>103</b>	<b>83</b>
<b>Cost-income ratio<sup>1</sup></b>	<b>60.9%</b>	<b>69.1%</b>

- BIL group reported a net income after tax of EUR 83 million, compared to EUR 103 million in June 2023, down by EUR 20 million, primarily caused by the rate environment in Europe and the impact on the interest margin (both on deposits and on loans).

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

Income Statement	H1 2023	H1 2024	Change	
<b>Core operating revenues</b>	<b>376</b>	<b>360</b>	<b>(16)</b>	<b>(4%)</b>
Luxembourg Market & CIB	216	219	3	1%
Wealth Management	130	107	(23)	(18%)
Financial Markets	35	19	(16)	(46%)
Group center	(6)	15	21	ns
<b>Core operating expenses</b>	<b>(234)</b>	<b>(252)</b>	<b>(18)</b>	<b>8%</b>
Core operating cost of risk	(21)	(15)	5	(26%)
<b>Core operating net income before tax</b>	<b>121</b>	<b>92</b>	<b>(28)</b>	<b>(24%)</b>
<b>Core cost-income ratio<sup>1</sup></b>	<b>60.4%</b>	<b>69.5%</b>		

- BIL group's core operating net income before tax (excluding non-recurring items) amounts to EUR 92 million compared with EUR 121 million in June 2023, down by 28 million. This evolution was marked by an increase in core operating expenses of EUR 18 million and a decrease in core operating revenues of EUR 16 million offset by a positive variation in the cost of risk by EUR 5 million.

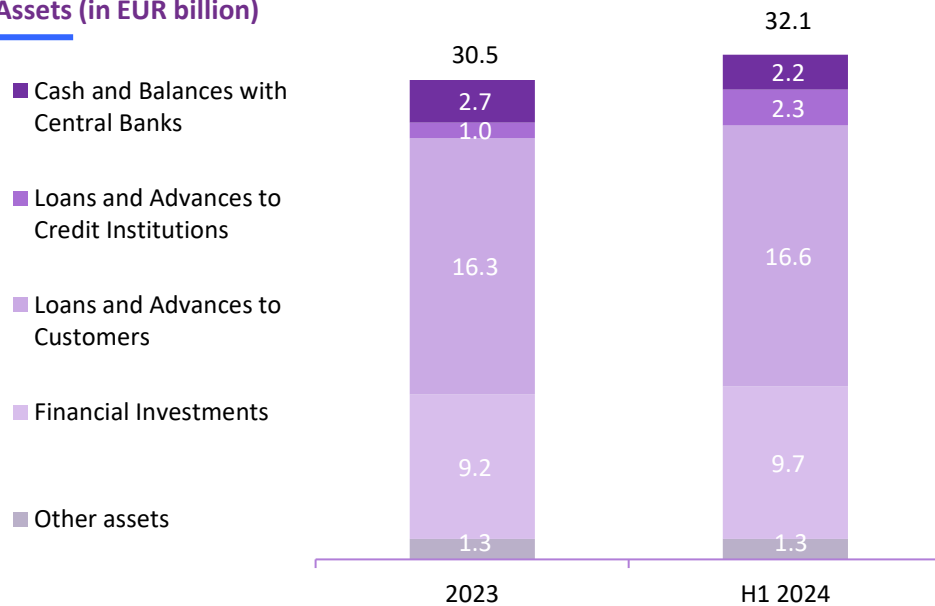
(1): Cost income ratio annualised considering DGS & Resolution Funds' contribution at 50%  
Totals may differ slightly due to rounding

# Financial Performance

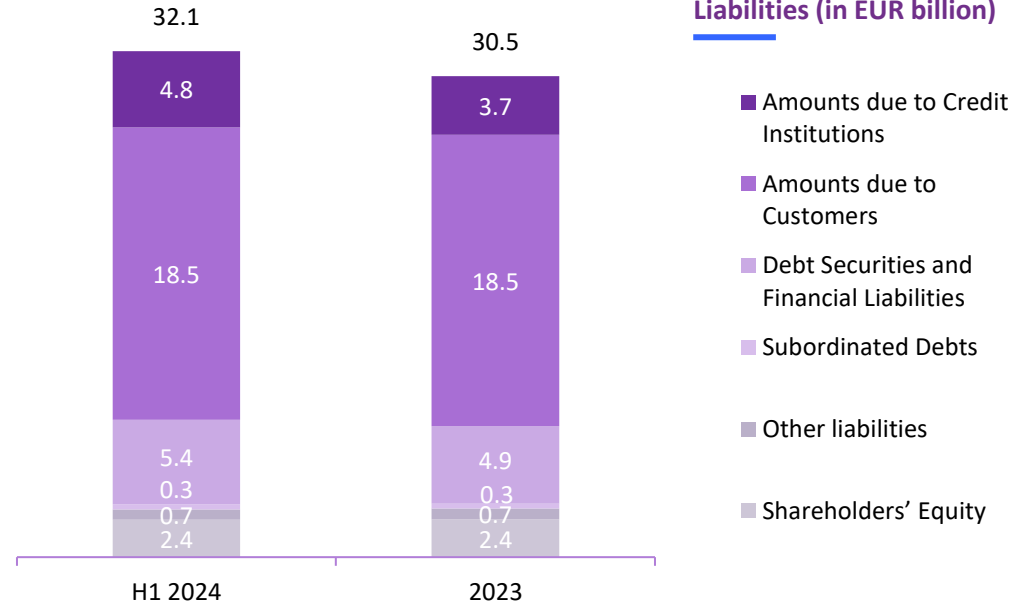
## H1 2024 Balance Sheet



### Assets (in EUR billion)



### Liabilities (in EUR billion)



- Loans and advances to credit institutions amounted to EUR 2.3 billion, up by EUR 1.3 billion, mainly influenced by an increase in reverse repurchase agreements for EUR 1.2 billion. The Bank opted for an active collateral management in a favourable market backdrop and actively engaged in collateralised transactions during the first semester 2024. This strategy contributed to the growth in reverse repurchase agreements balances, which involve lending cash against high-quality bonds to enhance our liquidity position while maintaining a robust risk management framework.
- Loans and advances to customers amounted to EUR 16.6 billion in June 2024 compared with EUR 16.3 billion at the end of 2023, up by 1.6%. In the second quarter of 2024, we saw a slight upturn in lending activity, driven by the anticipation of the rate cut, since confirmed by the ECB, a return to climate of confidence following the government measures announced and the continuous commitment of the Bank to support the national economy to boost lending activities.
- Financial investments increased by EUR 0.5 billion to EUR 9.7 billion, as higher new investments were partially offset by sales and maturities generated in the first half of 2024.

- Amounts due to credit institutions amounted to EUR 4.8 billion, up by EUR 1.1 billion (30.0%) compared to year-end 2023. This increase stems mainly from fiduciary deposits of EUR 800 million to diversify funding.
- Amounts due to customers amounted to EUR 18.5 billion in June 2024, a slight increase of EUR 0.1 billion (+0.5%) compared with an annual decrease of -12.3% in 2023. This occurred mainly in fixed term deposits (EUR 0.9 billion) and savings accounts, partly offset by a decrease in current accounts (EUR -0.9 billion).
- Debt securities increased by 9.9% to EUR 5.4 billion compared with year-end 2023. In the first half of 2024, as part of its long-term funding programme, the Bank raised EUR 1 billion in Euro Medium Term Notes (EMTNs). Market conditions were favourable, particularly in the Floating Rate Notes (FRN) segment. BIL successfully launched two FRN sub benchmark transactions of EUR 300 million with the remainder raised through public and private placements with institutional and retail investors.
- Shareholders' equity fell by EUR 43 million (-1.8%). This decrease is mainly due to the half-year net profit of EUR 83 million, offset by the dividend paid on the 2023 year-end net profit of EUR 80 million and by the negative evolution of the revaluation reserves of EUR 41 million.

Totals may differ slightly due to rounding

# Key Takeaways

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08



# Key Takeaways

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

—  
**Leading independent bank** in Luxembourg with an excellent brand

—  
**Long-term commitment** from both shareholders

—  
**Strong capital and liquidity** positions

—  
Solid profitability with a 10.74% return on tangible equity in 2023

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





# Appendix

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09



# Governance

## Board of Directors as at 1 May 2024



**Marcel Leyers<sup>1</sup>**  
Chair



**Jing Li<sup>2 3</sup>**  
Vice-Chair



**Maurice Lam**  
Director



**Peng Li<sup>3</sup>**  
Director



**Charles Q. Li**  
Director



**Pierrot Rasqué<sup>4</sup>**  
Director



**Vincent Thurmes<sup>4</sup>**  
Director



**Chris van Aeken**  
Director

### Staff Representatives



**Ashley Glover**  
Director  
Staff Representative



**Benoît Migeaux**  
Director  
Staff Representative



**Claude Steffen**  
Director  
Staff Representative



**Marc Terzer**  
Director  
Staff Representative

(1): Chair of the Board of Directors as of 1<sup>st</sup> May 2024 (2): Interim Chair of the Board of Directors up to 30<sup>th</sup> April 2024, Vice-Chair of the Board of Directors as of 1<sup>st</sup> May 2024

(3): Legend Holdings' directors

(4): Grand Duchy of Luxembourg directors

# Glossary

## List of acronyms and specific terms



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

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

# Glossary

## Alternative Performance Measures (APM)



APM	Definition	Reason for use
(Core) Operating Revenues	Operating revenues = Interest and dividend income + Fee income + Other income Core = operating revenues excluding non-recurring items as presented on slide 16.	Representative measure of BIL's operating performance.
(Core) Operating Expenses	Operating expenses = Staff expenses + General expenses + Amortisation Core = operating expenses excluding non-recurring items as presented on slide 16.	Representative measure of BIL's operating cost.
(Core) Gross Operating income	Gross operating income = Operating revenues - Operating expenses Core = gross operating income excluding non-recurring items as presented on slide 16.	Representative measure of BIL's operating performance.
(Core) Cost of Risk	Cost of risk : net impairment on financial instruments and provisions for credit commitments Core = cost of risk excluding non-recurring items as presented on slide 16.	Representative measure of BIL's cost of risk level
(Core) Operating income	Operating income = Gross operating income net of impairments and provisions for legal litigation Core = operating income excluding non-recurring items as presented on slide 16.	Representative measure of BIL's operating performance.
(Core) Operating net income before tax	Net income = Operating income net of income from associates and before tax expenses Core = net income excluding non-recurring items as presented on slide 16.	Representative measure of BIL's operating performance before tax.
(Core) Cost/Income Ratio (CIR)	(Core) Cost to income ratio = (Core) operating expenses divided by (Core) operating revenues Core = cost to income ratio excluding non-recurring items as presented on slide 16.	Measure of operational efficiency in the banking sector.
Asset Quality Ratio	Total Stage 3 outstanding loans and advances to customers divided by total gross loans and advances to customers as presented on slide 20.	Representative measure of the risk level in % of the volume of outstanding loans.
Coverage Ratio	Expected credit losses divided by the total outstanding of related loans to customers by stage as presented on slide 20.	Measure of provisioning for doubtful loans
Return on Tangible Equity (ROTE)	Net income after tax less other equity instruments divided by the average shareholders' equity at the beginning of the year and the end of the period less intangible assets, goodwill and other equity instruments as presented on slide 10 and slide 36.	Measure of profitability in relation to shareholders' equity.

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