# BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

**Head Office:**
**1, Place de Metz, Luxembourg**

**Luxembourg Trade and Companies Register (R.C.S.) B 30775**

Self-governing public institution, established pursuant to the law of 21 February 1856 (Memorandum 1, no. 6 of 10 March 1856) and governed by the constitutional law of 24 March 1989, as amended (Memorandum A, no. 16 of 28 March 1989)

**2024 Audited Consolidated Financial Statements**

**CONTENTS**

# BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

## STATEMENT ON THE COMPLIANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2024**

Luxembourg, 26 March 2025

**Statement on the compliance of the consolidated financial statements and management report in accordance with the provisions of article 3 of the coordinated version of the Luxembourg transparency law ("Loi Transparence") of 11 January 2008**

We hereby declare that, to the best of our knowledge, the consolidated financial statements of Banque et Caisse d'Epargne de l'Etat, Luxembourg as at 31 December 2024 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities as well as the financial position and results. We also hereby declare that the management report presents an accurate description of the development, results and situation of Banque et Caisse d'Epargne de l'Etat, Luxembourg and of the group of companies included in the consolidated financial statements, taken as a whole, as well as the main risks and uncertainties facing the Bank and the BCEE Group.

For the Executive Committee

Doris Engel
Executive Vice President
Member of the Executive Committee

Françoise Thoma
Chief Executive Officer
President of the Executive Committee

# BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

## CONSOLIDATED MANAGEMENT REPORT

**31 December 2024**

# SPUERKEESS GROUP CONSOLIDATED MANAGEMENT REPORT

## RETAIL & PROFESSIONAL BANKING

*"In the context of the ongoing changes in the country and customers' growing needs, particularly with regard to housing, and against the backdrop of the digital transformation and mounting regulatory pressure, Spuerkeess's Retail Banking was able to increase its market share in 2024 for both mortgage loans and new customer acquisitions".*

Claude Hirtzig
Head of Retail & Professional Banking

**Objectives:**
1. Maintain our level of customer service and secure our market shares.
2. Assist customers with securities investments and retirement planning.
3. Continue to facilitate home purchases and energy renovations.

**Results:**
1. Record year for new customer acquisitions.
2. Launch of new investment solutions.
3. Significant increase in home loans granted.

**Challenges:**
1. Maintain a high level of customer satisfaction.
2. Manage the onboarding of our many new customers.
3. Support the recovery of the real estate market.

**Solutions:**
1. Maintain a high level of investment in all channels.
2. Make sure we have teams available to establish relationships with new customers.
3. Train and organise our advisors.

At Spuerkeess, our priority is to provide our customers with customised support, particularly at key moments in their personal and professional lives. This service, combined with our leadership in digital banking services in Luxembourg, has strengthened our competitive position. We were therefore able to establish a record number of new banking relationships in 2024.

In the context of the ongoing demographic changes in the country and customers' growing needs, particularly with regard to housing, and against the backdrop of the digital transformation and mounting regulatory pressure, Spuerkeess's Retail Banking was able to increase its market share in 2024 for both mortgage loans and new customer acquisitions. Compared with 2023, the year 2024 was primarily characterised by a turnaround in the credit markets. With inflationary pressures more in check, the European Central Bank was able to lower its key rates several times over the last 12 months while also confirming its intention to remain on this path for the first few months of 2025. This trend reversal caused long-term rates to fall, allowing customers interested in purchasing real estate, whether for their own use or as an investment, to gain back some purchasing power. Driven by rate cuts, as well as by government home purchase assistance programmes, the rise in new mortgage loans originated exceeded 30%, in terms of both volumes and the number of loans granted.
The sales teams in the home loan activity successfully met the moment and Spuerkeess was able to consolidate its leadership position. At the same time, we continued to support our customers affected by the extension of their bridge loans, despite the rise in rates in previous years.

The number of new banking relationships established was already sharply higher in 2023, but 2024 once again exceeded previous levels, whether for those newly arrived in Luxembourg or customers acquired from other banks. To accelerate this trend and provide new customers with a positive experience, Spuerkeess has made some improvements to its digital onboarding system and has set up a fast-track onboarding process that makes forms available on its website. However, the branches are still far and away the top channel for onboarding new customers to the Bank.

Spuerkeess continues to improve its products and services, both internally and with external partners. This allows us to supplement our offering, simplify acquisition and processing, and keep our customers well informed. In particular, thanks to the complete overhaul of the digital store on S-Net, our customers can now start or complete their applications for almost all of our Retail banking products online.

In 2024, the Bank launched a new discretionary management offering for its personal banking customers. The structure of this range and its targeted investments allow us to offer these contracts with relatively low initial amounts. This makes investing easier for well-informed customers and for those taking their first steps in this world.
Lastly, in terms of external partnerships, apart from its long-standing agreements with Lalux and BHW, Spuerkeess continued to grow its private automobile leasing activity with Leasys, in particular in the electric vehicle space. The number of contracts signed therefore increased significantly in what was overall a stagnant 2024.

## PRIVATE BANKING

*"After a second consecutive year of excellent stock market performances, in 2024 we were able to attract desirable new customers, in terms of both numbers and assets placed".*

Alain Uhres
Head of Private Banking

**Objectives:**
1. Pursue the implementation of the new Private Banking segmentation.
2. Continue to develop issues of structured products for well-informed customers.
3. Raise customers' awareness of sustainable investing.

**Results:**
1. +/-13,5% increase in assets under discretionary management.
2. Excellent stock market performances.
3. New segmentation within Private Banking resulting in a better provision of services.

**Challenges:**
1. Implement investment strategies in an uncertain geopolitical climate.
2. Interpret central banks' monetary policies.
3. Integrate digital solutions and monitor regulations.

**Solutions:**
1. Ensure proximity to our customers.
2. Expand our overall offering (new asset classes, financing, asset structuring) within a single entity.
3. Continue to train our relationship managers on CSR (ESG).

In 2024, we continued to implement the changes already underway, namely the new strategic segmentation, the development of new financial products and the relationships with our business partners, while still making sure to provide our private customers with high-quality services.

Our other priority was to train our relationship managers, in particular on the new CSR (ESG) standards. Doing so meant that we also had to adapt our investment solutions to ensure their compliance with the regulatory requirements for sustainable investing.

The Private Banking business unit was expanded with the creation of a Lending division, which now allows us to manage our customers' financing requests and thus to make them aware of the credit solutions available to them. The goal is to offer even more comprehensive coverage that is also tailored to their needs.

The market's performance in 2024 was very positive, at a time when the geopolitical and economic context was not particularly attractive. The stock markets once again knocked the bond markets into second place. Money-market yields trended down due to lower inflation and the more accommodative monetary policy adopted by the European and US central banks.

On the CSR (ESG) side, investments in renewable energies, like sustainable investments in general, continued to lag the traditional indices.

Overall, Spuerkeess's Private Banking unit had another successful year in 2024. Robust financial markets, Spuerkeess's excellent brand image and the responsiveness and professionalism of our relationship managers drove the very strong figures for both funds placed and performances achieved.
In conclusion, we note that the flagship activity of Spuerkeess's Private Banking unit, namely investing in financial instruments, is booming. This is due, among other reasons, to the downward trend in money-market rates and the very strong US economy, which is mainly reflected in the excellent earnings reported by large Western companies.

## CORPORATE BANKING

*"The creation of Prolog Luxembourg S.A. sends a strong signal that buyers can once again have confidence in the off-plan sales market".*

Nobby Brausch
Head of Corporate Banking

**Objectives:**
1. Complete the reorganisation of the Corporate Banking Business Line.
2. Continue to digitalise our processes.
3. Raise our business customers' awareness of ESG themes.

**Results:**
1. 1.161 new relationships established with companies.
2. Launch of our S-Net Business digital solution.
3. Creation of Prolog Luxembourg S.A.

**Challenges:**
1. Lacklustre real estate market.
2. Rise in attempted fraud related to cybercrime.
3. Raising our business customers' awareness of ESG themes.

**Solutions:**
1. Launch Prolog Luxembourg S.A.
2. Train our customers on good governance.
3. Implement our Transition Enabler programme to prepare our customers for the CSRD directive.

Against the backdrop of a sharp reduction in activity on the real estate market since 2022, in particular for off-plan sales, Spuerkeess was one of the driving forces behind the creation of Prolog Luxembourg S.A., along with four other Luxembourg banks. The new company's purpose is to prevent a lasting and prolonged decline in or even halt to new home construction and thus avoid the resulting negative knock-on effects. Prolog Luxembourg S.A. has a budget of EUR 250 million provided by the participating banks and could thus potentially put 800 to 1.300 housing units on the market.

To supplement its range of transaction solutions, in 2024 Spuerkeess launched S-Net Business, a payment software that will initially mostly target the self-employed, SMEs and associations. To meet the market's needs, the product was developed in collaboration with a representative sample of customers from different sectors. In just a few months since its launch, roughly a thousand S-Net Business agreements have already been signed. The goal is for the product to become far more than a simple payment software. We expect to eventually add other features, such as product ordering and credit/debit card inventory management.

We launched our "Transition Enabler" programme in response to the announced regulatory changes, including the entry into force of the CSRD directive on sustainability reporting. This programme aims to educate our corporate customers on and prepare them for the constraints of this directive and the resulting market requirements.

We will initially prioritise companies operating in sectors with the highest greenhouse gas (GHG) emissions: energy, transport, construction and industry. Our goal is to assess our customers' level of ESG maturity through a free questionnaire. This questionnaire will inform them about the important topics addressed by the directive, centralise this information in one specific place and generate an ESG maturity report. We also provide our customers with support by introducing them, as necessary, to our ecosystem of experts who will be able to help them and provide guidance for this exercise or for the development of a customised ESG transition plan. We successfully tested our programme with a sample of 10 differently sized companies with different levels of ESG maturity in the most sensitive sectors.

One phenomenon that is not new but is unfortunately becoming increasingly common is that of CEO fraud, where scammers impersonate a corporate executive and ask an employee to transfer money or commit fraud. In an effort to prevent this type of scam, about 10 years ago Spuerkeess began distributing a brochure to its business customers to educate them on this topic. Given the resurgence of this type of fraud, Spuerkeess has ramped up its efforts to draw its customers' attention to everyday best practices they should adopt at the governance level to avoid falling victim to these kinds of scams. A multichannel communication action plan was developed in September to raise awareness among the general public through podcasts, articles, interviews and video shorts on these topics.

## INSTITUTIONAL BANKING

*"Our commitment to institutional customers is reflected in our comprehensive and dedicated service offering, exceeding EUR 100 billion in assets deposited".*

Paolo Vinciarelli
Head of Institutional Banking

**Objectives:**

1. Meet the expectations of institutional customers in an increasingly competitive market.
2. Support the development of alternative investment funds.
3. Increase cooperation with specialised service providers to offer a comprehensive integrated service and streamline the onboarding process.

**Results:**

1. Full range of services focused on the specific needs of institutional customers.
2. More than EUR 100 billion in institutional customer assets deposited.
3. More efficient onboarding of new institutional customers.

**Challenges:**

1. Maintain a high level of service for an increasingly demanding customer base.
2. Expand our range of services to continue to support our large-scale customers.
3. Continue to improve our work processes.

**Solutions:**

1. Invest in projects focused on institutional customers.
2. Maintain excellent and attentive service.
3. Ensure that customers have access to specialised relationship and support managers.

The Luxembourg financial centre is one of the most important and dynamic in the world, due mainly to its international nature and its key role in asset management, investment funds and cross-border financial services. Luxembourg is the second-largest global centre for investment funds after the United States, with a high concentration of funds investing in transferable securities (UCITS) and significant growth in alternative investment funds (AIFs).

Spuerkeess's institutional business line operates in a highly dynamic and competitive environment. Over the years, Spuerkeess has become a major player in this ecosystem and thus contributes to the development of the Luxembourg financial centre.

Spuerkeess has been able to adapt and expand its services to meet the needs of UCITS and AIF customers. We offer a wide range of services for this demanding customer base. Our services include a custodian bank for publicly traded assets such as equities, bonds and ETFs, as well as for unlisted assets such as private equity, private debt and funds. We also have an efficient payment infrastructure and quickly make accounts available for asset acquisitions and holding structuring. In addition, our customers have access to a trading room and benefit from financing tailored to the specific characteristics of the management business.

As in previous years, we saw significant growth in our fund customer base in 2024, with a sharp increase in volumes from existing customers and the addition of new customers attracted by our services offering.

During the year, we significantly improved our process for onboarding new customers and their investment structures. It is very important to our institutional customers that we be able to seamlessly integrate their investment activities. To further improve the efficiency of our process, Spuerkeess recently introduced a dedicated tool for service providers, to make it easier to track files pending approval and the related documentation.

Our financing services offering for institutional customers also enjoyed growing success in 2024. This included equity bridge financing (EBF), as well as our active support for access to the markets. These financing methods help improve institutional customers' financial performance and contribute to their development.

Our institutional customers are increasingly seeking direct access to the capital markets (issues of securities, listings) and to financing solutions that offer alternatives to bank loans. Our issuing and payment agent services fully meet their need for structuring and for different methods of financing.

## DIGITAL TRANSFORMATION

*"Digitalising our banking services allowed Spuerkeess to position itself as a leader in this area in the financial centre".*

Christophe Medinger
Deputy Head of Digitalisation

**Objectives:**

1. Redesign our mobile app to align with the digital champions in the banking app world.
2. Expand the range of digital products and services offered to our Retail and Business customers.
3. Implement the major regulations around payments and risk management.

**Results:**

1. S-Net Mobile once again selected as best app in Luxembourg by SIA.
2. 320.000 users, of which 93% are customers migrated to Luxtrust Mobile.
3. +58% of products ordered online compared with 2023.

**Challenges:**

1. Respond to all requests for digitalisation in a complex regulatory and risk management context.
2. Ensure a high level of service for a 24/7 digital world.
3. Be a trailblazer by capitalising on technological advances.

**Solutions:**

1. S-Net Business: our new online banking solution for business customers.
2. Digitalisation of investment/savings products: Lux-mandate and term deposits available in S-Net.
3. Mortgage loan applications available on S-Net Mobile.

In 2024, we strengthened the security and resilience of our IT ecosystem by investing in our data centres and improving our IT architecture processes. We also helped our customers migrate to Luxtrust Mobile to provide increased security against phishing attempts. At the same time, we increased our systems' resilience by meeting the requirements of the DORA (Digital Operations Resilience Act) directive.

For our S-Net Mobile customers, we implemented new features such as Google Pay, an IBAN scanner, and the option of applying for a mortgage loan from a mobile phone. The open banking offering has also been expanded with the addition of French, Belgian and German banks. In an open finance context, the "UP" service vouchers are now also available in our aggregation offering.

We officially launched an in-house IT Innovation Lab to capitalise on our employees' expertise and drive our bank's technological innovations. We also further digitalised our banking products with term deposits available on a self-service basis and "lux-mandate", a fund under discretionary management. In addition, we are the only financial centre bank to offer a full mortgage loan application through our mobile app.

With respect to our B2B services, we are pleased to announce that Spuerkeess helped "indirect participating" banks in the financial centre comply with the Payment Service Regulation using our partner Luxhub's API platform for receipt of instant payments.

A dedicated online banking solution, S-Net Business, was implemented in 2024 for our corporate customers. It meets the specific needs of the self-employed and SMEs and provides the foundation for developing new digital solutions specifically for our business customers.

## ARTIFICIAL INTELLIGENCE

*"AI is not just a technology tool but an engine for continued innovation. Transparency, explainability and bias management are priorities for earning the trust of users and regulators".*

Rachid M'Houach
Deputy Head of Data Management

**Objectives:**
1. Improve data quality and governance.
2. Strengthen the integration of AI in strategic decision-making processes.
3. Automate repetitive processes with generative AI and agentic AI.

**Results:**
1. More than 60 employees acculturated to and trained on artificial intelligence and generative AI.
2. Approximately 15 strategic dashboards rolled out.
3. Data quality, consistency and reliability strengthened.

**Challenges:**
1. Data quality and governance: ensure data reliability, transparency and ethics.
2. Industrialisation and scalability of generative AI solutions.
3. Ethical AI and user trust.

**Solutions:**
1. Roll out an innovative technology platform focused on generative AI.
2. Roll out tools and processes to improve data quality, consistency and reliability.
3. Completely overhaul the business intelligence system to modernise the entire data collection and processing chain.

In the digital era, artificial intelligence and data are redefining business decision-making, innovation and interactions. However, this transformation will be effective only if it puts people first, by giving them tools that deepen their expertise and make it easier for them to do their daily work. This requires solutions that automate repetitive tasks, improve decision-making and build trust among customers and regulators. Between data quality, the industrialisation of solutions and AI ethics, meeting these challenges is the key to building a future where technology amplifies human potential.

Data are the foundation of all artificial intelligence strategies, but their value depends on their reliability, their consistency and their sound governance. With the number of sources growing and processing complexity on the rise, it has become increasingly difficult to guarantee high-quality data. To address this issue, we have implemented concrete mechanisms associated with sound governance: control automation, standardised collection processes and enhanced governance. These efforts ensure not only compliance with the various regulations (GDPR, AI Act), but also the transparency and ethics needed to gain employees' and customers' trust. Effective data management means optimised decision-making and stress-free AI adoption.

Deploying AI to create sustainable value involves more than simply using efficient models. It also means ensuring their seamless integration into existing systems, optimising their performance and keeping their costs under control. To that end, we have developed an internal platform dedicated to testing and industrialising generative AI solutions. Projects currently being rolled out include three flagship initiatives that provide concrete proof of AI's potential to support our employees on a daily basis: an HR chatbot for instant responses to common questions, an AI-assisted coding tool to accelerate software development, and a bot for business analysts to help automate data analyses. These innovations give employees tools that will allow them to focus on higher value-added tasks, thereby improving efficiency and overall productivity.
AI is not just a technology tool but an engine for continued innovation. The future of a successful transformation lies in the synergy between data, artificial intelligence and human capital.

## EMPLOYER OF CHOICE

*"In 2024, our efforts focused on adapting our HR processes to facilitate business line support and engagement, with the goal of achieving the Bank's strategic vision".*

Sandra Schengen
Head of HR & People Management, Corporate Psychologist

**Objectives:**
1. Identify and prepare employees for the "skills of the future".
2. Promote a diverse and inclusive work environment.
3. Keep our employees physically and mentally healthy.

**Results:**
1. Energy level (mental health) of employees at 89,90%, above the external benchmark of 84,20%.
2. 26,35% increase in hours of training provided in 2024 compared with 2023.
3. Low turnover rate of 4,53%.

**Challenges:**
1. Attract and retain top talent.
2. Provide an inclusive work environment.
3. Help employees achieve their career goals.

**Solutions:**
1. Affirm our identity and our values.
2. Listen to our employees and keep them engaged every day through closer relationships with HR.
3. Increase visibility on career opportunities to boost internal mobility.

In 2024, our efforts focused on adapting our HR processes to facilitate business line support and engagement, in order to achieve the Bank's strategic vision. According to a "Moovijob" survey launched in 2024, 89% of respondents viewed Spuerkeess as an attractive employer thanks to its strong reputation, financial health, career opportunities and pay package.

To remain an employer of choice and expand our employer brand well beyond our borders, Human Resources reworked its internal organisation in 2024 by placing a special emphasis on its close relationship with the business lines through the launch of the HR Business Partners concept. Supported by a "Center of competence" that aims to develop innovative concepts and provide "toolboxes" that are ready for use in the field, the HR Business Partners now work to facilitate the achievement of strategic business objectives and are involved in every stage of the employee journey. The reorganisation of the HR function was supplemented by the creation of the Spuerkeess Academy, which centralises the training programmes and professional development initiatives, as well as the final implementation of the Human Resources Information System (HRIS).

We once again made a large number of external hires in 2024. We also held our first internal job fair so all interested employees could learn more about the different professions, improve their internal networking and take advantage of career opportunities. The event was a great success and also showed how important it is for employees to continuously adapt to the changing professional context. Digital developments in general and the resulting transformation of certain professions have an impact on the skills that employees will need in the future. To protect everyone's employability, the Bank now relies on a job mapping that links a selection of ideal skills to the potential demonstrated every day, with the aim of refining any training needs. We also began the work of defining and developing the "skills of the future" that will be needed to ensure the Bank's long-term viability in an increasingly demanding, competitive and regulated environment.

Another project involved formalising our values. The onboarding of 283 new employees between 2023 and 2024 led to greater diversity and a varied and inspiring work environment. Other initiatives were launched at the same time to create a healthy and inclusive workplace. The physical and mental health of our employees is particularly important to us. During our "Health check-up" campaign, all employees could voluntarily take advantage of free preventive screening with our trusted partner. We also relaunched our "MindyourSelf@Energy" energy level survey intended to prevent professional burnout among respondents. In an effort to ensure respectful and collegial collaboration, a campaign was conducted to raise awareness of psychological harassment. Our goal is therefore to continue to attract and retain top talent by offering attractive career opportunities as well as an open and caring corporate culture.

## OUR RISK MANAGEMENT POLICY

To ensure effective risk management at all levels, we have implemented governance based on the concept of the three lines of defence. The operational entities act as the first line of defence while the Risk Management and Compliance departments provide the second line of defence. The Internal Audit department is the third line of defence. The internal control charter, developed by the three internal control functions, defines the steps that must be taken for the Bank's internal control to function properly: risk identification and management in the first line of defence, and continuous and periodic supervision of risk management in the second and third lines of defence.

Promoting a healthy risk culture is another important pillar of our risk management policy. All Bank staff play an active role in identifying, reporting and monitoring the risks to which the Bank is or might be exposed. Spuerkeess thus takes a positive approach to risk management and internal control.

The risk map is revised once a year to identify the different risks that Spuerkeess faces. After these risks are measured and assessed, permanent controls are implemented to ensure compliance with our risk appetite.

The Bank has opted for a "defensive" risk profile defined in its Risk Appetite Framework (RAF). The RAF includes indicators of the Bank’s major risk categories and enables the Executive Committee and the Board of Directors to regularly monitor Spuerkeess’s overall risk situation in detail. The levels of risk to which the Bank is exposed are measured using a set of strategic indicators, operational metrics, and macroeconomic indicators. Risk appetite is defined through surveillance levels set for the different indicators and transposed into a set of limits intended to manage and control Spuerkeess's various risks. The internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) are used to ensure that the Bank has adequate capitalisation and liquidity to pursue and grow its business activities. Risk management is supervised by various working groups and committees, at both the Executive Committee level and the Board of Directors level. Risk management is described in detail in Note 6 to the consolidated annual financial statements as at 31 December 2024.

Climate and environmental risks are viewed as risk drivers of other categories of risks, and the Bank continues to incorporate these factors into its risk management.

## FINANCIAL RISKS

### Credit risk

Each material Bank commitment giving rise to a credit risk is subject to prior analysis of the borrower's credit quality. The borrower's credit quality is assigned an internal or external rating which is a direct component of the credit risk management system. It is one of the key parameters used to set limits or grant new financing. The Enterprise Risk Management unit within the Risk Management department is responsible for developing the credit models, e.g. internal rating models or IFRS 9 provisioning models. The Financial Risk Management unit within the Risk Management department, as the second line of defence, produces analyses and reports on credit risk in the Bank's various sub-portfolios. Decisions on loans to the national economy are made by the various credit committees according to the loans' level of risk. Residential mortgage loans account for more than half of Spuerkeess’s loan and credit portfolio. Credit risk is assessed based on the customer’s overall solvency and repayment ability as well as the existence of real guarantees. For international commitments, an initial investment is made only with counterparties classified as investment grade (excluding counterparties rated BBB-). For non-financial entities, priority is given to counterparties from Organisation for Economic Co-operation and Development (OECD) countries, primarily in Europe and North America.

Outstanding amounts are subject to counterparty risk monitoring, sector and systemic risk monitoring and regular checks based on updated financial analyses and proposed adjustments to limits per counterparty. The European Market Infrastructure Regulation (EMIR) aims to reduce bilateral counterparty risk by requiring the use of Central Counterparty Clearing (CCP) for derivative financial instrument transactions. To comply with this obligation, we have opted to work through direct members, known as clearing brokers.

### Market risk

Interest Rate Risk in the Banking Book (IRRBB) is one of the material market risks to which the Bank is exposed. The ALM unit is responsible for the day-to-day management of interest rate risk and has developed models to determine the impact of customers' behaviour on the Bank's interest rate risk. These models have been implemented in a tool used to manage interest rate risk based on specific metrics and in accordance with a predefined limit framework. Compliance with these limits is monitored by the first line of defence, and the Financial Risk Management unit within the Risk Management department, as the second line of defence, is responsible for supervising this system. Interest rate volatility and the impacts of this situation on interest rate risk management remain a major challenge for the Bank.

Two other material market risks for the Bank are valuation risk on its shareholdings and credit spread risk in the banking book (CSRBB). Specific metrics are also used to assess and manage these risks.

### Liquidity risk

Liquidity risk is managed by the Global Markets department in accordance with the limit framework defined in the RAF. Liquidity risk management is supervised by the Financial Risk Management unit within the Risk Management department, as the second line of defence.
By virtue of its financial structure, the Bank is in a position of excess liquidity. The Bank constantly monitors liquidity risk on the basis of maturities, including both a very detailed reconciliation of cash inflows and outflows over a six-month horizon and a medium- and long-term assessment of structural funding requirements monitored by the ALM Committee.

In 2024, the Financial Risk Management unit developed specific indicators for the two material currencies, the EUR and the USD, to allow for more granular second-line monitoring.

## NON-FINANCIAL RISKS

### Operational risk

The roles and responsibilities of the first and second lines of defence are highlighted in the Internal Control Charter and the Non-Financial Risk Management Policy. Operational risks can arise in all the Bank's activities, and all staff must therefore act as the first line of defence to manage these risks. The Non-Financial Risk Management unit within the Risk Management department serves as the second line of defence in this context. The Bank aims to reduce operational risk by continuously improving its processes and organisational structures. To that end, the Bank uses a governance, risk and compliance (GRC) tool to coordinate the risk and control self-assessments (RCSAs), manage incidents and monitor action plans.

### IT and cybersecurity risks

As the first line of defence, the IT department is responsible for managing the Bank's IT and cyber risks. The Non-Financial Risk Management unit within the Risk Management department supervises IT and cyber risk management. An Information Security Officer in the Non-Financial Risk Management unit is responsible for overseeing IT security and reports to the head of the Risk Management department, with a direct reporting line to the Chief Risk Officer who is a member of the Executive Committee. This IT and cyber risk management structure allows the Bank to operate within the limits set in the Risk Appetite Framework (RAF). The analysis of the risks related to IT projects and changes and the analysis of IT incidents are important processes in IT risk management for the first and second lines of defence.

In early 2024, the Bank took part in the cyber resilience stress test conducted by the ECB. This European exercise tested our resilience framework in a severe cyber attack scenario. A number of lessons were learned from this exercise, and the Bank has launched an ad hoc improvement plan with the aim of further strengthening its resilience, even in extreme scenarios.

A number of projects were also conducted in 2024 in relation to the DORA (Digital Operations Resilience Act) regulation, which entered into force on 17 January 2025. These projects mainly covered IT risk management, subcontractor management and incident management. The significant human and financial investments in the effort to align the Bank with these regulatory requirements were prioritised in 2024.

The Bank also continued to follow its multiyear continuous cybersecurity improvement trajectory, which is defined in the Cyber Protection Plan. This improvement plan aims to continuously increase the maturity of the processes and systems that protect against cyber threats. This plan will also centralise oversight of all ad hoc IT security initiatives.

### Model risk

Any Bank entity that develops internal models creates model risk and must manage this risk as the first line of defence. Model risk management is supervised by the Non-Financial Risk Management unit within the Risk Management department.

Model development must comply with the principles included in the Model Risk Management Policy established by the Non-Financial Risk Management unit. This unit also maintains the model inventory, in which a tiering process is used to categorise the various models to inform the depth and frequency of the supervisory work according to a risk-based approach.

An important element of second-line controls is performed through the processes in place for the initial and periodic validation of the Bank's models. The validation activities are set out and organised in a validation plan.

All stakeholders involved in the Bank's models come together once a month as part of a "Model Working Group".

### AML/FT risk

The fight against money laundering and the financing of terrorism (AML/FT) is a constant concern and daily priority for Spuerkeess. Implementation of the professional obligations applicable to Spuerkeess relies on a conservative "AML/FT risk appetite" (revised annually and approved by the Board of Directors and then communicated to all Bank staff) and the rollout of a robust system defined according to a risk-based approach applicable to all Bank customers.

This system also covers prevention of market abuse, namely insider trading and market manipulation, as well as compliance with sanctions and embargoes. As such, Spuerkeess applies the restrictive measures provided for by the European Union. Spuerkeess also complies with certain regulatory provisions in place in third-country jurisdictions regarding financial sanctions relating to business relationships established with correspondent banks.

The commercial departments and the AML Office unit, as the first lines of defence, and the Compliance department, in its capacity as second line of defence, are jointly responsible for implementing AML/FT procedures and controls. The separation between AML/FT risk management and supervision was strengthened with the creation of a dedicated entity whose role is to perform the "Know Your Customer" and "Know Your Transaction" tasks for all Bank customers. The Compliance department is responsible for managing AML/FT risks by defining the applicable standards, advising the Bank's other business lines, analysing the matters brought to its attention, training employees or ensuring that they are trained and, ultimately, supervising the risk management carried out by the first line of defence through the implementation and execution of its control plan.

Lastly, the Bank actively cooperates with the Luxembourg authorities responsible for AML/FT, and the Compliance department is their designated point of contact. The Compliance department thus analyses files with evidence of money laundering, files suspicious activity reports, and is responsible for responding to the competent authorities, namely the Financial Intelligence Unit, the Luxembourg Ministry of Finance and/or the CSSF, depending on the type of issue.

### Conduct risk and prevention of internal fraud

All employees pledge to strictly comply with the Code of Conduct on their first day of employment. Spuerkeess has tasked the Fraud Protection Officer, who reports to the Compliance department, with supervising internal and external fraud risk. This person defines the standards and best practices and coordinates the prevention system for the two lines of defence. Staff is regularly made aware of the need to comply with the Code of Conduct.

The Compliance department performs controls aimed at detecting misconduct or fraud and also conducts internal investigations. Similarly, the Compliance department analyses all suspicions of fraud reported internally (branches, units) or externally (complaints/whistleblowing).

### Compliance and reputational risk

Sanction risk may take the form of legal, administrative or disciplinary sanctions due to failure to comply with provisions specific to banking and financial activities, while reputational risk and the risk of damage to Spuerkeess's brand image arises, not only from the imposition of a sanction, but also from negative rumours, scandals or disputes.

To prevent, manage and mitigate these risks, the Compliance department performs a regulatory watch based on a federated model that empowers the different players and separates the supervisory functions of the second line of defence from the operational functions of the first line of defence.
In the context of the "Caritas" affair, Spuerkeess, as the main bank for this association, continues to actively participate in the ongoing investigations by various authorities. The goal is to shed light on the circumstances that could have resulted in the misappropriation of funds through payment transactions and the provision of funds, thereby threatening Caritas's ability to continue its operations.

### Data protection

Protecting the personal data of our customers, staff and suppliers is a core concern for Spuerkeess. The Data Protection Office (DPO), which reports to the Compliance department, plays a key role in continuing to raise all staff’s awareness of this important topic. Its role in project governance is also important, namely to make sure that the principle of data protection by design is integrated starting with the design stage for each new product or service. Regular controls and monitoring, along with clear and widely disseminated procedures, are used to identify and prevent any potential risk of this nature. If necessary, corrective measures are quickly implemented to ensure ongoing compliance with applicable regulations. The DPO is also the preferred point of contact for any collaboration with the Luxembourg National Commission for Data Protection (CNPD), thereby ensuring an effective dialogue and proactive compliance.

## OTHER RISKS

### Management and monitoring of risks inherent in compiling financial reporting

Spuerkeess has developed procedures and control systems to compile and monitor financial information. To provide an assurance of the quality and completeness of financial information, Spuerkeess conducts daily checks on internal account movements, monitors the main headings of the income statement, including interest margin, fees and general expenses, and verifies the completeness of the information gathered through different IT applications before being fed into the accounting information system. Spuerkeess reconciles the balances of pending accounts, interest accrual accounts and other internal accounts on a monthly basis.

The accounting and asset risk management units in the first line of defence work in close cooperation to evaluate portfolio positions or to calculate valuation allowances for assets showing evidence of impairment. Since the introduction of IFRS 9, the impairment model for financial assets has been based on the recognition of expected credit losses. The calculation is performed monthly.

Besides purely accounting controls, Spuerkeess regularly monitors its profitability by customer, product and business line and conducts a monthly analysis of the spending budget. The Executive Committee uses the Management Information System (MIS) to monitor the performance of the Bank's business lines. Similarly, it analyses and validates the Bank's financial position and monitoring of the spending budget on a monthly basis.

### Accounting standards

The consolidated financial statements are prepared in accordance with IFRS standards as adopted by the European Union.

### Hedge accounting

Spuerkeess uses derivative financial instruments to hedge against interest-rate, foreign-exchange, and fixed-price risks (stock market indices and share prices). The derivative financial instruments commonly used are IRS and CIRS in standard plain vanilla hedging transactions. In addition to these standardised contracts, Spuerkeess uses swaps with structured components to specifically hedge structured issues and acquisitions of bonds containing embedded derivatives, provided they are closely related.

Derivative financial instruments are considered as being held for trading except where they are designated as hedging instruments. When entering into a contract, Spuerkeess may designate certain financial instruments as hedging instruments, if the transactions meet the criteria set out in IAS 39. Spuerkeess primarily uses fair value hedges and, secondarily, cash flow hedges. Beyond these contract-by-contract hedges, Spuerkeess applies fair value macro-hedging on fixed-rate loans and deposits in accordance with the principles of IAS 39 in its "carve-out" version for the European Union. This hedging is done exclusively using IRS financial instruments. In accordance with IFRS 9, Spuerkeess continues to apply hedging principles according to the old IAS 39.

### Compliance with CRR 2

Spuerkeess meets market requirements through compliance with Regulation (EU) 575/2013, one of the objectives of which is to disclose to the market the Bank’s exposure to the above risk categories. In 2021, the Bank took the necessary steps to comply with Regulation (EU) 2019/876, which entered into force on 28 June 2021.

Preparatory work continued in 2024 in advance of implementation of the new CRR3 regulation, which is applicable as from 1 January 2025. The first regulatory reports for the first quarter of 2025 are expected to be submitted in June 2025.

Information on the composition of capital, the risk management strategy and the remuneration policy may be found in the Pillar 3 publication. This information supplements the information published in the consolidated annual financial statements.

The Pillar 3 report for financial year 2024, which details how Spuerkeess is organised to ensure that all the risks to which the institution is or could be exposed are anticipated, detected, measured, controlled and reported, is available at www.spuerkeess.lu.

## OTHER ACTIVITIES

### Introduction

Other activities include back office and support activities, which play an essential role in supporting the Bank’s strategic and development goals. Back office activities make it possible to process the growing volumes of payment, credit and securities transactions from the commercial units, while ensuring the control over and security of these transactions, in accordance with the laws in force. We continue our efforts to improve our systems and processes in order to adapt to market developments and increase our efficiency. Support activities cover a variety of areas, such as Bank finances, legal and regulatory matters, organisation, marketing, logistics and IT.

## BACK-OFFICE ACTIVITIES

### The Operations department

The Operations department manages activities related to payments, the different types of accounts, customer onboarding, transaction monitoring, and building and logistics management. Payment services cover credit transfers, direct debits, debit and credit cards, Payconiq, cash management, withdrawals, cash payments, precious metals, Apple Pay and Google Pay. This also includes management of customer queries (information, complaints) and fraud prevention. Account management covers the Zebra banking packages, current accounts, savings accounts and deposit accounts. The department also manages the relationships and contracts with external service providers, interbank payment systems and payment schemes. It provides business support for electronic channels such as S-Net, Multiline and Payconiq and acts as Registration Office for the issuer of LuxTrust certificates. It is also responsible for electronic management of Spuerkeess's documents, including scanning and mailings. Activities related to customer onboarding, periodic reviews and transaction monitoring cover the KYC (Know Your Customer), KYP (Know Your Product) and KYT (Know Your Transaction) processes. The AML Office business unit serves as the first line of defence, for both the analysis and review of loans/transactions and for the control and monitoring of the supporting documentation. The department is constantly improving its operational processes and the dedicated IT systems and applications. The department's project and data teams are regularly strengthened so it can meet its regulatory requirements and the growing needs in this area. Lastly, Spuerkeess's real estate (used for its own needs or leased) is operated and managed in a targeted and efficient manner, thereby supporting the banking activity in accordance with the Organic Law of 24 March 1989.

### The Securities & Market Operations department

The Securities & Market Operations department carries out several complementary activities classified into six categories. The teams handle the post-trade component of capital market transactions (e.g. settlement, delivery, corporate actions, custody, tax services) and the post-trade component of financial market transactions (derivatives, forex, repos, money market). In addition, the department is responsible for regulatory transaction reporting (MiFIR, EMIR, SFTR, etc.) and for the Bank's network management, as well as for cash and securities reconciliation. Lastly, the department also manages the Bank's securities value database and provides services to securities issuers.

### The Loan & Credit Management department

The Loan & Credit Management department participates in the processes relating to granting and monitoring loans and credits for individuals, private banking, corporates, the public sector and institutional customers, as well as in the management of credit risk for Spuerkeess's bond portfolio. In the context of credit origination, the department evaluates personal and real property securities, analyses loan applications, and participates in credit decisions and loan contract preparation. On the credit risk monitoring side, the department is responsible for updating the sector view and limits, coordinating the credit risk monitoring, periodically reviewing the loans, proposing provisions and reporting on risk monitoring.

### The Innovation & Project Management department

Spuerkeess's Innovation & Project Management department plays a key role in the Bank's transformation and development. It oversees strategic initiatives by ensuring effective project management and incorporating technological and organisational innovations. The team implements solutions tailored to customers' needs and the market's requirements, while also ensuring rigorous project execution. Taking an agile and collaborative approach, the department promotes continuous improvement and the adoption of new technologies to optimise processes and enhance the customer experience. The department combines project management expertise with a culture of innovation to actively contribute to the Bank's modernisation, by anticipating future challenges and seizing opportunities in the financial sector. Its goal is to strengthen Spuerkeess's position as a forward-looking leader in banking.

## SHAREHOLDINGS

Fulfilling one of its statutory tasks, which involves contributing to the country's economic and social development in all areas through its financing activities, in addition to promoting savings, Spuerkeess holds equity interests, directly or indirectly, in key sectors of Luxembourg's economy. It also supports the start-up and development of businesses with a national interest. In this context, Spuerkeess is a 40% shareholder of the La Luxembourgeoise S.A. group. Spuerkeess holds 25,35% of the capital of Société de la Bourse de Luxembourg S.A., of which it is a founding member and the largest shareholder.

In collaboration with three other players in the Luxembourg financial centre, Spuerkeess participated in the 2018 creation of LuxHub S.A., in which it holds 32,50% of the capital. Since December 2022, Spuerkeess has held a 20% equity interest in i-Hub, a start-up launched by POST Luxembourg that is focused on automating AML/KYC processes. In early December 2023, Spuerkeess participated in the creation of the LuxConstellation S.A. joint venture, taking a 30% stake. This is a partnership between six major financial services players in Luxembourg to create a shared network of ATMs by 2025. In June 2024, Spuerkeess responded to the housing crisis by participating, as a 43,96% founding shareholder, in the creation of Prolog S.A. The primary purpose of this company is to support the recovery of the residential real estate market in Luxembourg.

Media and telecommunications are important sectors for Luxembourg's economy. The Bank is a founding shareholder of SES S.A., one of the world leaders in global satellite communications. The Bank holds a 10,88% interest in the share capital of SES S.A. in the form of Class B shares. These Class B shares grant a voting right corresponding to this stake, in accordance with the "one share, one vote" principle. Spuerkeess also holds Fiduciary Depositary Receipts (FDRs) by virtue of its 0,92% interest in the share capital of SES S.A. These FDRs are quoted on the market and are convertible into an equivalent number of SES's Class A shares. The Class A shares also grant a voting right corresponding to this stake, in accordance with the "one share, one vote" principle. In terms of the economic right, SES S.A.'s by-laws specify that a Class B share gives the holder the right to a dividend that is 40% of the dividend paid for a Class A SES S.A. share.

In the air transport sector, Spuerkeess holds a 21,81% equity interest in the capital of Luxair, Société Luxembourgeoise de Navigation Aérienne S.A., which is active in air navigation and tour operation, as well as a 10,91% equity interest in the capital of Cargolux Airlines International S.A., which is one of the world's largest all-cargo airlines.

The Bank also holds a 12% stake in the capital of Encevo S.A., the holding company for Luxembourg's market-leading energy group. Spuerkeess holds a 10,98% stake in Paul Wurth Real Estate S.A. and will thus contribute to the development and sale of the properties held by this company in the city of Luxembourg. Through its 11% stake in the capital of Société Nationale des Habitations à Bon Marché S.A. (S.N.H.B.M.), a national player specialising in the design and construction of single-family homes and apartment buildings at affordable prices and under long-term leases, Spuerkeess is fulfilling its social mission of facilitating home ownership for personal needs.

In addition to these major shareholdings, Spuerkeess contributes to the economic development not only of the country but also of the Greater Region by acquiring smaller stakes in Luxembourg and cross-border companies. For companies in the border region, this mainly includes EUREFI S.A., with the Bank making an 8,76% investment. At the European level, Spuerkeess is the only financial institution in Luxembourg to hold a stake in the European Investment Fund (EIF), an institution that is part of the European Investment Bank (EIB) group and supports SMEs across Europe by issuing bank guarantees. The EIF, and the EIB Group more specifically, has set ambitious targets regarding its role in the fight against climate change, which also represents one of the two major pillars of Spuerkeess's sustainable development strategy.

A breakdown of the ownership percentages in investments in associates is presented in Note 4.9 to the 2024 consolidated annual financial statements.

## THE SPUERKEESS GROUP'S FINANCIAL RESULTS AS AT 31 DECEMBER 2024

The Spuerkeess Group comprises Spuerkeess, Luxembourg as the parent company and its fully consolidated subsidiaries and associates consolidated using the equity method. At EUR 1.163,5 million as of 31 December 2024, the Group's bank margin was up EUR 75,7 million (7,0%) compared with the 2023 financial year.

Net interest margin thus rose by 8,7%, or EUR 68,1 million compared with the previous financial year. This increase was achieved due to business development in recent years and the rise in interest rates, which made it possible to rebuild margins on savings products after several years of negative margins. The improved outlook for the real estate market and the gradual lowering of interest rates over 2024 helped increase demand for housing loans after the sharp slowdown in the previous two years. This also contributed to the rise in net interest margin.

Fee and commission income was up 6,9%, due mainly to dynamic growth in the UCI administration activities and the recovery in the credit activity, as well as the positive trend in asset management and, more specifically, in institutional management, which experienced a considerable boom.

Income from shareholdings was EUR 45,3 million at end-2024, down EUR 0,3 million (0,8%) from the previous year, due to lower dividends received from some of the strategic holdings.

Income from financial instruments decreased from EUR 51,5 million at the end of 2023 to EUR 47,8 million as at 31 December 2024. The decrease in this category can be largely attributed to the decline in income from hedging transactions and in income from financial instruments held for trading due to changes in the yield curves.

Other operating income and expenses fell to EUR 10,0 million at year-end 2024 from EUR 13,1 million at the end of 2023. The nature of its composition makes this item volatile and the change is mainly due to specific non-recurring factors.

Spuerkeess made a EUR 10,0 million contribution to the Fonds de Garantie des Dépôts (FGDL, Luxembourg deposit guarantee fund), which is included in general expenses. No contribution was made to the single resolution fund in 2024 as it reached its target of collecting 1% of European covered deposits.

Total general expenses were therefore up 2,2%. Excluding the additional charge related to the FGDL, general expenses would have increased by 8,1%. This can be attributed to the increase in the number of employees, structural wage growth and the April 2024 index bracket payment. The ongoing digitalisation and process optimisation efforts improved productivity and limited the increase in general expenses.

The cost of risk had a considerable influence on the trend in Spuerkeess income in 2024. The economic environment remained challenging in 2024, with a pick-up in activity in the mortgage loan portfolio but a deterioration in the property development portfolio. The Bank protected itself from this risk by recording value adjustments and other provisions totalling EUR 208,7 million versus a net allocation of EUR 132,7 million recorded in 2023. To address the identified weaknesses that could result from the forward-looking aspect of the modelling parameters, Spuerkeess continues to apply adjustments in the form of management overlays in its IFRS 9 models.

The Spuerkeess Group therefore posted net income of EUR 442,2 million for the 2024 financial year, down EUR 7,1 million (-1,6%) from net income of EUR 449,3 million in the prior year. This result, which can be attributed mainly to a sharp rise in bank margin, was driven by growth in interest margin and in fees and commissions.

## ANALYSIS OF MAIN BALANCE SHEET ITEMS

The balance sheet totalled EUR 56.873,4 million as at 31 December 2024, an increase of EUR 689,0 million compared with 31 December 2023.

Customer deposits totalled EUR 42.094,1 million, an increase of EUR 2.054,9 million compared with 31 December 2023. The increase in this item stemmed from the rise in private sector deposits due to the positive trend in this business.

Credit institution deposits decreased by EUR 868,7 million and totalled EUR 4.556,1 million. This item also includes bank deposits collateralised with securities and, as such, is subject to significant fluctuations based on changes in these deposits.

Issues of securities decreased by EUR 1.004,3 million to EUR 2.833,2 million at end-2024. This decrease resulted mainly from the decision to voluntarily reduce the volume of Euro Commercial Paper (ECP) and US Commercial Paper (USCP) refinancing at the end of the year.

On the asset side of the balance sheet, "Cash and sight accounts with central banks" fell by EUR 476,8 million to EUR 7.410,9 million at end-2024. This was largely due to the decrease in assets deposited with the Banque centrale du Luxembourg (BCL).

Compared with 31 December 2023, the outstanding amount of investments with credit institutions increased by EUR 133,7 million to EUR 3.378,4 million at 31 December 2024. This item also includes the Bank’s deposits with other banks, whether or not they are collateralised with securities.

Outstanding customer loans totalled EUR 27.190,9 million at 31 December 2024, an increase of EUR 223,2 million since 31 December 2023. Outstanding amounts of housing loans began to rise again due to the impact of lower interest rates on new production and the measures taken by the government to boost the recovery in the real estate market throughout 2024.

Outstanding fixed-income securities recognised at amortised cost amounted to EUR 15.610,2 million, up EUR 779,1 million compared with 31 December 2023. This change was due to the higher rate environment, which bolstered investment opportunities.

The outstanding amount of financial assets mandatorily recognised at fair value through profit or loss totalled EUR 300,3 million, a decrease of EUR 130,5 million compared with 31 December 2023. This item includes financial instruments that do not meet the necessary conditions for measurement at amortised cost. The reduction in outstandings can be attributed to the redemption of some of these securities.

The outstanding amount of variable-income securities recognised at fair value through the revaluation reserve was EUR 849,3 million, up EUR 94,2 million compared with 31 December 2023, due to the upward trend in the measurements of certain shareholdings.

Shares in associates increased by EUR 70,6 million for a total outstanding amount of EUR 977,8 million at 31 December 2024, due mainly to the favourable change in measurements in the relevant business sectors.

In accordance with Article 38-4 of the Amended Law of 5 April 1993 on the Financial Sector, the Bank reported its return on assets, which stood at 0,78% versus 0,80% in the prior year.

## CHANGE IN OWN FUNDS

CHANGE IN OWN FUNDS
The Spuerkeess Group's total equity attributable to the parent company amounted to EUR 6.311,8 million as at 31 December 2024 compared with EUR 5.834,8 million at the end of 2023, i.e. an increase of 8,2%. This EUR 477,0 million increase in equity consisted of:

- an increase in reserves of EUR 327,0 million, after distribution of part of the profit for financial year 2023;
- a EUR 98,4 million increase in the revaluation reserve due mainly to an increase in the value of strategic holdings;
- a EUR 30,1 million increase in the equity method adjustment;
- a EUR 22,2 million increase in actuarial gains or losses on the employee pension fund due to the increase in actuarial rates;
- a EUR 6,4 million increase in other items;
- a EUR 7,1 million decrease in 2024 income.

## 2025 OUTLOOK

Global economic growth is expected to hold steady at more than 3%, according to the IMF's latest forecasts. Overall, economic performances diverged sharply in 2024, with the United States performing well thanks to 2,8% growth driven by robust consumption, while European growth was relatively weak at 0,8%. China, the other global economic heavyweight, continued to grapple with an unprecedented real estate crisis which has destroyed household wealth. Growth was therefore lower than in the past at 4,8%.

This divergence is expected to continue in 2025, especially as the economic and trade policies pursued by the new US government are likely to increase the disparities in the performance of the two economic blocs. While rate cuts are the main lever for renewed growth in the eurozone, structural and political challenges continue to weigh on household and business confidence. Threats of tariffs from the United States have also not helped to improve visibility.

The positive side to this sluggish European economy is that inflation is lower than in the United States. This means that the ECB should be able to cut its key rates more quickly than the Fed, which does not need to provide strong support to a healthy US economy.

Although Luxembourg returned to growth in 2024, the rebound turned out to be quite modest (+0,5%). The country's growth is expected to be more robust in 2025, supported by stronger domestic demand and a more favourable external environment. According to STATEC's latest projections, growth is expected to be around 2,5% in 2025, while inflation is projected to rise slightly to 2,2% versus 2,1% in 2024.

## EVENTS AFTER THE REPORTING PERIOD

Uncertainty has been on the rise in early 2025. US tariff policy is changing quickly, which affects the potential for inflation in the United States and the outlook for international growth. Public investment policy in Europe, and in Germany in particular, also represents a major change.

In short, there could be a rapid shift in demand for goods and services. In Europe, we have to consider, on the one hand, a boost in public procurement (defence, infrastructure, energy) and, on the other, a decline in external demand due to protectionism by trading partners. This makes monetary policy less predictable, although the downward trend in rates in the eurozone remains the most likely scenario in the coming months. In contrast, long-term rates rose rapidly at the beginning of March. The impact on the Bank's activity has not yet been felt as of early 2025. In particular, the number of real estate loans granted is high compared with the same period in the last two years.

As of the date of this report, these events have not had a significant impact on the normal course of the Spuerkeess Group's business.

Luxembourg, 26 March 2025

For the Executive Committee

Doris Engel
Executive Vice President
Member of the Executive Committee

Françoise Thoma
Chief Executive Officer
President of the Executive Committee

# BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

**STATUTORY AUDITOR'S REPORT**
**31 December 2024**

**REPORT OF THE "REVISEUR D'ENTREPRISES AGREE"**

To the Executive Committee of
Banque et Caisse d'Epargne de l'Etat, Luxembourg
1, place de Metz
L-1930 Luxembourg

**Report on the audit of the consolidated annual accounts**

**Opinion**

We have audited the consolidated annual accounts of Banque et Caisse d'Epargne de l'Etat, Luxembourg and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated annual accounts give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

**Basis for opinion**

We conducted our audit in accordance with the EU Regulation N° 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 those Regulation, Law and standards are further described in the section « Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Annual Accounts » of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current year. These matters were addressed in the context of the audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Depreciation of loans and advances at amortized cost for "Corporate" customers*

Loans and advances to "Corporate" customers represent a key activity of the Group and are recorded in the consolidated annual accounts under the section "Loans and advances at amortized cost – Customers". These loans and advances are accounted for at amortized cost, less value adjustment for expected credit losses. They represent on the asset side of the balance sheet a net exposure of EUR 6,4 billion, including a balance of expected credit losses for individual risks of EUR 251,7 million.

The application of value adjustments to such instruments requires judgment by the Executive Committee which is based on a credit analysis prepared by the department in charge of credit risk monitoring following the principles of the IFRS 9 standard regarding the determination of depreciations for expected credit losses. This calculation is based on a categorization of all credits based on the change of their internal ratings (the "staging") and on estimates primarily related to probabilities of defaults and effective exposures at the moment of default.

The process to determine expected credit losses is based on numerous factors and is inherently complex, and includes a certain degree of judgment in identifying quantitative and qualitative factors of a significant increase in credit risk and to determine the required level of depreciations needed. For the year ended 31 December 2024, this process continued to be impacted by the rise of interest rates, the uncertainties and risks coming from the macro-economic and geopolitical evolution together with the unfavorable evolutions of the real estate market of the country.

We have considered the depreciations of loans and advances to "Corporate" customers as a key audit matter because of the level of judgment required for their determination, the complexity of the modalities to compute value adjustments for expected credit losses as defined by the IFRS 9 standard, the consequences of the macro-economic and geopolitical evolutions and related economic uncertainties impacting hypothesis that are influencing the expected credit losses, as well as because of their importance for the presentation of the financial position and the statement of comprehensive income for the year ended 31 December 2024.

***How the matter was addressed in our audit***

Within the context of the audit, we proceeded with walkthroughs and test of controls related to the approval and granting process of loans, the internal rating process of "Corporate" clients, to the initial and subsequent valuation of real estate assets brought as guarantee, and to the processes of identification of exposures at risk within the Group, together with the periodical review of these exposures.

We reviewed the internal documentation and conducted interviews with the heads of departments in order to validate the approach applied by the Group to categorize loans and advances to “Corporate” customers (the “staging”) and to estimate the qualitative and quantitative data used as a basis for the computation of credit impairments.

We have examined the internal control environment of the Group related to the appreciation of the level of impairment of loans and advances to “Corporate” customers through interviews, the review of key controls, the review of the governance and decision-making process as well as the validation by the Management of the level of specific impairment for these exposures.

Furthermore, in order to respond to the impacts of the macro-economic evolutions as well as its geopolitical uncertainties, we have reviewed the Group's approach to identify and monitor high-risk sectors and the impact on internal ratings. Our procedures notably included a critical examination of the identified sectors as high-risk as well as the specific reviews carried out by the Group of loans and advances granted to companies in these industries through their integrated strategy relating to vulnerabilities.

We have also followed-up the evolution of the forborne loans and of the volume of loans in default to ensure that the latter are reflected in the calculated expected credit losses.

Lastly, we assessed the assumptions and macroeconomic factors included in the scenarios used for the computation of expected credit losses.

For loans and advances subject to a specific impairment, we assessed on a sample basis the reasonableness of the amount of impairment. Our procedures have, among others, included the verification of information related to the files and, where applicable, a verification that the existence and valuation of collateral was duly considered.

In addition, based on a sample of loans and advances with low internal ratings, we have ensured that the latter should not have been subject to an impairment due to particular circumstances.

*Depreciation of mortgage loans at amortized cost for retail customers*

Mortgage loans to retail customers represent a key activity of the Group and are recorded in the consolidated annual accounts under the section “Loans and advances at amortized cost – Customers”. These loans and advances are accounted for at amortized cost, less value adjustment for expected credit losses. They represent on the asset side of the balance sheet a net exposure of EUR 18,5 billion, including a balance of expected credit losses for individual credit risks of EUR 131,4 million.

The application of value adjustments to such instruments requires judgment by the Executive Committee which is based on a credit analysis prepared by the department in charge of credit risk monitoring following the principles of the IFRS 9 standard regarding the determination of depreciations for expected credit losses. This calculation is based on a categorization of all credits based on the change of their internal ratings (the “staging”) and on estimates primarily related to probabilities of defaults and effective exposures at the moment of default.

The process to determine expected credit losses is based on numerous factors and is inherently complex, and includes a certain degree of judgment in identifying quantitative and qualitative factors of significant increase in credit risk and to determine the required levels of depreciations needed. For the year ended 31 December 2024, this process continued to be impacted by the rise of interest rates, the uncertainties and risks coming from the macro-economic and geopolitical evolution together with the unfavorable evolutions of the real estate market of the country.

We have considered the depreciations of mortgage loans to retail customers as a key audit matter because of their importance in term of presentation in the financial position and the statement of comprehensive income ending on 31 December 2024, and of the level of judgment required for their determination, the complexity of the modalities to compute value adjustments for expected credit losses as defined by the IFRS 9 standard, the consequences of the interest rates environment on the population having contracted loans at variable rates or at adjustable fixed rates, uncertainties linked to the evolution of the prices of real estate which serve as guarantees for this type of loan, and macro-economic turbulences resulting in a sharp rise in inflation which impacts the purchasing power of borrowers. All of these events having an impact on the assumptions influencing the expected credit losses.

***How the matter was addressed in our audit***

Within the context of the audit, we proceeded with walkthroughs and test of controls related to approval and granting process of mortgage loans, the internal rating process of retail clients, to the initial and subsequent valuation of real estate assets brought as guarantee, and to the processes of identification of exposures at risk within the Group, together with the periodical review of these exposures.

We reviewed the internal documentation and conducted interviews with the heads of departments in order to validate the approach applied by the Group to categorize loans and advances to retail customers (the "staging") and to estimate the qualitative and quantitative data used as a basis for the computation of credit impairments.

We have examined the internal control environment of the Group in connection with the assessment of the level of impairment of mortgage loans through interviews, the review of key controls, the review of governance and decision protocols as well as validation by Management of levels of specific value adjustment for some of these defaulted exposures.

We reviewed the implementation of the internal rating model, its implementation by the Group, the controls put in place on the valuation of real estate guarantees taken by the Group in the context of mortgage loans as well as the automatic revaluation system for mortgage guarantees.

We also looked at the monitoring of the rising interest rates shock on retail mortgages and the construction of this analysis, the hypothesis selected by the Group and the settings used (exposures, incomes and disposable incomes, family situation, guarantees, remaining income, etc.). We have made a test of controls on the monitoring of bridge loans. Lastly, we inquired with the heads of the service that monitors mortgage loans in order to understand the measures implemented by the Group and proposed to its customers deemed to be the most at risk by the current interest rate environment.

In addition, with the use of our data analysis tool, we reviewed the portfolio as a whole and selected a sample, based on several qualitative and quantitative factors, of mortgage loans granted to retail customers and performed a test of detail on this same sample including renegotiated credits and monitoring of overruns.

**Other information**

The Executive Committee is responsible for the other information which is subject to the approval of the Board of Directors. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated annual accounts and our report of "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated annual accounts 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 annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual accounts 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 this fact. We have nothing to report in this regard.

**Responsibilities of the Executive Committee and the Board of Directors for the consolidated annual accounts**

The Executive Committee is responsible for the preparation and fair presentation of the consolidated annual accounts in accordance with IFRS as adopted by the European Union, and for such internal control as the Executive Committee determines is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error. Such consolidated annual accounts are subject to approval by the Board of Directors pursuant the organic Law of 24 March 1989.

The Executive Committee is also responsible for presenting and marking up the consolidated annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the consolidated annual accounts, the Executive Committee 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 Executive Committee 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 annual accounts**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" 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 N° 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 annual accounts.

As part of an audit in accordance with the EU Regulation N° 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 Executive Committee.

- Conclude on the appropriateness of the Executive Committee 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 report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated annual accounts 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 report of “Réviseur d’Entreprises Agréé”. 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 annual accounts, including the disclosures, and whether the consolidated annual accounts 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 annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

- Assess whether the consolidated annual accounts have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current year and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

**Report on Other Legal and Regulatory Requirements**

We have been appointed as “Réviseur d’Entreprises Agréé” by the Government of the Grand-Duché of Luxembourg on 21 June 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

The consolidated management report is consistent with the consolidated annual accounts and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the consolidated management report, is the responsibility of the Executive Committee. The information required by article 70bis paragraph 1 of the law of 17 June 1992 relating to the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, as amended, is consistent with the consolidated annual accounts and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the consolidated annual accounts of the Group as at 31 December 2024 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the consolidated annual accounts. For the Group, it relates to:

- Consolidated annual accounts prepared in valid xHTML format;

- The XBRL markup of the consolidated annual accounts using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated annual accounts of the Group as at 31 December 2024, identified as R7CQUF1DQM73HUTV1078-2024-12-31-consolidated, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the audit opinion is consistent with the additional report to the audit and compliance committee.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remain independent of the Group in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Antoine Le Bars

Luxembourg, le 10 April 2025

*Only the French version of the present report has been reviewed by the auditors. In case of differences between the French version and the translation, the French version should be retained.*

# BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**
**31 December 2024**

## Consolidated balance sheet as at 31 December 2024

| **ASSETS** in euros | **Notes** | **31/12/2023** | **31/12/2024** |
|---|---|---|---|
| Cash and sight accounts with central banks | 4.1 | 7.887.777.548 | 7.410.938.949 |
| Loans and advances at amortised cost – Credit institutions | 4.2 | 3.244.670.787 | 3.378.406.203 |
| Loans and advances at amortised cost – Customers | 4.3 | 26.967.687.941 | 27.190.861.623 |
| Financial instruments held for trading | 4.4<br>4.12 | 178.037.790 | 262.679.628 |
| Hedging derivative financial instruments | 4.12 | 1.115.570.816 | 878.147.556 |
| Financial assets mandatorily recognised at fair value through profit or loss | 4.5 | 430.875.837 | 300.327.443 |
| Fixed-income securities recognised at amortised cost | 4.6 | 14.831.125.424 | 15.610.191.902 |
| Fixed-income securities recognised at fair value through the revaluation reserve | 4.7 | 31.091.835 | 31.725.784 |
| Variable-income securities recognised at fair value through the revaluation reserve | 4.8 | 755.072.291 | 849.313.947 |
| Investments in associates accounted for using the equity method | 4.9 | 907.201.359 | 977.849.535 |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | 4.13 | -488.436.242 | -350.917.529 |
| Tangible assets for own use | 4.14 | 232.899.258 | 233.254.028 |
| Investment property | 4.15 | 10.643.297 | 9.830.464 |
| Intangible assets | 4.16 | 47.321.022 | 60.439.853 |
| Non-current assets and disposal groups classified as held for sale | 4.17 | 919.434 | - |
| Current taxes | 4.18 | 2.560.981 | - |
| Other assets | 4.19 | 29.375.923 | 30.313.889 |
| **TOTAL ASSETS** | | **56.184.395.301** | **56.873.363.275** |

| **LIABILITIES** in euros | **Notes** | **31/12/2023** | **31/12/2024** |
|---|---|---|---|
| Deposits at amortised cost – Credit institutions | 4.20 | 5.424.710.317 | 4.556.051.065 |
| Deposits at amortised cost – Customers | 4.21 | 40.039.164.316 | 42.094.113.759 |
| Financial instruments held for trading | 4.4<br>4.12 | 285.193.752 | 156.765.363 |
| Hedging derivative financial instruments | 4.12 | 399.928.461 | 513.024.605 |
| Financial liabilities designated at fair value through profit or loss | 4.22 | 169.491.843 | 340.778.042 |
| Issuance of debt securities | 4.23 | 3.668.005.029 | 2.492.402.444 |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | 4.13 | - | 12.726.327 |
| Provisions | 4.24 | 82.082.237 | 126.626.362 |
| Other liabilities | 4.25 | 89.917.467 | 97.485.832 |
| Current taxes | 4.18 | - | 62.263.456 |
| Deferred taxes | 4.18 | 4.203.819 | 6.054.201 |
| Provision for employee benefits | 4.26 | 183.854.377 | 102.840.708 |
| **Sub-total of LIABILITIES (before equity capital) to be carried forward** | | **50.346.551.618** | **50.561.132.164** |



The notes on pages 46 to 189 are an integral part of these consolidated financial statements

## Consolidated balance sheet as at 31 December 2024 (continued)

| **EQUITY** in euros | Notes | 31/12/2023 | 31/12/2024 |
|---|---|---|---|
| **Sub-total of LIABILITIES (before equity capital) carried forward** | | **50.346.551.618** | **50.561.132.164** |
| Share capital | | 173.525.467 | 173.525.467 |
| Consolidated reserves | | 4.653.807.232 | 4.980.798.503 |
| Other items of comprehensive income | | 558.232.636 | 715.290.688 |
| ° *Variable-income securities recognised at fair value through the revaluation reserve* | *4.8* | *474.487.166* | *572.400.967* |
| ° *Actuarial gains/losses relating to employee benefits* | *4.26* | *-254.572.242* | *-232.409.584* |
| ° *Equity method adjustment* | | *340.144.154* | *370.246.927* |
| ° *Gains or losses on disposals of variable-income securities measured at fair value* | *4.27* | *6.474* | *6.437.369* |
| ° *Fixed-income securities recognised at fair value through the revaluation reserve* | *4.7* | *-1.842.641* | *-1.398.819* |
| ° *Cash flow hedges* | *4.12* | *9.725* | *13.828* |
| Income for the year | | 449.271.403 | 442.180.923 |
| Sub-total of equity attributable to equity holders of the parent company | | 5.834.836.738 | 6.311.795.581 |
| Non-controlling interests | | 3.006.945 | 435.530 |
| **Total equity** | | **5.837.843.683** | **6.312.231.111** |
| **TOTAL LIABILITIES, including EQUITY** | | **56.184.395.301** | **56.873.363.275** |

## Consolidated income statement as at 31 December 2024

| in EUR | Notes | 31/12/2023 | 31/12/2024 |
|---|---|---|---|
| Interest income | 5.1 | 782.614.169 | 850.723.121 |
| Income from securities | 5.2 | 45.643.138 | 45.296.705 |
| Fee and commission income | 5.3 | 193.303.544 | 206.686.914 |
| **INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS** | | **1.021.560.851** | **1.102.706.740** |
| Income from financial instruments not recognised at fair value through profit or loss | 5.4 | -1.145.473 | -500.808 |
| Income from financial instruments held for trading | 5.5 | 10.992.257 | 5.519.164 |
| Income from financial instruments designated at fair value through profit or loss | 5.6 | -11.419.433 | -2.208.058 |
| Income from financial instruments mandatorily measured at fair value through profit or loss | 5.7 | 18.715.897 | 16.131.181 |
| Income from hedging transactions | 5.8 | 13.638.513 | 6.736.725 |
| Foreign exchange income | 5.9 | 20.753.690 | 22.121.071 |
| Income from derecognition of non-financial assets | 5.10 | 1.629.409 | 2.955.908 |
| Other operating income | 5.11 | 17.594.252 | 21.692.103 |
| Other operating expenditure | 5.11 | -4.508.484 | -11.658.762 |
| **BANK MARGIN** | | **1.087.811.479** | **1.163.495.264** |
| Personnel expenses | 5.12 | -273.994.159 | -291.880.445 |
| Other general and administrative expenses | 5.13 | -112.168.600 | -124.648.881 |
| Cash contributions to resolution funds and deposit guarantee systems | 5.14 | -34.989.578 | -10.030.662 |
| Allowances for impairment of tangible and intangible assets | 5.15<br>5.16<br>5.17 | -49.412.651 | -54.504.118 |
| **INCOME AFTER GENERAL EXPENSES** | | **617.246.491** | **682.431.158** |
| Net allowances for impairment of individual and collective credit risks | 5.18 | -121.486.311 | -164.385.167 |
| Provisions | 5.19 | -11.232.253 | -44.339.568 |
| Share in the profit of equity-accounted associates | 5.20 | 48.158.925 | 69.587.106 |
| **INCOME BEFORE TAX** | | **532.686.852** | **543.293.529** |
| Tax on income from continuing operations | 5.21 | -77.832.202 | -104.973.307 |
| Deferred taxes | 5.21 | -3.466.548 | 3.966.310 |
| **INCOME FOR THE YEAR** | | **451.388.102** | **442.286.532** |
| *of which income for the year attributable to* | | | |
| *- non-controlling interests* | | *2.116.699* | *105.609* |
| *- equity holders of the parent company* | | *449.271.403* | *442.180.923* |



The notes on pages 46 to 189 are an integral part of these consolidated financial statements

## Consolidated statement of comprehensive income as at 31 December 2024

| in EUR | Notes | 31/12/2023 | 31/12/2024 |
|---|---|---|---|
| **INCOME FOR THE YEAR** | | **451.388.102** | **442.286.532** |
| **Items not reclassified in net income subsequently** | | **-193.603.172** | **160.245.596** |
| Actuarial gains/losses relating to employee benefits | 4.26 | -107.145.093 | 33.878.435 |
| Share in the profit of equity-accounted investments in associates | 4.9 | 21.564.050 | 30.102.773 |
| Variable-income securities recognised at fair value through the revaluation reserve | | -134.454.303 | 98.246.712 |
| ° *Variation in measurement results* | *4.8 4.17* | *-134.398.077* | *91.839.952* |
| ° *Income from sales* | *4.8 4.17* | *-56.226* | *6.406.760* |
| Impact of deferred and current taxes | 4.18 | 26.432.174 | -1.982.324 |
| **Items to be reclassified in net income subsequently** | | **1.119.556** | **447.925** |
| Fixed-income securities recognised at fair value through the revaluation reserve | 4.7 | 1.484.065 | 617.483 |
| Cash flow hedges | 4.12 | 7.484 | 5.207 |
| Impact of deferred taxes | 4.18 | -371.993 | -174.765 |
| **Total items of comprehensive income for the year - net of tax** | | **-192.483.616** | **160.693.521** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **258.904.486** | **602.980.053** |
| *share attributable to* | | | |
| *- non-controlling interests* | | *2.116.699* | *105.609* |
| *- equity holders of the parent company* | | *256.787.787* | *602.874.444* |



The notes on pages 46 to 189 are an integral part of these consolidated financial statements

## Consolidated statement of changes in equity as at 31 December 2024

Pursuant to CSSF Regulation No. 14-02 and its September 2024 FAQ relating to the determination of distributable results and reserves of credit institutions applying the fair value measurement in the statutory accounts, the Spuerkeess Group's parent company has implemented a dedicated procedure, as described in Note 2.2 to the statutory financial statements.

| in EUR | Share capital | Consolidated reserves | Other items of comprehensive income | Net income | Total equity – holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2023** | **173.525.467** | **4.319.474.042** | **765.247.562** | **373.127.192** | **5.631.374.263** | **3.067.932** | **5.634.442.195** |
| Impact of application of IFRS 9 for insurance entities | - | 10.930.840 | - | - | 10.930.840 | - | 10.930.840 |
| **As at 1 January 2023 restated** | **173.525.467** | **4.330.404.882** | **765.247.562** | **373.127.192** | **5.642.305.103** | **3.067.932** | **5.645.373.035** |
| Appropriation of 2022 income | - | 373.127.192 | - | -373.127.192 | - | - | - |
| Appropriation of 2022 income from sales of variable-income securities | - | 14.531.312 | -14.531.312 | - | - | - | - |
| 2023 net income | - | - | - | 449.271.403 | 449.271.403 | 2.116.699 | 451.388.102 |
| Distribution for FY 2022 | - | -60.000.000 | - | - | -60.000.000 | - | -60.000.000 |
| Actuarial gains/losses relating to employee benefits net of deferred taxes | - | - | -80.423.106 | - | -80.423.106 | - | -80.423.106 |
| Value adjustment on financial instruments measured at fair value through the revaluation reserve net of deferred taxes | - | - | -133.636.650 | - | -133.636.650 | - | -133.636.650 |
| Measurement results of cash flow hedges net of deferred taxes | - | - | 5.618 | - | 5.618 | - | 5.618 |
| Equity method adjustment | - | -4.192.418 | 21.564.050 | - | 17.371.632 | - | 17.371.632 |
| 2023 income from sales of variable-income securities | - | - | 6.474 | - | 6.474 | - | 6.474 |
| Other | - | -63.736 | - | - | -63.736 | -2.177.686 | -2.241.422 |
| **As at 31 December 2023** | **173.525.467** | **4.653.807.232** | **558.232.636** | **449.271.403** | **5.834.836.738** | **3.006.945** | **5.837.843.683** |



The notes on pages 46 to 189 are an integral part of these consolidated financial statements

| in EUR | Share capital | Consolidated reserves | Other items of comprehensive income | Net income | Total equity – holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2024** | **173.525.467** | **4.653.807.232** | **558.232.636** | **449.271.403** | **5.834.836.738** | **3.006.945** | **5.837.843.683** |
| Appropriation of 2023 income | - | 449.271.403 | - | -449.271.403 | - | - | - |
| Appropriation of 2023 income from sales of variable-income securities | - | 6.474 | -6.474 | - | - | - | - |
| 2024 net income | - | - | - | 442.180.923 | 442.180.923 | 105.609 | 442.286.532 |
| Distribution for FY 2023 | - | -120.000.000 | - | - | -120.000.000 | - | -120.000.000 |
| Actuarial gains/losses relating to employee benefits net of deferred taxes | - | - | 22.162.658 | - | 22.162.658 | - | 22.162.658 |
| Value adjustment on financial instruments measured at fair value through the revaluation reserve net of deferred taxes | - | - | 98.357.623 | - | 98.357.623 | - | 98.357.623 |
| Measurement results of cash flow hedges net of deferred taxes | - | - | 4.103 | - | 4.103 | - | 4.103 |
| Equity method adjustment | - | 495.196 | 30.102.773 | - | 30.597.969 | - | 30.597.969 |
| 2024 income from sales of variable-income securities | - | - | 6.437.369 | - | 6.437.369 | - | 6.437.369 |
| Other | - | -2.781.802 | - | - | -2.781.802 | -2.677.024 | -5.458.826 |
| **As at 31 December 2024** | **173.525.467** | **4.980.798.503** | **715.290.688** | **442.180.923** | **6.311.795.581** | **435.530** | **6.312.231.111** |

The Spuerkeess Group's parent company will propose the payment of EUR 120 million in distributable profit to its owner, the Luxembourg State, for 2024.

## Consolidated statement of cash flow as at 31 December 2024

The statement of cash flows represents the inflow and outflow of cash. Cash and cash equivalents include cash on hand, deposits with central banks, and assets with an original maturity of less than 90 days.

| in euros | 31/12/2023 | 31/12/2024 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and sight accounts with central banks | 7.885.298.645 | 7.410.760.852 |
| Loans and advances at amortised cost – Credit institutions | 2.720.276.016 | 2.352.098.946 |
| Loans and advances at amortised cost – Customers | 820.822.648 | 1.068.482.391 |
| **Total** | **11.426.397.309** | **10.831.342.189** |

The Group uses the indirect method to determine the cash flows. To do this, the Group eliminates from the net result all pure accounting flows that do not translate into an inflow or outflow of liquid funds and directly presents the items of the net result arising from operating activities before changes in operating assets and liabilities.

The cash flow statement classifies the cash flows of the period into operating activities, investment activities and financing activities:

- operating activities are the main income-generating activities. They comprise all activities other than investment or financing. They consist of the operating income and expenses, cash flows relating to financial and other income and expenses, as well as the different categories of taxes paid during the year;

- investing activities comprise the acquisition and disposal of long-term assets and all other investments not included in cash equivalents;

- financing activities comprise activities leading to changes in the breadth and composition of equity, and subordinated capital issued by the Bank.

| in euros | 2023 | 2024 |
|---|---|---|
| **CASH POSITION AT 1 JANUARY** | **14.301.732.643** | **11.426.397.309** |
| Income for the year | 451.388.102 | 442.286.532 |
| Non-cash adjustments relating to: | | |
| Net allowances for impairment of credit risks | 121.486.311 | 164.385.167 |
| Allowances for impairment of tangible and intangible assets | 46.543.494 | 51.377.633 |
| Provisions | 10.114.684 | 41.896.243 |
| Unrealised gains/losses | -100.909.424 | -37.470.584 |
| Share in the profit of equity-accounted associates | -48.158.925 | -69.587.106 |
| Other adjustments | -9.781.140 | -10.631.581 |
| Changes relating to assets and liabilities from operating activities: | | |
| Financial instruments recognised at fair value | -123.212.929 | 205.476.494 |
| Loans and advances at amortised cost | -2.008.917.376 | -609.393.937 |
| Deposits at amortised cost | -1.524.272.746 | 1.192.368.267 |
| Issuance of debt securities | 940.304.518 | -1.166.681.587 |
| Other assets and liabilities | -47.569.320 | -63.722.507 |
| **Total cash flow from operating activities** | **-2.292.984.751** | **140.303.034** |
| *of which:* | | |
| *Interest received* | *2.248.017.080* | *2.905.136.402* |
| *Interest paid* | *-1.543.481.412* | *-2.078.097.947* |
| *Income from securities* | *45.643.138* | *45.296.705* |
| *Tax on income from continuing operations* | *-77.832.202* | *-104.973.307* |
| Acquisition/disposal of variable-income securities | 717.726 | 1.320.842 |
| Acquisition/disposal of investments in associates accounted for using the equity method | -2.259.978 | -7.354.595 |
| Acquisition of fixed-income securities | -4.282.303.810 | -3.776.136.981 |
| Disposal/redemption of fixed-income securities | 3.574.776.168 | 3.265.142.569 |
| Acquisitions/disposals of intangible and tangible assets | -45.352.331 | -72.218.854 |
| **Total cash flow from investment activities** | **-754.422.225** | **-589.247.019** |
| Expenses related to leases | -3.267.052 | -3.445.458 |
| Income distribution | -60.000.000 | -120.000.000 |
| **Total cash flow from financing activities** | **-63.267.052** | **-123.445.458** |
| **NET CHANGE IN CASH** | **-3.110.674.028** | **-572.389.443** |
| Effect of exchange rates on cash and cash equivalents | 235.338.694 | -22.665.677 |
| **CASH POSITION AT 31 DECEMBER** | **11.426.397.309** | **10.831.342.189** |

The Spuerkeess Group's parent company no longer provides information on subordinated issues for financial years 2023 and 2024.

# BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**31 December 2024**

# 1 GENERAL INFORMATION

Banque et Caisse d'Epargne de l'Etat, Luxembourg (hereinafter "Spuerkeess" or the "Group's parent company"), established by the law of 21 February 1856 and governed by the law of 24 March 1989, as amended, is a self-governing public law institution, endowed with legal personality. Ultimate responsibility for the institution lies with the Government Minister with responsibility for the Treasury.

Spuerkeess is subject to Luxembourg's banking regulations, particularly the law of 5 April 1993 on the financial sector. Starting on 4 November 2014, with the entry into force of the Single Supervisory Mechanism (SSM), the European Central Bank has taken over prudential supervision of Spuerkeess.

Spuerkeess's registered office is located at 1, Place de Metz, L-1930 Luxembourg.

Within the limits set by the laws and regulations applicable to credit institutions, Spuerkeess's objective is to perform all financial and banking activities, as well as all similar, related or ancillary operations.

The consolidated financial statements concern the Group, of which Banque et Caisse d'Epargne de l'Etat, Luxembourg is the parent company. The Group had an average headcount for financial year 2024 of 1.952 versus 1.898 in 2023.

The Group's commercial activity is carried out from the territory of the Grand Duchy of Luxembourg.

The financial year coincides with the calendar year.

The consolidated financial statements were approved by the Board of Directors meeting on 26 March 2025.

The official version of the consolidated annual financial statements as at 31 December 2024 is the version in the ESEF format, published in accordance with the requirements of Delegated Regulation 2019/815 on the European Single Electronic Reporting Format, available via the Officially Appointed Mechanism (OAM) tool.

## 2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Compliance with general accounting principles

The Group's consolidated financial statements for the 2024 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements are stated in euros, the functional currency of the parent company and its subsidiaries. They have been prepared on the basis of historical cost or amortised cost, adjusted to fair value for the recognition of financial assets mandatorily recognised at fair value through profit or loss, financial assets held for trading and derivatives. Variable-income securities, debt instruments included in the hold to collect and sell business model (HTCS, see section 3.2.4.1) and employee benefit provision assets are recognised at fair value through the revaluation reserve.

#### 2.1.1 New or revised standards adopted by the European Union, applicable since 1 January 2024

The amendments to the following standards and interpretations have little or no impact on Spuerkeess:

- The amendments to IAS 7 "Statement of Cash Flows" and to IFRS 7 "Financial Instruments: Disclosures" regarding supplier finance arrangements,
- The amendments to IAS 1 "Presentation of Financial Statements" regarding the classification of liabilities as current or non-current liabilities,
- The amendments to IFRS 16 "Leases: Lease Liability in a Sale and Leaseback".

#### 2.1.2 New or revised standards adopted by the European Union and not yet applicable as of 1 January 2024

The amendments to the following standards are not expected to have a material impact on Spuerkeess's annual financial statements:

- The amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" regarding the lack of exchangeability (applicable from 1 January 2025).

#### 2.1.3 New or revised standards not yet adopted by the European Union and not yet applicable as of 1 January 2024

The amendments to the following standards are not expected to have a material impact on Spuerkeess's annual financial statements:

- IFRS 19 "Subsidiaries without Public Accountability: Disclosures" (applicable from 1 January 2027),

- Amendments to IFRS 9 and IFRS 7: amendments to the classification and measurement of financial instruments (applicable from 1 January 2026),
- Amendments to IFRS 9 and IFRS 7: renewable electricity contracts (applicable from 1 January 2026),
- Annual improvements – volume 11 (applicable from 1 January 2026).

The amendments to the following standards will have an impact on Spuerkeess's annual financial statements:

- IFRS 18 "Presentation and Disclosure in Financial Statements" (applicable from 1 January 2027).

## 2.2 CONSOLIDATION

### 2.2.1 Scope of consolidation

The consolidated financial statements comprise the parent company, subsidiaries and associates over which the Group has control when it has rights to variable returns, because of its relationships with those entities, and the ability to affect those returns through its power over those entities. Subsidiaries are consolidated from their date of acquisition, when the acquiror has the power to direct their financial policies. They are deconsolidated on the date such control ceases.

Consolidation has not generated any goodwill as the subsidiaries have been majority Group-owned since their creation.

Acquisitions are recognised at cost, i.e. the amount of cash or cash equivalents paid representing the fair value, plus all costs directly attributable to the acquisition. All intra-group transactions and unrealised gains on transactions between Group companies are eliminated. Unrealised losses on intra-group transactions are also eliminated unless the cost can be recovered.

If a Group subsidiary or associate accounted for under the equity method applies accounting standards different from those applied to the preparation of consolidated financial statements, appropriate restatements are made to ensure consistency with the Group's accounting policies.
If the reporting date for a company within the consolidated group is different from the Group's reporting date, adjustments are made to take into account transactions made and any other significant events that occurred between this closing date and that of the parent company.

The portion of Group equity attributable to minority interests is given on a separate line. Similarly, the portion of Group earnings attributable to minority interests is also shown on a separate line.

#### 2.2.1.1 *Fully consolidated subsidiaries*

The consolidated financial statements record the assets, liabilities, income and expenditure of the parent company and its subsidiaries. A subsidiary is an entity over which the parent company exercises control. The parent company controls an entity if it is exposed or has the right to variable income from its interest in the entity and if it has the power to influence the amount of this variable income.

Subsidiaries are fully consolidated as of the date on which the Group took control. They are deconsolidated on the date such control ceases.

| Subsidiaries | Activity | % of voting rights held | |
|---|---|---|---|
| | | 31/12/2023 | 31/12/2024 |
| Lux-Fund Advisory S.A. | Investment advice | 89,15 | 88,35 |
| Spuerkeess Asset Management S.A. | UCI management company | 90,00 | 100,00 |
| Bourbon Immobilière S.A. | Real estate | 100,00 | 100,00 |
| Luxembourg State and Savings Bank Trust Company S.A. | Acquisition of shareholdings | 100,00 | 100,00 |
| Spuerkeess Ré S.A. | Reinsurance | 100,00 | 100,00 |

#### *2.2.1.2 Investments in associates*

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method. Significant influence means the Group has the power to direct a company's financial and operating policies in order to obtain a substantial share of the economic benefits. Significant influence is presumed when the Group holds, directly or indirectly through its subsidiaries, 20% or more of the voting rights.

Investments in associates are recognised at cost, and the book value is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate after the acquisition date. The Group's share of the associate's profit or loss is recognised in the income statement.

Equity-method consolidation ceases when the Group no longer has significant influence over the shareholding, unless the Group has incurred legal or constructive obligations to assume or guarantee commitments on behalf of the associate.

**The Group's investments in associates:**

| Associates | Activity | % of capital held | |
|---|---|---|---|
| | | 31/12/2023 | 31/12/2024 |
| Société Nationale de Circulation Automobile S.à r.l. | Automotive services | 20,00 | 20,00 |
| i-Hub S.A. | Financial services | 20,00 | 20,00 |
| Luxair S.A. | Air transport | 21,81 | 21,81 |
| Société de la Bourse de Luxembourg S.A. | Financial services | 25,35 | 25,35 |
| LuxConstellation S.A. | Financial services | 30,00 | 30,00 |
| Europay Luxembourg S.C. | Financial services | 30,10 | 30,00 |
| LuxHub S.A. | Financial services | 32,50 | 32,50 |
| Lalux Group S.A. | Insurance | 40,00 | 40,00 |
| Visalux S.C. | Financial services | 40,90 | 40,90 |
| Prolog Luxembourg S.A. | Financial services | - | 43,96 |

The scope of investments in associates has changed since 31 December 2023. In 2024, Spuerkeess co-founded Prolog Luxembourg S.A., along with other financial centre institutions, and took a 43,96% stake.

## 2.3 Foreign currency transactions

The impact of exchange rate fluctuations on income statement items is detailed below. The Group's functional currency is the euro (EUR).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Monetary items denominated in foreign currency are translated at the closing rate on each balance sheet date.

Non-monetary items recognised at historical cost denominated in a foreign currency are translated using the exchange rate on the transaction date, while non-monetary items recognised at fair value in a foreign currency are translated at the exchange rates prevailing on the date of fair value measurement.

Foreign exchange gains and losses resulting from monetary assets and liabilities are recognised in the income statement, except where the transaction is classified as a cash flow hedge.

For monetary assets measured at fair value through the revaluation reserve, translation differences resulting from the variance between their fair value on the balance sheet date and their acquisition cost are recognised in the revaluation reserve, whereas translation differences relating to the adjustment of the amortised cost relative to the acquisition value are recognised through profit or loss.

Translation differences relating to adjustments in the fair value of non-monetary items are recognised in the same way as the recognition of these changes in fair value.

The following exchange rates were used for translation of the main currencies in the annual financial statements, where EUR 1 is equal to:

| Currency | 31/12/2023 | 31/12/2024 |
|---|---|---|
| CHF | 0,9272 | 0,9420 |
| GBP | 0,8692 | 0,8306 |
| USD | 1,1067 | 1,0419 |

## 2.4 Accounting judgements and estimates

The Group's parent company applies judgements or estimates in the treatment of:

- classification of financial instruments in the respective portfolios (Section 3.2) and their impairment (Section 3.3.4);
- determination of the fair value of certain financial instruments (Section 3.3.3);
- determination of the SPPI (solely payments of principal and interest) nature of certain financial instruments (Section 3.2.4.3);
- consideration of a current obligation for the recognition of provisions (Section 3.10);
- determination of value adjustments (CVA/DVA) of derivatives (Section 3.3.2.3);
- determination of the effectiveness of a hedging relationship (Section 3.2.2);
- determination of components related to construction-type tangible assets and their expected useful life (Section 3.6);
- actuarial assumptions used in the calculation of the defined-benefit obligation (Section 3.9.3).

# 3 INFORMATION ON THE GROUP'S MAIN ACCOUNTING POLICIES

## 3.1 Cash and sight accounts with central banks

Cash consists essentially of “Cash”, the various banks' nostro accounts and cash with central banks.

This item also includes the minimum mandatory reserve funded to satisfy the reserve requirement imposed by the Banque centrale du Luxembourg (BCL). These funds are therefore not available to finance the Group's ordinary operations. The reserve basis is calculated on a monthly basis and is defined according to liability items on the balance sheet, according to Luxembourg accounting principles. The calculation of the basis that determines the reserve requirements is made by the BCL.

## 3.2 Classification and measurement of financial instruments

Since 1 January 2018, the Group has prepared its consolidated financial statements in accordance with IFRS 9 "Financial Instruments".

The measurement categories established by IFRS 9 are as follows: financial instruments held for trading, hedging derivatives, financial instruments mandatorily recognised at fair value through profit or loss, financial instruments recognised at amortised cost and financial instruments recognised at fair value through the revaluation reserve.

If financial assets mandatorily recognised at fair value through profit or loss, financial instruments recognised at amortised cost, or financial instruments recognised at fair value through the revaluation reserve are transferred to "Non-current assets and disposal groups classified as held for sale", these instruments continue to be measured in accordance with the provisions of IFRS 9.

Off-balance sheet financial instruments include financial guarantees and unused loan commitments in particular. These are recorded in the balance sheet of the Group's parent company as soon as they are disbursed.

### 3.2.1 Assets and liabilities held for trading

Financial instruments held to make a profit from short-term price fluctuations are classified as assets or liabilities held for trading as appropriate. This category includes certain fixed-income securities, variable-income securities and short sales on these same financial instruments, as well as derivative financial instruments used for trading.

Since the concept of short-term is not defined by IFRS, the Group considers six months as the average duration for non-derivative financial instruments.

Financial Instruments held for trading are initially designated at fair value, with any subsequent gains and losses arising from changes in fair value recognised in the income statement under "Income from financial instruments held for trading". Accrued interest incurred and received is recognised in the income statement under "Interest income", and dividends are recognised under "Income from securities" from the time the right to payment becomes established.

### 3.2.2 Derivative financial instruments used for hedging purposes

In accordance with IFRS 9, the Group continues to apply hedging principles according to IAS 39. It thus uses derivative financial instruments to hedge interest rate, foreign exchange, credit and price risk such as stock market indices or share prices. The derivatives commonly used are interest rate swaps (IRS) and cross-currency interest rate swaps (CIRS) in standard plain vanilla hedging transactions. In addition to these standardised contracts, the Group uses swaps with structured components to specifically hedge structured "EMTN – Euro Medium Term Notes" issues and acquisitions of structured bonds included in the portfolio of fixed-income securities recognised at amortised cost and containing embedded derivatives. This hedge is eligible only in the following cases:

- for liabilities, the embedded derivatives of the financial instruments must be closely related;
- for assets, the financial instruments must comply with the SPPI principle.

Derivatives are considered as being held for trading except where they are designated as hedging instruments. When entering into a contract, the Group may designate derivative financial instruments as hedging instruments in assets or liabilities on the balance sheet, if the transactions meet the criteria set out in IAS 39.

The Group classifies hedging instruments in the following categories:

- fair value hedge of an asset, a liability or a firm commitment;
- fair value hedge of a portfolio or a sub-portfolio of assets;
- cash flow hedge of future cash flows attributable to a specific asset or liability or future transaction.

The Group primarily uses fair value hedges and, secondarily, cash flow hedges.

Hedge accounting must comply with the following restrictive conditions set out in IAS 39:

- prior to being set up, the hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;
- the hedging starts with the designation of the derivative instrument used for hedging and ends either at the derecognition of the hedged instrument or if the effectiveness of the hedge is no longer given;
- prospective effectiveness: as soon as the transaction is set up, it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the hedging period. Prospective effectiveness is established when the main characteristics between hedged items and hedging items are substantially identical (par value, interest rate, maturity and currency) within the hedging period designated by the Group for the transaction;
- retrospective effectiveness: effectiveness is assessed retrospectively (results within a range of 80% to 125%) at each reporting date.

Changes in the fair value of derivatives designated as fair value hedges which meet the criteria for hedge accounting and have demonstrated their effectiveness relative to the hedged instrument are recognised in profit or loss under "Income from hedging transactions". At the same time, corresponding changes in the fair value of the hedged item are also recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting at a given time, the fair value adjustment to the interest-bearing hedged item must be amortised to profit or loss over the remaining period to maturity as an adjustment to the return on the hedged item.

The ineffectiveness of the hedge is mainly due to:

- the difference in the timing of cash flows;
- the difference on the yield curve.

Changes in the fair value of derivatives designated as cash flow hedges, which meet the criteria for hedge accounting and have proven their effectiveness relative to the underlying instrument to be hedged, are recognised in equity under "Revaluation reserve – cash flow hedges".

If a hedging instrument expires or is sold, terminated, or exercised, or if the hedge no longer meets the hedge accounting criteria, the Group ceases to apply hedge accounting. Any adjustment in the book value of an interest-bearing hedged instrument is amortised through profit or loss and must be totally amortised at maturity. If the item is derecognised, i.e. removed from the balance sheet, the change in fair value is recognised immediately in profit or loss.

The Group's parent company applies fair value macro-hedging on fixed-rate loans in accordance with the principles of IAS 39 in its "carve-out" version for the European Union. Hedging is done exclusively using IRS derivative financial instruments.

### 3.2.3 Variable-income securities

The Group measures variable-income securities at fair value through the revaluation reserve with the recognition of dividends in the income statement and income on sales in a dedicated equity category, without reclassification through profit or loss.

Changes in own funds of equity-accounted associates are recognised on the assets side of the balance sheet under "Investments in associates accounted for using the equity method", as well as in shareholders' equity under "Equity method adjustment".

### 3.2.4 Fixed-income financial instruments

The classification of other fixed-income financial instruments is based on the business model and the SPPI test as described below.

#### *3.2.4.1 Business models*

The core business model of the Group's parent company provides for the holding of long-term assets, regardless of the product:

- The fixed-income securities acquired are held long term. IFRS 9 introduces the notion of the business model, which, for the bond portfolio held by the Group, is defined by the management method according to the criteria of the holding period of the securities and the type of income generated, i.e., interest income or income on sale. Combined with the SPPI test, which deals with coupon calculation and principal repayment, three types of portfolios are defined:

- **HTC (Hold to collect)** portfolio: the bond portfolio is eligible for the HTC classification, provided that it is held for the long term in order to collect cash flows based on coupons due and repayment of principal. According to IFRS 9, sales are permitted only in the following cases: (i) the impact is non-material, (ii) the impact is material and sales should therefore be infrequent, (iii) they are made as the instrument approaches maturity and (iv) they are related to exceptional circumstances such as a significant deterioration in the credit quality of the counterparty or legal or tax changes.

  HTC portfolio bond positions that pass the SPPI test are classified in the portfolio of financial assets recognised at amortised cost and are included in the balance sheet item "fixed-income securities recognised at amortised cost".

- **HTCS (Hold to collect and sell)** portfolio: this involves holding long-term securities, but with the possibility of selling them based on opportunities in the financial markets.

  Unlike the HTC portfolio, which is limited to securities held to maturity, the HTCS portfolio is based on management objectives. This portfolio consists of securities that meet the SPPI criteria but do not meet all the criteria defined for the HTC portfolio, provided that they are not considered as trading positions.

  Bond positions in the HTCS portfolio are classified in the portfolio of financial assets recognised at fair value through the revaluation reserve.

- **FVTPL (Fair value through profit or loss)** portfolio with revaluation at fair value through profit or loss. For this business model, two different cases can occur:

a. Positions in the trading book are part of this portfolio. IFRS 9 defines trading as the intention to buy and sell securities for the purpose of realising a profit in the short term. These are securities generally held for less than 6 months. These instruments are included in the balance sheet category "financial instruments held for trading" without undergoing the SPPI test as explained in section 3.2.1;

b. This portfolio also includes positions in financial instruments held for the long term that do not undergo the SPPI test and must therefore be measured through profit or loss. Bond positions in the FVTPL portfolio that are not held for trading and do not pass the SPPI test are classified under the balance sheet item "Financial assets mandatorily recognised at fair value through profit or loss".

- Loans granted by the Group are not intended for a subsequent sale or a securitisation transaction but are retained on the asset side of the balance sheet until final repayment. The Group's parent company does not acquire loan portfolios already active.

The "lending" activity of the Group is therefore assigned to the HTC business model and is based on contractual data and on the principle that loans are granted and held for the purpose of collecting principal and interest until maturity.

Loans granted by the Group and passing the SPPI test are classified in the portfolio of financial assets measured at amortised cost and presented separately in the financial statements of the Group's parent company under "Loans and advances at amortised cost".

However, loans granted by the Group that do not pass the SPPI test are classified in the portfolio of financial assets mandatorily recognised at fair value through profit or loss and presented globally in the balance sheet under the heading "financial assets mandatorily recognised at fair value through profit or loss".

*3.2.4.2 Monitoring of business model compliance*

The thresholds for questioning the business model put in place by the Group's parent company disregard sales and capital gains realised on positions with a residual maturity of 6 months or less.

The threshold for impact has been set at 5% of net bank margin (NBM). The NBM considered is that of the previous financial year. If this threshold is exceeded, and if more than 10% of the outstanding amounts of a portfolio are sold per year, then the portfolio no longer meets the conditions of eligibility for the HTC classification with a measurement at amortised cost.

If the two cumulative thresholds are exceeded, this will launch a procedure to notify the Risk working group. These thresholds will be monitored on a monthly basis.

Beyond these thresholds, the Group's parent company has defined alert thresholds taking into account historical observations with the aim of anticipating the achievement of absolute thresholds:
- a number of 50 transactions;
- a cumulative nominal value of 2%;
- an NBM impact of 3%.

If any one of these thresholds is exceeded, the Risk working group will be notified, followed by a documented deliberation.

In terms of granting or managing loans, any modification of the existing business model as well as any definition of an additional business model must go through the various levels of governance, which are the ALM/Risk working groups, the ALM and Risk Management Committees, the Executive Committee, the Audit and Compliance/Risk Committees at the Board of Directors level, and the Board of Directors itself.

*3.2.4.3 SPPI test*

In order to undergo the SPPI test, financial instruments in the form of fixed-income securities must include only structures:
- considered non-speculative and/or unleveraged;
- whose return in the form of interest respects the time value of money;
- guaranteeing the payment of interest and repayment of the principal.

The classification of a security as SPPI-compliant or non-SPPI-compliant is reflected in its deal type. This qualitative information is included in the information systems of the Group's parent company and is subject to specific control procedures. When a bond can be assigned more than one deal type, a quantitative analysis is performed to measure the degree of leverage of the instrument compared with a fixed-rate instrument over the same period to determine the final deal type to be applied.

For loans, the SPPI test is based on the following two principles:

- the repayment of principal and interest must be contractually ensured. In principle, this criterion is always met as long as the loans do not contain any embedded derivatives that significantly alter cash flows other than caps/floors or significant early redemption penalties.
- the repayment must be based on the time value of money plus a margin that offsets the credit risk. This criterion implies that there is no leverage.

For SPPI tests on loans, the Group distinguishes two major categories, namely standard loans contracted on the basis of a model contract and "customised" loans involving special conditions and other obligations to be respected by the borrower.

The contracts on which all standard loans are based are subject to a prior compatibility review of their conditions with the SPPI criterion. A contract-by-contract review is not carried out for this type of contract. The contract data for each new loan type belonging to this loan category are subjected to an SPPI test on the basis of a list of specific pre-marketing criteria.

The contracts on which customised loans are based are reviewed individually to determine compliance with the SPPI criterion in accordance with the internal procedures including the criteria of the standard.

### 3.2.5 Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss include instruments with structures that are not closely related but are hedged economically with derivatives. With this designation for the financial liability, the Group offsets the impact of the accounting mismatch with the derivative financial instrument. Derivative financial instruments used for that purpose are exclusively IRS or CIRS instruments. The fair values are simply offset at the Group's profit or loss level under "Income from financial instruments held for trading" and "Income from financial instruments designated at fair value through profit or loss".

### 3.2.6 Non-current assets and disposal groups classified as held for sale

In accordance with IFRS 5, the Group's parent company classifies its financial and non-financial assets as assets held for sale in the following cases:

- The asset must be available for immediate sale in its present condition;
- The sale must be highly probable;

- The carrying amount is recovered principally through a sale transaction rather than through continuing use.

The Group's parent company's management must be committed to a plan to sell the asset and an active search for a buyer must have been initiated. The sale generally takes place within 12 months of its initiation.

Assets in this category are measured at the lower of amortised cost or fair value less the cost of the sale.

Non-financial assets classified in this category are not subject to depreciation or amortisation. Financial assets continue to be measured in accordance with IFRS 9.

### 3.2.7 Other financial assets and liabilities

Other assets comprise short-term receivables. Other liabilities mainly consist of short-term payables, coupons due and other amounts payable on behalf of third parties, debts to preferential creditors and liabilities arising from leases.

### 3.2.8 Income and expenses relative to financial assets and liabilities

Interest income and expenses are recognised in profit or loss for all financial instruments measured at amortised cost, according to the effective interest rate method.

The effective interest rate is the rate that exactly discounts future cash disbursements or receipts over the expected life of the financial instrument in order to obtain the net book value of the financial asset or liability. The calculation includes transaction costs and income, premiums and discounts. Transaction costs and income that are an integral part of the contract's effective rate, such as loan administration fees for instance, can be treated as additional interest.

Financial instruments held for trading are recorded at their fair value. Changes in their fair value are recognised in the income statement under "Income from financial instruments held for trading". Similarly, financial instruments designated at fair value through profit or loss are recorded at fair value, and changes in fair value are recognised in profit or loss under "Income from financial instruments designated at fair value through profit or loss". Interest is recognised at the effective interest rate in "Interest income".

Dividends are recorded under "Income from securities", while interest is recorded under "Interest income".

The Group recognises fees that are not included in the calculation of the effective interest rate in accordance with IFRS 15, i.e. when the performance obligation is realised depending on whether it is realised at a given time or gradually. This mainly concerns the following fees:

- fees related to performance obligations fulfilled gradually, which are therefore spread over the corresponding period;
- fees related to service obligations fulfilled at a given time and therefore recognised in the income statement when the service is performed.

For certain operations relating to wholesale international customers, commitment and utilisation fees are determined based on a percentage of the credit line. These fees are integrated on a "prorata temporis" base over the life of the credit line, except if the fees should be integrated in the acquisition cost of the balance sheet exposure which may result from the credit line.

### 3.2.9 Netting financial assets and financial liabilities

For the netting of certain positions relating to repurchase and reverse repurchase agreements, the existence of a Global Master Repurchase Agreement (GMRA) is not a sufficient condition. The balance sheet netting of these agreements takes place only if the counterparties have agreed in advance and if the transactions meet the same maturity date and liquidation and payment system criteria.

## 3.3 Banking transactions

### 3.3.1 Initial valuation

Purchases and sales of financial assets and liabilities whose delivery or settlement is made after the transaction date are recognised on the balance sheet on the delivery or settlement date, respectively.

All financial instruments are recorded at fair value on initial recognition, plus any directly attributable costs when the financial instruments are not recognised at fair value through profit or loss. This initial fair value generally corresponds to the transaction price.

Transactions in financial instruments on the assets and liabilities side in the form of securities are recognised on the transaction date in off-balance sheet items and on the value date on the balance sheet.

Financial derivatives are recognised on the balance sheet at their fair value on the transaction date. The classification of derivative financial instruments on initial recognition depends on their characteristics and purpose. Therefore, they may be classified as "financial instruments held for trading" or as "hedging instruments".

Derivative financial instruments are recognised in assets when the fair value is positive, and in liabilities when it is negative. Fair value here means the "dirty price" of the instruments, i.e. including the accrued interest.

Derivative financial instruments embedded in financial liabilities are separated from the host contract and accounted for at fair value if the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract, and the entire instrument is not classified as held for trading or has not been designated as measured at fair value through profit or loss. Embedded derivative financial instruments that have been separated from their host contract are recognised at fair value in the trading portfolio and changes in fair value are recognised through profit or loss.

Gains or losses on the sale of financial assets that are not subject to revaluation through profit or loss are calculated as the difference between the amount received net of transaction costs and the acquisition cost and amortised cost of the financial asset.

### 3.3.2 Subsequent measurement

The valuation methods are as follows: historical cost, amortised cost or fair value.

#### *3.3.2.1 Historical cost*

Financial assets and liabilities recognised at historical cost are valued at the initial recognition amount.

#### *3.3.2.2 Amortised cost*

The amortised cost corresponds to the amount initially recognised, net of repayments of capital where applicable, adjusted for premiums and discounts, calculated as the difference between the initial amount and the repayment amount on maturity, over the life of the asset, less impairment recognised through value adjustments.

#### *3.3.2.3 Fair value*

The fair value of the consideration received or tendered can usually be determined by reference to an active market or by using valuation techniques based chiefly on observable market inputs.

To determine a consistent valuation for the financial instruments measured at fair value, the Group uses the following methods and models:

- derivative financial instruments held for trading or hedging: the Bank uses the discounted cash flow (DCF) method for plain vanilla contracts and the Black & Scholes model for structured contracts. In addition to these fair value measurements, the Group calculates, after application of ISDA-CSA agreements, an adjustment for counterparty risk, or a "Credit Value Adjustment" (CVA), to account for the credit quality of the counterparty for derivative financial instruments recognised on the assets side of the balance sheet, and an adjustment for credit risk specific to the Group's parent company, or a "Debit Value Adjustment" (DVA), for derivative financial instruments recognised on the liabilities side of the balance sheet.

- financial assets:
  - fixed-income securities:
    - for assets quoted on an active market, the bid price published by an official quotation agent is used;
    - for assets quoted on a market considered inactive, the valuation price is calculated by the Bank's internal valuation model.

  - variable-income securities:
    - for assets quoted on an active market, the bid price published by an official quotation agent is used;
    - for unquoted securities or securities listed on an inactive market, the Group determines a measurement value according to a procedure detailed below in Section 3.3.3 "Valuation techniques for determining fair value and fair value hierarchy".

- financial liabilities:
  - EMTNs issued by the Group's parent company classified at amortised cost: these transactions are designated as fair value hedges to avoid an accounting impact on the income statement due to hedging these issues with derivative financial instruments. Thus, the fair value measurement method applied to the issue and the measurement of its hedge are identical, namely the discounted cash flow and Black & Scholes method;
  - EMTNs issued by the Group's parent company designated at fair value through profit or loss: the fair value measurement method applied to the issue and the measurement of its hedge are identical, namely the discounted cash flow and Black & Scholes method.

### 3.3.3 Valuation techniques for determining fair value and fair value hierarchy

When the fair value of a financial instrument recognised in the balance sheet cannot be determined based on an active market, it is calculated using valuation techniques mostly based on mathematical models. Insofar as possible, the inputs to mathematical models come from market observations.

The Group uses valuation techniques based on observable and non-observable market data to determine fair value:

- observable data reflect market variations collected from independent sources and reflecting real transactions. Observable market data include:
    - credit spread curves based on CDS prices;
    - interbank interest rates or swap rates;
    - foreign exchange rates;
    - stock indices;
    - share prices;
    - volatilities (forex, swaptions, caps & floors);
    - counterparty credit spreads;
- non-observable data reflect estimates and internal assumptions relating to the market variations adopted by the Group.

A fair value hierarchy was established according to the type of observable and non-observable data. To determine this hierarchy of fair values, the Group's parent company reviewed all financial instruments measured at fair value to assess the importance of observable data directly or indirectly on the markets:

- Level 1 fair value: Level 1 inputs are essentially quoted prices in active markets for identical financial instruments. This level includes equity securities and debt instruments listed on stock exchanges, as well as derivative financial instruments traded on a regulated market. Financial instruments not listed on a market but that were recently involved in a transaction are also included in Level 1.
- Level 2 fair value: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are directly observable for the financial instruments, such as a price, or indirectly observable, i.e. derived from observable prices, such as implied volatilities of a share derived from observable prices of option contracts on this share. This level includes the majority of over-the-counter derivative financial instruments and structured debt securities issued. These inputs, such as "EURIBOR" yield curves or credit spreads, are initially provided by specialised financial data providers.
- Level 3 fair value: This level includes equity instruments or debt securities for which significant parameters used in the valuation models are based on estimations and internal assumptions. Spuerkeess's shareholdings in unlisted companies are valued twice a year, on 30 June and 31 December. The Group's parent company values each shareholding consistently over time

using one of the three eligible approaches, namely the market-based approach, an approach based on income or the net assets approach, or at the level of the discounts applied to determine fair value. Preference is given to the market-based approach for the largest shareholdings. In general:

- in the event of a transaction (capital increase or sale transaction) during the last 12 months prior to the valuation date or if the parties to a future transaction agree on the price of the transaction, on the valuation date, this transaction price serves as a reference for the valuation price for the position, except for duly justified exceptions;
- when this concerns a company that holds listed assets, the market price of these assets on the valuation date is used to calculate net asset value;
- where there has been no transaction during the last 12 months prior to the valuation date, the stock market ratios for a peer group, meaning a sample of listed companies that are comparable to the unlisted company, allows the fair value of the position to be determined. A discount is applied, where applicable, for illiquidity and/or for restrictions on the security, with documentation of the EV/EBITDA, Price-to-Book, Price-to-Sales and Price-to-Earnings ratios for the listed companies in the peer group;
- the market multiples valuation may be supplemented by multiples based on recent transactions in companies with the same characteristics as the unlisted company held by Spuerkeess, or by a discounted cash flow-type valuation, when the unlisted company regularly draws up a multi-year business plan that is provided to Spuerkeess;
- when the by-laws of the unlisted company set a transaction price or determine the method used to calculate fair value, the price resulting from the by-laws or from application of the calculation method determine the measurement value of the position on each valuation date;
- non-material unlisted positions are valued on the basis of net assets after taking into account any discount for illiquidity and/or for restrictions on the security, and/or the company's dividend on income for the last financial year audited, once the information is available.

The data used in the valuation process are derived from the company accounts or are estimated based on the latest figures available. The peer group's market multiples and the accounting data of the companies making up each peer group come from Bloomberg with reference to the closing price for the valuation date, i.e. 30 June or 31 December of the respective year. The process for measuring fair value on the valuation dates is systematically controlled by the first line of defence (data quality) and the second line of defence (methodology, models and accuracy of the first line's work).

### 3.3.4 Impairment of financial assets

In accordance with the second phase of IFRS 9, Spuerkeess considers all HTC model products meeting the SPPI criterion as well as guarantees and certain commitments recognised off the balance sheet in the calculation of impairment of financial assets.

These exposures are classified according to three stages determining the calculation of the value adjustments:

- Stage 1 includes exposures whose credit risk has not deteriorated significantly since the loan was granted or the security was purchased ("at inception").
  - ⇨ **Value adjustment applied is equal to a 1-year expected credit loss.**

- Stage 2 includes financial instruments whose credit risk has increased significantly since the loan was granted or the security was purchased, i.e. exposures that:
  - have seen a deterioration in their probability of default (PD). Since November 2023, the approach based on a deterioration in PD, which takes greater account of the forward-looking aspect, has replaced the method based on ratings downgrades[1]. This deterioration is now based on a comparison (absolute and relative) of the residual lifetime probabilities of default (annualised) on the reference date compared with the origination date. A probability of default (PD) threshold of 0,3% is applied for the low credit risk exemption (LCRE):

    **$PD_{Reporting} - PD_{Origination}$ > absolute threshold**
    **or**
    **$PD_{Reporting} / PD_{Origination}$ > relative threshold**

    **and**

    **Low Credit Risk Exemption (LCRE)**
    **$PD_{Reporting} > PD_{LCRE}$**

    **then**

    **Stage 2**

    With:
    - PD threshold to define the LCRE: 0,3%;
    - choice of relative threshold: threshold of "x 3" compared with PD at origination;
    - choice of absolute threshold: 5%.
  - are "non-performing" but not in default under Article 178 of the CRR;
  - are past due for 30 days but less than 90 days;
  - have been restructured according to the definition introduced by the European Banking Authority (EBA) and adopted by the European Union in Regulation (EU) 2015/227;

[1] Internal rating downgraded by ≥ 3 notches (≥ 2 notches for exposures to individuals) *since initial recognition*.

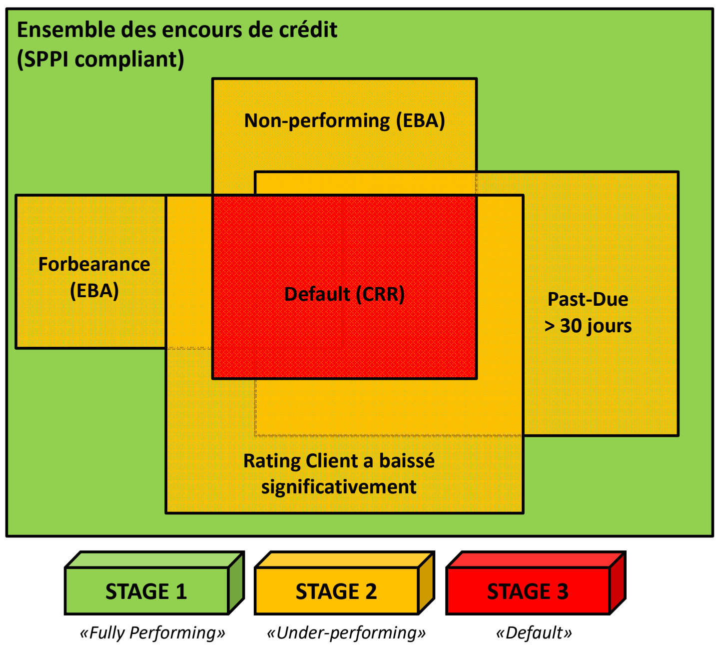
- are manually assigned to Stage 2 to account for qualitative criteria not considered in the previous points;

⇨ **Value adjustment applied is equal to a lifetime expected credit loss.**

• Stage 3 includes exposures in default according to Article 178 of the CRR.

⇨ **Value adjustment applied is equal to a lifetime expected credit loss (with probability of default = 1)**

The chart below details the consideration of the notions of the EBA (European Banking Authority) in the various stages:




As Spuerkeess applies the definition of default at the debtor level, all the exposures of a customer in default are found in Stage 3. This "contagion" is not automatically applied for Stage 2. The same customer can therefore have commitments classified in Stage 1 and Stage 2.

The table below summarises the triggers for various events:

| Notions | Explanations | IFRS 9 stage |
|---|---|---|
| 1. Default | No payment arrears, but "unlikeliness to pay" (ULP), in the sense of a serious doubt about the future ability to meet the commitments (e.g. bankruptcy). | STAGE 3 |
| | The absolute threshold (a) and the relative threshold (b) have been exceeded for 90 consecutive days:<br>a) absolute threshold: arrears > EUR 100 (retail) or EUR 500 (wholesale);<br>b) relative threshold: amount of arrears relative to the total amount of exposures to the borrower on the Bank's balance sheet > 1% (retail and wholesale). | |
| 2. "Non-Performing" | Late > ½ monthly instalment for > 90 days, or | STAGE 2 |
| | Overdraft > EUR 100 for 90 days. | |
| 3. "Forbearance/renegotiated due to significant increase in credit risk" (IFRS 9 B.5.5.27) | Restructuring measures granted to the customer during the term of the contract (deferment, extension of due date) and customer in financial difficulty. | STAGE 2 |
| 4. "Past-Due" | Late payment > 30 days with materiality thresholds (EBA notion)[2]. | STAGE 2 |
| 5. Deterioration in PD | Deterioration in PD between its origination date and its reporting date. | STAGE 2 |
| 6. Stage override | Potential reclassification of the stage to account for information not included in the above indicators | STAGE 2 |

[2] The thresholds are as follows:
- EUR 100 overdrawn for current accounts;
- late payment of a half-monthly instalment for loans (capped at EUR 100, i.e. if the half-monthly instalment is EUR 150, the threshold of EUR 100 is still maintained).

Probationary periods:

| Migration | Migration trigger | Probationary period | Conditions |
|---|---|---|---|
| Stage 2 to Stage 1 | Forbearance | 2 years | - significant amount repaid during the probationary period<br>- investment-grade rating<br>- performing |
| | Wholesale rating | 1 year | the variables considered for the Wholesale rating are based on the financial statements published annually (in addition to behavioural data): potential impact on the rating for 12 months |
| | Retail internal rating | 6 months | the variables considered for the Retail rating are based on historical behaviour in the last 6 months: potential impact on the rating for 6 months |
| Stage 3 to Stage 2 | Non-performing and forbearance | 1 year | Parallel non-performing and forbearance status triggers the default. The customer exits non-performing and default if the forbearance start date ≥ 1 year. There is therefore a one-year probationary period for non-performing/forbearance status. |
| | Automatic closure of the default (repayment of outstanding debts), but other ongoing Stage 2 event | min. 3 months | Payment of outstanding debts triggers a 3-month probationary period (or 12 months for forbearance status). After the probationary period, the customer moves from Stage 3 to Stage 2 |
| | Manual closure of an unlikeliness to pay default, but other ongoing Stage 2 event | min. 3 months | When a default is closed manually, a 3-month probationary period (or 12 months for forbearance status) is also applied. |
| Stage 3 to Stage 1 | Automatic closure of the default (repayment of outstanding debts) | min. 3 months | Payment of outstanding debts triggers a 3-month probationary period (no forbearance). After the probationary period, the customer moves from Stage 3 to Stage 1 (no significant increase in credit risk (SICR)). |
| | Manual closure of an unlikeliness to pay default | min. 3 months | When a default is closed manually, a 3-month probationary period (no forbearance) is also applied. |

Determination of "Expected Credit Loss": for each stage, the calculation method used is different:

| Stage | Description | Formula | Explanation |
|---|---|---|---|
| 1 | Expected loss is calculated over a period of up to one year | $ECL = PD_{M,1} \cdot LGD_1 \cdot Exposures(t_0)$ | - $PD_{M,1}$ = 1-(1-$PD_1$)$^M$ and M the residual maturity in number of days/365,25 of the next year,<br>- $PD_1$ = Probability of default for the first year, which takes into account the actual residual duration (Daily granularity),<br>- $LGD_1$ = Loss given default during the next year,<br>- Exposure($t_0$) = Exposure at the beginning of the period |
| 2 | The expected loss is to be estimated over the entire remaining life of the contract (lifetime expected loss) | $ECL = \sum_{k=1}^{n} ECL_k = \sum_{k=1}^{n} PD_{M,k} \cdot \frac{(Exposition_{k-1} \cdot LGD_k)}{(1+i)^{k-1}}$ | $PD_{M,k}$ takes into account the actual residual duration (Daily granularity)<br>The ECL (expected credit loss) is the sum of expected losses per year, discounted at the respective contractual rate i.<br>The variable n represents the remaining duration of the exposure expressed in years. |
| 3. | The probability of default is 100% for these exposures; the expected loss is therefore a function of the current exposure and the loss rate (LGD), which takes into account the re-estimated future flows | $ECL = 100\% \cdot LGD_1 \cdot Exposures(t_0)$ | - $LGD_1$ = Loss given default occurring within 12 months,<br>- Exposure($t_0$) = Exposure at the beginning of the period |

The basic principles applied by Spuerkeess are given in the previous table, and the PD and LGD risk parameters are derived from the "through the cycle" (TTC) parameters used for the calculation of capital requirements. To take into account the point-in-time (PIT) and forward-looking aspects, Spuerkeess has applied a PIT index allowing the TTC parameters to be transformed into PIT parameters and the parameters to be projected by considering four economic scenarios:

- optimistic,
- baseline,
- adverse, and
- severely adverse.

The parameter of the "Loss Given Default" (LGD) is determined from a decision tree based on the characteristics of the different products. The LGDs of exposures secured by property factor in the future change in the value of the properties defined in the respective macroeconomic scenario (including the management overlay). The change in the price index has a direct impact on the haircut calculation. A portion of these haircuts, which are larger for the most adverse scenarios, also relates to the cost of realising the collateral when there is recovery. They were recalibrated in 2024 (haircuts of 15%, 30%, 35% or 50% depending on the scenario) compared with a single haircut of 25% applied previously.

The model used to revalue residential properties utilises energy performance class as the model's explanatory variable. Based on historical price observations, the revaluation model applies a more favourable price indexation for properties with a more efficient energy class. Climate risk (transition risk) can therefore be considered when determining LGDs and value adjustments. For now, the real estate price scenario does not yet differentiate between energy classes. This aspect is expected to be taken into account in the change in real estate prices for 2025. Exposure to physical risk (i.e. flood risk) is accounted for in the initial valuation of the property, but in general remains insignificant at the portfolio level. Only 2,1% of residential properties with a mortgage are in a 100-year floodplain[3] (average probability of a flood occurring).

Spuerkeess uses scenarios that are weighted as follows:

| | Scenario weighting | | | |
|---|---|---|---|---|
| | Baseline | Adverse | Severely adverse | Optimistic |
| 2023 | 60% | 20% | 10% | 10% |
| 2024 | 60% | 20% | 10% | 10% |

The scenarios are based on projections by national or international authorities, namely STATEC and the IMF. A decision is made about the source based on the availability of the information and its relevance for Spuerkeess, with the ECB's forecasts used as the adjustment factor. In addition, these projections are adjusted using expert judgement to account for post-publication developments (see baseline scenario below) or supplemented with internal scenarios (see adverse and severely adverse scenarios below).

To account for climate risk in our forward-looking views, we calculated an add-on to the GDP projections defined in our September 2024 macroeconomic scenarios. The add-on is based on three climate scenarios from the Network for Greening the Financial System (NGFS), referred to as "Net Zero 2050", "Current policies" and "Delayed transition" for the "Advanced economies" region:

[3] The floodplain maps developed by the Ministry of the Environment, Climate and Development as part of its flood risk management plans for the Grand Duchy of Luxembourg were used for this flood risk analysis.

| Climate add-on to GDP | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net zero | | | | | Current policies | | | | | Delayed transition | | | | |
| **2025** | **2026** | **2027** | **2028** | **2029** | **2025** | **2026** | **2027** | **2028** | **2029** | **2025** | **2026** | **2027** | **2028** | **2029** |
| -1,20 | -0,40 | -0,20 | -0,10 | -0,30 | -0,30 | -0,40 | -0,20 | -0,20 | -0,40 | -0,30 | -0,20 | -0,10 | -0,10 | -0,30 |

A weighting (20/45/35) was then determined using expert judgements based on current climate policy developments and scientific observations relating to changes in climate objectives. This weighting was then used to define the final "climate" impact (weighted average of the three scenarios selected) on the internal GDP projections:

| Weighting (20/45/35) | | | | |
|---|---|---|---|---|
| **2025** | **2026** | **2027** | **2028** | **2029** |
| -0,48 | -0,33 | -0,17 | -0,15 | -0,35 |

ECLs and sensitivity scenarios at 31/12/2023:

| Type of scenario | Weighting | Macroeconomic variables | 2024 | 2025 | 2026 | Unweighted ECLs (in EURm) | Weighted ECLs (in EURm) |
|---|---|---|---|---|---|---|---|
| Optimistic | 10% | Luxembourg GDP | 2,40% | 2,70% | 2,50% | 216 | 326 |
| | | Advanced economies GDP | 1,80% | 2,00% | 2,00% | | |
| Baseline | 60% | Luxembourg GDP | 2,00% | 2,50% | 2,40% | 265 | |
| | | Advanced economies GDP | 1,40% | 1,80% | 1,90% | | |
| Adverse | 20% | Luxembourg GDP | 0,60% | 1,10% | 1,50% | 371 | |
| | | Advanced economies GDP | 1,00% | 1,40% | 1,50% | | |
| Severely adverse | 10% | Luxembourg GDP | -3,00% | -1,00% | -0,50% | 719 | |
| | | Advanced economies GDP | -4,00% | -3,00% | -0,50% | | |

ECLs and sensitivity scenarios at 31/12/2024:

| Type of scenario | Weighting | Macroeconomic variables | 2025 | 2026 | 2027 | Unweighted ECLs (in EURm) | Weighted ECLs (in EURm) |
|---|---|---|---|---|---|---|---|
| Optimistic | 10% | Luxembourg GDP | 3,02% | 3,07% | 3,24% | 220 | 508 |
| | | Advanced economies GDP | 1,72% | 2,07% | 2,54% | | |
| Baseline | 60% | Luxembourg GDP | 2,52% | 2,27% | 2,44% | 319 | |
| | | Advanced economies GDP | 1,22% | 1,37% | 1,74% | | |
| Adverse | 20% | Luxembourg GDP | 1,02% | 0,77% | 1,44% | 473 | |
| | | Advanced economies GDP | 0,42% | 0,57% | 1,14% | | |
| Severely adverse | 10% | Luxembourg GDP | -3,48% | -1,33% | -0,67% | 2.000 | |
| | | Advanced economies GDP | -4,48% | -3,33% | -0,67% | | |

To address the identified weaknesses that could result from the forward-looking aspect of the modelling parameters, Spuerkeess continues to apply adjustments in the form of management overlays in its IFRS 9 models.

Spuerkeess used a management overlay via the weightings of the four scenarios. With the existing procedure, the scenario weighting would have been calculated based on a quantitative and qualitative analysis (70% baseline, 10% optimistic and 20% for each of the two adverse and severely adverse scenarios). To address the uncertainties related to the macroeconomic environment, Spuerkeess therefore decided to override this approach, given the quantitative component's excessively backward-looking impact. The quantitative/qualitative approach before management overlay is therefore replaced by an expert judgement based on qualitative weightings, as defined in the scenario weighting table.

Since 2022, Spuerkeess has downgraded Retail customers (i.e. individuals and small enterprises) classified as "high risk" by two whole letter rating notches. Given the current context, Spuerkeess has taken the following approach:

- medium-sized enterprises active in a "high risk" sector are now downgraded by two notches (versus one notch previously);
- downgrades of individuals and small enterprises remain unchanged, i.e.:
    - individuals with a significant deterioration in repayment ability due to rising interest rates: +2 notches on a 12-grade scale;
    - small enterprises active in a "high risk" sector: +2 whole letter rating notches.

Given the weak momentum in the real estate sector, as from November 2024 specific downgrades were therefore applied to counterparties in the real estate sector as follows:

- all counterparties characterised as SMEs (small and medium-sized enterprises) or mid-market companies active in real estate according to their GICS code are downgraded by two notches for the value adjustment calculation, regardless of the real estate sector categorisation;
- these measures also extend to SPVs active in real estate, which Spuerkeess downgrades by one notch (the rating scale has fewer grades).

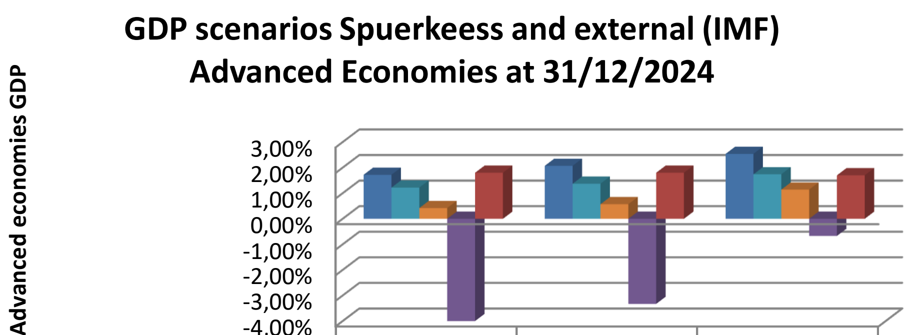
The sector risk level classification is based on an integrated strategy, which aims to assess each sector's risk in a given macroeconomic environment. Each sector's climate and environmental risks (transition risk) are also taken into consideration in this Spuerkeess strategy. For corporates, transition-related climate risk is thus factored into the ECL calculation through the classification based on their level of risk and the resulting management overlays.

At 31 December 2024, the stock of value adjustments of EUR 508,0 million included management overlays in the amount of EUR 126,2 million versus EUR 42,7 million at 31 December 2023, broken down as follows:

- rating downgrade: the impact was EUR 93,5 million, versus EUR 26,7 million in 2023;

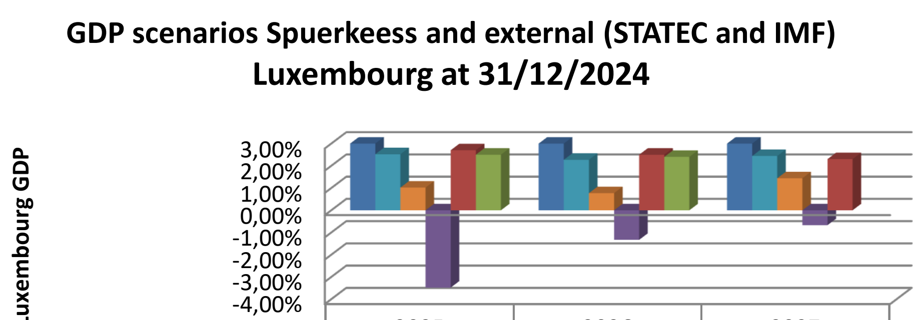
- climate add-on: the impact was EUR 21,0 million, versus EUR 0 in 2023;
- scenario weighting: the impact was EUR 11,7 million, versus EUR 10,7 million in 2023.

The tables below compare the internal scenarios used with the IMF's and STATEC's baseline scenarios.




| | 2025 | 2026 | 2027 |
|---|---|---|---|
| PIB - Optimiste - Spuerkeess | 1,72% | 2,07% | 2,54% |
| PIB - Baseline - Spuerkeess | 1,22% | 1,37% | 1,74% |
| PIB - Adverse - Spuerkeess | 0,42% | 0,57% | 1,14% |
| PIB - Severely Adverse - Spuerkeess | -4,48% | -3,33% | -0,67% |
| PIB - Baseline - FMI 2024/10 | 1,80% | 1,80% | 1,70% |

*Comparison of scenarios used at 31/12/2024 (Advanced Economies)*




| | 2025 | 2026 | 2027 |
|---|---|---|---|
| PIB - Optimiste - Spuerkeess | 3,02% | 3,07% | 3,24% |
| PIB - Baseline - Spuerkeess | 2,52% | 2,27% | 2,44% |
| PIB - Adverse - Spuerkeess | 1,02% | 0,77% | 1,44% |
| PIB - Severely Adverse - Spuerkeess | -3,48% | -1,33% | -0,67% |
| PIB - Baseline - FMI 2024/10 | 2,70% | 2,50% | 2,30% |
| PIB - Baseline - STATEC 2024/12 | 2,50% | 2,40% | |

*Comparison of scenarios used at 31/12/2024 (Luxembourg)* [4]

[4] STATEC data not available for 2027.

#### *3.3.4.1 Write-off of receivables measured at amortised cost*

Only Stage 3 assets can be the subject of a write-off of receivables.

The decision to write off a receivable is made by the Group's parent company's Executive Committee based on its documented assessment that the probability of recovering such a debt is near zero.

If appropriate, the entirety of the targeted asset is written off.

### 3.3.5 Sector-based analysis

The Group's parent company categorises its national and international corporate commitments into different sectors based on the international GICS (Global Industry Classification Standard) system. This classification starts with 11 key sectors which are then subdivided into three levels (industry groups, industries and sub-industries). The risk and opportunity characteristics of the different sectors and sub-industries are analysed and monitored through the integrated sector strategy which covers, in particular, the specific credit, ESG and vulnerability/opportunity components. Each GICS sub-industry is assigned a low, medium or high vulnerability.

These specific vulnerabilities include factors such as the risks associated with geopolitical tensions, supply chain disruptions and pressure on profitability, which have a significant impact on certain sub-industries. The positive and negative effects of specific opportunities and vulnerabilities may influence the final sector view. Where applicable, counterparties that operate in a sub-industry classified as vulnerable are subject to enhanced monitoring. Sub-industry vulnerability is incorporated into the calculation of sector-based credit limits and internal ratings and ultimately has a direct impact on exposure provisioning.

The Group's parent company revised the vulnerabilities in September 2024 due to the rapid changes in key risk factors, such as geopolitical risks, supply chain risks and tariff risks.

The Group's parent company thus revised the internal rating for various business exposures to give priority to sectors categorised as high risk under the new approach and account for the importance of the borrowers for the national economy and the extent of their commitments to the Group's parent company. Sector risk is also taken into account when assigning ratings to the customers in question.

Ratings were downgraded at 31 December 2024 versus 31 December 2023 for 34,4% of customers active in the sectors most affected by the new integrated approach, confirmed for 44,1%, upgraded for 15,3% and left unchanged for 0,5% of these customers. For 5,7% of new customers in these sectors, the impact was considered when assigning the initial rating and in any reviews conducted during the year.

Sectors currently classified as high risk mainly include companies active in the following areas:

- real estate operating companies;
- diversified real estate activities;
- real estate development;
- homebuilding;
- automobile manufacturers.

At 31 December 2024, the combined exposures of professional customers classified as high risk represented EUR 5.242 million in outstandings (EUR 5.540 million at 31 December 2023 based on vulnerabilities applicable on that date) and the related expected credit losses recorded stood at EUR 221,5 million (EUR 121,9 million at 31 December 2023). The breakdown of provisions by IFRS stage is as follows:

- 4,7% of impairments come from stage 1 (19,1% at 31 December 2023);
- 50,7% of impairments come from stage 2 (27,0% at 31 December 2023);
- 44,6% of impairments come from stage 3 (53,9% at 31 December 2023).

## 3.4 Repurchase and reverse repurchase agreements – Lending and borrowing of securities

### 3.4.1 Repurchases and reverse repurchases

Securities subject to a sale agreement with a repurchase commitment (sale/buyback transactions) for the same or substantially identical asset remain on the balance sheet. The amount owed to the counterparty is entered in liabilities under "Deposits at amortised cost".

In the main, the Group enters into firm repurchase agreements relating to the same or substantially identical assets.

By analogy, securities purchased subject to resale agreements (reverse repo) relating to the same or a substantially identical asset are not recorded in the balance sheet. The consideration for securities purchased under reverse repo agreements is entered under "Loans and advances at amortised cost". This type of instrument is part of an HTC business model and respects the characteristics of the SPPI test.

The Group carries out tri-party repo and tri-party reverse repo transactions with counterparties rated "A" or higher. The structure involves a third-party intermediary throughout the life of the tri-party repo to manage delivery versus payment, control the eligibility criteria of securities, calculate and manage margin calls and manage substitutions of securities. Maturity varies from overnight to 12 months.

Income and expenses from repurchase and reverse repurchase agreements are entered under "Interest income" in the income statement.

#### 3.4.2 Lending and borrowing of securities

Securities lent remain on the balance sheet, while securities borrowed are not entered on the balance sheet.

### 3.5 Interbank market

#### 3.5.1 Borrowings

Borrowings are initially recognised at fair value net of transaction costs. Subsequently, borrowings are recognised at amortised cost and any difference between the net amount received and the amount repaid is recorded in the income statement over the duration of the loan, using the effective interest rate method.

#### 3.5.2 Issuance of debt securities

Debt issued by the Group is classified at amortised cost. However, as part of its EMTN programmes, the Group issues a large number of structured bonds containing embedded derivative financial instruments whose price fluctuations are hedged by swaps with a structure identical to that of the swap contained in the bond.

The Group has designated closely related transactions as fair value hedge relationships. This allows it to offset the impact of changes in market prices at the income statement level.

For transactions that are not closely related, the Group applies the fair value option by including them under "Financial liabilities designated at fair value through profit or loss". As the heading indicates, they are measured at fair value through profit of loss. Own credit risk is recorded in other items of comprehensive income; this risk is deemed immaterial for the Group's parent company.

### 3.6 Tangible assets

Tangible assets for own use as well as investment property are recorded at acquisition cost. Costs related directly to the acquisition are capitalised as an integral part of the acquisition cost.

Tangible assets for own use consist of land and buildings, facilities and installations, computer hardware and other equipment. They also include right-of-use assets whose underlyings are tangible assets.

Tangible assets are recognised at historical cost less accumulated amortisation and possible impairment. Costs related directly to the acquisition are capitalised and amortised as an integral part of the acquisition cost at the same pace as for the principal asset. The amortisable amount of these assets is calculated after deduction of their residual value. The Group applies the component approach to depreciation according to IAS 16 on tangible construction assets. Components related to tangible assets are amortised over their estimated useful life using the straight-line method. Land is recognised at cost.

Useful life for the main types of tangible assets:

| | |
|---|---|
| - buildings: | |
| - structural works components | 30 - 50 years |
| - finishing component 1 | 30 years |
| - finishing component 2 | 10 years |
| - other components | 10 - 20 years |
| - computer hardware: | 4 years |
| - office fixtures, furniture and other equipment: | 2 to 10 years |
| - vehicles: | 4 years |

Finishing component 1 includes, among other things, lightweight partitions, screeds, tiles and joinery, whereas finishing component 2 includes resilient floor coverings and paint. "Other" consists of, among others, electrical facilities, plumbing, and heating and air-conditioning facilities.

Investments on leased buildings are amortised over the remaining term of the lease. If the term is not fixed, amortisation takes place over 10 years.

Maintenance and repairs that do not increase the economic benefits of the tangible asset are accounted for in the income statement when incurred.

If the recoverable amount of an asset falls below its book value, an impairment must be recognised to adjust the book value on the balance sheet to the estimated recoverable amount.

Expenses incurred for the purpose of increasing the economic benefits generated by a tangible asset or real estate asset, or which extend its useful life, are recognised in assets on the balance sheet and amortised over the underlying asset's estimated useful life.

Gains or losses arising from the removal from active use or disposal of tangible assets are determined by the difference between the proceeds of the disposal and the residual value of the assets and are recognised in profit or loss under "Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations" as at the date of disposal or removal from active use.

The acquisition cost of equipment and furniture whose normal useful life is less than one year is recognised directly in profit or loss for the period under "Other general and administrative expenses".

Recognition under this heading of right-of-use assets under a lease is explained in Section 3.8.1.

## 3.7 Intangible assets

The Group considers software, whether acquired or internally generated, as well as the related development and set-up expenses, as intangible assets. Software is amortised over a 3-year period using the straight-line method.

## 3.8 Lease agreements

Where a lessor assigns to a lessee the right to use an asset for a specified period under an agreement in exchange for payment(s), that agreement is considered a lease.

### 3.8.1 A Group entity is a lessee

IFRS 16 "Leases" replaced IAS 17 of the same name on 1 January 2019.

The Group has entered into leases mainly for buildings, car parks and S-BANK automated teller machines.

These leases led to the:

- recognition of a "right-of-use asset" on the assets side. The cost of the asset includes the initial amount of the lease liability as well as, where applicable, rent payments already made, initial direct costs and dismantling costs. This right of use is recognised under the asset item where the corresponding underlying assets would have been presented, i.e., the "tangible assets" item;

- recognition of a "lease liability" on the liabilities side: the lease liability represents the present value of the lease payments that have not yet been made. This lease liability is recognised on the liabilities side under "other liabilities". The Group has opted to recognise the undiscounted value of the lease payments given that the impact of this discounting would be immaterial. As a result, no interest expense is recognised on liabilities arising from leases;
- recognition in the income statement of "lease payments" and any "penalties" to be paid for early termination of a lease; penalties are recognised as expenses for the year in which the lease is terminated.

#### 3.8.2 A Group entity is a lessor

When a Group entity is the lessor, a distinction must be made between finance leases and operating leases.

A lease agreement that transfers substantially all the risks and advantages incidental to ownership of an asset is a finance lease, otherwise it is an operating lease.

When a Group entity leases an asset within the framework of a finance lease, the net present value of the lease payments is recognised as a receivable under "Loans and advances at amortised cost" for customers or credit institutions respectively. The difference between the payments due and their present value is recognised as unrealised financial income under "Interest income" in the income statement. The lease payments and the arrangement costs for the lease are spread over the term of the agreement so that the income generates a constant effective interest rate.

When a Group entity leases an asset under an operating lease, the underlying asset is recognised on the balance sheet according to its nature. The Group's operating leases are for buildings and are recognised as investment property.

### 3.9 Employee benefits

Employee benefits are measured in accordance with IAS 19. The benefits granted to employees by the Group are divided into the three categories described hereafter.

#### 3.9.1 Short-term benefits

Short-term benefits mainly comprise wages, annual holidays and bonuses paid within twelve months of the end of the financial year in respect of that financial year. They are recognised in the income statement under "Personnel expenses", including amounts remaining due on the reporting date.

### 3.9.2 Long-term benefits

Long-term benefits are benefits generally related to seniority, paid to active employees more than twelve months after the closing of the financial year. These commitments are provisioned based on the value on the reporting date. They are measured using the same actuarial method as that applied to post-employment benefits.

Long-term benefits include in particular the "Time Savings Account", set up by the Group's parent company on 1 October 2018. The time savings account allows the beneficiary to:

- accumulate a maximum of 8 hours per week and a total maximum of 1.800 hours;
- accumulate unused holidays beyond 25 days per year up to a maximum of 1.800 hours;
- use the accumulated hours as leave or, only upon definitive termination of the employment relationship, as compensation.

### 3.9.3 Post-employment benefits

The Group's parent company's staff members, whether civil servants or not, are entitled to the pension scheme for civil servants as applicable to them in accordance with the legal provisions based on their respective status and entry into service, pursuant to the Organic Law of 24 March 1989.

The amount of the benefit covered by the parent company for an agent who is not a civil servant is based on the difference between the amount of the said benefit as provided by the civil service pension scheme and the amount of the benefit under the pension scheme for private sector employees.

Pension supplements payable in this regard concern the following benefits:

- old age pension;
- disability pension;
- surviving spouse/partner pension;
- surviving orphan pension;
- three-month additional pension.

Pensions for employees who are classified as civil servants are also paid for by the Bank.

Thus, this scheme is inherently a defined-benefit plan which finances commitments relating to the first pillar.

Members of the Executive Committee are civil servants and are consequently eligible for the same pension scheme for civil servants as Spuerkeess's other staff members.

Because of their mandate as a director of Spuerkeess, members of the parent company's Board of Directors are not eligible for the pension scheme for civil servants or a pension supplement pursuant to the aforementioned Organic Law of 24 March 1989.

On 1 December 2009, the pension fund was outsourced to the BCEE sub-fund of the "Compagnie Luxembourgeoise de Pension (CLP)", established as a retirement saving association ("association d'épargne-pension" - ASSEP). Therefore, the amount entered in the balance sheet is the present value of the defined-benefit obligation as at the reporting date, net of plan assets and of adjustments related to unrecognised actuarial gains and losses and past services costs.

The defined benefit obligation is calculated each year by independent actuaries according to the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future cash disbursements based on the interest rate of high-quality corporate bonds, denominated in the currency of the payment of the benefit, the term of which is close to the estimated average term of the post-employment benefit obligation.

The sum total of the following amounts represents the parent company's annual pension expenses:

- the current service cost;
- interest cost resulting from the application of the discount rate;
- the change in actuarial gains and losses;

these amounts are net of the expected return on plan assets.

Actuarial gains and losses and fair value gains and losses are systematically recognised under "Other items of comprehensive income" in equity.

The calculation of the defined-benefit obligation has, since 2015, been based on the DAV2004R generation tables which most closely resemble the longevity of Luxembourg's white-collar population. In prior years, the calculation of the defined-benefit obligation had been based on the IGSS (General Inspectorate of Social Security) mortality tables with an allowance made for a five-year improvement.

### 3.9.4 Investment policy of the Compagnie Luxembourgeoise de Pension (CLP)

The management objective of the "CLP-BCEE" sub-fund is threefold: to coordinate the various cash flows, to minimise the portfolio's volatility and thus the probability of an extraordinary contribution request, and to match the actual yield with the induced yield. To achieve these objectives, the "CLP-BCEE" sub-fund is authorised to invest in the following instruments:

- conventional financial instruments:
    - securities negotiable on the capital market:
        - shares in companies or other equivalent securities,
        - bonds and other debt securities,

        - money market instruments such as treasury bills, certificates of deposit, commercial paper and treasury notes,
        - shares and units in undertakings for collective investment, including Exchange Traded Funds.

    - derivative financial instruments: options, futures, swaps, rate agreements and all other derivatives related to securities, money market instruments, undertakings for collective investment, currencies, interest rates, exchange rates, commodities, yields, other derivative financial instruments, financial indices or financial measures.
    - liquidity: all forms of conventional sight and term deposits.
    - other instruments: this category includes instruments that do not fall under one of the above-referenced categories, for example, but not limited to, units in investment or professional specialised investment funds, alternative investment funds, venture capital firms and unlisted Luxembourg public limited companies (SOPARFIs (financial holding companies) or others), as well as land and real estate.

The "CLP-BCEE" sub-fund invests a minimum of 50% of its gross assets in bonds, debt securities and money market financial instruments. "CLP-BCEE" may invest up to 50% of its assets in equities, equivalent securities and other instruments, but may not exceed the limit of 15% of gross assets for other instruments and units and shares of UCIs that do not have daily liquidity, that use leverage strategies or whose underlying assets are bonds or high-yield debt. There is an additional special restriction on high-yield bond debt UCIs, whose weight is limited to 7,5% of the sub-fund's gross assets.

Investments in the same issuer or with the same counterparty may not exceed 25% of gross assets. The use of derivative financial instruments is permitted by the investment policy for the purpose of hedging and/or efficient management of the portfolio.

The CLP-BCEE sub-fund's investment policy authorises securities lending and repo transactions.

The CLP-BCEE sub-fund's investment strategy takes environmental, climate, social and governance factors into account, in line with Spuerkeess's general policy.

### 3.10 Provisions

According to IAS 37, a provision is a liability of uncertain timing or amount, but which represents an obligation towards a third party arising from past events and the settlement of which is more than 50% likely to result in an outflow of resources embodying economic benefits.

The Bank recognises a provision at the present value when a reliable estimate can be made of the amount of the obligation.

### 3.11 "Fonds de Garantie des Dépôts Luxembourg" (FGDL, Luxembourg deposit guarantee fund) and "Fonds de Résolution Luxembourg" (FRL, Luxembourg resolution fund)

On 18 December 2015, Luxembourg passed the law on the resolution, recovery and liquidation measures of credit institutions and some investment firms and on deposit guarantee and investor compensation schemes (the "Law"), transposing into Luxembourg law Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as well as Directive 2014/49/EU on deposit guarantee and investor compensation schemes.

The Law replaced Luxembourg's deposit guarantee and investor compensation scheme, implemented by the AGDL, with a contribution-based deposit guarantee and investor compensation scheme. This scheme covers all eligible deposits by a single depositor up to EUR 100.000 and investments up to EUR 20.000. In addition, the Law requires that deposits arising from specific transactions, fulfilling a social objective, or relating to particular life events be covered above the limit of EUR 100.000 for a 12-month period.

The first target level of funding of the "Fonds de Garantie des Dépôts Luxembourg" (FGDL) was set at 0,8% of the covered deposits (as defined in Article 163(8) of the Law) of member institutions. In principle, this target was reached at the end of 2018 thanks to the annual contributions made in 2016 to 2018.

In principle, and until 2026, Luxembourg credit institutions will continue to contribute annually to provide an additional cushion of 0,8% of covered deposits as defined in Article 163(8) of the Law.

Contributions to the FGDL and the FRL are made through the income statement in a dedicated line within general expenses.

### 3.12 Deferred taxes

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax base of assets and liabilities and their book values or when there are adjustments related to the accounting framework of the subsidiaries. Deferred tax assets and liabilities are calculated using the comprehensive calculation method, which takes into account all temporary differences, regardless of the date on which the tax will become payable or recoverable.

The rates used and tax laws applied to calculate deferred taxes are those that will apply when the tax becomes payable or recoverable.

Deferred tax assets are recognised to the extent that it is probable that the entity will recover the asset within a given timeframe. Deferred taxes relating to unrealised gains or losses on variable-income securities recognised at fair value through the revaluation reserve and to changes in the value of derivative financial instruments designated as cash flow hedges are recognised in equity under "Revaluation reserve". Deferred taxes on actuarial gains and losses related to the Group's pension plan commitments are recognised in equity under "Other items of comprehensive income".

# 4 NOTES TO THE BALANCE SHEET[5]

(in euros)

## 4.1 Cash and sight accounts with central banks

Cash consists of cash, cash balances with central banks and other deposits at sight with banks. The minimum reserve requirement with the Banque centrale du Luxembourg is entered under "Deposits with central banks".

| Headings* | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Cash | 79.367.153 | 63.914.459 |
| Deposits with central banks | 7.073.199.664 | 6.645.051.674 |
| Other deposits at sight | 735.210.731 | 701.972.816 |
| **Total** | **7.887.777.548** | **7.410.938.949** |
| *of which impairment of financial assets* | *-651.509* | *-889.062* |

* term of less than one year

Changes in impairments:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2023** | **1.496.616** | **-** | **-** | **1.496.616** |
| **Changes** | **-856.334** | **11.227** | **-** | **-845.107** |
| Increase due to acquisition or origination | 4.858 | - | - | 4.858 |
| Decrease due to repayment | -22.628 | - | - | -22.628 |
| Change related to credit risk | -840.132 | 11.227 | - | -828.905 |
| Other changes | 4.441 | - | - | 4.441 |
| Depreciation | - | - | - | - |
| Exchange gain or loss | -2.873 | - | - | -2.873 |
| **Position as at 31 December 2023** | **640.282** | **11.227** | **-** | **651.509** |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| *Transfer from Stage 1* | - | - | - | - |
| *Transfer from Stage 2* | - | - | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| Outstanding excluding impairment at 31 December 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Outstanding | 7.884.925.937 | 3.503.120 | - | 7.888.429.057 |

[5] Minor differences between the figures in the notes to the consolidated financial statements and the figures in the different consolidated statements are rounding differences only.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2024** | **640.282** | **11.227** | **-** | **651.509** |
| **Changes** | **-176.985** | **414.538** | **-** | **237.553** |
| Increase due to acquisition or origination | 128 | - | - | 128 |
| Decrease due to repayment | -20.633 | - | - | -20.633 |
| Change related to credit risk | -14.018 | 414.538 | - | 400.520 |
| Other changes | -146.123 | - | - | -146.123 |
| Depreciation | - | - | - | - |
| Exchange gain or loss | 3.661 | - | - | 3.661 |
| **Position as at 31 December 2024** | **463.297** | **425.765** | **-** | **889.062** |

| **Outstanding loan stage transfers** | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| *Transfer from Stage 1* | - | - | - | - |
| *Transfer from Stage 2* | - | - | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| **Outstanding excluding impairment at 31 December 2024** | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Outstanding | 7.378.488.011 | 33.340.000 | - | 7.411.828.011 |

## 4.2 Loans and advances at amortised cost – Credit institutions

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| Interbank loans | 559.277.084 | 5.607.053 | 564.884.137 | 630.633.760 | 51.307.069 | 681.940.829 |
| Reverse repurchase/Repurchase agreements | 2.535.341.720 | 75.256.466 | 2.610.598.186 | 2.246.973.696 | 412.377.775 | 2.659.351.471 |
| Finance leases | 21.884 | 45.236 | 67.119 | 214.818 | 1.189.566 | 1.404.384 |
| Other | 69.121.345 | - | 69.121.345 | 35.709.518 | - | 35.709.518 |
| **Total** | **3.163.762.033** | **80.908.755** | **3.244.670.787** | **2.913.531.792** | **464.874.410** | **3.378.406.203** |
| *of which impairment of financial assets* | *-35.088* | *-887* | *-35.975* | *-117.847* | *-33.260* | *-151.107* |
| Undrawn confirmed credits | | | 257.908.123 | | | 184.479.941 |

In the case of reverse repurchase transactions, the Group becomes the legal owner of the securities received as collateral and has the right to sell or collateralise these securities. In 2024 and 2023, the Group's parent company reused securities from reverse repurchase transactions.

Changes in impairments:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2023** | **580.875** | **39** | **-** | **580.913** |
| **Changes** | **-544.919** | **-20** | **-** | **-544.939** |
| Increase due to acquisition or origination | 52.338 | - | - | 52.338 |
| Decrease due to repayment | -14.850 | -5 | - | -14.855 |
| Change related to credit risk | -597.216 | -15 | - | -597.231 |
| Other changes | 14.493 | - | - | 14.493 |
| Depreciation | - | - | - | - |
| Exchange gain or loss | 316 | - | - | 316 |
| **Position as at 31 December 2023** | **35.957** | **19** | **-** | **35.975** |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| *Transfer from Stage 1* | 290 | -290 | - | - |
| *Transfer from Stage 2* | -3.827 | 3.827 | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| Outstanding excluding impairment at 31 December 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Outstanding | 3.244.701.457 | 5.305 | - | 3.244.706.762 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2024** | **35.957** | **19** | **-** | **35.975** |
| **Changes** | **101.896** | **13.236** | **-** | **115.132** |
| Increase due to acquisition or origination | 239.041 | 2 | - | 239.043 |
| Decrease due to repayment | -9.557 | -9 | - | -9.566 |
| Change related to credit risk | -66.067 | 10.368 | - | -55.699 |
| Other changes | -61.521 | 2.875 | - | -58.646 |
| Depreciation | - | - | - | - |
| Exchange gain or loss | - | - | - | - |
| **Position as at 31 December 2024** | **137.853** | **13.254** | **-** | **151.107** |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| *Transfer from Stage 1* | -89.195 | 89.195 | - | - |
| *Transfer from Stage 2* | 4.101 | -4.101 | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| Outstanding excluding impairment at 31 December 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Outstanding | 3.377.706.838 | 850.472 | - | 3.378.557.310 |

The Group does not include in this category of loans and advances outstanding loans that are defined as restructured loans according to the EBA.

## 4.3 Loans and advances at amortised cost – Customers

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| Retail customers | 974.141.870 | 18.288.643.764 | 19.262.785.634 | *775.849.890* | 18.964.444.608 | 19.740.294.498 |
| Corporate customers | 2.242.354.736 | 4.108.770.407 | 6.351.125.143 | 2.241.093.975 | 4.150.417.599 | 6.391.511.574 |
| Public Sector | 621.038.588 | 732.738.576 | 1.353.777.164 | 106.762.237 | 952.293.314 | 1.059.055.551 |
| **Total** | **3.837.535.194** | **23.130.152.747** | **26.967.687.941** | **3.123.706.102** | **24.067.155.521** | **27.190.861.623** |
| *of which finance leases* | *11.897.308* | *189.132.655* | *201.029.963* | *13.762.168* | *196.866.846* | *210.629.014* |
| *of which impairment of financial assets* | *-86.363.405* | *-191.165.805* | *-277.529.210* | *-117.774.264* | *-310.445.108* | *-428.219.372* |
| Undrawn confirmed credits | | | 6.098.357.246 | | | 6.327.057.103 |

## Impairment of loans and advances – Customers

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2023** | **41.505.665** | **59.814.513** | **54.082.390** | **155.402.568** |
| *of which:* | | | | |
| *Retail customers* | *11.597.338* | *26.393.141* | *15.985.185* | *53.975.664* |
| *Corporate customers* | *29.849.764* | *33.312.073* | *38.097.205* | *101.259.041* |
| *Public Sector* | *58.564* | *109.299* | *-* | *167.863* |
| **Changes** | **1.863.369** | **24.395.489** | **95.867.784** | **122.126.642** |
| Increase due to acquisition and origination | 16.823.766 | 2.496.293 | 5.285.185 | 24.605.182 |
| Decrease due to repayment | -1.349.922 | -1.094.964 | -535.014 | -2.979.900 |
| Change related to credit risk | -21.869.766 | 26.566.955 | 87.761.274 | 92.458.463 |
| Other changes | 8.262.695 | -3.567.227 | 4.514.365 | 9.209.832 |
| Depreciation | - | -2.228 | -1.050.728 | -1.052.956 |
| Exchange gain or loss | -3.404 | -3.339 | -107.235 | -113.978 |
| **Position as at 31 December 2023** | **43.369.034** | **84.210.002** | **149.950.174** | **277.529.210** |
| *of which:* | | | | |
| *Retail customers* | *12.319.570* | *44.387.431* | *53.089.560* | *109.796.561* |
| *Corporate customers* | *30.567.614* | *39.753.172* | *96.860.614* | *167.181.400* |
| *Public Sector* | *481.850* | *69.399* | *-* | *551.249* |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Retail customers** | **-776.810.573** | **612.271.245** | **164.539.328** | **-** |
| *Transfer from Stage 1* | *-1.268.020.771* | *1.158.736.438* | *109.284.333* | - |
| *Transfer from Stage 2* | *488.744.770* | *-563.525.855* | *74.781.085* | - |
| *Transfer from Stage 3* | *2.465.428* | *17.060.662* | *-19.526.090* | - |
| **Corporate customers** | **-460.948.811** | **293.379.429** | **167.569.382** | **-** |
| *Transfer from Stage 1* | *-686.370.144* | *601.625.926* | *84.744.218* | - |
| *Transfer from Stage 2* | *223.596.923* | *-309.849.177* | *86.252.254* | - |
| *Transfer from Stage 3* | *1.824.410* | *1.602.680* | *-3.427.090* | - |
| **Public Sector** | **3.271.977** | **-3.271.977** | **-** | **-** |
| *Transfer from Stage 1* | *-1.561.051* | *1.561.051* | - | - |
| *Transfer from Stage 2* | *4.833.028* | *-4.833.028* | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| Outstanding excluding impairment at 31 December 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Retail customers | 17.168.139.432 | 1.947.370.702 | 257.072.061 | 19.372.582.195 |
| Corporate customers | 4.981.458.985 | 1.242.032.566 | 294.814.993 | 6.518.306.544 |
| Public Sector | 1.323.902.253 | 30.426.160 | - | 1.354.328.413 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2024** | **43.369.034** | **84.210.002** | **149.950.174** | **277.529.210** |
| *of which:* | | | | |
| *Retail customers* | *12.319.570* | *44.387.431* | *53.089.560* | *109.796.561* |
| *Corporate customers* | *30.567.614* | *39.753.172* | *96.860.614* | *167.181.400* |
| *Public Sector* | *481.850* | *69.399* | *-* | *551.249* |
| **Changes** | **4.269.254** | **111.679.853** | **34.741.055** | **150.690.162** |
| Increase due to acquisition and origination | 13.662.687 | 16.366.613 | 11.399.675 | 41.428.975 |
| Decrease due to repayment | -2.463.841 | -3.914.309 | -4.808.235 | -11.186.384 |
| Change related to credit risk | -18.885.862 | -15.056.042 | 11.640.554 | -22.301.350 |
| Other changes | 11.955.242 | 114.280.625 | 24.170.988 | 150.406.855 |
| Depreciation | - | - | -7.626.018 | -7.626.018 |
| Exchange gain or loss | 1.028 | 2.966 | -35.909 | -31.915 |
| **Position as at 31 December 2024** | **47.638.288** | **195.889.855** | **184.691.229** | **428.219.372** |
| *of which:* | | | | |
| *Retail customers* | *26.083.783* | *84.794.813* | *65.540.055* | *176.418.651* |
| *Corporate customers* | *21.493.151* | *111.037.868* | *119.151.174* | *251.682.193* |
| *Public Sector* | *61.354* | *57.174* | *-* | *118.528* |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Retail customers** | **-114.953.163** | **-36.843.481** | **151.796.644** | **-** |
| *Transfer from Stage 1* | *-833.095.598* | *729.733.955* | *103.361.643* | *-* |
| *Transfer from Stage 2* | *712.690.104* | *-821.059.772* | *108.369.668* | *-* |
| *Transfer from Stage 3* | *5.452.331* | *54.482.336* | *-59.934.667* | *-* |
| **Corporate customers** | **-1.110.039.621** | **894.204.417** | **215.835.204** | **-** |
| *Transfer from Stage 1* | *-1.424.447.130* | *1.320.781.807* | *103.665.323* | *-* |
| *Transfer from Stage 2* | *313.550.517* | *-435.590.208* | *122.039.691* | *-* |
| *Transfer from Stage 3* | *856.992* | *9.012.817* | *-9.869.809* | *-* |
| **Public Sector** | **1.575.222** | **-1.575.222** | **-** | **-** |
| *Transfer from Stage 1* | *-* | *-* | *-* | *-* |
| *Transfer from Stage 2* | *1.575.222* | *-1.575.222* | *-* | *-* |
| *Transfer from Stage 3* | *-* | *-* | *-* | *-* |

| Outstanding excluding impairment at 31 December 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Retail customers | 17.809.024.453 | 1.734.140.413 | 373.548.283 | 19.916.713.149 |
| Corporate customers | 3.655.647.911 | 2.485.594.263 | 501.951.592 | 6.643.193.766 |
| Public Sector | 1.029.325.814 | 29.848.265 | - | 1.059.174.079 |

"Other changes" in the previous tables reflect changes in methodology made to the expected credit losses model (see section 3.3.4).

In addition to information on impairments of "loans and advances at amortised cost – Customers", the Group reports restructured loans by type of customer. Financial restructurings follow the EBA's definition and are characterised by a deterioration in financial position due to the customer's financial difficulties and the fact that new financing conditions are granted to the customer, including in the form of an extension of the final maturity by more than six months or a partial or total deferment of payment beyond the concessions the Group would have been willing to accept for a customer under normal circumstances.

| As at 31/12/2023 | Performing restructured loans | | Non-performing restructured loans | | Total restructured loans | |
|---|---|---|---|---|---|---|
| | Outstanding | Impairment | Outstanding | Impairment | Outstanding | Impairment |
| Retail customers | 331.243.777 | 4.029.419 | 105.974.061 | 20.673.163 | 437.217.838 | 24.702.582 |
| Corporate customers | 121.629.665 | 2.829.805 | 153.277.729 | 44.759.609 | 274.907.394 | 47.589.413 |
| **Total** | **452.873.442** | **6.859.224** | **259.251.790** | **65.432.771** | **712.125.233** | **72.291.995** |

| As at 31/12/2024 | Performing restructured loans | | Non-performing restructured loans | | Total restructured loans | |
|---|---|---|---|---|---|---|
| | Outstanding | Impairment | Outstanding | Impairment | Outstanding | Impairment |
| Retail customers | 273.297.493 | -8.978.600 | 112.629.782 | -13.516.168 | 385.927.275 | -22.494.768 |
| Corporate customers | 103.724.699 | -3.201.209 | 205.773.696 | -49.577.255 | 309.498.395 | -52.778.464 |
| **Total** | **377.022.192** | **-12.179.809** | **318.403.478** | **-63.093.423** | **695.425.670** | **-75.273.232** |

## 4.4 Assets and liabilities held for trading

Financial instruments held for trading are analysed by counterparty and type, differentiating between the instruments with a residual maturity of up to one year and those with a residual maturity of more than one year.

| Assets | | 31/12/2023 | | | 31/12/2024 | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| Derivative financial instruments (note 4.12.) | 131.477.857 | 46.559.933 | 178.037.790 | 224.449.601 | 38.230.027 | 262.679.628 |
| **Total** | **131.477.857** | **46.559.933** | **178.037.790** | **224.449.601** | **38.230.027** | **262.679.628** |

| Liabilities | | 31/12/2023 | | | 31/12/2024 | |
|---|---|---|---|---|---|---|
| Derivative financial instruments (note 4.12.) | 243.373.036 | 41.820.715 | 285.193.752 | *122.287.953* | 34.477.410 | 156.765.363 |
| **Total** | **243.373.036** | **41.820.715** | **285.193.752** | **122.287.953** | **34.477.410** | **156.765.363** |

## 4.5 Financial assets mandatorily recognised at fair value through profit or loss

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| **Debt instruments** | **234.635.716** | **152.137.959** | **386.773.675** | **182.393.145** | **77.237.160** | **259.630.305** |
| *Public Sector* | *20.248.655* | *23.876.499* | *44.125.154* | *24.073.646* | *-* | *24.073.646* |
| *Credit institutions* | *122.441.489* | *108.321.101* | *230.762.590* | *53.105.740* | *60.392.849* | *113.498.589* |
| *Corporate customers* | *91.945.573* | *19.940.359* | *111.885.932* | *105.213.759* | *16.844.311* | *122.058.070* |
| **Loans and advances** | **2.033.436** | **42.068.726** | **44.102.162** | **34.327.209** | **6.369.928** | **40.697.138** |
| *Public Sector* | *-* | *-* | *-* | *-* | *-* | *-* |
| *Credit institutions* | *-* | *-* | *-* | *-* | *-* | *-* |
| *Corporate customers* | *2.033.436* | *42.068.726* | *44.102.162* | *34.327.209* | *6.369.928* | *40.697.138* |
| **Total** | **236.669.152** | **194.206.685** | **430.875.837** | **216.720.355** | **83.607.088** | **300.327.443** |
| *of which unrealised valuation* | *-1.199.628* | *-11.827.835* | *-13.027.463* | *19.787.135* | *-9.245.930* | *10.541.205* |

This item includes financial instruments that, according to IFRS 9, do not pass the SPPI test and are therefore to be measured at fair value through profit or loss.

Breakdown of changes in carrying amount of debt instruments:

| Debt instruments | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **461.905.543** | **386.773.675** |
| Acquisitions | 40.455.774 | 15.973.751 |
| Sales/Repayments | -143.460.752 | -158.439.602 |
| Realised profit/(loss) | -1.952.946 | 1.416.492 |
| Pro-rata interest | 6.953.295 | 789.416 |
| Unrealised valuations | 22.809.973 | 12.901.344 |
| Exchange gain or loss | 62.787 | 215.229 |
| **Position as at 31 December** | **386.773.675** | **259.630.305** |

## 4.6 Fixed-income securities recognised at amortised cost

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| **Debt instruments** | | | | | | |
| Public Sector | 421.052.487 | 2.283.870.843 | 2.704.923.331 | 229.265.255 | 2.672.843.771 | 2.902.109.026 |
| Credit institutions | 2.061.102.996 | 4.361.861.431 | 6.422.964.427 | 1.808.766.716 | 4.834.197.138 | 6.642.963.854 |
| Corporate customers | 599.137.672 | 5.104.099.995 | 5.703.237.667 | 637.112.069 | 5.428.006.953 | 6.065.119.022 |
| **Total** | **3.081.293.155** | **11.749.832.269** | **14.831.125.424** | **2.675.144.040** | **12.935.047.862** | **15.610.191.902** |
| *of which unrealised valuation (interest-rate component) for the purposes of hedge accounting* | *-19.603.091* | *-313.749.407* | *-333.352.498* | *-9.449.298* | *-127.538.836* | *-136.988.134* |
| *of which impairment of financial assets* | *-1.025.748* | *-9.345.013* | *-10.370.761* | *-970.504* | *-13.582.157* | *-14.552.661* |

Breakdown of changes in carrying amount:

| Debt instruments | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **13.586.207.982** | **14.831.125.424** |
| Acquisitions | 4.308.649.721 | 3.707.665.399 |
| Sales/Repayments | -3.514.553.275 | -3.260.917.309 |
| Realised profit/(loss) | -1.121.257 | -491.859 |
| Pro-rata interest | 58.205.092 | 65.033.949 |
| Unrealised valuations of hedges | 466.508.205 | 196.856.223 |
| Impairment | 454.181 | -4.181.900 |
| Exchange gain or loss | -73.225.225 | 75.101.975 |
| **Position as at 31 December** | **14.831.125.424** | **15.610.191.902** |

Table detailing the provisioning:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2023** | **10.211.691** | **409.117** | **204.134** | **10.824.942** |
| *of which:* | | | | |
| *Public Sector* | *1.011.249* | *-* | *-* | *1.011.249* |
| *Credit institutions* | *4.947.711* | *-* | *-* | *4.947.711* |
| *Corporate customers* | *4.252.731* | *409.117* | *204.134* | *4.865.982* |
| **Changes** | **-407.450** | **6.806** | **-53.536** | **-454.181** |
| Increase due to acquisition and origination | 2.552.928 | 35.772 | 150.598 | 2.739.298 |
| Decrease due to repayment | -152.602 | -1.989 | - | -154.591 |
| Change related to credit risk | -7.703.414 | -26.651 | -204.134 | -7.934.200 |
| Other net changes | 4.911.033 | - | - | 4.911.033 |
| Depreciation | - | - | - | - |
| Exchange gain or loss | -15.395 | -326 | - | -15.721 |
| **Position as at 31 December 2023** | **9.804.240** | **415.923** | **150.598** | **10.370.761** |
| *of which* | | | | |
| *Public Sector* | *3.998.994* | *-* | *-* | *3.998.994* |
| *Credit institutions* | *2.943.098* | *11.729* | *-* | *2.954.828* |
| *Corporate customers* | *2.862.148* | *404.194* | *150.598* | *3.416.940* |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Public Sector** | **-** | **-** | **-** | **-** |
| **Credit institutions** | **-2.875.186** | **2.875.186** | **-** | **-** |
| *Transfer from Stage 1* | *-2.875.186* | *2.875.186* | - | - |
| *Transfer from Stage 2* | - | - | - | - |
| *Transfer from Stage 3* | - | - | - | - |
| **Corporate customers** | **-33.517.569** | **33.517.569** | **-** | **-** |
| *Transfer from Stage 1* | *-46.648.544* | *46.648.544* | - | - |
| *Transfer from Stage 2* | *13.130.975* | *-13.130.975* | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| Outstanding excluding impairment at 31 December 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Public Sector | 2.708.922.324 | - | - | 2.708.922.324 |
| Credit institutions | 6.423.044.069 | 2.875.186 | - | 6.425.919.255 |
| Corporate customers | 5.590.567.660 | 115.859.903 | 227.044 | 5.706.654.606 |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2024** | **9.804.240** | **415.923** | **150.598** | **10.370.761** |
| *of which:* | | | | |
| *Public Sector* | *3.998.994* | *-* | *-* | *3.998.994* |
| *Credit institutions* | *2.943.098* | *11.729* | *-* | *2.954.828* |
| *Corporate customers* | *2.862.148* | *404.194* | *150.598* | *3.416.940* |
| **Changes** | **3.143.606** | **1.038.294** | **-** | **4.181.900** |
| Increase due to acquisition and origination | 3.058.688 | - | - | 3.058.688 |
| Decrease due to repayment | -100.679 | -2.825 | -1.564.925 | -1.668.429 |
| Change related to credit risk | -1.946.952 | 127.647 | 1.564.925 | -254.380 |
| Other net changes | 2.091.858 | 910.841 | - | 3.002.699 |
| Depreciation | - | - | - | - |
| Exchange gain or loss | 40.691 | 2.631 | - | 43.322 |
| **Position as at 31 December 2024** | **12.947.846** | **1.454.217** | **150.598** | **14.552.661** |
| *of which* | | | | |
| *Public Sector* | *5.134.884* | *-* | *-* | *5.134.884* |
| *Credit institutions* | *3.162.767* | *67.253* | *-* | *3.230.020* |
| *Corporate customers* | *4.650.195* | *1.386.964* | *150.598* | *6.187.757* |

| Outstanding loan stage transfers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Public Sector** | **-** | **-** | **-** | **-** |
| *Transfer from Stage 1* | - | - | - | - |
| *Transfer from Stage 2* | - | - | - | - |
| *Transfer from Stage 3* | - | - | - | - |
| **Credit institutions** | **-2.018.068** | **2.018.068** | **-** | **-** |
| *Transfer from Stage 1* | *-4.999.107* | *4.999.107* | - | - |
| *Transfer from Stage 2* | *2.981.039* | *-2.981.039* | - | - |
| *Transfer from Stage 3* | - | - | - | - |
| **Corporate customers** | **1.992.363** | **-1.992.363** | **-** | **-** |
| *Transfer from Stage 1* | - | - | - | - |
| *Transfer from Stage 2* | *1.992.363* | *-1.992.363* | - | - |
| *Transfer from Stage 3* | - | - | - | - |

| Outstanding excluding impairment at 31 December 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Public Sector | 2.907.243.911 | - | - | 2.907.243.911 |
| Credit institutions | 6.641.194.767 | 4.999.107 | - | 6.646.193.874 |
| Corporate customers | 5.990.589.695 | 80.490.040 | 227.044 | 6.071.306.779 |

"Other net changes" in the previous tables reflect changes in methodology made to the expected credit losses model (see section 3.3.4).

## 4.7 Fixed-income securities recognised at fair value through the revaluation reserve

This item includes debt instruments in the form of floating rate, fixed-rate and other interest-rate bonds subject to compliance with the SPPI criterion in the context of the hold to collect and sell (HTCS) business model.

| Headings | | 31/12/2023 | | | 31/12/2024 | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| **Debt instruments** | | | | | | |
| Public Sector | - | 26.417.285 | 26.417.285 | 4.935.987 | 21.975.034 | 26.911.021 |
| Credit institutions | - | 4.674.550 | 4.674.550 | - | 4.814.763 | 4.814.763 |
| **Total** | **-** | **31.091.835** | **31.091.835** | **4.935.987** | **26.789.797** | **31.725.784** |
| *of which unrealised valuation at the reporting date* | - | *-2.481.984* | *-2.481.984* | *-65.783* | *-1.783.117* | *-1.848.900* |

The amount shown in equity items for unrealised valuation is net of taxes and comes to EUR -1.398.818 for 2024 and EUR -1.842.641 for the previous financial year.

Breakdown of changes in carrying amount:

| Debt instruments | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **29.626.380** | **31.091.835** |
| Pro-rata interest | 89 | 864 |
| Unrealised valuations | 1.465.366 | 633.084 |
| **Position as at 31 December** | **31.091.835** | **31.725.783** |

## 4.8 Variable-income securities recognised at fair value through the revaluation reserve

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| **Equity instruments** | | |
| Credit institutions | 8.025.523 | 8.309.625 |
| Corporate customers | 747.046.768 | 841.004.322 |
| **Total** | **755.072.291** | **849.313.947** |
| *of which unrealised valuation through the revaluation reserve* | *471.330.067* | *563.867.620* |
| Dividends received during the period | 44.437.715 | 42.545.832 |
| *of which dividends from positions sold during the period* | - | - |
| Gains/losses on sales in equity | -241.250 | -66 |

The amount shown in equity items in relation to the unrealised valuation of variable-income securities recognised at fair value through the revaluation reserve is net of taxes and comes to EUR 572.400.967 for financial year 2024 and EUR 474.487.166 for the previous financial year.

Breakdown of changes in carrying amount:

| Equity instruments | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **892.667.729** | **755.072.291** |
| Acquisitions | - | 85.360 |
| Sales/Repayments | -520.671 | -1.420.222 |
| Transfers to non-current assets and disposal groups classified as held for sale | -221.832 | - |
| Profit/(loss) realised through own funds | -241.250 | -66 |
| Unrealised valuations | -134.854.430 | 92.537.620 |
| Exchange gain or loss | -1.757.255 | 3.038.964 |
| **Position as at 31 December** | **755.072.291** | **849.313.947** |

## 4.9 Investments in associates accounted for using the equity method

| | 31/12/2023 | 31/12/2024 |
|---|---|---|
| **Acquisition value on 1 January** | **61.635.875** | **63.895.852** |
| Establishment | 2.259.977 | 7.472.368 |
| Disposals | - | -117.772 |
| **Total (as acquisition value)** | **63.895.852** | **71.250.448** |

List of associates:

| Associates | % of capital held | Acquisition value | Equity-accounted value 2023 |
|---|---|---|---|
| Société Nationale de Circulation Automobile S.à r.l. | 20,00 | 24.789 | 10.229.185 |
| i-Hub S.A. | 20,00 | 8.750.000 | 1.639.430 |
| Luxair S.A. | 21,81 | 14.830.609 | 402.702.054 |
| Société de la Bourse de Luxembourg S.A. | 25,35 | 6.979.907 | 71.475.594 |
| LuxConstellation S.A. | 30,00 | 75.000 | 75.000 |
| Europay Luxembourg S.C. | 30,10 | 188.114 | 1.069.163 |
| LuxHub S.A. | 32,50 | 3.705.000 | 1.893.216 |
| Lalux Group S.A. | 40,00 | 28.904.385 | 414.026.274 |
| Visalux S.C. | 40,90 | 438.049 | 4.091.443 |
| **Total** | | **63.895.853** | **907.201.359** |

| Associates | % of capital held | Acquisition value | Equity-accounted value 2024 |
|---|---|---|---|
| Société Nationale de Circulation Automobile S.à r.l. | 20,00 | 24.789 | 11.053.053 |
| i-Hub S.A. | 20,00 | 8.750.000 | 507.355 |
| Luxair S.A. | 21,81 | 14.830.609 | 461.379.439 |
| Société de la Bourse de Luxembourg S.A. | 25,35 | 6.979.907 | 76.802.908 |
| LuxConstellation S.A. | 30,00 | 75.000 | 95.954 |
| Europay Luxembourg S.C. | 30,00 | 70.342 | 1.117.440 |
| LuxHub S.A. | 32,50 | 3.705.000 | 1.739.921 |
| Lalux Group S.A. | 40,00 | 28.904.385 | 412.718.175 |
| Visalux S.C. | 40,90 | 438.049 | 4.935.260 |
| Prolog Luxembourg S.A. | 43,96 | 7.472.367 | 7.500.030 |
| **Total** | | **71.250.448** | **977.849.535** |

In 2024, Spuerkeess co-founded Prolog Luxembourg S.A. along with other Luxembourg financial centre institutions. It owns a 43,96% stake.

Pursuant to the provisions of IFRS 12 "Disclosure of Interests in Other Entities", the Group considers all interests in other companies to be immaterial and therefore provides the following information:

| Associates | 2023 | | | |
|---|---|---|---|---|
| | Net income from continuing operations | Net income after tax from discontinued operations | Other items of comprehensive income | Total comprehensive income |
| **Direct interests** | | | | |
| Société Nationale de Circulation Automobile S.à r.l. | 835.098 | - | 36.167 | 871.265 |
| i-Hub S.A. | -1.507.521 | - | - | -1.507.521 |
| Luxair S.A. | 27.592.123 | - | -9.182.451 | 18.409.672 |
| Société de la Bourse de Luxembourg S.A. | 2.664.067 | - | 1.158.762 | 3.822.829 |
| LuxConstellation S.A. | - | - | - | - |
| Europay Luxembourg S.C. | -6.038 | - | 105.470 | 99.432 |
| LuxHub S.A. | -24.995 | - | -4.970 | -29.965 |
| Lalux Group S.A. | 18.413.296 | - | 30.244.885 | 48.658.181 |
| Visalux S.C. | 192.895 | - | -793.813 | -600.918 |
| **Total** | **48.158.925** | **-** | **21.564.050** | **69.722.975** |

| Associates | 2024 | | | |
|---|---|---|---|---|
| | Net income from continuing operations | Net income after tax from discontinued operations | Other items of comprehensive income | Total comprehensive income |
| **Direct interests** | | | | |
| Société Nationale de Circulation Automobile S.à r.l. | 768.665 | - | 55.203 | 823.868 |
| i-Hub S.A. | -1.132.075 | - | - | -1.132.075 |
| Luxair S.A. | 36.433.427 | - | 22.243.958 | 58.677.385 |
| Société de la Bourse de Luxembourg S.A. | 1.692.925 | - | 6.030.687 | 7.723.612 |
| LuxConstellation S.A. | 46.823 | - | -25.869 | 20.954 |
| Europay Luxembourg S.C. | -7.995 | - | 174.044 | 166.049 |
| LuxHub S.A. | -151.049 | - | -2.246 | -153.295 |
| Lalux Group S.A. restated | 26.931.799 | - | 5.760.102 | 32.691.901 |
| Visalux S.C. | 5.054.984 | - | -4.211.167 | 843.817 |
| Prolog Luxembourg S.A. | -50.398 | - | 78.061 | 27.663 |
| **Total** | **69.587.106** | **-** | **30.102.773** | **99.689.879** |

## 4.10 Securities collateralised

- **Securities collateralised in the framework of repurchase agreements**

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Debt instruments issued by the public sector | 38.912.190 | 131.796.438 |
| Debt instruments issued by credit institutions | 281.170.376 | 208.521.126 |
| Debt instruments issued - other | 150.937.315 | 83.098.795 |
| **Total** | **471.019.881** | **423.416.359** |

The debt instruments issued are primarily "fixed-income securities recognised at amortised cost".

- **Securities lent and other collateral**

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| **Securities lending** | | |
| Debt instruments issued by the public sector | 399.736.830 | 426.944.800 |
| Debt instruments issued by credit institutions | - | 299.036.198 |
| Debt instruments issued - other | - | 18.006.300 |
| **Total** | **399.736.830** | **743.987.298** |

## 4.11 Convertible bonds included in the different portfolios

The Group did not hold any convertible bonds as at 31 December 2024 or 31 December 2023.

## 4.12 Derivative instruments

With regard to financial derivatives, the Group distinguishes between financial instruments held for trading and hedging derivatives. Financial derivatives held for trading are held exclusively against transactions (economic hedging) and not for speculative purposes. Hedging derivatives should be separated into:

- Fair value hedges: the Group's fair value hedging consists in hedging against changes in the fair value of the interest rate component of debt instruments. Hedged items consist of loans, deposits, securities and issues of EMTN at fixed rates. Loans can be micro- or macro-hedged. The revaluation of fair value for interest rate risk of these hedged instruments impacts the income statement. This hedging is achieved through the use of IRS.

- Cash flow hedges: cash flow hedging applies to two types of risks. On the one hand, the Group applies this type of hedge to freeze the cash flows of variable-rate loans. On the other hand, it applies to fixed-rate bonds in foreign currencies for which the Group deems it necessary to hedge foreign exchange risk. This hedging is achieved through the use of IRS and CIRS. Revaluation of the fair value of these derivatives impacts comprehensive income through the cash flow hedging reserve.

The measurement of the effectiveness of fair value and cash flow hedging is described in paragraph 3.2.2.

| Categories as at 31/12/2023 | Assets | Liabilities | Notional |
|---|---|---|---|
| **Derivative financial instruments held for trading** | **178.037.790** | **285.193.752** | **26.198.771.655** |
| Operations linked to exchange rates | 139.702.847 | 255.802.676 | 16.772.571.233 |
| *- Foreign exchange swaps and forward exchange contracts* | *139.702.847* | *253.859.231* | *16.746.218.552* |
| *- CCIS* | - | *1.943.445* | *26.352.681* |
| Operations linked to interest rates | 38.334.943 | 29.391.076 | 9.426.200.423 |
| *- IRS* | *38.334.943* | *29.391.076* | *9.426.200.423* |
| *- other* | - | - | - |
| **Fair value micro-hedges** | **578.027.876** | **353.463.971** | **13.525.428.462** |
| Operations linked to exchange rates | 145.411.777 | 105.866.141 | 2.664.023.740 |
| *- CCIS* | *145.411.777* | *105.866.141* | *2.664.023.740* |
| Operations linked to interest rates | 432.616.098 | 247.597.830 | 10.861.404.722 |
| *- IRS* | *432.616.098* | *247.597.830* | *10.861.404.722* |
| **Fair value macro-hedges** | **537.518.855** | **45.711.209** | **4.821.274.170** |
| Operations linked to interest rates | 537.518.855 | 45.711.209 | 4.821.274.170 |
| *- IRS* | **537.518.855** | **45.711.209** | **4.821.274.170** |
| **Cash flow hedging derivatives** | **24.086** | **753.281** | **17.802.934** |
| Operations linked to exchange rates | - | 753.281 | 12.402.934 |
| *- CCIS* | - | **753.281** | *12.402.934* |
| Operations linked to interest rates | 24.086 | - | 5.400.000 |
| *- IRS* | **24.086** | - | *5.400.000* |

| Categories as at 31/12/2024 | Assets | Liabilities | Notional |
|---|---|---|---|
| **Derivative financial instruments held for trading** | **262.679.628** | **156.765.363** | **26.035.539.101** |
| Operations linked to exchange rates | 222.823.345 | 131.107.896 | 18.388.641.256 |
| *- Foreign exchange swaps and forward exchange contracts* | *222.823.345* | *125.524.997* | *18.360.883.631* |
| *- CCIS* | - | *5.582.899* | *27.757.625* |
| Operations linked to interest rates | 39.856.283 | 25.657.467 | 7.646.897.844 |
| *- IRS* | *39.791.317* | *25.557.986* | *7.602.897.844* |
| *- other* | *64.966* | *99.481* | *44.000.000* |
| **Fair value micro-hedges** | **425.195.653** | **410.712.614** | **13.472.575.172** |
| Operations linked to exchange rates | 135.640.824 | 143.663.060 | 2.734.309.329 |
| *- CCIS* | *135.640.824* | *143.663.060* | *2.734.309.329* |
| Operations linked to interest rates | 289.554.829 | 267.049.554 | 10.738.265.843 |
| *- IRS* | *289.554.829* | *267.049.554* | *10.738.265.843* |
| **Fair value macro-hedges** | **452.933.771** | **102.311.991** | **7.003.578.867** |
| Operations linked to interest rates | 452.933.771 | 102.311.991 | 7.003.578.867 |
| *- IRS* | *452.933.771* | *102.311.991* | *7.003.578.867* |
| **Cash flow hedging derivatives** | **18.132** | **-** | **2.400.000** |
| Operations linked to exchange rates | - | - | - |
| *- CCIS* | - | - | - |
| Operations linked to interest rates | 18.132 | - | 2.400.000 |
| *- IRS* | *18.132* | - | *2.400.000* |

| Fair value hedges at 31/12/2023 | Balance sheet categories | Type of hedge | Fair value of hedged instruments | Change in fair value of hedging instruments | Change in fair value of hedged instruments | Ineffectiveness | Effectiveness rate |
|---|---|---|---|---|---|---|---|
| **Interest rate risk** | | | | | | | |
| Fixed-rate asset instruments | Fixed-income securities recognised at amortised cost, loans and advances at amortised cost – Customers, change in fair value of a portfolio of financial instruments hedged against interest rate risk | Micro-hedge | -294.364.562 | -414.463.731 | 420.883.132 | 6.419.400 | 101,55% |
| | | Macro-hedge | -477.452.432 | -259.490.719 | 265.014.791 | 5.524.072 | 102,13% |
| Fixed-rate liability instruments | Issuance of debt securities | Micro-hedge | 50.740.746 | 25.433.310 | -26.360.002 | -926.692 | 103,64% |
| **Currency risk** | | | | | | | |
| Fixed-rate asset instruments | Fixed-income securities recognised at amortised cost, loans and advances at amortised cost – Customers | Micro-hedge | -91.931.553 | -92.766.225 | 95.385.454 | 2.619.228 | 102,82% |
| Fixed-rate liability instruments | Issuance of debt securities | Micro-hedge | -111.220 | -320.419 | 322.924 | 2.505 | 100,78% |

| Cash flow hedges at 31/12/2023 | Balance sheet categories | Change in fair value of hedging instruments | Change in fair value of hedged instruments | Cash flow hedging reserve | |
|---|---|---|---|---|---|
| | | | | Continuity of hedging | Termination of hedging |
| **Interest rate risk** | | | | | |
| Fixed-rate asset instruments | Loans and advances at amortised cost – Customers | -29.552 | - | 24.782 | - |
| **Currency risk** | | | | | |
| Fixed-rate asset instruments | Fixed-income securities recognised at amortised cost | 37.036 | - | -11.825 | - |

| Fair value hedges at 31/12/2024 | Balance sheet categories | Type of hedge | Fair value of hedged instruments | Change in fair value of hedging instruments | Change in fair value of hedged instruments | Ineffectiveness | Effectiveness rate |
|---|---|---|---|---|---|---|---|
| **Interest rate risk** | | | | | | | |
| Fixed-rate asset instruments | Fixed-income securities recognised at amortised cost, loans and advances at amortised cost – Customers, change in fair value of a portfolio of financial instruments hedged against interest rate risk | Micro-hedge | -87.980.497 | -203.351.640 | 206.384.065 | 3.032.425 | 101,49% |
| | | Macro-hedge | -341.108.811 | -135.506.558 | 138.426.441 | 2.919.883 | 102,15% |
| Fixed-rate liability instruments | Issuance of debt securities | Micro-hedge | 36.002.472 | 14.810.270 | -14.738.274 | 71.996 | 99,51% |
| | Deposits at amortised cost | Macro-hedge | -12.726.327 | 12.609.062 | -12.726.327 | -117.265 | 100,93% |
| **Currency risk** | | | | | | | |
| Fixed-rate asset instruments | Fixed-income securities recognised at amortised cost, loans and advances at amortised cost – Customers | Micro-hedge | -81.807.194 | -9.255.695 | 10.124.359 | 868.664 | 109,39% |
| Fixed-rate liability instruments | Issuance of debt securities | Micro-hedge | 892.037 | -1.042.237 | 1.003.256 | -38.981 | 96,26% |

| Cash flow hedges at 31/12/2024 | Balance sheet categories | Change in fair value of hedging instruments | Change in fair value of hedged instruments | Cash flow hedging reserve | |
|---|---|---|---|---|---|
| | | | | Continuity of hedging | Termination of hedging |
| **Interest rate risk** | | | | | |
| Fixed-rate asset instruments | Loans and advances at amortised cost – Customers | -6.617 | - | 18.164 | - |
| **Currency risk** | | | | | |
| Fixed-rate asset instruments | Fixed-income securities recognised at amortised cost | 11.825 | - | - | - |

The amount shown in equity items for cash flow hedges is net of taxes and comes to EUR 13.828 for financial year 2024 and EUR 9.725 for the previous financial year.

| Income on hedging activities recognised in net income and other comprehensive income at 31/12/2023 | Net income or other comprehensive income |
|---|---|
| **Fair value hedges (micro + macro hedges)** | **13.638.514** |
| gains (losses) on hedging instruments | -756.515.203 |
| gains (losses) on hedged instruments related to the hedged risk | 755.246.299 |
| ineffective part | 14.907.418 |
| **Cash flow hedges** | **7.484** |
| ineffective part | - |
| effective part | 7.484 |
| reclassified in profit or loss over the period | - |

| Reconciliation of the equity component at 31/12/2023 | Cash flow hedges recognised in revaluation reserve |
|---|---|
| **Balance at 1 January 2023** | **5.472** |
| Change in fair value related to hedging of: | 7.484 |
| *interest rate risk* | *-29.552* |
| *foreign exchange risk* | *37.036* |
| Amount reclassified to profit or loss related to hedging of: | - |
| *interest rate risk* | - |
| *foreign exchange risk* | - |
| **Balance at 31 December 2023** | **12.956** |

| Income on hedging activities recognised in net income and other comprehensive income at 31/12/2024 | Net income or other comprehensive income |
|---|---|
| **Fair value hedges (micro + macro hedges)** | **6.736.723** |
| gains (losses) on hedging instruments | -327.959.201 |
| gains (losses) on hedged instruments related to the hedged risk | 328.473.522 |
| ineffective part | 6.222.402 |
| **Cash flow hedges** | **5.208** |
| ineffective part | - |
| effective part | 5.208 |
| reclassified in profit or loss over the period | - |

| Reconciliation of the equity component at 31/12/2024 | Cash flow hedges recognised in revaluation reserve |
|---|---|
| **Balance at 1 January 2024** | **12.956** |
| Change in fair value related to hedging of: | 5.208 |
| *interest rate risk* | *-6.617* |
| *foreign exchange risk* | *11.825* |
| Amount reclassified to profit or loss related to hedging of: | - |
| *interest rate risk* | - |
| *foreign exchange risk* | - |
| **Balance at 31 December 2024** | **18.164** |

## 4.13 Change in fair value of a portfolio of financial instruments hedged against interest rate risk

| Headings | 31/12/2023 | 31/12/2024 |
| --- | --- | --- |
| Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk | -488.436.242 | -350.917.529 |
| Liabilities: Change in fair value of a portfolio of financial instruments hedged against interest rate risk | - | 12.726.327 |

This item includes the fair value of the "loans and advances at amortised cost – Customers" and "deposits at amortised cost – Customers" portfolios hedged against interest rate risk using a fair value macro-hedging strategy. The hedging relates solely to a portfolio of fixed-rate loans and deposits hedged by IRS derivative financial instruments.

The change in this item between 2023 and 2024 is due primarily to the change in the interest-rate curves used to determine fair value.

## 4.14 Tangible assets for own use

| | Land and buildings | | Other equipment and furniture | Total |
|---|---|---|---|---|
| | Property for own use | Right-of-use assets arising from leases | | |
| **Position as at 1 January 2023** | **378.175.736** | **21.110.886** | **56.228.823** | **455.515.445** |
| Inflows | 3.202.528 | 2.263.625 | 10.932.714 | 16.398.866 |
| Outflows | -7.361.330 | - | -8.293.234 | -15.654.563 |
| **Position as at 31 December 2023** | **374.016.934** | **23.374.511** | **58.868.303** | **456.259.748** |
| **Accumulated depreciation** | | | | |
| **Position as at 1 January 2023** | **166.897.605** | **12.550.433** | **35.010.071** | **214.458.110** |
| Depreciation | -7.321.643 | - | -8.291.879 | -15.613.522 |
| Depreciation expense | 11.321.041 | 3.267.052 | 9.927.810 | 24.515.902 |
| **Position as at 31 December 2023** | **170.897.002** | **15.817.486** | **36.646.002** | **223.360.490** |
| **Net book value** | | | | |
| **Position as at 1 January 2023** | **211.278.131** | **8.560.453** | **21.218.752** | **241.057.335** |
| **Position as at 31 December 2023** | **203.119.932** | **7.557.025** | **22.222.301** | **232.899.258** |

| | Land and buildings | | Other equipment and furniture | Total |
|---|---|---|---|---|
| | Property for own use | Right-of-use assets arising from leases | | |
| **Position as at 1 January 2024** | **374.016.934** | **23.374.511** | **58.868.303** | **456.259.748** |
| Inflows | 5.606.414 | 1.616.765 | 18.430.121 | *25.653.300* |
| Outflows | -2.272.897 | - | -12.396.819 | -14.669.716 |
| **Position as at 31 December 2024** | **377.350.451** | **24.991.276** | **64.901.605** | **467.243.332** |
| **Accumulated depreciation** | | | | |
| **Position as at 1 January 2024** | **170.897.002** | **15.817.486** | **36.646.002** | **223.360.490** |
| Depreciation | -1.458.628 | - | -12.395.666 | -13.854.294 |
| Depreciation expense | 11.466.982 | 3.445.458 | 9.570.667 | 24.483.108 |
| **Position as at 31 December 2024** | **180.905.356** | **19.262.944** | **33.821.004** | **233.989.304** |
| **Net book value** | | | | |
| **Position as at 1 January 2024** | **203.119.932** | **7.557.025** | **22.222.301** | **232.899.258** |
| **Position as at 31 December 2024** | **196.445.095** | **5.728.332** | **31.080.601** | **233.254.028** |

## 4.15 Investment property

| | |
|---|---|
| **Position as at 1 January 2023** | **30.929.104** |
| Increases (acquisitions) | - |
| Increases (investment expenditure) | 203.094 |
| Outflows | -1.325.658 |
| **Position as at 31 December 2023** | **29.806.540** |
| **Accumulated depreciation** | |
| **Position as at 1 January 2023** | **19.585.137** |
| Depreciation | -1.319.691 |
| Depreciation expense | 897.800 |
| **Position as at 31 December 2023** | **19.163.245** |
| **Net book value** | |
| **Position as at 1 January 2023** | **11.343.967** |
| **Position as at 31 December 2023** | **10.643.297** |

| | |
|---|---|
| **Position as at 1 January 2024** | **29.806.540** |
| Increases (acquisitions) | - |
| Increases (investment expenditure) | -3.679 |
| Outflows | -511.350 |
| **Position as at 31 December 2024** | **29.291.511** |
| **Accumulated depreciation** | |
| **Position as at 1 January 2024** | **19.163.245** |
| Depreciation | -591.019 |
| Depreciation expense | 888.823 |
| **Position as at 31 December 2024** | **19.461.048** |
| **Net book value** | |
| **Position as at 1 January 2024** | **10.643.297** |
| **Position as at 31 December 2024** | **9.830.464** |

Rental income from rented investment property amounted to EUR 2.654.891 for the 2024 financial year, versus EUR 3.487.406 for the previous financial year. Maintenance costs related to investment property were EUR 153.159 in 2024, compared with EUR 269.011 for the previous financial year.

The fair value of investment property stood at EUR 99.283.609 at year-end 2024, compared with EUR 92.291.550 at end-2023. This fair value measurement is categorised as Level 2 in the fair value hierarchy.

This fair value is estimated by a Spuerkeess appraiser according to the following criteria:

- geographical location of the buildings;
- general condition of the building;
- use for residential or commercial purposes;
- surface area of the object.

Investment properties are exclusively located on the national territory.

## 4.16 Intangible assets

| | |
|---|---|
| **Position as at 1 January 2023** | **87.164.182** |
| Inflows | 31.196.267 |
| Outflows | -16.910.106 |
| **Position as at 31 December 2023** | **101.450.343** |
| **Accumulated depreciation** | |
| **Position as at 1 January 2023** | **46.168.973** |
| Depreciation | -16.910.106 |
| Depreciation expense | 24.870.454 |
| **Position as at 31 December 2023** | **54.129.321** |
| **Net book value** | |
| **Position as at 1 January 2023** | **40.995.209** |
| **Position as at 31 December 2023** | **47.321.022** |

| | |
|---|---|
| **Position as at 1 January 2024** | **101.450.343** |
| Inflows | 41.986.069 |
| Outflows | -19.965.898 |
| **Position as at 31 December 2024** | **123.470.514** |
| **Accumulated depreciation** | |
| **Position as at 1 January 2024** | **54.129.321** |
| Depreciation | -19.965.898 |
| Depreciation expense | 28.867.238 |
| **Position as at 31 December 2024** | **63.030.661** |
| **Net book value** | |
| **Position as at 1 January 2024** | **47.321.022** |
| **Position as at 31 December 2024** | **60.439.853** |

The depreciation expense related to intangible assets is recognised under "Depreciation allowances for tangible and intangible assets" in the income statement.

## 4.17 Non-current assets and disposal groups classified as held for sale

The Group recognises tangible assets and financial assets held for sale in the near term under this heading in keeping with the provisions of IFRS 5.
Shareholdings classified as held for sale at 31 December 2023 corresponded to shares in SES Global in the context of a buyback programme that had not yet been completed. These shares were definitively sold in the second half of financial year 2024.

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| **Variable-income securities recognised at fair value through the revaluation reserve** | | |
| Corporate customers | 919.434 | - |
| **Total** | **919.434** | **-** |
| *of which unrealised valuation through the revaluation reserve* | *697.602* | - |

| | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **-** | **919.434** |
| Sales | - | -919.434 |
| Transfers | 221.832 | - |
| Profit/(loss) realised through equity | - | 6.530.979 |
| Unrealised valuations | 697.602 | -6.530.979 |
| **Position as at 31 December** | **919.434** | **-** |

## 4.18 Taxes: Tax assets and liabilities

Whereas current tax is a current liability, deferred taxes are the amounts of income taxes that may be payable in the future in respect of taxable temporary differences.

The Group posted a net current tax liability of EUR 62.263.456 as at 31 December 2024 versus a net current tax receivable of EUR 2.560.981 in the previous year.

As no tax law incorporating IFRS standards has been passed in Luxembourg, the Group calculates the tax liability payable based on the change in net assets of the balance sheet items valued through profit or loss and in income from the sale of securities not reclassified in the income statement. The overall tax burden of corporations at the nominal tax rate has been 24,94% since financial year 2019. In 2024, the Luxembourg government decided to lower the rate to 23,87% for financial year 2025. This rate was used to determine deferred taxes given the future nature of this tax.
As at 31 December 2024, the Group posted a deferred tax asset of EUR 85.324.305, and a deferred tax liability of EUR 91.378.506.

The table below gives a breakdown of the changes to deferred tax assets and liabilities, depending on whether the changes relate to items that are charged or credited to equity, or relate to items that are charged or credited to the income statement:

| Headings | 01/01/2023 | Movements in equity | Movements in income statement | 31/12/2023 |
|---|---|---|---|---|
| Deferred tax assets | 59.897.657 | 27.963.795 | -1.084.611 | 86.776.841 |
| Deferred tax liabilities | -86.632.411 | -1.966.313 | -2.381.937 | -90.980.661 |
| **Net deferred tax assets / liabilities** | **-26.734.754** | **25.997.482** | **-3.466.548** | **-4.203.820** |

| Headings | 01/01/2024 | Movements in equity | Movements in income statement | 31/12/2024 |
|---|---|---|---|---|
| Deferred tax assets | 86.776.841 | -987.073 | -465.463 | 85.324.305 |
| Deferred tax liabilities | -90.980.661 | -4.829.618 | 4.431.773 | -91.378.506 |
| **Net deferred tax assets / liabilities** | **-4.203.820** | **-5.816.691** | **3.966.310** | **-6.054.201** |

### 4.18.1 Tax assets

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Current taxes | 2.560.981 | - |
| *Income tax* | *16.720.280* | - |
| *Municipal business tax* | *-14.138.434* | - |
| *Wealth tax* | *-20.865* | - |
| Deferred taxes | 86.776.842 | 85.324.305 |
| **Tax assets** | **89.337.823** | **85.324.305** |

Breakdown of deferred tax assets according to origin:

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Derivative financial instruments - application of fair value | 2.949 | - |
| Debt instruments - application of fair value | -203.767 | -842.891 |
| Equity instruments - application of fair value | 820.336 | 9.197.066 |
| Actuarial gains/losses relating to employee benefits | 86.157.324 | 76.970.130 |
| **Deferred tax assets** | **86.776.842** | **85.324.305** |

### 4.18.2 Tax liabilities

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Current taxes | - | 62.263.456 |
| *Income tax* | - | *28.977.044* |
| *Municipal business tax* | - | *33.265.547* |
| *Wealth tax* | - | *20.865* |
| Deferred taxes | 90.980.661 | 91.378.506 |
| **Tax liabilities** | **90.980.661** | **153.641.962** |

Breakdown of deferred tax liabilities according to origin:

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Derivative financial instruments - application of fair value | 6.181 | 4.336 |
| Debt instruments - application of fair value | 1.628.313 | 2.079.962 |
| Equity instruments - application of fair value | 2.886.387 | 6.132.204 |
| Regulatory and other provisions | 84.888.543 | 79.062.185 |
| Actuarial gains/losses relating to employee benefits | 1.571.237 | 4.099.819 |
| **Deferred tax liabilities** | **90.980.661** | **91.378.506** |

### 4.18.3 Global minimum tax

The Spuerkeess Group is subject to the amended law of 22 December 2023 (the "Pillar 2 law") on minimum effective taxation transposing Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union. This law transcribes into national law the OECD pillar 2 model rules for the global minimum tax.

The Spuerkeess Group has only one place of business in Luxembourg. However, the Group exceeded the threshold of EUR 750 million in turnover in its consolidated financial statements for financial years 2022 and 2023. As a result, the Group falls within the scope of the Pillar 2 law as from financial year 2024, in accordance with applicable regulatory requirements.

The Spuerkeess Group launched an initiative to determine its obligations under the Pillar 2 law and concluded that it is subject to Articles 44 and 55. These articles specify that the new top-up tax is reduced to zero in the first five years, starting from the first day of the fiscal year in which a large-scale domestic group falls within the scope of the law for the first time.

## 4.19 Other assets

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Operational outstandings | 17.682.512 | 27.391.196 |
| Preferential or secured borrowers | 9.986.766 | 2.916.189 |
| Other | 1.706.645 | 6.504 |
| **Total** | **29.375.923** | **30.313.889** |

## 4.20 Deposits at amortised cost – Credit institutions

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| Interbank deposits | 4.862.965.509 | 27.078.368 | 4.890.043.877 | 4.099.564.939 | - | 4.099.564.939 |
| *of which central bank deposits* | *48.627* | - | *48.627* | *165.906* | - | *165.906* |
| Repurchase/Reverse repurchase agreements | 460.368.372 | - | 460.368.372 | 421.113.912 | - | 421.113.912 |
| Other financial liabilities | 74.298.068 | - | 74.298.068 | 35.372.214 | - | 35.372.214 |
| **Total** | **5.397.631.950** | **27.078.368** | **5.424.710.317** | **4.556.051.065** | **-** | **4.556.051.065** |

## 4.21 Deposits at amortised cost – Customers

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| **Private sector** | **32.272.603.813** | **284.686.376** | **32.557.290.189** | **34.394.989.049** | **371.267.878** | **34.766.256.927** |
| *Demand deposit and notice accounts* | *11.633.928.002* | - | *11.633.928.002* | *11.549.101.285* | - | *11.549.101.285* |
| *Time deposit accounts* | *8.688.371.723* | *284.686.376* | *8.973.058.099* | *9.677.220.555* | *371.267.878* | *10.048.488.433* |
| *Build up savings* | *11.950.304.089* | - | *11.950.304.089* | *13.168.667.209* | - | *13.168.667.209* |
| **Public Sector** | **6.419.883.574** | **1.061.990.553** | **7.481.874.127** | **6.210.513.702** | **1.117.343.131** | **7.327.856.832** |
| **Total** | **38.692.487.387** | **1.346.676.929** | **40.039.164.316** | **40.605.502.751** | **1.488.611.009** | **42.094.113.759** |

## 4.22 Financial liabilities designated at fair value through profit or loss

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| Issues | 15.029.065 | 154.462.778 | 169.491.843 | 8.949.672 | 331.828.370 | 340.778.042 |
| **Total** | **15.029.065** | **154.462.778** | **169.491.843** | **8.949.672** | **331.828.370** | **340.778.042** |
| *of which unrealised valuation* | *355.348* | *-17.936.498* | *-17.581.150* | *-2.649.801* | *-12.723.290* | *-15.373.091* |

This item includes financial instruments which, depending on their characteristics, incorporate derivative components that are not directly related and are therefore not eligible for measurement at fair value through the revaluation reserve.

Breakdown of changes in carrying amount:

| Issues | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **131.633.032** | **169.491.843** |
| Issues | 24.220.000 | 179.822.476 |
| Repayments/redemptions | - | -14.220.000 |
| Pro-rata interest | 2.583.869 | 3.599.652 |
| Unrealised valuations | 11.419.433 | 2.208.058 |
| Exchange gain or loss | -364.491 | -123.987 |
| **Position as at 31 December** | **169.491.843** | **340.778.042** |

## 4.23 Issuance of debt securities

| Headings | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | =< 1 year | > 1 year | Total | =< 1 year | > 1 year | Total |
| Certificates of deposit | 11.133.603 | 1.834.869 | 12.968.471 | 9.492.263 | - | 9.492.263 |
| Commercial paper | 2.537.079.223 | - | 2.537.079.223 | 1.836.862.829 | - | 1.836.862.829 |
| Medium Term Notes and other securities issued | 121.226.351 | 996.730.984 | 1.117.957.335 | 31.031.906 | 615.015.446 | 646.047.352 |
| **Total** | **2.669.439.176** | **998.565.853** | **3.668.005.029** | **1.877.386.998** | **615.015.446** | **2.492.402.444** |
| *of which unrealised valuation (interest-rate component) for the purposes of hedge accounting* | *-12.726* | *-50.616.800* | *-50.629.526* | *-116.497* | *-36.778.012* | *-36.894.509* |

"Medium Term Notes" issues are exclusively listed on the Luxembourg Stock Exchange.

Since 2015, certificates of deposit are no longer marketed and are managed in run-off mode.

Spuerkeess no longer presents subordinated issues.

Breakdown of changes in carrying amount of medium-term notes:

| Issues | 2023 | 2024 |
|---|---|---|
| **Position as at 1 January** | **637.629.532** | **1.117.957.335** |
| Issues | 450.742.716 | 213.989.251 |
| Repayments/redemptions | -1.503.556 | -695.402.166 |
| Realised profit/(loss) | - | 24.808 |
| Pro-rata interest | 7.530.107 | -4.347.708 |
| Unrealised valuations | 26.037.078 | 13.710.209 |
| Exchange gain or loss | -2.478.542 | 115.623 |
| **Position as at 31 December** | **1.117.957.335** | **646.047.352** |

## 4.24 Provisions

This item comprises two main types of provisions: provisions to be established under IAS 37 and provisions on Group off-balance sheet commitments according to IFRS 9.

Changes during the financial year:

| | Provisions | | | |
|---|---|---|---|---|
| | Risks and charges | Time savings account | IFRS 9 | Total |
| **Position as at 1 January 2023** | **10.226.115** | **28.705.503** | **25.274.931** | **64.206.549** |
| Additions | 2.648.772 | - | 21.153.348 | 23.802.120 |
| Reversals | -3.900.000 | - | -8.670.108 | -12.570.108 |
| Use | -1.885.917 | - | - | -1.885.917 |
| Exchange gain or loss | - | - | 237 | 237 |
| Expense included in personnel expenses | - | 8.529.358 | - | 8.529.358 |
| **Position as at 31 December 2023** | **7.088.970** | **37.234.861** | **37.758.409** | **82.082.239** |
| **Position as at 1 January 2024** | **7.088.970** | **37.234.861** | **37.758.409** | **82.082.239** |
| Additions | 20.899.186 | - | 44.283.950 | 65.183.136 |
| Reversals | -3.015.000 | - | -17.828.605 | -20.843.605 |
| Use | -3.625.764 | - | - | -3.625.764 |
| Exchange gain or loss | - | - | 1.121 | 1.121 |
| Expense included in personnel expenses | - | 3.829.235 | - | 3.829.235 |
| **Position as at 31 December 2024** | **21.347.392** | **41.064.096** | **64.214.875** | **126.626.362** |

The provisions established under IAS 37 are provisions for risks and charges which include provisions for risks related to disputes and the provisions for charges on personnel costs not covered by other standards.

Breakdown of expected credit losses on off-balance sheet commitments:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Position as at 1 January 2023** | **16.817.637** | **7.246.744** | **1.210.551** | **25.274.931** |
| **Changes** | **-162.386** | **1.478.050** | **11.167.814** | **12.483.478** |
| Increase due to acquisition or origination | 7.702.381 | 814.421 | 5.616.228 | 14.133.030 |
| Decrease due to repayment | -5.823.137 | -1.691.088 | -1.155.883 | -8.670.108 |
| Change related to credit risk | -3.196.928 | 2.453.252 | 7.335.002 | 6.591.327 |
| Other changes | 1.155.305 | -98.534 | -627.534 | 429.237 |
| Exchange gain or loss | -8 | -1 | - | -8 |
| **Position as at 31 December 2023** | **16.655.251** | **8.724.794** | **12.378.364** | **37.758.409** |

| **Outstanding loan stage transfers** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| Transfer from Stage 1 | -345.426.393 | 335.822.593 | 9.603.800 | - |
| Transfer from Stage 2 | 77.386.252 | -82.314.707 | 4.928.454 | - |
| Transfer from Stage 3 | 225.439 | 371.940 | -597.379 | - |

| **Outstanding excluding impairment at 31 December 2023** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| Outstanding | 6.553.562.654 | 699.788.693 | 73.121.831 | 7.326.473.178 |
| **Position as at 1 January 2024** | **16.655.251** | **8.724.794** | **12.378.364** | **37.758.409** |
| **Changes** | **-5.918.464** | **14.972.136** | **17.402.794** | **26.456.466** |
| Increase due to acquisition or origination | 3.169.513 | 4.309.338 | 2.520.139 | 9.998.990 |
| Decrease due to repayment | -3.461.421 | -3.613.330 | -5.488.261 | -12.563.012 |
| Change related to credit risk | -2.475.806 | 7.319.820 | 19.939.959 | 24.783.973 |
| Other changes | -3.151.861 | 6.956.298 | 430.957 | 4.235.394 |
| Exchange gain or loss | 1.111 | 10 | - | 1.121 |
| **Position as at 31 December 2024** | **10.736.787** | **23.696.930** | **29.781.158** | **64.214.875** |

| **Outstanding loan stage transfers** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| Transfer from Stage 1 | -313.647.872 | 274.436.767 | 39.211.105 | - |
| Transfer from Stage 2 | 138.379.747 | -158.627.072 | 20.247.325 | - |
| Transfer from Stage 3 | 268.539 | 910.523 | -1.179.062 | - |

| **Outstanding excluding impairment at 31 December 2024** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| Outstanding | 6.227.957.805 | 1.120.013.741 | 128.045.818 | 7.476.017.364 |

"Other changes" in the previous tables reflect changes in methodology made to the expected credit losses model (see section 3.3.4).

## 4.25 Other liabilities

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Operational outstandings | 11.907.624 | 13.685.217 |
| Privileged or guaranteed creditors | 69.516.722 | 74.323.864 |
| Liabilities arising from leases | 7.557.025 | 5.728.333 |
| Other | 936.096 | 3.748.418 |
| **Total** | **89.917.467** | **97.485.832** |

## 4.26 Provisions for employee benefits – Defined-benefit pension plan

Main estimates used to determine provisions for employee benefits:

| Variables | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Discount rate for active employees | 3,40% | 3,50% |
| Discount rate for beneficiaries | 3,30% | 3,30% |
| Salary increases for persons entitled before 1999 (including indexation) | 3,00% | 3,00% |
| Salary increases for persons entitled after 1999 (including indexation) | 4,25% | 4,25% |
| Pension increases (including indexation) | 3,25% | 3,25% |
| Induced yield | 3,34% | 3,38% |

The induced yield of 3,38% in 2024 corresponds to the weighted average of the discount rates for working people and for annuitants as fixed at the end of the 2024 financial year.

Net provisions for employee benefits entered under "Personnel expenses" in the income statement:

| Components | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Current service cost | 8.159.458 | 9.953.974 |
| Interest cost | 19.788.480 | 23.518.675 |
| Induced yield | -16.364.436 | -17.375.925 |
| **Total** | **11.583.502** | **16.096.724** |

Pension commitments:

| | 2023 | 2024 |
|---|---|---|
| **Commitments on 1 January** | **556.272.806** | **703.921.052** |
| Current service cost | 8.159.458 | 9.953.974 |
| Interest cost | 19.788.480 | 23.518.675 |
| Benefits paid | -16.144.740 | -17.433.921 |
| Actuarial gains or losses | 135.845.048 | -23.002.887 |
| **Commitments on 31 December** | **703.921.052** | **696.956.893** |

Civil servants' pension payments are initially made directly by the State to civil servants. Spuerkeess only recognises the payments when the amounts are repaid to the State. Hence, "Benefits paid" amounting to EUR 17.433.921 include the repayments to the Luxembourg State of civil servants' pensions in respect of the 2023 financial year.

Breakdown of actuarial gains and losses:

| | 2023 | 2024 |
|---|---|---|
| Actuarial gains and losses arising from changes in actuarial assumptions | | |
| *- financial assumptions* | *24.177.481* | *-6.559.869* |
| *- demographic assumptions* | *39.330.420* | - |
| Actuarial gains and losses arising from experience adjustments | 72.337.147 | -16.443.018 |
| **Total actuarial gains and losses** | **135.845.048** | **-23.002.887** |

Sensitivity analysis of pension commitments:

| **Impact of changes in actuarial assumptions on the pension commitment on 31/12/2023** | **Decrease** | **Increase** |
|---|---|---|
| Change in average actuarial rate (-/+ 50 bps) | 70.503.477 | -61.003.466 |
| Change in wage increase rate (-/+ 50 bps) | -42.889.850 | 50.833.950 |
| Change in pension increase rate (-/+ 25 bps) | -27.350.932 | 29.036.640 |
| Change in mortality tables (-/+ 1 year) | 21.308.289 | -21.145.373 |

| **Impact of changes in actuarial assumptions on the pension commitment on 31/12/2024** | **Decrease** | **Increase** |
|---|---|---|
| Change in average actuarial rate (-/+ 50 bps) | 68.635.699 | -59.459.986 |
| Change in wage increase rate (-/+ 50 bps) | -38.386.280 | 45.683.191 |
| Change in pension increase rate (-/+ 25 bps) | -26.933.471 | 28.588.734 |
| Change in mortality tables (-/+ 1 year) | 21.087.464 | -20.905.740 |

Maturity analysis of pension commitments:

| | 31/12/2023 | 31/12/2024 |
|---|---|---|
| **Average duration of the pension commitment** | **17,58 years** | **18,80 years** |
| **Analysis of maturities of commitments to be paid** | **703.921.052** | **696.956.892** |
| pensions outstanding for the year | 9.064.941 | 9.076.908 |
| commitments to be paid within 12 months | 16.071.314 | 18.116.136 |
| commitments to be paid in 1-3 years | 33.951.099 | 38.194.719 |
| commitments to be paid in 3-6 years | 57.064.533 | 61.356.552 |
| commitments to be paid in 6-11 years | 101.514.778 | 104.722.832 |
| commitments to be paid in 11-16 years | 98.331.063 | 98.884.576 |
| commitments to be paid after 16 years | 387.923.324 | 366.605.169 |

Pension plan assets:

| | 2023 | 2024 |
|---|---|---|
| **Assets on 1 January** | **460.019.704** | **520.066.675** |
| Benefits paid | -16.144.740 | -17.433.921 |
| Contribution | 31.127.320 | 63.231.958 |
| Induced yield | 16.364.436 | 17.375.925 |
| Fair value gain / loss | 28.699.955 | 10.875.548 |
| **Assets on 31 December** | **520.066.675** | **594.116.185** |

In 2024, Spuerkeess made an annual contribution of EUR 63.231.958 versus an annual contribution of EUR 31.127.320 in the previous year.

Pension plan investments:

| 2023 | Credit institutions | Public Sector | Corporate | Total |
|---|---|---|---|---|
| Fixed-income securities | 62.669.073 | 137.728.343 | 72.142.840 | 272.540.257 |
| Variable-income securities | - | - | 209.387.019 | 209.387.019 |
| Real estate investment | - | - | 14.674.326 | 14.674.326 |
| Other assets (primarily deposits) | 23.465.073 | - | - | 23.465.073 |
| **Total** | **86.134.146** | **137.728.343** | **296.204.185** | **520.066.675** |

| 2024 | Credit institutions | Public Sector | Corporate | Total |
|---|---|---|---|---|
| Fixed-income securities | 50.022.610 | 140.750.767 | 97.785.471 | 288.558.848 |
| Variable-income securities | - | - | 257.443.393 | 257.443.393 |
| Real estate investment | - | - | - | - |
| Other assets (primarily deposits) | 48.113.945 | - | - | 48.113.945 |
| **Total** | **98.136.555** | **140.750.767** | **355.228.863** | **594.116.185** |

Net pension commitments:

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Pension commitments | 556.272.806 | 703.921.052 | 696.956.893 |
| Plan assets measured at fair value | -460.019.704 | -520.066.675 | -594.116.185 |
| **Unfinanced commitments** | **96.253.102** | **183.854.377** | **102.840.708** |

Stock of actuarial gains and losses:

| | |
|---|---|
| **Stock as at 1 January 2023** | **232.013.232** |
| 2023 Net change | 107.145.093 |
| **Stock as at 31 December 2023** | **339.158.325** |
| **Stock as at 1 January 2024** | **339.158.325** |
| 2024 Net change | -33.878.435 |
| **Stock as at 31 December 2024** | **305.279.890** |

The amount shown in equity items is net of deferred taxes and comes to EUR 232.409.584 for financial year 2024 and EUR 254.572.242 for the previous financial year.

Spuerkeess's total contribution to provisions for employee benefits for 2025 is estimated at EUR 43.281.933.

## 4.27 Gains or losses on disposals of variable-income securities recognised at fair value

This heading under other items of other comprehensive income within equity includes the gains or losses on financial instrument transactions measured at fair value through the revaluation reserve.

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Variable-income securities recognised at fair value through the revaluation reserve | -241.249 | -67 |
| Shares in associates and subsidiaries | 185.023 | -124.152 |
| Non-current assets and disposal groups classified as held for sale | - | 6.530.979 |
| **Total** | **-56.226** | **6.406.760** |

The amount shown in equity items is net of taxes and comes to EUR 6.437.369 for financial year 2024 and EUR 6.474 for the previous financial year.

## 4.28 Related-party transactions

The related parties of the Group's parent company are equity-accounted associates, governmental institutions and the Group's key management personnel.

All transactions with related parties are completed under market conditions.

### 4.28.1 Relationships between the group's parent company and equity-accounted associates

| | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Deposits from associates | 297.465.558 | 327.900.791 |
| **Total** | **297.465.558** | **327.900.791** |

| | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Loans from associates | 10.222.821 | 9.847.969 |
| **Total** | **10.222.821** | **9.847.969** |

### 4.28.2 Government institutions

The Group's parent company, established by the law of 21 February 1856 and governed by the organic law of 24 March 1989, is a self-governing public law institution endowed with legal personality. Ultimate responsibility for the institution lies with the Government Minister with responsibility for the Treasury.

Therefore, the Luxembourg State controls the Group and the Group must, as a result, comply with the requirements of IAS 24.

The Group makes the following disclosures concerning its commercial relationship with the Luxembourg State and other governmental institutions while applying the provisions of paragraph 25 of IAS 24:

| ASSETS | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Loans and advances at amortised cost | 1.361.898.124 | 1.064.092.329 |
| Fixed-income securities recognised at amortised cost | 510.201.324 | 536.085.337 |
| Fixed-income securities recognised at fair value through the revaluation reserve | 21.630.635 | 21.975.034 |
| **TOTAL ASSETS** | **1.893.730.082** | **1.622.152.700** |

| LIABILITIES | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Deposits at amortised cost | 6.028.746.070 | 6.467.162.750 |
| Other | - | 622.141 |
| **TOTAL LIABILITIES** | **6.028.746.070** | **6.467.784.891** |

The "State and other government institutions" scope includes the various institutions that depend directly or indirectly on the State's budget.

### 4.28.3 Compensation paid to the members of the management and administrative bodies

Compensation paid for offices held within the Group's parent company breaks down as follows:

| | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Board of Directors (nine members) and supervisory commissioner | 553.000 | 525.585 |
| Executive Board (five members) | 1.468.758 | 1.488.291 |
| **Total** | **2.021.758** | **2.013.876** |

### 4.28.4 Loans and advances granted to members of the Group's management and administrative bodies

Loans and advances granted to members of the Group's management and administrative bodies are as follows:

| | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Board of Directors (nine members) and supervisory commissioner | 3.786.246 | 3.300.873 |
| Executive Board (five members) | 846.584 | 1.304.101 |
| **Total** | **4.632.831** | **4.604.974** |

## 4.29 Statutory Auditor's fees

| | 2023 | 2024 |
|---|---|---|
| Statutory audit of the company and consolidated annual financial statements | 771.563 | 756.779 |
| Other audit services | 211.467 | 218.818 |
| Other | 247.731 | 209.938 |
| **Total** | **1.230.761** | **1.185.535** |

The amounts included in the above item are exclusive of VAT.

## 4.30 Direct fees and contributions related to the instruments and mechanisms put in place by the European Banking Union

| Headings | 2023 | 2024 |
|---|---|---|
| European Central Bank supervision charges (1) | 1.940.764 | 2.170.860 |
| CSSF supervision charges | 797.606 | 794.477 |
| Single Resolution Board charges | 714.371 | 1.248.719 |
| **Total** | **3.452.741** | **4.214.056** |
| FGDL contribution | 13.088.010 | 10.030.662 |
| FRL contribution | 21.901.568 | - |
| **Total** | **34.989.578** | **10.030.662** |

(1) The Group's parent company paid the invoice for 2023 in 2024.

## 4.31 Off-balance sheet items

### Type of guarantees issued

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Completion bonds | 279.471.260 | 238.928.271 |
| Letters of credit | 99.394.597 | 105.576.351 |
| Counter-guarantees | 526.676.050 | 538.964.666 |
| Other | 36.989.823 | 48.443.928 |
| **Total** | **942.531.729** | **931.913.216** |

### Commitments

| Headings | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies | 12.571.080 | 12.587.939 |
| Undrawn confirmed credits | 6.356.265.369 | 6.511.537.044 |
| *Financing* | *3.207.630.189* | *3.439.557.770* |
| *Current accounts* | *2.629.927.369* | *2.677.167.082* |
| *Other* | *518.707.812* | *394.812.192* |
| Documentary credits | 15.100.000 | - |
| **Total** | **6.383.936.449** | **6.524.124.983** |

An amount of EUR 64.214.875 related to the calculation of expected credit losses was recorded in "Provisions" for financial year 2024, versus EUR 37.758.409 for the previous year.

### Management of third-party assets

The Group provides management and representation services to third parties, particularly asset management services, custody and administration of securities, hire of safe deposit boxes, fiduciary representation and agent functions.

# 5 NOTES TO THE INCOME STATEMENT [6]

(in euros)

## 5.1 Interest income

| Interest received and similar income | 2023 | 2024 |
|---|---|---|
| Financial assets held for trading | 317.659.230 | 238.498.090 |
| Financial assets mandatorily measured at fair value through profit or loss | 11.111.996 | 6.861.060 |
| Financial assets recognised at fair value through the revaluation reserve | 204.776 | 192.114 |
| Fixed-income securities recognised at amortised cost | 204.180.262 | 311.139.864 |
| Loans and advances at amortised cost | 1.174.852.165 | 1.236.257.843 |
| Derivatives - Hedge accounting, interest rate risk | 952.721.708 | 1.269.973.907 |
| Other assets | 19.665.763 | 10.928.471 |
| Interest received on liability instruments | 551.003 | 223.168 |
| **Total** | **2.680.946.903** | **3.074.074.517** |
| *of which interest calculated based on the effective interest rate* | *2.587.702.282* | *2.980.294.690* |

| Interest paid and similar expenses | 2023 | 2024 |
|---|---|---|
| Financial liabilities held for trading | -186.503.419 | -151.094.872 |
| Financial liabilities designated at fair value through profit or loss | -3.456.502 | -8.422.922 |
| Liabilities at amortised cost - Deposits | -909.691.137 | -1.031.395.800 |
| Liabilities at amortised cost - Debt certificates | -150.919.419 | -119.481.975 |
| Derivatives - Hedge accounting, interest rate risk | -643.287.770 | -911.265.383 |
| Other liabilities | -26.282 | -83.607 |
| Interest paid on asset instruments | -4.448.205 | -1.606.837 |
| **Total** | **-1.898.332.734** | **-2.223.351.396** |
| *of which interest calculated based on the effective interest rate* | *-1.502.162.521* | *-1.797.671.166* |

| | | |
|---|---|---|
| **Interest income** | **782.614.169** | **850.723.121** |

| | | |
|---|---|---|
| Total interest received and similar income not recognised at fair value through the income statement | 1.399.249.193 | 1.558.549.346 |
| Total interest paid and similar expenses not recognised at fair value through the income statement | -1.065.085.043 | -1.152.568.219 |

[6] Minor differences between the figures in the notes to the annual financial statements and the figures in the different annual statements are rounding differences only.

## 5.2 Income from securities

| Headings | 2023 | 2024 |
|---|---|---|
| Variable-income securities recognised at fair value through the revaluation reserve | 45.643.138 | 45.296.705 |
| **Income from securities** | **45.643.138** | **45.296.705** |

## 5.3 Fee and commission income

| Headings | 2023 | 2024 |
|---|---|---|
| Loan activities | 56.187.473 | 58.013.675 |
| Asset management | 62.869.037 | 75.953.612 |
| Investment fund activities | 59.411.508 | 53.422.716 |
| Demand deposit accounts and related activities | 43.023.175 | 46.118.510 |
| Insurance premiums | 2.597.802 | 2.614.764 |
| Other (*) | 7.915.010 | 8.078.907 |
| **Total commissions received** | **232.004.005** | **244.202.184** |
| Loan activities | -4.579.855 | -5.066.627 |
| Asset management | -11.409.081 | -13.583.795 |
| Investment fund activities | -8.799.575 | -4.530.959 |
| Demand deposit accounts and related activities | -10.169.724 | -9.932.453 |
| Other (*) | -3.742.226 | -4.401.436 |
| **Total commissions paid** | **-38.700.461** | **-37.515.270** |
| **Total commissions** | **193.303.544** | **206.686.914** |

(*) mostly fees on derivative financial instruments.

## 5.4 Income from financial instruments not recognised at fair value through profit or loss

| Headings | 2023 | 2024 |
|---|---|---|
| Fixed-income securities recognised at amortised cost | -1.121.257 | -491.859 |
| Loans and advances at amortised cost | -24.216 | -33.757 |
| Financial liabilities at amortised cost | - | 24.808 |
| **Total** | **-1.145.473** | **-500.808** |

## 5.5 Income from financial instruments held for trading

| Headings | 2023 | 2024 |
|---|---|---|
| Equity instruments and related derivatives | 4.214 | -276 |
| Foreign exchange instruments and related derivatives | -377.040 | -4.228.560 |
| Interest rate instruments and related derivatives | 11.365.083 | 9.748.000 |
| **Total** | **10.992.257** | **5.519.164** |

## 5.6 Income from financial instruments designated at fair value through profit or loss

| Headings | 2023 | 2024 |
|---|---|---|
| Financial liabilities designated at fair value through profit or loss | -11.419.433 | -2.208.058 |
| **Total** | **-11.419.433** | **-2.208.058** |

## 5.7 Income from financial instruments mandatorily measured at fair value through profit or loss

| Headings | 2023 | 2024 |
|---|---|---|
| Fixed-income securities | 9.353.403 | 4.871.021 |
| UCI units | 9.550.680 | 10.863.307 |
| Loans and advances | -188.186 | 396.853 |
| **Total** | **18.715.897** | **16.131.181** |

## 5.8 Income from hedging transactions

| Headings | 2023 | 2024 |
|---|---|---|
| **Fair value hedges** | | |
| Debt instruments (assets) hedged by derivative financial instruments | 11.013.395 | 4.137.240 |
| Debt issues hedged by derivative financial instruments | -924.187 | 33.017 |
| Loans hedged by derivative financial instruments | 3.549.306 | 2.683.732 |
| Deposits hedged by derivative financial instruments | - | -117.264 |
| **Total** | **13.638.514** | **6.736.725** |
| | | |
| Value adjustment on hedged instruments | 755.246.299 | 328.473.524 |
| Value adjustment on hedging instruments | -741.607.785 | -321.736.799 |
| **Total** | **13.638.514** | **6.736.725** |

Market risk hedging operations are highly efficient. Loans are hedged by derivative financial instruments in the form of micro-hedging or macro-hedging transactions, in accordance with IAS 39.

Information on the effectiveness rate is included in Note 4.12.

## 5.9 Foreign exchange income

| Headings | 2023 | 2024 |
|---|---|---|
| Foreign exchange income | 20.753.690 | 22.121.071 |
| **Total** | **20.753.690** | **22.121.071** |

## 5.10 Income from derecognition of non-financial assets

| Headings | 2023 | 2024 |
|---|---|---|
| Income from derecognition of non-financial assets | 1.629.409 | 2.955.908 |
| **Total** | **1.629.409** | **2.955.908** |

## 5.11 Other net operating income

| Headings | 2023 | 2024 |
|---|---|---|
| Other operating income | 17.594.252 | 21.692.103 |
| Other operating expenditure | -4.508.484 | -11.658.762 |
| **Other net operating income** | **13.085.768** | **10.033.341** |

"Other operating income and expenses" mainly include:

- valuations of precious metals,
- the rent from property rented and miscellaneous advances from tenants,
- VAT repayments relating to previous financial years,
- income on amortised loans.

Income on amortised loans stood at EUR 9.612 for 2024 and at EUR 601 for 2023.

## 5.12 Personnel expenses

| Headings | 2023 | 2024 |
|---|---|---|
| Remuneration | 231.297.711 | 242.000.860 |
| Social security charges | 7.912.431 | 9.093.706 |
| Pensions and similar expenses | 17.432.759 | 18.497.770 |
| Provisions for employee benefits | 11.583.502 | 16.096.724 |
| Other personnel expenses | 5.767.756 | 6.191.385 |
| **Total** | **273.994.159** | **291.880.445** |

## 5.13 Other general and administrative expenses

| Headings | 2023 | 2024 |
|---|---|---|
| Expenses related to property and furniture | 16.793.140 | 17.165.175 |
| Rents and maintenance of software | 39.274.747 | 40.788.733 |
| Operating expenditure related to the banking business | 43.348.129 | 53.784.027 |
| Other | 12.752.584 | 12.910.946 |
| **Total** | **112.168.600** | **124.648.881** |

## 5.14 Cash contributions to resolution funds and deposit guarantee systems

| Headings | 2023 | 2024 |
|---|---|---|
| FGDL contribution | 13.088.010 | 10.030.662 |
| FRL contribution | 21.901.568 | - |
| **Total** | **34.989.578** | **10.030.662** |

## 5.15 Depreciation allowances for tangible assets

### - Depreciation expense

| Headings | 2023 | 2024 |
|---|---|---|
| Depreciation expense - buildings | 11.327.481 | 11.466.982 |
| Depreciation expense - equipment and furniture | 9.447.759 | 10.154.590 |
| Depreciation expense - right-of-use assets in relation to leases | 2.869.157 | 3.126.485 |
| **Depreciation expense for tangible assets** | **23.644.397** | **24.748.057** |

### - Impairment

No impairment of tangible assets according to IAS 36 was recognised by the Group in 2024 or 2023.

## 5.16 Allowances for impairment of investment properties

### - Depreciation expense

| Headings | 2023 | 2024 |
|---|---|---|
| Depreciation expense | 897.800 | 888.823 |
| **Depreciation expense for investment property** | **897.800** | **888.823** |

- **Impairment**

No impairment of investment properties according to IAS 36 was recognised by the Group in 2024 or 2023.

## 5.17 Allowances for impairment of intangible assets

- **Depreciation expense**

| Headings | 2023 | 2024 |
|---|---|---|
| Depreciation expense | 24.870.454 | 28.867.238 |
| **Depreciation expense for intangible assets** | **24.870.454** | **28.867.238** |

- **Impairment**

No impairment of intangible assets according to IAS 36 was recognised by the Group in 2024 or 2023.

## 5.18 Net allowances for impairment of credit risks

| | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Additions | Reversals | Total | Additions | Reversals | Total |
| Fixed-income securities recognised at amortised cost | -5.837.658 | 6.276.118 | 438.460 | -9.043.152 | 3.339.650 | -5.703.502 |
| Fixed-income securities recognised at fair value through the revaluation reserve | -20.138 | 1.440 | -18.699 | - | 15.601 | 15.601 |
| Loans and advances | -179.929.599 | 58.023.529 | -121.906.070 | -268.131.925 | 109.434.659 | -158.697.266 |
| **Total** | **-185.787.396** | **64.301.087** | **-121.486.309** | **-277.175.077** | 112.789.910 | **-164.385.167** |

| Interest on financial assets impaired in Stage 3 | 2023 | 2024 |
|---|---|---|
| Interest on impaired fixed-income securities recognised at amortised cost | - | 26.269 |
| Interest on impaired loans and advances | 23.090.904 | 40.486.734 |
| **Total** | **23.090.904** | **40.513.003** |

## 5.19 Provisions

| Headings | 2023 | 2024 |
|---|---|---|
| Provisions | -30.995.500 | -71.592.953 |
| Reversal of provisions | 19.763.247 | 27.253.385 |
| **Total** | **-11.232.253** | **-44.339.568** |

## 5.20 Share in the profit of equity-accounted associates

| Equity-accounted associates | 2023 | 2024 |
|---|---|---|
| Société Nationale de Circulation Automobile S.à r.l. | 835.098 | 768.665 |
| i-Hub S.A. | -1.507.521 | -1.132.075 |
| Luxair S.A. | 27.592.123 | 36.433.427 |
| Société de la Bourse de Luxembourg S.A. | 2.664.067 | 1.692.925 |
| LuxConstellation S.A. | - | 46.823 |
| Europay Luxembourg S.C. | -6.038 | -7.995 |
| LuxHub S.A. | -24.995 | -151.049 |
| Lalux Group S.A. | 18.413.296 | 26.931.799 |
| Visalux S.C. | 192.895 | 5.054.984 |
| Prolog Luxembourg S.A. | - | -50.398 |
| **Total** | **48.158.925** | **69.587.106** |

The significant contribution from Luxair Group S.A. stems mainly from the inclusion in the scope of consolidation of its 35,1% interest in Cargolux S.A.

## 5.21 Tax expense

| Headings | 2023 | 2024 |
|---|---|---|
| Tax on income from continuing operations | -77.832.202 | -104.973.307 |
| Deferred taxes | -3.466.548 | 3.966.310 |
| **Tax on profit/(loss) for the period** | **-81.298.750** | **-101.006.997** |

The nominal tax rate applicable in Luxembourg was 24,94% as at 31 December 2024 and 31 December 2023. The Group's effective tax rate was 18,6% in 2024 and 15,3% in the prior year, given the differences between the Luxembourg tax base and the accounting principles for annual financial statements in force in Luxembourg.

The difference between these two rates may be analysed as follows:

| | 2023 | 2024 |
|---|---|---|
| Income before tax | 532.686.852 | 543.293.529 |
| Tax rate | 24,94% | 24,94% |
| Theoretical tax at the standard rate | 132.852.101 | 135.497.406 |
| Tax impact of non-deductible expenses | 137.918 | 131.081 |
| Tax impact of non-taxable income | -11.075.150 | -10.599.050 |
| Share in the income of equity-accounted associates | -12.013.848 | -17.355.024 |
| Tax rebates and reductions | -24.139.640 | -7.243.696 |
| Change in deferred tax rate | - | -3.233.400 |
| Minority interests | -527.905 | -26.339 |
| Other | -3.934.726 | 3.836.018 |
| **Tax on profit/(loss) for the period** | **81.298.750** | **101.006.997** |

The tax impact of non-taxable income largely stems from the collection of dividends from the Group’s strategic shareholdings in resident companies, fully subject to tax, which enable it to apply the principle of parent companies and subsidiaries in accordance with Article 166 LIR (Income Tax Act) in order to avoid double economic taxation of such income. Excluding this non-taxable income for the Group, the Group's effective tax rate would be 20,5% in 2024, versus 17,3% in 2023.
For financial years 2023 and 2024, the Group's parent company took advantage of the options provided under the LIR (Income Tax Act) with regard to the investment tax allowance.

Taxation does not occur overall at the Group level but individually for each company within the Group.

## 5.22 Return on assets

In accordance with Article 38-4 of the Law on the Financial Sector, the Group reported its return on assets, which stood at 0,78% for financial year 2024 versus 0,80% in the prior year.

# 6 RISK MANAGEMENT[7]

## 6.1 Risk management policy

### 6.1.1 Definition of risk appetite

The Group's parent company's objective is to contribute to the development of Luxembourg's economy and to generate enough profit to strengthen its financial position.

The Group's parent company has adopted a defensive risk profile which is defined in the Risk Appetite Framework (RAF) and in a set of limits that are intended to manage and control the various risks to which the Group's parent company is or might be exposed. These limits are indicated in the Group's parent company's Limit Handbook.

Risk appetite is defined as the level of risk that the Group's parent company is willing and able to bear in the pursuit of its strategic objectives. The levels of risk to which the Group's parent company is exposed are measured through a set of strategic indicators, operational metrics, and macroeconomic indicators. Risk appetite is expressed through the surveillance levels set by the Group's parent company for these indicators.

The RAF also enables the Board of Directors and the Executive Committee to regularly monitor the Group's parent company's overall risk situation in detail.

### 6.1.2 Risk culture

Staff at the Group's parent company play an active role in identifying, reporting and monitoring the risks to which it is or might be exposed. The Group's parent company thus takes a positive approach to risk management and internal control.

The three internal control functions have drawn up an internal control charter with the goal of:

- establishing the principles and the minimum requirements needed for the Group's parent company's internal control system to function effectively;
- establishing the rules governing the organisation, responsibilities and scope of action of the internal control players, as well as their coordination.

[7] Minor differences between the figures in the notes to the annual financial statements and the figures in the different annual statements are rounding differences only.

Staff can use a dedicated portal to access this charter and the policies that describe how the Group's parent company manages different types of risks.

At their information sessions, the Executive Committee and other management bodies promote a healthy risk culture as well as the values of the Group's parent company ("tone from the top").

The pay grid for the Group's parent company's agents does not encourage risk-taking.

### 6.1.3 Capital management policy

The Group's parent company's capital management policy meets the objectives of the missions defined in its organic law, including the mission to finance Luxembourg's economy to support its development. The Group's parent company aims to retain moderate leverage, which is reflected in a high target solvency ratio.

## 6.2 Risk management governance

### 6.2.1 Role of the Board of Directors

Pursuant to the Organic Law of 1989 and to legal obligations or obligations arising from applicable national or European regulations, "the Board of Directors defines the Bank's general policy and is responsible for management control of the Executive Committee". To do so, the Board considers the liquidity and solvency of the Group's parent company as well as the medium- and long-term sustainability of the latter's business model.

In this context, the Board defines the overall strategy of the Group's parent company, on the basis of proposals from the Executive Committee, and oversees the implementation of the related objectives, as well as the administrative, functional and risk management structure resulting from implementation of the strategy. The Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) are incorporated into these oversight functions to evaluate the strategy and business development in terms of impacts on the Group's parent company's liquidity and solvency.

The various risks identified in the Group's parent company's risk mapping are subject to a materiality and likelihood of occurrence assessment, and a supervisory framework is developed to manage them.

### 6.2.2 Role of the Risk Committee

The Risk Committee advises the Board of Directors (the Board) in its supervisory function and thus prepares the decisions to be adopted by the Board. It provides support in the specific areas relating to the multiple aspects of risks incurred by the Group's parent company that are inherent in the execution of its business model, in its strategic objectives, in legal, regulatory and technological changes and in changes in the social, commercial and competitive environment in which the Group's parent company operates. It consists of four members of the Board of Directors.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Risk Officer and Chief Internal Auditor are invited to all meetings of the Risk Committee.

### 6.2.3 Role of the Audit and Compliance Committee

The Audit and Compliance Committee advises the Board of Directors in its supervisory role and thus prepares the decisions to be adopted by the Board. In particular, it assists the Board in the areas of financial reporting, regulatory compliance, internal control including internal audit, and control exercised by the statutory auditor.

The Audit and Compliance Committee thus facilitates the implementation of a sound internal governance framework.

The Audit and Compliance Committee consists of five members of the Board of Directors, including a majority of members considered independent within the meaning of the applicable laws and regulations.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor are invited to all meetings of the Audit and Compliance Committee. The audit firm responsible for the statutory audit of the Group's parent company's financial statements may be invited to Audit and Compliance Committee meetings at the request of this Committee.

### 6.2.4 Role of the Appointment and Compensation Committee

The Appointment and Compensation Committee consists of five members of the Board of Directors, the majority of whom are independent within the meaning of the applicable laws and regulations. For specific matters relevant to aspects of compensation for staff at Spuerkeess, this committee meets as the Compensation Committee and is joined, as members of this Compensation Committee, by the two members of the Board of Directors who represent Spuerkeess's staff.

### 6.2.5 Role of the Executive Committee

Pursuant to the Organic Law of 1989 and in accordance with the general policy and overall economic strategy of the Group's parent company defined by the Board of Directors on a proposal from the Committee, all administrative acts and measures necessary or relevant to the Group's parent company's purpose fall within the responsibility of the Executive Committee.

The Executive Committee is responsible for the effective, sound and prudent management of activities and the risks inherent to them. This management is done in keeping with the strategies and guiding principles established by the Board of Directors and applicable European and national laws and regulations. The Executive Committee thus makes proposals to the Board of Directors to enable it to define the overall risk strategy, including the Group's parent company's risk appetite and risk management framework.

In 2022, the Group's parent company established Extended Management ("Direction élargie"), made up of members of the Executive Committee and 11 Senior Vice Presidents. This is a cross-functional decision-making body that develops opinions and proposals for structured monitoring of the Group's parent company and for the strategy and overall organisation. Effective cross-functional coordination is needed to develop and take action on these issues.

### 6.2.6 Role of the internal control functions

#### *6.2.6.1 Role of the Risk Management Department*

From an organisational point of view, the risk control function is delegated to the Risk Management department (DRM). This function operates independently from all commercial and operational activities within the Group's parent company. The Risk Management department is therefore part of the second line of defence. The DRM reports to the Chief Risk Officer, who is a member of the Executive Committee and also has a reporting relationship with the Board of Directors and, as such, may communicate directly and at his own initiative with the Chairman of the Audit and Compliance Committee, the Chairman of the Risk Committee and the Chairman of the Board of Directors.

The Group's parent company has a set of risk monitoring committees made up of the heads of various units at the operational level.

To fulfil its duties, the Risk Management department is tasked mainly with:

At the Enterprise Risk Management (ERM) unit level:

- defining and updating the Risk Appetite Framework;
- developing the internal models used to manage risks;
- coordinating the work related to the recovery plan and the resolution plan.

At the Financial Risk Management (FRM) unit level:

- monitoring changes in the quality of the credit risk of all of the Group's parent company's portfolios;
- monitoring other financial risks such as interest rate risk and liquidity risk;
- projecting the risk indicators and conducting stress tests.

At the Non-Financial Risk Management (NRM) unit level:

- providing independent validation of the internal models;
- monitoring and analysing operational incidents;
- monitoring the Cyber Protection Plan implemented by the first line of defence;
- overseeing the Group's parent company's IT security.

Cross-functional issues:

- identifying and assessing the risks the Group's parent company is facing or might face;
- drafting opinions for new products and other strategic changes to help the management bodies in their decision-making;
- implementing and using the ICAAP and ILAAP processes;
- challenging the first lines of defence by performing second line of defence controls, among others;
- defining and updating the risk management policies and standards.

#### *6.2.6.2 Role of the Compliance department*

Compliance risk – also called non-conformity risk – generally refers to the risk of loss stemming from activities not carried out in accordance with current standards and regulations.

The Compliance department is part of the second line of defence, together with the Risk Management department. It reports to the Executive Committee. The Chief Compliance Officer also has a reporting relationship with the Board of Directors and, as such, may communicate directly and at his own initiative with the Chairman of the Audit and Compliance Committee, the Chairman of the Risk Committee and the Chairman of the Board of Directors. The Compliance function operates independently from all commercial and operational activities within Spuerkeess.

The areas and responsibilities of the Compliance department are mainly:

- anti-money laundering and counter-terrorist financing activities;
- the prevention of market abuse and the integrity of financial instrument markets;
- the protection of the interests of customers and investors;
- the application of regulations on the protection of personal data;
- the prevention and management of conflicts of interests;
- the identification and monitoring of the standards to which the Group's parent company is subject in the course of its activities.

In addition to the Compliance department, the Compliance function also consists of the Compliance Committee and the Acceptance Committee. The Compliance Committee is responsible for cross-business compliance issues affecting several units/activities. The Acceptance Committee is responsible for starting new business relationships and ending others for various reasons.

#### *6.2.6.3 Role of the Internal Audit department*

The "Internal Audit" department is responsible for periodically assessing the proper functioning and adequacy of the Group's parent company's internal control system.

The Internal Audit department is the third line of defence and the Chief Internal Auditor is accountable to the Executive Committee and to the Board of Directors for the performance of his duties. The Chief Internal Auditor thus also has a reporting relationship with the Board of Directors and may communicate directly and at his own initiative with the Chairman of the Audit and Compliance Committee, the Chairman of the Risk Committee, the Chairman of the Board of Directors and even with the supervisors of the Group's parent company.

The objectives are the following:

- protect the Group's parent company's assets;
- promote the efficiency and effectiveness of the implemented resources in order to ensure the quality of services;
- ensure the protection, integrity, reliability, and rapid dissemination of operational and financial information;
- ensure the correct application of internal procedures, instructions, Luxembourg's laws and regulations, as well as the regulator's prudential requirements;
- ensure compliance with the objectives set by the decision-making bodies of the Group's parent company;
- ensure the adequacy of the segregation of duties and the execution of operations;
- ensure compliance with the procedures governing the adequacy of capital and internal liquidity reserves;
- guarantee the adequacy of risk management;
- ensure the operation and effectiveness of the compliance and risk control functions.

Audit missions are carried out on the basis of a multi-year audit plan drawn up by the Internal Audit department and approved by the Audit and Compliance Committee and the Board of Directors.

The Chief Internal Auditor (CIA) guarantees application of the international standards of the Institute of Internal Auditors and compliance with the regulatory requirements by the Internal Audit department.

## 6.3 Main risks to which the Group's parent company is exposed

### 6.3.1 Credit risk

#### *6.3.1.1 Definition*

Credit risk is the risk of financial loss on receivables for the Group's parent company when a borrower is unable to meet its contractual obligations.
This risk mainly concerns the loan and credit activities, as well as the activities involving investments in financial debt instruments on the capital markets.

#### *6.3.1.2 Credit risk management governance*

The Credit Management department (DAG) manages credit risk within the first line of defence. The department operates independently from all commercial activities. It is responsible for:

- developing and periodically updating the credit risk limits and the framework for the granting of financing;
- valuing and periodically revaluing the personal and real property collateral offered as security;
- analysing the credit and counterparty risk of funding requests, considering them, and submitting them to the appropriate bodies for decision;
- managing the administrative aspects of the offers accepted by customers, entering into contracts, and paying out funds;
- monitoring, as the first line of defence, the credit risk associated with the financing granted by the Group's parent company.

The commercial departments play an active role in managing credit risk. Their ongoing contact with their customers enables them to identify and anticipate customers' financial difficulties.

The Financial Risk Management unit within the Risk Management department serves as the second line of defence.

### *6.3.1.3 Credit risk management approach*

Counterparty risk is a subcategory of credit risk and is defined as:

- the risk that the counterparty to a market transaction could default before the final settlement of the transaction's cash flows; and
- a potential change in the measurement of the exposure, which depends on the intrinsic creditworthiness of a given counterparty (CVA risk).

The Group's parent company has negotiated International Swaps and Derivatives Association, Inc. (ISDA) framework agreements including Credit Support Annexes (CSAs) designed to limit counterparty risk on derivative financial instrument trades with a positive mark-to-market valuation. At end-2024, 92,1% of derivative financial instrument transaction outstandings were covered by such agreements.

Alongside the ISDA-CSA framework agreements, the Group's parent company makes use of central counterparties (CCPs) to limit counterparty risk. At end-2024, 7,1% of outstanding amounts of derivative transactions were liquidated through these CCPs.

### *6.3.1.4 Concentration risk management approach*

Concentration risk is the risk resulting from an excessive exposure with regard to one single borrower, a group of borrowers, an economic sector or a country. To avoid this risk, the Group's parent company has implemented a set of procedures to efficiently manage the limits set. Concentration risk can be measured either from the commitment point of view or from the point of view of the resources of the Group's parent company. In the latter case, the risk is correlated with liquidity risk.

The Group's parent company reviews at least annually the different types of limits affecting the components of concentration risk.

It has therefore invested in appropriate risk management tools in line with the range of risk profiles and different financing techniques.

In addition to counterparty limits, the Group's parent company has set up a system of limits by country and sector to contain concentration risk.

Generally speaking, commitments are concentrated in high credit ratings (AAA, AA and A) to limit exposure to risk and volatility, systematically avoiding riskier segments of the market.

### *6.3.1.5 Exposure to credit and counterparty risk*

| Maximum exposure to credit risk | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Cash and sight accounts with central banks | 7.887.777.548 | 7.410.938.949 |
| Loans and advances at amortised cost – Credit institutions | 3.244.670.787 | 3.378.406.203 |
| Loans and advances at amortised cost – Customers | 26.967.687.941 | 27.190.861.623 |
| Financial instruments held for trading | 178.037.790 | 262.679.628 |
| Hedging derivative financial instruments | 1.115.570.816 | 878.147.556 |
| Financial assets mandatorily recognised at fair value through profit or loss | 430.875.837 | 300.327.443 |
| Fixed-income securities recognised at amortised cost | 14.831.125.424 | 15.610.191.902 |
| Fixed-income securities recognised at fair value through the revaluation reserve | 31.091.835 | 31.725.784 |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | -488.436.242 | -350.917.529 |
| **Exposure of balance sheet commitments** | **54.198.401.736** | **54.712.361.559** |
| Completion bonds | 279.471.260 | 238.928.271 |
| Letters of credit | 99.394.597 | 105.576.351 |
| Counter-guarantees | 526.676.050 | 538.964.666 |
| Other | 36.989.823 | 48.443.928 |
| Undrawn confirmed credits | 6.356.265.369 | 6.511.537.044 |
| Documentary credits | 15.100.000 | - |
| **Exposure of off-balance sheet commitments** | **7.313.897.099** | **7.443.450.260** |
| **Total exposure** | **61.512.298.835** | **62.155.811.819** |

The Group's parent company uses the following standard techniques to mitigate credit and counterparty risk:

- collateral:

| Breakdown by type of collateral | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Mortgages | 20.899.748.665 | 21.554.055.882 |
| Reverse repurchase agreements | 2.593.229.438 | 2.638.489.057 |
| Pledge through cash or securities deposits | 164.277.664 | 99.241.908 |

- personal guarantees: these stood at EUR 498.960.968 at 31 December 2024 compared with EUR 531.759.185 for the previous year,
- ISDA – CSA contracts,
- Global Master Repurchase Agreements (GMRA).

Financial assets that are the subject of a legally enforceable netting framework agreement or a similar agreement:

| 31/12/2023 | Financial assets that are the subject of netting | | | Potential netting not recognised on the balance sheet | | Financial assets after taking potential netting into account |
|---|---|---|---|---|---|---|
| | Financial assets before balance sheet netting | Balance sheet netting with financial liabilities | Financial assets recorded on the balance sheet | Financial liabilities | Collateral received | |
| Reverse repurchase/Repurchase agreements | 2.610.606.897 | - | 2.610.606.897 | 120.870.760 | 2.469.086.889 | 20.649.248 |
| Derivatives | 1.220.761.133 | - | 1.220.761.133 | 413.982.778 | 751.531.293 | 55.247.062 |
| **Total assets** | **3.831.368.030** | **-** | **3.831.368.030** | **534.853.538** | **3.220.618.182** | **75.896.310** |

| 31/12/2024 | Financial assets that are the subject of netting | | | Potential netting not recognised on the balance sheet | | Financial assets after taking potential netting into account |
|---|---|---|---|---|---|---|
| | Financial assets before balance sheet netting | Balance sheet netting with financial liabilities | Financial assets recorded on the balance sheet | Financial liabilities | Collateral received | |
| Reverse repurchase/Repurchase agreements | 2.659.357.754 | - | 2.659.357.754 | 98.260.538 | 2.556.219.285 | 4.877.931 |
| Derivatives | 1.009.660.582 | - | 1.009.660.582 | 409.843.103 | 590.063.839 | 9.753.640 |
| **Total assets** | **3.669.018.337** | **-** | **3.669.018.337** | **508.103.642** | **3.146.283.124** | **14.631.571** |

Financial liabilities that are the subject of a legally enforceable netting framework agreement or a similar agreement:

| 31/12/2023 | Financial liabilities that are the subject of netting | | | Potential netting not recognised on the balance sheet | | Financial liabilities after taking potential netting into account |
|---|---|---|---|---|---|---|
| | Financial liabilities before balance sheet netting | Balance sheet netting with financial assets | Financial liabilities recorded on the balance sheet | Financial assets | Collateral given | |
| Repurchase/Reverse repurchase agreements | 339.497.612 | - | 339.497.612 | - | 330.097.647 | 9.399.965 |
| Derivatives | 262.724.864 | - | 262.724.864 | 52.349.408 | 203.750.741 | 6.624.715 |
| **Total liabilities** | **602.222.476** | **-** | **602.222.476** | **52.349.408** | **533.848.388** | **16.024.680** |

| 31/12/2024 | Financial liabilities that are the subject of netting | | | Potential netting not recognised on the balance sheet | | Financial liabilities after taking potential netting into account |
|---|---|---|---|---|---|---|
| | Financial liabilities before balance sheet netting | Balance sheet netting with financial assets | Financial liabilities recorded on the balance sheet | Financial assets | Collateral given | |
| Repurchase/Reverse repurchase agreements | 322.853.374 | - | 322.853.374 | - | 319.735.454 | 3.117.920 |
| Derivatives | 253.109.413 | - | 253.109.413 | 112.881.592 | 134.708.944 | 5.518.877 |
| **Total liabilities** | **575.962.787** | **-** | **575.962.787** | **112.881.592** | **454.444.398** | **8.636.797** |

Pursuant to IFRS, the Group's parent company assesses its exposure to financial asset credit risk as the book value.

In the "Quantitative tables of exposures and concentrations" section, exposure to credit risk is indicated at book value before collateralisation. Collateralisation is a technique for reducing the risk of the underlying asset.

Credit risk is shown according to exposures:

- by geography,
- by counterparty category,
- by risk class (internal ratings).

Exposure by geographical area:

| Geographical area as at 31/12/2023 (in thousands of euros) | European Union and Switzerland | Other European countries | North America | Asia and Oceania | Supra-national | Other | Total |
|---|---|---|---|---|---|---|---|
| Cash and sight accounts with central banks | 7.679.945 | 127.390 | 44.730 | 35.712 | - | - | 7.887.778 |
| Loans and advances at amortised cost | 30.001.515 | 46.312 | 12.826 | 146.071 | 92 | 5.542 | 30.212.359 |
| Financial instruments held for trading and hedging derivative instruments | 965.028 | 311.802 | 16.779 | - | - | - | 1.293.609 |
| Financial assets mandatorily recognised at fair value through profit or loss | 372.550 | 9.363 | 5.216 | - | 43.747 | - | 430.876 |
| Fixed-income securities recognised at amortised cost | 8.203.008 | 1.255.671 | 2.607.005 | 1.607.689 | 1.135.800 | 21.952 | 14.831.125 |
| Financial instruments recognised at fair value through the revaluation reserve | 786.164 | - | - | - | - | - | 786.164 |
| Investments in associates accounted for using the equity method | 907.201 | - | - | - | - | - | 907.201 |
| Other | -164.716 | - | - | - | - | - | -164.716 |
| **Total** | **48.750.696** | **1.750.538** | **2.686.556** | **1.789.472** | **1.179.639** | **27.495** | **56.184.395** |

| Geographical area as at 31/12/2024 (in thousands of euros) | European Union and Switzerland | Other European countries | North America | Asia and Oceania | Supra-national | Other | Total |
|---|---|---|---|---|---|---|---|
| Cash and sight accounts with central banks | 6.998.967 | 306.793 | 63.418 | 41.562 | 199 | - | 7.410.939 |
| Loans and advances at amortised cost | 30.141.714 | 249.988 | 13.081 | 159.358 | 108 | 5.019 | 30.569.268 |
| Financial instruments held for trading and hedging derivative instruments | 278.127 | 780.105 | 82.596 | - | - | - | 1.140.827 |
| Financial assets mandatorily recognised at fair value through profit or loss | 242.318 | 4.550 | - | - | 53.459 | - | 300.327 |
| Fixed-income securities recognised at amortised cost | 8.493.490 | 1.281.478 | 2.556.374 | 1.453.895 | 1.824.955 | - | 15.610.192 |
| Financial instruments recognised at fair value through the revaluation reserve | 872.731 | - | - | - | 8.309 | - | 881.040 |
| Investments in associates accounted for using the equity method | 977.850 | - | - | - | - | - | 977.850 |
| Other | -17.079 | - | - | - | - | - | -17.079 |
| **Total** | **47.988.117** | **2.622.914** | **2.715.468** | **1.654.815** | **1.887.030** | **5.019** | **56.873.363** |

In the following table, to meet the requirements of IFRS 7 "Financial Instruments: Disclosures", exposure to credit risk as at 31 December 2024 and 2023 is presented according to internal ratings.

The average collateralisation ratio recorded is defined as the ratio of collateral received to outstanding amounts.

Exposure by counterparty category and risk class:

| | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | Outstanding excluding impairment | Outstanding with impairment | Average collateralisation ratio | Outstanding excluding impairment | Outstanding with impairment | Average collateralisation ratio |
| **Cash and sight accounts with central banks** | | | | | | |
| High grade | 350.488.676 | 350.216.209 | - | 616.173.041 | 615.766.118 | - |
| Standard grade | 174.934 | 174.532 | - | 31.704 | 31.644 | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 7.537.765.447 | 7.537.386.806 | - | 6.795.623.266 | 6.795.141.187 | - |
| **Total of categories** | **7.888.429.057** | **7.887.777.548** | | **7.411.828.011** | **7.410.938.949** | |
| **Loans and advances at amortised cost** | | | | | | |
| Banks | | | | | | |
| High grade | 3.060.044.566 | 3.060.012.857 | 83,27% | 3.245.897.506 | 3.245.799.815 | 80,09% |
| Standard grade | - | - | - | 1.416.298 | 1.400.909 | - |
| Sub-standard grade | - | - | - | - | - | - |
| Past due not in default | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 184.662.196 | 184.657.930 | 24,46% | 131.243.505 | 131.205.479 | 29,73% |
| Corporates | | | | | | |
| High grade | 2.179.721.824 | 2.167.652.847 | 74,96% | 1.475.489.260 | 1.444.969.983 | 79,62% |
| Standard grade | 1.589.444.088 | 1.570.984.519 | 44,66% | 2.225.927.887 | 2.186.974.614 | 50,15% |
| Sub-standard grade | 1.182.749.962 | 1.145.122.137 | 65,38% | 1.225.013.506 | 1.170.486.590 | 74,05% |
| Past due not in default | 75.357.193 | 74.279.749 | 70,86% | 86.270.081 | 63.079.555 | 55,12% |
| Default | 273.780.032 | 192.849.198 | 83,26% | 485.761.038 | 382.542.187 | 90,16% |
| Not rated | 1.204.080.748 | 1.187.063.995 | 0,41% | 1.144.731.994 | 1.143.458.645 | - |
| Sovereigns | | | | | | |
| High grade | 71.761 | 71.606 | - | 124.125 | 124.069 | - |
| Standard grade | 12.612 | 12.600 | - | 1.220.227 | 1.218.129 | 95,85% |
| Sub-standard grade | 18 | 18 | - | - | - | - |
| Past due not in default | 15.968.098 | 15.961.584 | - | 1.117.003 | 1.117.003 | - |
| Default | - | - | - | - | - | - |
| Not rated | 1.346.440.994 | 1.345.896.427 | - | 1.056.712.724 | 1.056.596.349 | - |
| Retail | | | | | | |
| High grade | 17.261.991.315 | 17.246.447.058 | 93,60% | 17.597.667.527 | 17.545.840.280 | 93,45% |
| Standard grade | 1.223.241.176 | 1.208.187.968 | 80,57% | 1.239.347.852 | 1.210.995.765 | 77,93% |
| Sub-standard grade | 497.192.091 | 474.957.485 | 76,77% | 601.369.318 | 575.205.163 | 81,15% |
| Past due not in default | 107.367.861 | 103.498.078 | 92,78% | 76.788.191 | 72.259.731 | 87,06% |
| Default | 258.051.823 | 204.962.263 | 93,14% | 373.230.189 | 307.690.134 | 93,85% |
| Not rated | 29.745.554 | 29.740.407 | 8,58% | 28.310.072 | 28.303.425 | 1,30% |
| **Total of categories** | **30.489.923.913** | **30.212.358.728** | | **30.997.638.304** | **30.569.267.826** | |

| | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | Outstanding excluding impairment | Outstanding with impairment | Average collateralisation ratio | Outstanding excluding impairment | Outstanding with impairment | Average collateralisation ratio |
| **Financial instruments held for trading and hedging derivative instruments** | | | | | | |
| Banks | | | | | | |
| High grade | 704.980.371 | 704.980.371 | 11,09% | 1.029.533.506 | 1.029.533.506 | 52,54% |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 530.905.155 | 530.905.155 | 71,18% | 4.472.525 | 4.472.525 | 16,10% |
| Corporates | | | | | | |
| High grade | 2.449.743 | 2.449.743 | - | 25.480.217 | 25.480.217 | 48,70% |
| Standard grade | 4.739.984 | 4.739.984 | - | 4.930.498 | 4.930.498 | - |
| Sub-standard grade | 9.503.001 | 9.503.001 | - | 8.002.046 | 8.002.046 | 12,00% |
| Default | - | - | - | - | - | - |
| Not rated | 40.661.466 | 40.661.466 | 22,80% | 66.237.167 | 66.237.167 | 88,17% |
| Sovereigns | | | | | | |
| High grade | - | - | - | - | - | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | - | - | - | 1.669.900 | 1.669.900 | - |
| Retail | | | | | | |
| High grade | 347.742 | 347.742 | - | - | - | - |
| Standard grade | - | - | - | 100.119 | 100.119 | - |
| Sub-standard grade | 21.145 | 21.145 | - | 401.206 | 401.206 | - |
| Default | - | - | - | - | - | - |
| Not rated | - | - | - | - | - | - |
| **Total of categories** | **1.293.608.606** | **1.293.608.606** | | **1.140.827.184** | **1.140.827.184** | |
| **Financial assets mandatorily recognised at fair value through profit or loss** | | | | | | |
| Banks | | | | | | |
| High grade | 230.762.590 | 230.762.590 | - | 113.498.589 | 113.498.589 | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | - | - | - | - | - | - |
| Corporates | | | | | | |
| High grade | 24.917.620 | 24.917.620 | - | 13.266.262 | 13.266.262 | - |
| Standard grade | 18.704.930 | 18.704.930 | - | 20.284.315 | 20.284.315 | - |
| Sub-standard grade | 17.711.595 | 17.711.595 | - | 18.128.579 | 18.128.579 | - |
| Default | - | - | - | - | - | - |
| Not rated | 94.602.983 | 94.602.983 | - | 111.070.843 | 111.070.843 | - |
| Sovereigns | | | | | | |
| High grade | 44.125.154 | 44.125.154 | - | 24.073.646 | 24.073.646 | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | - | - | - | - | - | - |
| Securitisation | | | | | | |
| High grade | - | - | - | - | - | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | 50.965 | 50.965 | - | 5.209 | 5.209 | - |
| Default | - | - | - | - | - | - |
| Not rated | - | - | - | - | - | - |
| **Total of categories** | **430.875.837** | **430.875.837** | | **300.327.443** | **300.327.443** | |

| | 31/12/2023 | | | 31/12/2024 | | |
|---|---|---|---|---|---|---|
| | Outstanding excluding Impairment | Outstanding with Impairment | Average collateralisation ratio | Outstanding excluding Impairment | Outstanding with Impairment | Average collateralisation ratio |
| **Fixed-income securities recognised at amortised cost** | | | | | | |
| Banks | | | | | | |
| High grade | 6.416.292.580 | 6.413.341.507 | - | 6.646.193.874 | 6.642.963.854 | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 9.626.675 | 9.622.920 | - | - | - | - |
| Corporates | | | | | | |
| High grade | 4.118.360.208 | 4.116.836.761 | - | 4.387.085.735 | 4.385.047.246 | - |
| Standard grade | 1.388.575.544 | 1.387.165.666 | - | 1.584.505.732 | 1.581.090.576 | - |
| Sub-standard grade | 30.302.589 | 30.206.922 | - | 15.198.779 | 14.847.969 | - |
| Default | - | - | - | - | - | - |
| Not rated | 155.085.880 | 154.960.789 | - | 76.239.467 | 76.070.838 | - |
| Sovereigns | | | | | | |
| High grade | 2.301.995.437 | 2.299.117.773 | - | 2.509.881.744 | 2.506.293.922 | - |
| Standard grade | 239.172.922 | 238.163.476 | - | 232.055.852 | 230.684.861 | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 167.753.965 | 167.642.081 | - | 165.306.315 | 165.130.243 | - |
| Securitisation | | | | | | |
| High grade | 12.311.039 | 12.213.048 | - | 8.050.022 | 7.985.947 | - |
| Standard grade | 1.792.302 | 1.778.036 | - | - | - | - |
| Sub-standard grade | 227.044 | 76.446 | - | - | - | - |
| Default | - | - | - | 227.044 | 76.446 | - |
| Not rated | - | - | - | - | - | - |
| **Total of categories** | **14.841.496.186** | **14.831.125.424** | | **15.624.744.564** | **15.610.191.902** | |
| **Financial instruments recognised at fair value through the revaluation reserve and investments in associates accounted for using the equity method** | | | | | | |
| Banks | | | | | | |
| High grade | 4.674.550 | 4.674.550 | - | 4.814.763 | 4.814.763 | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 8.025.523 | 8.025.523 | - | 8.309.625 | 8.309.625 | - |
| Corporates | | | | | | |
| High grade | 123.074.447 | 123.074.447 | - | - | - | - |
| Standard grade | 542.145.030 | 542.145.030 | - | 805.868.289 | 805.868.289 | - |
| Sub-standard grade | 409.912.378 | 409.912.378 | - | 505.995.902 | 505.995.902 | - |
| Default | - | - | - | 561.793 | 561.793 | - |
| Not rated | 579.116.273 | 579.116.273 | - | 506.427.873 | 506.427.873 | - |
| Sovereigns | | | | | | |
| High grade | 15.939.675 | 15.939.675 | - | 26.911.020 | 26.911.020 | - |
| Standard grade | - | - | - | - | - | - |
| Sub-standard grade | - | - | - | - | - | - |
| Default | - | - | - | - | - | - |
| Not rated | 10.477.610 | 10.477.610 | - | - | - | - |
| **Total of categories** | **1.693.365.486** | **1.693.365.486** | | **1.858.889.265** | **1.858.889.265** | |
| Other (*) | -164.716.327 | -164.716.327 | - | -17.079.295 | -17.079.295 | - |
| **Total of categories** | **-164.716.327** | **-164.716.327** | | **-17.079.295** | **-17.079.295** | |
| **Total** | **56.472.982.757** | **56.184.395.301** | | **57.317.175.475** | **56.873.363.275** | |

(*) The "Other" item comprises "Change in fair value of a portfolio of financial instruments hedged against interest rate risk", "Tangible assets for own use", "Investment property", "Intangible assets", "Non-current assets and disposal groups classified as held for sale", "Current taxes" and "Other assets".

The Group's parent company enters outstanding amounts where the contractual payment due date has passed by at least one day on the line "Past due not in default" under "Loans and advances at amortised cost". In "Fixed-income securities recognised at amortised cost", the Group's parent company does not record any items in the "Past due not in default" line and uses objective evidence of impairment to determine individual impairments.

The average collateralisation ratio gives the average hedging ratio of outstanding amounts by collateral held. An indication of the level of impairment is provided in the columns "Outstanding excluding impairment" and "Outstanding including impairment".

Banks, Corporates, Sovereigns:
The grouping according to internal risk category corresponds, for example, with the following Standard & Poor's (S&P) equivalents:
High grade : from AAA to A+
Standard grade : from A to BBB-
Sub-standard grade : from BB+ to CCC
Outstanding amounts described as "Default" relate to outstanding amounts showing objective impairment evidence.

Securitisation:
The grouping according to internal risk category corresponds, for example, with the following "S&P" equivalents:
High grade : from AAA to A+
Standard grade : from A to BBB-
Sub-standard grade : from BB+ to CCC

Retail:
The grouping according to internal risk category is made as follows for the Retail exposures, for example, using the following "S&P" equivalents:
High grade : from AAA to A+
Standard grade : from A to BBB-
Sub-standard grade : from BB+ to CCC
Outstanding amounts described as "Default" relate to outstanding amounts showing objective impairment evidence.

For interbank markets and international loans, contracts are recognised in the balance sheet under "Loans and advances at amortised cost - Credit institutions", "Loans and advances at amortised cost - Customers", "Fixed-income securities recognised at amortised cost" and "Financial assets mandatorily recognised at fair value through profit or loss"; a large majority of counterparties consist of banking and financial institutions. The Group's parent company pursued its prudent investment policy in 2024, resulting in:

- a large proportion of investments in covered bonds, which offer more security than senior unsecured bonds;
- investments in debt issued or guaranteed by the European Union or some of its member States.

With regard to international loans to non-financial entities recognised in the balance sheet under "Loans and advances at amortised cost - Customers", "Fixed-income securities recognised at amortised cost" and "Financial assets mandatorily recognised at fair value through profit or loss", priority is given to commitments in OECD countries rated as at least Investment Grade.

### 6.3.2 Market risk

#### *6.3.2.1 Definition*

Market risk is generally the risk of the Group's parent company suffering financial loss on the instruments it holds as a result of unfavourable developments in market parameters, such as interest rates, foreign exchange rates and share prices.

The market risks arising from the Group's parent company's business model are mainly interest rate risk and price risk on its strategic holdings.

#### *6.3.2.2 Market risk management governance*

The purpose of risk management is to ensure that the risk incurred matches the Group's parent company's risk appetite. To that end, the Group's parent company has introduced several market risk indicators subject to limits that reflect risk appetite.

The Financial Markets department and, more specifically, the Financial Markets (FIM) and Asset and Liability Management (ALM) units are responsible for operational management of market risks.

First-level controls are carried out by the Support, Reporting and Financial Valuation (SRF) unit.

This unit verifies compliance with a number of procedures and limits relating to the activities of each trading floor desk (open positions, counterparty risk, money-market limits, etc.). Automated control reports have been developed to that end, and their results are archived and communicated to management every night.

ALM and the Money Market desk take note of these reports, along with the reports they can access independently. If a limit is exceeded, these two units provide an explanation of the situation, take appropriate management actions or suggest a change in the limit framework.

For ALM, whenever thresholds are exceeded or management actions are taken, the details are included in the monthly ALM report.

Second-line controls are carried out by the Financial Risk Management unit, which monitors every instance of a threshold being exceeded through the Risk working group, the Executive Committee and the Risk Committee.

#### *6.3.2.3 Market risk management approach*

The Group's parent company takes a day-to-day integrated approach to managing interest rate risk for its entire banking book. This integrated approach can also be broken down into the money-market and ALM scopes. The money-market scope covers the trading floor positions with an initial rate term of less than two years, while the ALM scope covers all other positions sensitive to interest rate risk. A new tool gives the Group's parent company a more accurate view of the nature of its interest rate risk and provides a breakdown of its various components, namely:

- maturity transformation risk;
- options risk (automatic options such as caps/floors, and behavioural options such as early repayments and outflows of liabilities with no maturity);
- basis risk (arising from differences in the benchmark indices for variable-rate instruments, on the one hand, and disparities between the nature of the indices and the frequency of coupon payments, on the other).

The indicators produced by the tool to analyse interest rate risk sensitivity are as follows:

- rate schedule grouped according to different time buckets;
- the impact of different rate scenarios on the economic value of the banking book positions sensitive to interest rate risk (delta EVE);
- the impact of different rate scenarios on net interest margin (delta NII).

Delta EVE, for standard stress tests, i.e. a linear 200-basis-point increase in rates, is as follows:

| Date | Scope | Scenario | Delta EVE | Delta EVE/Equity |
|---|---|---|---|---|
| 31/12/2023 | Entire banking book excluding equity | +200 bp | 178.112.680 | 3,67% |
| 31/12/2024 | Entire banking book excluding equity | +200 bp | 345.460.000 | 6,38% |

Delta NII, for standard stress tests, i.e. a linear 200-basis-point increase in rates, is as follows:

| Date | Scope | Scenario | Horizon | Delta NII | Delta NII/Equity |
|---|---|---|---|---|---|
| 31/12/2023 | ALM-gap + MM-treasury portfolio | +200 bp | 1 year | -16.846.793 | -0,35% |
| 31/12/2024 | ALM-gap + MM-treasury portfolio | +200 bp | 1 year | -65.140.000 | -1,20% |

### *6.3.2.4 Variable-income securities price risk management approach*

Shareholding valuation risk is measured using a Value-at-Risk (VaR) approach. This approach measures both the risk arising from the asset itself (equity risk) and the risk arising from the currency (foreign exchange risk).

This metric supplements the stress testing analysis conducted on a quarterly basis as part of the ICAAP.

### *6.3.2.5 Exposure to credit risk*

#### *6.3.2.5.1 Analysis of the fair value of financial instruments*

The following table presents the comparison by category of the carrying amounts and fair values of the Group's parent company's financial instruments included in the consolidated financial statements.

| Categories as at 31/12/2023 | Carrying amount | Fair value | Unrealised valuation | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and sight accounts with central banks | 7.887.777.548 | 7.887.777.548 | - | - | - | - |
| Loans and advances at amortised cost | 30.212.358.728 | 29.035.225.347 | -1.177.133.381 | - | - | 100,0% |
| *of which measured at fair value for hedging purposes* | *1.128.894.628* | *1.128.894.628* | - | - | - | - |
| Financial instruments held for trading | 178.037.790 | 178.037.790 | - | - | - | - |
| Hedging derivative financial instruments | 1.115.570.816 | 1.115.570.816 | - | - | - | - |
| Financial assets mandatorily recognised at fair value through profit or loss | 430.875.837 | 430.875.837 | - | - | - | - |
| Fixed-income securities recognised at amortised cost | 14.831.125.424 | 14.631.297.990 | -199.827.434 | 88,0% | 12,0% | - |
| *of which measured at fair value for hedging purposes* | *10.964.568.516* | *10.964.568.516* | - | - | - | - |
| Fixed-income securities recognised at fair value through the revaluation reserve | 31.091.835 | 31.091.835 | - | - | - | - |
| Variable-income securities recognised at fair value through the revaluation reserve | 755.072.291 | 755.072.291 | - | - | - | - |
| Investments in associates accounted for using the equity method | 907.201.359 | 907.201.359 | - | - | - | - |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | -488.436.242 | -488.436.242 | - | - | - | - |
| **TOTAL** | **55.860.675.386** | **54.483.714.572** | **-1.376.960.814** | | | |
| **Financial liabilities** | | | | | | |
| Deposits at amortised cost | 45.463.874.633 | 44.575.685.210 | -888.189.423 | - | 100,0% | - |
| Financial instruments held for trading | 285.193.752 | 285.193.752 | - | - | - | - |
| Hedging derivative financial instruments | 399.928.461 | 399.928.461 | - | - | - | - |
| Financial liabilities designated at fair value through profit or loss | 169.491.843 | 169.491.843 | - | - | - | - |
| Debt securities in issue | 3.668.005.029 | 3.631.374.549 | -36.630.480 | - | 100,0% | - |
| *of which measured at fair value for hedging purposes* | *1.121.534.733* | *1.121.534.733* | - | - | - | - |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | - | - | - | - | - | - |
| **TOTAL** | **49.986.493.718** | **49.061.673.816** | **-924.819.902** | | | |

| Categories as at 31/12/2024 | Carrying amount | Fair value | Unrealised valuation | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and sight accounts with central banks | 7.410.938.949 | 7.410.938.949 | - | - | - | - |
| Loans and advances at amortised cost | 30.569.267.826 | 29.639.880.322 | -929.387.504 | - | - | 100,0% |
| *of which measured at fair value for hedging purposes* | *1.116.043.120* | *1.116.043.120* | - | - | - | - |
| Financial instruments held for trading | 262.679.628 | 262.679.628 | - | - | - | - |
| Hedging derivative financial instruments | 878.147.556 | 878.147.556 | - | - | - | - |
| Financial assets mandatorily recognised at fair value through profit or loss | 300.327.443 | 300.327.443 | - | - | - | - |
| Fixed-income securities recognised at amortised cost | 15.610.191.902 | 15.405.422.756 | -204.769.146 | 80,1% | 19,9% | - |
| *of which measured at fair value for hedging purposes* | *11.644.315.217* | *11.644.315.217* | - | - | - | - |
| Fixed-income securities recognised at fair value through the revaluation reserve | 31.725.784 | 31.725.784 | - | - | - | - |
| Variable-income securities recognised at fair value through the revaluation reserve | 849.313.947 | 849.313.947 | - | - | - | - |
| Investments in associates accounted for using the equity method | 977.849.535 | 977.849.535 | - | - | - | - |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | -350.917.529 | -350.917.529 | - | - | - | - |
| **TOTAL** | 56.539.525.041 | **55.405.368.391** | **-1.134.156.650** | | | |
| **Financial liabilities** | | | | | | |
| Deposits at amortised cost | 46.650.164.824 | 46.186.924.150 | -463.240.674 | - | 100,0% | - |
| Financial instruments held for trading | 156.765.363 | 156.765.363 | - | - | - | - |
| Hedging derivative financial instruments | 513.024.605 | 513.024.605 | - | - | - | - |
| Financial liabilities designated at fair value through profit or loss | 340.778.042 | 340.778.042 | - | - | - | - |
| Debt securities in issue | 2.492.402.444 | 2.493.304.420 | 901.976 | - | 100,0% | - |
| *of which measured at fair value for hedging purposes* | *646.047.353* | *646.047.353* | - | - | - | - |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | 12.726.327 | 12.726.327 | - | - | - | - |
| **TOTAL** | **50.165.861.605** | **49.703.522.907** | **-462.338.698** | | | |

The fair value of financial instruments not recognised at fair value in the balance sheet is determined according to the methods and estimates described below.

The fair value measurements in "Securities recognised at amortised cost", "Deposits at amortised cost" and "Debt securities in issue" are categorised as Levels 1 and 2 in the fair value hierarchy. The fair value measurements in "Loans and advances at amortised cost" are assigned to Level 3 fair value.

*Assets and liabilities at amortised cost in the balance sheet with a fair value close to the book value*

In respect of financial assets and liabilities with a maturity date of 6 months or less, the Group's parent company estimates their fair value as very close to their carrying amount. The credit risk is considered to be immaterial due to the Group's parent company's prudent policy and the imminent maturity. The low residual duration also means that the rate risk is immaterial.
Similarly, the fair value of assets collateralised is very close to their book value, since the credit risk is hedged. These are essentially repurchase agreements, secured loans and equipment loans.

*Financial assets and liabilities at amortised cost in the balance sheet with a fair value different from the carrying amount*

For the purpose of the fair value calculation, the Group's parent company distinguishes between:

- Financial assets and liabilities in the form of deposits and loans: the Group's parent company calculates fair value using the modelled discounted cash flow method;

- Financial instruments included in the portfolio of fixed-income securities recognised at amortised cost and categorised as Level 1 of the fair value hierarchy: these instruments are measured at their market price;

- Financial instruments included in the portfolio of fixed-income securities recognised at amortised cost and categorised as Level 2 of the fair value hierarchy: these instruments are measured at fair value using the discounted cash flow method based on:
    a. credit risk data such as the customer's risk classification, probability of default and loss given default. These criteria were established based on historical observations of defaults and are used to determine credit risk premiums (credit spreads) by risk class, duration and type of financial instrument,
    b. a reference yield curve.

*Hierarchy of financial assets and liabilities at fair value*

| Categories as at 31 December 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Financial assets held for trading** | **-** | **178.037.790** | **-** | **178.037.790** |
| - Debt instruments | - | - | - | - |
| - Equity instruments | - | - | - | - |
| - Derivative financial instruments | - | 178.037.790 | - | 178.037.790 |
| *- IRS* | - | *38.334.943* | - | *38.334.943* |
| *- CIRS/outright* | - | *139.702.847* | - | *139.702.847* |
| **Hedging derivative financial instruments** | **-** | **1.115.570.816** | **-** | **1.115.570.816** |
| *- IRS* | - | *970.159.039* | - | *970.159.039* |
| *- CIRS* | - | *145.411.777* | - | *145.411.777* |
| **Financial assets mandatorily recognised at fair value through profit or loss** | **-** | **430.814.528** | **61.310** | **430.875.838** |
| - Debt instruments | - | 386.712.366 | 61.310 | 386.773.675 |
| *- Public sector* | - | *44.125.154* | - | *44.125.154* |
| *- Credit institutions* | - | *230.762.590* | - | *230.762.590* |
| *- Corporate customers* | - | *111.824.622* | *61.310* | *111.885.932* |
| - Other financial instruments | - | 44.102.162 | - | 44.102.162 |
| *- Corporate customers* | - | *44.102.162* | - | *44.102.162* |
| **Variable-income securities recognised at fair value through the revaluation reserve** | **28.118.094** | **114.588.678** | **612.365.518** | **755.072.291** |
| *- Public sector* | - | - | - | - |
| *- Credit institutions* | - | - | *8.025.523* | *8.025.523* |
| *- Corporate customers* | *28.118.094* | *114.588.678* | *604.339.995* | *747.046.768* |
| **Fixed-income securities recognised at fair value through the revaluation reserve** | **31.091.835** | **-** | **-** | **31.091.835** |
| - Public sector | *4.674.550* | - | - | *4.674.550* |
| *- Credit institutions* | *26.417.285* | - | - | *26.417.285* |
| **Non-current assets and disposal groups classified as held for sale** | **-** | **919.434** | **-** | **919.434** |
| *- Corporate customers* | - | *919.434* | - | *919.434* |
| **TOTAL** | **59.209.929** | **1.839.931.246** | **612.426.828** | **2.511.568.003** |
| **Financial liabilities** | | | | |
| **Derivative financial instruments held for trading** | **-** | **285.193.752** | **-** | **285.193.752** |
| *- IRS* | - | *29.391.076* | - | *29.391.076* |
| *- CIRS/outright* | - | *255.802.676* | - | *255.802.676* |
| *- other* | - | - | - | - |
| **Hedging derivative financial instruments** | **-** | **399.928.461** | **-** | **399.928.461** |
| *- IRS* | - | *293.309.039* | - | *293.309.039* |
| *- CIRS* | - | *106.619.422* | - | *106.619.422* |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **169.491.843** | **-** | **169.491.843** |
| **TOTAL** | **-** | **854.614.056** | **-** | **854.614.056** |

| Categories as at 31 December 2024 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Financial assets held for trading** | **-** | **262.679.628** | **-** | **262.679.628** |
| - Debt instruments | - | - | - | - |
| - Equity instruments | - | - | - | - |
| - Derivative financial instruments | - | 262.679.628 | - | 262.679.628 |
| *- IRS* | - | *39.791.317* | - | *39.791.317* |
| *- CIRS/outright* | - | *222.823.346* | - | *222.823.346* |
| *- other* | - | *64.966* | - | *64.966* |
| **Hedging derivative financial instruments** | **-** | **878.147.556** | **-** | **878.147.556** |
| *- IRS* | - | *742.506.731* | - | *742.506.731* |
| *- CIRS* | - | *135.640.825* | - | *135.640.825* |
| **Financial assets mandatorily recognised at fair value through profit or loss** | **-** | **300.313.376** | **14.067** | **300.327.443** |
| - Debt instruments | - | 259.616.238 | 14.067 | 259.630.305 |
| *- Public sector* | - | *24.073.646* | - | *24.073.646* |
| *- Credit institutions* | - | *113.498.589* | - | *113.498.589* |
| *- Corporate customers* | - | 122.044.003 | *14.067* | *122.058.070* |
| - Other financial instruments | - | 40.697.138 | - | 40.697.138 |
| *- Corporate customers* | - | *40.697.138* | - | *40.697.138* |
| **Variable-income securities recognised at fair value through the revaluation reserve** | **14.427.035** | **55.490.371** | - | **849.313.947** |
| *- Public sector* | - | - | - | - |
| *- Credit institutions* | - | - | *8.309.625* | *8.309.625* |
| *- Corporate customers* | *14.427.035* | *55.490.371* | *771.086.916* | *841.004.322* |
| **Fixed-income securities recognised at fair value through the revaluation reserve** | **25.151.826** | **6.573.958** | **-** | **31.725.784** |
| - Public sector | *20.337.064* | *6.573.958* | - | *26.911.022* |
| *- Credit institutions* | *4.814.763* | - | - | *4.814.763* |
| **TOTAL** | **39.578.862** | **1.503.204.889** | **779.410.608** | **2.322.194.359** |
| **Financial liabilities** | | | | |
| **Derivative financial instruments held for trading** | **-** | **156.765.363** | **-** | **156.765.363** |
| *- IRS* | - | *25.557.986* | - | *25.557.986* |
| *- CIRS/outright* | - | *131.107.896* | - | *131.107.896* |
| *- other* | - | *99.481* | - | *99.481* |
| **Hedging derivative financial instruments** | **-** | **513.024.605** | **-** | **513.024.605** |
| *- IRS* | - | *369.361.546* | - | *369.361.546* |
| *- CIRS* | - | *143.663.060* | - | *143.663.060* |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **340.778.042** | **-** | **340.778.042** |
| **TOTAL** | **-** | **1.010.568.010** | **-** | **1.010.568.010** |

Changes in outstanding financial assets from one year to the next stem primarily from the change in the valuation prices of variable-income and fixed-income securities.

A comparison of the breakdown of financial assets by level at end-2024 shows that 1,7% (2,4% in 2023) of financial assets are classified as Level 1, 64,7% (73,3% in 2023) as Level 2 and 33,6% (24,4% in 2023) as Level 3. The changes in the breakdown between the different levels were minimal in financial year 2024.

The Group's parent company used measurement models based on market data to calculate the fair value of Level 2 positions and measurement models based on estimates and market data to calculate the fair value of Level 3 positions.

All the financial instruments in the liability categories continue to be at level 2.

Level 3 breakdown:

| | Financial assets mandatorily recognised at fair value through profit or loss | | Variable-income securities recognised at fair value through the revaluation reserve | Total financial assets |
|---|---|---|---|---|
| | Debt instruments | Other financial instruments | | |
| **Total as at 1 January 2023** | **53.171** | **-** | **745.810.347** | **745.863.518** |
| Total gains / losses | 978.865 | - | -131.166.903 | **-130.188.038** |
| *- Income statement* | *978.865* | - | - | ***978.865*** |
| *- Revaluation reserve* | - | - | *-131.166.903* | ***-131.166.903*** |
| Purchases | 60.249 | - | - | **60.249** |
| Reimbursements/sales | -1.110.001 | - | -520.671 | **-1.630.672** |
| Other changes | 79.026 | - | -1.757.254 | **-1.678.228** |
| Transfers from Level 1 to Level 3 | - | - | | **-** |
| Transfers from Level 2 to Level 3 | - | - | - | **-** |
| Transfers from Level 3 | - | - | - | **-** |
| **Total as at 31 December 2023** | **61.310** | - | **612.365.518** | **612.426.828** |
| Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2023 | 478.671 | - | 29.955.870 | **30.434.540** |

| | Financial assets mandatorily recognised at fair value through profit or loss | | Variable-income securities recognised at fair value through the revaluation reserve | Total financial assets |
|---|---|---|---|---|
| | Debt instruments | Other financial instruments | | |
| **Total as at 1 January 2024** | **61.310** | **-** | **612.365.518** | **612.426.828** |
| Total gains / losses | -313.666 | - | 163.920.719 | **163.607.053** |
| *- Income statement* | *-313.666* | - | - | ***-313.666*** |
| *- Revaluation reserve* | - | - | *163.920.719* | ***163.920.719*** |
| Purchases | 79.293 | - | 85.360 | **164.653** |
| Reimbursements/sales | - | - | -14.020 | **-14.020** |
| Other changes | 187.130 | - | 3.038.964 | **3.226.094** |
| Transfers from Level 1 to Level 3 | - | - | - | **-** |
| Transfers from Level 2 to Level 3 | - | - | - | **-** |
| Transfers from Level 3 | - | - | - | **-** |
| **Total as at 31 December 2024** | **14.067** | - | **779.396.540** | **779.410.607** |
| Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2024 | 49.994 | - | 22.608.394 | **22.658.388** |

For financial year 2024, the increase in Level 3 stemmed mainly from the fair value measurements applied to variable-income securities recognised at fair value through the revaluation reserve.

Methods used for the Level 3 valuation:

| Category | Method |
|---|---|
| - Debt instruments | For securitisations, the fair value measurement is based on an estimate of future flows and on a dedicated basis spread (J.P. Morgan Int ABS & CB Research or SIFMA Markit). Some positions include an impairment that does not result solely from a determination based on the cash flow method but also takes an appraiser assessment into account. |
| - Equity instruments | The valuation methods applied are detailed in Section 3.3.3 Valuation techniques for determining fair value and the fair value hierarchy |

Sensitivity analysis for Level 3:

Given the small amount recognised for debt instruments, the Group's parent company does not provide a sensitivity analysis for Level 3 for financial years 2024 and 2023.

For equity instruments, the Group's parent company has performed a sensitivity analysis using the following methods:

- 10% decrease or increase in EBITDA, with a simulation of the impact on net income and on liquid funds on the assets side of companies' balance sheets;
- decrease or increase in profit of 10% of the carrying amount;
- 10% decrease or increase in real estate prices in Luxembourg.

The fair value sensitivity for Level 3 instruments is therefore quantified as follows:

| 31/12/2023 | Level 3 fair value | Impact on fair value | |
|---|---|---|---|
| | | 10% decrease depending on the methodology used | 10% increase depending on the methodology used |
| Variable-income securities recognised at fair value through the revaluation reserve | 535.843.820 | -63.324.958 | 63.312.495 |

| 31/12/2024 | Level 3 fair value | Impact on fair value | |
|---|---|---|---|
| | | 10% decrease depending on the methodology used | 10% increase depending on the methodology used |
| Variable-income securities recognised at fair value through the revaluation reserve | 741.656.233 | -77.679.262 | 78.103.637 |

The sensitivity analysis is performed on the three most material shareholdings.

#### 6.3.2.6 *Analysis of foreign exchange risk*

| As at 31/12/2023 | Net balance sheet position |
|---|---|
| AUD | -4.608.559 |
| CHF | -2.804.648 |
| GBP | 2.668.818 |
| RON | 3.581.705 |
| USD | 99.551.830 |
| XAU | -9.355.734 |
| Other | 980.825 |
| **Total** | **90.014.237** |

| As at 31/12/2024 | Net balance sheet position |
|---|---|
| AUD | -4.800.784 |
| CHF | -6.900.011 |
| GBP | 3.134.118 |
| RON | 3.134.473 |
| USD | 25.372.691 |
| XAU | -14.328.912 |
| Other | -216.012 |
| **Total** | **5.395.563** |

Only currencies with a net currency position exceeding EUR 2 million are recorded on a separate line.

### 6.3.3 Liquidity risk

#### 6.3.3.1 *Definition*

Liquidity risk results from a problem in recognition of financial inflows and outflows on a specific date. The risk for a financial institution is that it may be unable to meet its payment obligations at a given point in time as a result of having insufficient liquid assets relative to its maturing liabilities. By virtue of its financial structure, the Group's parent company is generally in a position of excess liquidity.

#### 6.3.3.2 *Liquidity risk management governance*

The Group's parent company constantly monitors liquidity risk on the basis of maturities, This monitoring includes both a very detailed reconciliation of cash inflows and outflows over a six-month horizon and a medium- and long-term assessment of structural funding requirements. Short-time financing needs in the main currencies are subject to specific limits.

The Group's parent company conducted the stress tests required by circular CSSF 09/403 in 2024 on at least a monthly basis to show that it would have sufficient liquid assets to cope with unexpected large-scale withdrawals over an extended period.

Under normal circumstances, the Group's parent company has stable and diversified liabilities, notably in the form of a very solid customer deposit base and Euro Commercial Paper (ECP), US Commercial Paper (USCP) and Euro Medium Term Note (EMTN) refinancing programmes, which ensure a comfortable liquidity position. Furthermore, due to its high-quality fixed-income securities portfolio, the Group's parent company would be able, if necessary, to access the repo market or participate in the ECB's money-market operations.

In the event of an urgent need for large amounts of liquidity, the Group's parent company has an intraday and overnight credit line with the Banque centrale du Luxembourg (BCL) secured by pledges of eligible securities. To this end, the Group's parent company aims to continually have an immediately available minimum BCL liquidity reserve of EUR 3 billion. This reserve may consist of pledged securities and cash available with the BCL. The pledged securities component must represent at least EUR 2 billion at all times. On 31 December 2024, the amount of the liquidity reserve immediately available with the BCL was EUR 8,82 billion, of which EUR 6,61 billion in cash. At year-end 2024, the amount of the portfolio of assets eligible for refinancing with the BCL (excluding BCL cash) or usable on the interbank market reached EUR 12,8 billion.

Amended CSSF Circular 07/301, § II.1. "Risk identification" explicitly mentions the securitisation risk of which the credit institution is the originator or sponsor. Securitisation is one of the techniques used to manage liquidity, since it allows a bank to remove assets from the balance sheet to raise funds. The Group's parent company did not participate as originator or sponsor in such a transaction during the 2024 financial year.

### 6.3.3.3 Exposure to liquidity risk

#### 6.3.3.3.1 Schedule of liabilities

Tables showing the balance sheet liabilities over the remaining residual life until repayment according to contractual data:

| Headings | On demand - 3 months | 3 months - 1 year | Sub-total < 1 year | 1 - 5 years | > 5 years | Sub-total > 1 year | Total 2023 |
|---|---|---|---|---|---|---|---|
| Issuance of securities* | 1.015.980.186 | 1.735.456.672 | **2.751.436.857** | 822.235.834 | 490.678.477 | **1.312.914.312** | **4.064.351.169** |
| Deposits at amortised cost - | | | | | | | |
| Credit institutions | 4.187.177.239 | 1.126.007.910 | **5.313.185.149** | 44.249.400 | - | **44.249.400** | **5.357.434.549** |
| Customers | 32.952.820.917 | 4.304.637.721 | **37.257.458.638** | 2.473.713.210 | 411.080.130 | **2.884.793.340** | **40.142.251.977** |
| Liabilities arising from leases | 790.024 | 2.370.073 | **3.160.098** | 4.348.457 | 48.471 | **4.396.928** | **7.557.025** |
| **Total** | **38.156.768.367** | **7.168.472.375** | **45.325.240.742** | **3.344.546.901** | **901.807.078** | **4.246.353.979** | **49.571.594.721** |

| Headings | On demand - 3 months | 3 months - 1 year | Sub-total < 1 year | 1 - 5 years | > 5 years | Sub-total > 1 year | Total 2024 |
|---|---|---|---|---|---|---|---|
| Issuance of securities* | 1.067.631.974 | 843.058.591 | **1.910.690.565** | 468.843.548 | 714.847.321 | **1.183.690.870** | **3.094.381.435** |
| Deposits at amortised cost - | | | | | | | |
| Credit institutions | 4.269.101.573 | 291.115.319 | **4.560.216.892** | 3.401.876 | - | **3.401.876** | **4.563.618.769** |
| Customers | 33.983.380.881 | 4.979.274.006 | **38.962.654.887** | 2.982.610.215 | 242.796.103 | **3.225.406.317** | **42.188.061.205** |
| Liabilities arising from leases | 812.482 | 2.437.445 | **3.249.927** | 2.464.906 | 13.500 | **2.478.406** | **5.728.333** |
| **Total** | **39.320.926.911** | **6.115.885.361** | **45.436.812.272** | **3.457.320.546** | **957.656.924** | **4.414.977.469** | **49.851.789.741** |

* including financial liabilities designated at fair value through profit or loss

Table showing balance sheet liabilities according to "expected" maturity dates determined in accordance with the ALM policy:

| Headings | On demand - 3 months | 3 months - 1 year | Sub-total < 1 year | 1 - 5 years | > 5 years | Sub-total > 1 year | Total 2023 |
|---|---|---|---|---|---|---|---|
| Issuance of securities* | 1.018.107.596 | 1.736.607.756 | **2.754.715.352** | 832.561.047 | 496.699.531 | **1.329.260.578** | **4.083.975.930** |
| Deposits at amortised cost - | | | | | | | |
| Credit institutions | 5.288.128.781 | 115.231.840 | **5.403.360.621** | 28.996.648 | 4.320.802 | **33.317.450** | **5.436.678.072** |
| Customers | 19.490.766.868 | 4.577.427.581 | **24.068.194.449** | 8.649.903.332 | 8.095.856.062 | **16.745.759.395** | **40.813.953.843** |
| **Total** | **25.797.003.245** | **6.429.267.177** | **32.226.270.422** | **9.511.461.027** | **8.596.876.396** | **18.108.337.423** | **50.334.607.845** |

| Headings | On demand - 3 months | 3 months - 1 year | Sub-total < 1 year | 1 - 5 years | > 5 years | Sub-total > 1 year | Total 2024 |
|---|---|---|---|---|---|---|---|
| Issuance of securities* | 1.089.397.661 | 846.636.439 | **1.936.034.101** | 480.100.338 | 726.656.889 | **1.206.757.227** | **3.142.791.328** |
| Deposits at amortised cost - | | | | | | | |
| Credit institutions | 4.462.646.885 | 85.318.419 | **4.547.965.304** | 10.308.004 | 1.261.649 | 11.569.653 | **4.559.534.956** |
| Customers | 23.362.692.316 | 5.127.418.325 | **28.490.110.640** | 8.288.864.686 | 6.034.672.380 | **14.323.537.066** | **42.813.647.706** |
| **Total** | **28.914.736.861** | **6.059.373.183** | **34.974.110.045** | **8.779.273.028** | **6.762.590.918** | **15.541.863.945** | **50.515.973.990** |

* including financial liabilities designated at fair value through profit or loss

### *6.3.3.3.2 Schedule of derivative instruments*

Tables showing derivative financial instruments settled in gross cash flows:

In view of the fact that residual life is calculated on the basis of contractual data, the optional feature of some contracts has not been taken into account.

Amounts are shown in euros at the exchange rates on 31 December 2024 and 31 December 2023.

| Headings | On demand - 3 months | 3 months - 1 year | 1 - 5 years | > 5 years | Total 2023 |
|---|---|---|---|---|---|
| **Derivative financial instruments held for trading** | | | | | |
| Foreign exchange swaps and forward exchange contracts | | | | | |
| Inflows | 12.142.476.517 | 4.037.265.646 | 488.568.339 | 3.187.149 | 16.671.497.652 |
| Outflows | -12.223.983.009 | -4.057.004.937 | -489.923.051 | -4.767.303 | -16.775.678.301 |
| **Derivative financial instruments used for hedging purposes** | | | | | |
| CCIS | | | | | |
| Inflows | 72.532.415 | 137.042.808 | 1.356.394.892 | 756.571.026 | 2.322.541.141 |
| Outflows | -115.845.479 | -247.047.223 | -1.772.157.936 | -825.782.434 | -2.960.833.071 |
| **Total inflows** | **12.215.008.932** | **4.174.308.453** | **1.844.963.231** | **759.758.176** | **18.994.038.793** |
| **Total outflows** | **-12.339.828.488** | **-4.304.052.160** | **-2.262.080.987** | **-830.549.737** | **-19.736.511.372** |

| Headings | On demand - 3 months | 3 months - 1 year | 1 - 5 years | > 5 years | Total 2024 |
|---|---|---|---|---|---|
| **Derivative financial instruments held for trading** | | | | | |
| Foreign exchange swaps and forward exchange contracts | | | | | |
| Inflows | 13.708.809.032 | 1.922.007.156 | 32.713.285 | 3.063.162 | 15.666.592.635 |
| Outflows | -13.665.291.744 | -1.894.479.944 | -35.617.561 | -4.350.208 | -15.599.739.457 |
| **Derivative financial instruments used for hedging purposes** | | | | | |
| CCIS | | | | | |
| Inflows | 11.159.202 | 83.442.625 | 1.838.558.051 | 576.236.465 | 2.509.396.344 |
| Outflows | -42.347.637 | -159.789.156 | -2.095.420.045 | -616.667.006 | -2.914.223.844 |
| **Total inflows** | **13.719.968.235** | **2.005.449.781** | **1.871.271.336** | **579.299.627** | **18.175.988.978** |
| **Total outflows** | **-13.707.639.381** | **-2.054.269.100** | **-2.131.037.607** | **-621.017.214** | **-18.513.963.301** |

Tables showing derivative financial instruments settled in net cash flows:

Net cash flow liabilities from derivative financial instruments settled net are as follows:

| Headings | On demand - 3 months | 3 months - 1 year | 1 - 5 years | > 5 years | Total 2023 |
|---|---|---|---|---|---|
| **Derivative financial instruments held for trading** | | | | | |
| IRS | 3.877.912 | 2.252.159 | 16.072.239 | 41.021.402 | 63.223.712 |
| **Derivative financial instruments used for hedging purposes** | | | | | |
| IRS | -61.021.713 | -215.252.821 | -733.092.557 | -724.895.212 | -1.734.262.304 |
| **Total outflows** | **-57.143.801** | **-213.000.662** | **-717.020.318** | **-683.873.810** | **-1.671.038.592** |

| Headings | On demand - 3 months | 3 months - 1 year | 1 - 5 years | > 5 years | Total 2024 |
|---|---|---|---|---|---|
| **Derivative financial instruments held for trading** | | | | | |
| IRS | -2.070.811 | 3.113.090 | 9.122.754 | 13.584.613 | 23.749.646 |
| **Derivative financial instruments used for hedging purposes** | | | | | |
| IRS | -43.065.014 | -108.960.504 | -325.747.364 | -345.418.950 | -823.191.831 |
| **Total outflows** | **-45.135.825** | **-105.847.414** | **-316.624.610** | **-331.834.337** | **-799.442.186** |

### 6.3.4 Settlement and delivery risk

#### *6.3.4.1 Definition*

Settlement risk is the risk that transactions in debt securities, equities, currencies and commodities will not be settled on the delivery date.

Delivery risk refers to the risk that a transaction in a transactional system will not be executed as intended. In general, this occurs when:

- one of the counterparties is not able to meet its obligations in a timely manner (missed deadline, transaction error, technical issue);
- one of the counterparties to the transaction defaults.

Delivery risk may be assessed from a default risk perspective as well as from a liquidity perspective.

#### 6.3.4.2 *Settlement and delivery risk management approach*

The Group's parent company is an indirect member of the CLS (Continuous-Linked Settlement) foreign exchange transaction settlement system. The overwhelming majority of foreign-exchange transactions are now handled by the CLS. Transaction date flows of overnight transactions are not processed through CLS. For these transactions, the settlement of initial flows, i.e. those that took place on the transaction date, is done in the conventional manner through correspondent banks. Maturity date flows for these same transactions are in principle settled through CLS.

Membership in the CLS system virtually eliminates counterparty risk (settlement risk) arising from foreign-exchange transactions through the payment-versus-payment principle and reduces the Group's parent company's liquidity risk by netting transactions, which considerably reduces settlement volumes.

### 6.3.5 Operational risk

#### 6.3.5.1 *Definition*

Operational risk is defined as the risk of losses resulting from an inadequacy or a failure of processes, personnel, internal systems, or external events, including legal risk.

#### 6.3.5.2 *Operational risk management governance*

To ensure effective management of operational risk at all levels, the Group's parent company has implemented governance based on the concept of the three lines of defence.

The roles and responsibilities of the internal control functions as well as the first line of defence are clearly highlighted in the Internal Control Charter and the Operational Risk Management Policy.

Operational risk management is supervised by various committees, including the Risk Management Committee at the Executive Committee level and the Risk Committee at the Board of Directors level. The guidelines as well as the ultimate supervision and definition of operational risk appetite come directly from the Board of Directors, and implementation is ensured by the Executive Committee.

#### 6.3.5.3 *Operational risk management approach*

The operational risk management approach includes an assessment of risk levels to determine whether they are acceptable or tolerable and to assist in the decision-making and operational risk management process. The approach also involves analysing the operational incidents observed and defining the related mitigation measures.

The identification, analysis, assessment, and monitoring of operational risks within the Group's parent company constitute an integrated set of activities and methods that help the Group's parent company to measure and manage operational risk. The activities are implemented in a structured, diligent, dynamic, and iterative manner. The choice whether to implement them results from a consistent approach and is based on exposure to the various risks incurred. The various methods and practices of operational risk management can implement a dual dynamic: ex-ante, for example, through Key Risk Indicators, or ex-post, for example, through the collection of incident data.

The various information is used in the determination of the economic capital allocation performed as part of the Internal Capital Adequacy Assessment Process (ICAAP). Regarding the calculation of regulatory capital requirements, the Group's parent company adopts the standard approach.

Process and control improvements are actions taken to strengthen the control environment and thus the implementation of measures to reduce the operational risks inherent in the processes. A treatment measure may be initiated by the first line of defence as part of its responsibility for day-to-day management of inherent risks. A treatment measure may also be initiated following a recommendation from the second line of defence or a decision of Senior Management on the treatment of the risk (accept, reduce, avoid, transfer).

The Group's parent company ensures that it has solid continuity plans, in particular the Business Continuity Plan (BCP), which aims to ensure the continuity of critical activities in the event of a major operational incident (involving property, computers, or other resources), and the Disaster Recovery Plan (DRP), which aims to ensure the continued operation of critical information systems, supporting the critical processes of the BCP or their timely recovery in the event of a major IT incident.

Proper management of operational risk requires the promotion of a strong risk control culture.

The Group's parent company thus:

- ensures that employees respect the values and rules of professional ethics. The Group's parent company defines these standards in the staff code of conduct;
- ensures that employees have the necessary information and knowledge at the end of the training courses organised at regular intervals;
- ensures that the Group's parent company's employees do not have incentives to behave in a manner not in line with the Group's parent company's risk culture.

In addition, the Group's parent company applies several key principles:

- The principle of segregation of duties within the meaning of Article 71 of CSSF Circular 12/552; tasks and responsibilities are assigned so as to ensure that their performance by the same person is not incompatible in order to avoid potential conflicts of interest.
- Four eyes validation principle: actions requiring a decision, validation, or approval are taken according to the "four eyes" principle in order to avoid errors and irregularities.

### 6.3.6 IT and cyber risks

#### *6.3.6.1 Definition*

IT and cyber risk is defined as the risk of loss arising from an inadequate information system organisation, an information system malfunction or insufficient information system security.

#### *6.3.6.2 IT and cyber risk management governance*

IT and cyber risk governance is closely tied to the governance in place for operational risks. This includes the three lines of defence concept as well as the decision-making bodies, such as the Risk Management Committee.

A "Security Policy" defines the different roles and responsibilities as well as the guidelines applicable to oversight of IT and cyber risk management.

This "Security Policy" is further supplemented by a set of security standards that details the specific requirements applicable to the areas and sub-areas within the IT scope.

#### 6.3.6.3 *IT and cyber risk management approach*

The practices used to identify and assess IT and cyber risks are also incorporated into and compatible with the entire operational risk supervision and management system.

The Group's parent company has established processes for identifying and assessing IT and cyber risks in the event of changes or the introduction of new products. These practices are further supplemented by an annual risk assessment and control process covering the IT activities scope.

The various information gathered through IT and cyber risk identification and assessment practices is used in the determination of the economic capital allocation performed as part of the Internal Capital Adequacy Assessment Process (ICAAP).

The Risk Management team responsible for supervising IT and cyber risks also monitors the action plans that aim to improve the Group's parent company's protection system.

### 6.3.7 Climate and environmental risks

#### 6.3.7.1 *Definition*

Climate change and environmental degradation are sources of structural changes that can influence economic activity and thus the financial system. Climate-related and environmental risks consist of two main risk factors:

- **Physical risk** refers to the financial effects of climate change, including more frequent extreme climate events and gradual changes in climate, as well as the financial effects of environmental degradation due to air, water and land pollution, water stress, biodiversity loss and deforestation.
- **Transition risk** is defined as the financial loss an institution might incur, directly or indirectly, from the process of adjusting to a low-carbon and more environmentally sustainable economy.

#### 6.3.7.2 *Climate and environmental risk management governance and approach*

The Group's parent company does not view climate-related and environmental risks as a new risk category, but rather as an aggravating factor (risk driver) for the other risk categories, such as credit risk, market risk, operational risk, and reputational risk. Climate and environmental (C&E) risk management governance therefore falls within the governance implemented to manage the other risk categories.

### 6.3.7.3 *Climate and environmental risk management approach*

#### 6.3.7.3.1 Credit risk

Climate and environmental risks are identified and measured as part of the risk identification and assessment process. Under the approach used to identify and assess climate-related and environmental credit risks, the Group's parent company's portfolio is divided into three parts:

- the domestic portfolio (retail customers, mortgage loans, financing for domestic companies, shareholdings);
- the international portfolio (investment portfolio, custodian bank);
- the Group's parent company's own operations.

For each of these segments, the Group's parent company assesses the climate and environmental risks (physical and transition) to which it is directly or indirectly exposed through transmission channels.

Transmission channels are the causal chains that link climate risk factors to the financial risks faced by banks. They help explain how climate and environmental risks might materialise as a source of instability for the Group's parent company. These channels distinguish between:

- microeconomic channels: direct impacts on counterparties, assets and exposures;
- macroeconomic transmission channels: direct impacts on the Group's parent company due to the effects of climate and environmental risks on economic indicators such as productivity and/or economic growth.

To better manage climate-related and environmental risks, the Group's parent company has defined its first climate and environmental risk management framework. This framework focuses on both transition climate risks and physical climate and environmental risks. The Group's parent company has incorporated various key risk indicators relating to climate and the environment into its Risk Appetite Framework, reflecting, among other things, the goal of reducing its portfolio's carbon intensity. In addition, efforts have been made to reduce transition risk by limiting exposures related to domestic companies active in the seven NACE sectors that are particularly vulnerable to this risk.

After participating in the European Central Bank's climate stress test in 2022, the Group's parent company developed its own climate stress tests in 2023 following the guidelines of the United Nations Environment Programme Finance Initiative (UNEP FI) framework programme. The methodology is based on the climate scenarios derived from scientific climate models (integrated assessment models (IAMs)). The climate scenarios and parameters refer to those provided by the Network for Greening

the Financial System (NGFS), which has developed several climate trajectories to meet the financial sector's needs.
The initial analyses and results showed that climate-related and environmental risks have no material impact on the risk profile of the Group's parent company. Exposure to financed sectors sensitive to transition risks and to greenhouse gas (GHG) emissions is relatively low compared with that of our peers. Furthermore, the Group's parent company's activities are not located in regions subject to high physical risks.

#### 6.3.7.3.2 Liquidity risk

The Group's parent company's liquidity risk profile may be affected by C&E risk factors both directly, through the Group's parent company's inability to obtain financing or liquidate assets under normal market conditions, or indirectly, through its customers' increased need for liquidity. The risk is measured by calculating the survival period and the LCR after 60 days for different climate scenarios. As its liabilities have limited exposure to sectors that are exposed to climate variations or are located in regions associated with physical risk, the Group's parent company considers its liquidity risk to be low.

6.3.7.3.3 Market risk

C&E risk factors can lead to higher volatility and lower asset values on certain markets with particularly high exposure to physical risks and/or transition risks. These price adjustments can be sudden and significant when climate risk has not yet been incorporated into market prices. The Bank's bond portfolio is, in principle, held to maturity and the vast majority of the securities are recognised at amortised cost. For these bonds, the market risk resulting from climate and environmental risk has been assessed as low.

### 6.3.8 Sanction and reputational risk

#### *6.3.8.1 Definition*

By sanction and reputational risk, we mean the risk of legal, administrative or disciplinary sanctions arising from failure to comply with provisions specific to banking and financial activities as well as the risk incurred by the Group's parent company with respect to its brand image and reputation, which could be damaged by rumours, scandals, disputes or the imposition of a sanction.

The risk of regulatory non-compliance with the provisions specific to banking and financial activities, whether they are legislative or regulatory in nature or concern professional or ethical standards, is directly related to sanction risk.

#### *6.3.8.2 Sanction and reputational risk management governance and approach*

The Group's parent company has adopted a regulatory watch policy which aims to ensure the bank is in compliance with all applicable regulations, in particular those related directly to the financial sector. The first step was for a dedicated team to identify and create a list of these regulations. These texts are made available to all staff. For each new text, a report and a gap analysis are prepared in collaboration with the topic owners, who are business line specialists in the areas covered by the texts in question. Monthly work meetings are held to support and monitor the progress made on the new obligations to be taken into account in order to remain compliant. A detailed report, including monitoring indicators and alerts, is sent to the Compliance Committee and the executive board every quarter.

In accordance with the provisions of Circular CSSF 12/552, as amended, the Group's parent company has adopted guidelines for implementing the guiding principles formalised by the Board of Directors with respect to the approval of new products (and new activities). An internal procedure defines the key factors to be taken into consideration when assessing the potential new risks related to the new products or activities under review, and when defining mitigation measures.

The Group's parent company has opted for a federated governance model in terms of regulatory watch. In this type of model, standards are defined centrally and implemented locally, within the Group's parent company's units. This federated model empowers the different players and separates the verification functions (second line of defence) from the operational functions (first line of defence), in accordance with the requirements of Circular CSSF 12/552, as amended. This model ensures the overall consistency of the regulatory watch at the Group's parent company level and relies on a centralised team that has a complete picture of all current and future regulations. This team is also responsible for disseminating this information across the Group's parent company and for monitoring it for compliance by the business line units.

The second line of defence is responsible for a series of controls, documented in a control plan established annually, with the goal of evaluating the presence and robustness of the systems in place to ensure compliance with the current obligations and regulations applicable to each of the Group's parent company's activities. These controls help identify the risk factors that should be given priority, and result in recommendations calling for action plans within a set deadline. These plans should be followed to mitigate these risks and thus avoid instances of non-compliance that could result in sanctions and/or damage the Group's parent company's reputation.

### 6.3.9 Money laundering and financing of terrorism risk

#### *6.3.9.1 <u>Definition</u>*

"Money laundering" should be understood to mean "any act, in particular concealment, disguise, acquisition, possession, use, or transfer, to which the law expressly confers, in relation to the crimes or misdemeanours specified therein, the character of a specific criminal offense and which relates to the proceeds, that is, any economic advantage, derived from another criminal offence". The list of underlying criminal offences is quite lengthy and subject to change. It includes, among others, drug trafficking, forgery, environmental crimes and misdemeanours, bribery, aggravated tax evasion, market abuse, and failure to comply with restrictive financial measures.

"Financing of terrorism" is defined as the act of "directly or indirectly, unlawfully and wilfully, providing or collecting funds or assets of any nature with the intention that they should be used to commit one or more of the offences defined as an act of terrorism or as hostage-taking, even if they have not actually been used to commit one of these offences".

#### *6.3.9.2 Money laundering and financing of terrorism risk management governance*

The Group's parent company has implemented an anti-money laundering and combating the financing of terrorism (AML/FT) system that follows the three lines of defence model.

The commercial functions are responsible for customer business relationships and gather the necessary information and documents both at the start of and over the course of the relationship.

The AML Office unit is in charge of the first-level Know Your Customer and Know Your Transaction controls both at the start of the relationship and when monitoring the business relationship.

Also, in accordance with Article 4 (1) of the law of 12 November 2004 (as amended), the Group's parent company has appointed an officer responsible for compliance with professional obligations ("Responsable du respect des obligations professionnelles", or RR) as well as an officer responsible for control of professional obligations ("Responsable du contrôle des obligations professionnelles", or RC).

The role of RR was thus assigned to the member of the Executive Committee with responsibility for the Compliance department and that of RC to the Chief Compliance Officer (CCO), who heads the Compliance department which houses the Financial Crime Compliance unit.

The latter unit is responsible for all second line of defence tasks and controls relating to AML/FT themes, including intervening in high-risk application approval flows, as well as the financial sanction, bribery, customer tax compliance and market abuse components, and for relationships with the competent authorities in the context of suspicious activity related to AML/FT. Training on AML/FT is organised for all staff, both for new hires and on an ad hoc basis for topics that are of particular concern to certain business lines.

#### *6.3.9.3 Money laundering and financing of terrorism risk management approach*

In accordance with Article 4 (4) of amended CSSF Regulation 12-02 and with the risk-based approach required by the amended law of 12 November 2004 on anti-money laundering and combating the financing of terrorism (AML/FT) included in Chapter 3 of amended CSSF Regulation 12-02, the Group's parent company has defined its risk appetite with respect to AML/FT. This "AML/FT Risk Appetite Definition" policy was approved by the Board of Directors on 27 September 2023.

The Group's parent company has adopted a "conservative" profile, which takes into account the type of acceptable customers, as well as the authorised geographic regions. Each country is assessed from the perspective of AML/FT, the products that may be offered, and the distribution channels used.

The Group's parent company has also adopted a risk-based approach to assess customers' AML/FT risk. This assessment is carried out both when the request is made to enter into the business relationship and over the course of the relationship as part of ongoing due diligence.

This risk assessment results in the implementation of various due diligence measures which fall into three categories: standard, simplified or enhanced due diligence measures. They are applied both to requests to enter into relationships and as part of ongoing due diligence to monitor the relationship.

In the context of the assessment of customers' AML/FT risk, the Group's parent company developed a calculation algorithm based on risk factors related to the types of customers, the countries and geographic regions, the products, services and transactions carried out, and the distribution channels used.

The Group's parent company also ensures that the transactions carried out by its customers are suited to its customers' knowledge, their activities, their financial situation and their risk profile.

To that end, various controls are performed on a daily basis to monitor and identify transactions that are problematic or complex or involve a high or unusual amount, given the customer's risk profile.

### 6.3.10 Fraud risk

#### *6.3.10.1 Definition*

By fraud, we mean any practice prohibited by and/or contrary to the laws or rules[8] of the Group's parent company, including omission, concealment or misrepresentation which, knowingly or through gross negligence, maliciously or with intent to defraud, misleads a party with the aim of obtaining a financial or other benefit, or of avoiding an obligation. The fraud may be against the Group's parent company and/or its customers. Fraud also covers actions justified by non-financial motivations, if these are carried out in violation of laws, regulations or internal procedures applicable within the Group's parent company. Legally, fraud is defined as an act carried out using unfair means intended to deceitfully obtain consent or obtain an undue material or moral advantage, or that is carried out with the intent to avoid enforcement of the law.

The Group's parent company makes a distinction between internal fraud and external fraud:

- internal fraud: act of fraud committed by a member of the Group's parent company's staff. External staff working for the Group's parent company under a contract (e.g. consultants, suppliers or contractors) should be considered members of the Group's parent company's staff in the context of this policy.
- external fraud: act of fraud committed by any external actor (e.g. potential customer, existing customer, unidentified third party, etc.) who is not a member of the Group's parent company's staff.

#### *6.3.10.2 Fraud risk management governance and approach*

The fraud risk management system is based on the principle of the three lines of defence applied under the federated model, meaning that decisions are made centrally and implemented locally (at the first line of defence entities).

The roles and responsibilities of the players in the three lines of defence are explained in a Fraud Risk Management Policy. They are supervised by the Audit and Compliance Committee and managed by the Executive Committee, the Compliance Committee and a Fraud Protection Officer in the control function.

[8] By Spuerkeess rules, we mean the Spuerkeess staff code of conduct and the security policy.

The first line of defence (1LoD) is responsible for:

- managing the fraud risks generated by its activity.

The second line of defence (2LoD) is responsible for:

- defining the Fraud Risk Management Policy and the anti-fraud standards;
- supervising the fraud risk management practiced by the first line of defence;
- raising awareness of fraud risk.

The third line of defence (3LoD) is responsible for:

- performing an independent control of the first two lines of defence.

In accordance with the guiding principles, the 1LoD and 2LoD players collaborate to ensure effective management of fraud risk based on prevention, detection and resilience.

The Fraud Protection Officer (FPO) is at the centre of fraud risk management and is responsible for defining both the Fraud Risk Management Policy and the fraud risk management standards.

He coordinates the fraud risk management activities and any investigations and is responsible for organising and leading the weekly Tactical Fraud Meeting with the control function players.

In July 2023, the Executive Committee decided to also centralise the monitoring of its sanctions decisions within the Fraud Protection Office.

In conjunction with the FPO, the IT component of internal and external fraud management is handled by the Information Security Officer (ISO) covered by the teams from the Non-Financial Management (NRM) unit, while the Inspection division housed in the Conduct & Controls unit is responsible for non-IT operational anti-fraud control and compliance with the code of conduct and regulatory constraints.

### 6.3.11 Conduct risk

#### *6.3.11.1 Definition*

Conduct risk is reflected in the loss of reputation or sanction risk arising from failure to comply with the provisions of the Spuerkeess Staff Code of Conduct.

#### *6.3.11.2 Conduct risk governance*

This is an integral part of fraud risk management and is ensured by non-IT operational anti-fraud control and compliance with the code of conduct and regulatory constraints within the Conduct & Controls unit.

The Spuerkeess Staff Code of Conduct:

- informs staff of the rules and values to be respected in the performance of their duties;
- highlights our bank's values and conveys its image and principles;
- unites all staff in a common set of values.

#### *6.3.11.3 Conduct risk management governance and approach*

The Inspection division within the Conduct & Controls unit carries out controls to detect misconduct by using patterns of fraud established based on actual experience and on the activities' residual risks.

The Inspection division works closely with the 1LoD units, for example the HR & People Management unit, to monitor compliance with aspects of the code of conduct.

At the same time, suspicious activity reports, customer complaints and whistleblower reports can trigger analyses and internal investigations.

The activity and the key figures used by the Inspection division are reflected in their contribution to the Risk Appetite Framework (RAF) through quarterly reports as well as in the activity report prepared by the Fraud Protection Officer and sent to the Compliance Committee and the Audit and Compliance Committee.

## 6.4 Capital and liquidity adequacy analysis

### 6.4.1 Internal Capital Adequacy Assessment Process (ICAAP)

The Group's parent company pays particularly close attention to its capital management, which is a key factor in its financial stability. It ensures it has enough capital to develop its business and withstand an adverse economic environment. The capital allocated to the Group's different business lines is appropriate to the Group's parent company's risk profile. Risk identification, the result of an ongoing process, allows material vulnerabilities to be incorporated into the economic capital allocation.

As part of the ICAAP exercise, the Group's parent company develops a multi-year projection, over three years, for the change in regulatory capital, in order to evaluate the impact on the regulatory ratios of at least two macroeconomic scenarios. To supplement these normative perspectives, a one-year economic perspective is developed to present an economic capital allocation in accordance with internal methodologies while taking account of material risks.

The economic quantification of the different risks is based on a conservative vision, with a confidence level of 99,95%. Internal methodologies have been developed to precisely measure all of the Group's parent company's material risks. The latter may result in an increase in capital requirements or have an impact on economic capital.

### 6.4.2 Internal Liquidity Adequacy Assessment Process (ILAAP)

The Group's parent company's business model means that it is exposed to liquidity risk. The transformation of short-term deposits into long-term credit creates a significant maturity mismatch between assets and liabilities. The main source of the Group's parent company's financing, namely retail customer deposits, often has no contractual maturity, which means the Group's parent company is exposed to a contractual liquidity gap.

As part of the ILAAP process, the Group's parent company adopts a robust financing plan to guarantee the financial stability of the Group's parent company and the fulfilment of its strategic objectives.

In the normative perspective, a number of the indicators used to measure liquidity risk are projected over a three-year horizon using at least two scenarios. In the economic perspective, an internal liquidity stress test is used to identify the impacts of the internal strategy and an adverse environment on the Group's parent company's liquidity.

These projections are used to ensure that the Group's parent company has the liquidity resources it needs in the face of adverse conditions.

### 6.4.3 ICAAP and ILAAP governance

The ICAAP and ILAAP processes are important instruments for the Group's parent company's risk management. A quarterly report is thus presented to and discussed within the Risk Management Committee and the Risk Committee. The ICAAP and ILAAP processes are used by the Group's parent company to analyse the impacts of strategic changes and multi-year budget forecasts.

# 7 SEGMENT REPORTING

## 7.1 The Group's operations

The Group's activities are carried out from the territory of the Grand Duchy of Luxembourg and are broken down into four major segments, each with comparable profitability and risk characteristics. Spuerkeess also owns stakes in companies in Luxembourg, which are included in a separate segment.

The Group's parent company has adopted a pillar-based management view determined by the main customer segments. This view makes it possible to monitor the Group's parent company's strategic and business objectives and provide the best possible support to different types of customers.

The segments break down as follows:

- Retail Banking and Private Banking:
  This segment comprises the activities of the Retail and Private pillars and covers all of the Group's parent company's retail customers:
  - The Retail pillar consists of the branch network, with deposit-taking, loan distribution, advice on housing, investments and private pensions, and management of means of payment for retail customers, self-employed professionals and small businesses. These products and services are sold through the branch network, by Spuerkeess Direct, and through the digital channels that serve Spuerkeess's customers;
  - The Private pillar manages relationships with customers who have purchased one of the execution-only investment, investment advice or discretionary management solutions. These products and services are sold by dedicated Private Banking advisors at both the head office and Spuerkeess's finance centres.

- Corporate, Public Sector and Institutional Client Banking:
  This segment comprises the activities of the Corporate, Institutional and Public Sector pillars and thus covers all business customers:
  - The Corporate pillar manages relationships with business customers, which are categorised as either large companies or small and medium-sized companies. Specialised teams provide services to these customers in respect of loans and credits, investing, leasing and other financial advice;
  - The Institutional pillar manages relationships with institutional customers, investment funds, banks and other financial intermediaries, insurance and reinsurance companies, financial companies and private equity and multi-family office entities. The institutional client relationship managers are the key contacts for these customers;

- The Public Sector pillar manages government customers, other public sector entities and regional and local administrations. This pillar also covers relationships with the embassies of other countries located in Luxembourg.

- Financial Markets:
  This segment comprises the activities of the Financial Markets and ALM pillars:
  - The Financial Markets pillar covers the money market position management activity as well as management of the inventory of all securities held by Spuerkeess (the Collateral Management component). This pillar also manages the Global Credit Investment activity, i.e. management of Spuerkeess's investment portfolio through bond investments. Alongside these Spuerkeess proprietary trading activities, the pillar covers a broad range of services such as financial instrument order execution (equities, bonds and derivatives), as well as foreign-exchange transactions for customers in other segments;
  - The ALM pillar covers Spuerkeess's Asset and Liability Management activity, which involves quantifying and managing interest rate risk (IRRBB), structural liquidity risk and balance sheet balances.

- Investments and Corporate Center:
  This segment comprises income from investments, whether or not they are consolidated, Spuerkeess's own activities that cannot be allocated to customers in other pillars, such as the gains from sales of buildings and other income, as well as Management and secretary general overheads.

## 7.2 Allocation rules and net bank margin

The sector reporting is produced from analytical balance sheet allocation rules, an internal transfer pricing system and general expense allocation methods.
The internal transfer pricing system (FTP) reflects the transfer of interest rate risk and liquidity risk which are assumed by Spuerkeess's ALM unit. This entity is responsible for interest rate risk and liquidity risk management and for asset/liability management for Spuerkeess as a whole.
Back-office department, support activity and overhead costs are rebilled to the different pillars using an activity-based costing analytical cost allocation mechanism that reflects the economic consumption of the products and services provided to these segments.

The Group's net bank margin (NBM) consists of these main products:

- deposits from Retail customers, Private Banking, and Corporate, Public Sector and Institutional Client Banking;

- loans and advances to Retail customers, Private Banking, and Corporate, Public Sector and Institutional Client Banking;
- other products for Retail customers, Private Banking, and Corporate, Public Sector and Institutional Client Banking;
- other products.

| **31/12/2023**<br>In thousands of euros | **Retail Banking and Private Banking** | **Corporate, Public Sector and Institutional Client Banking** | **Financial Markets** | **Investments and Corporate Center** | **Total** |
|---|---|---|---|---|---|
| Net interest margin | 500.544 | 231.533 | 4.771 | 45.766 | 782.614 |
| Income from securities | - | - | - | 45.643 | 45.643 |
| Fee and commission income | 100.635 | 68.635 | 1.396 | 22.636 | 193.304 |
| Income from financial instruments and foreign exchange | 3.736 | 13.828 | 24.233 | 11.368 | 53.165 |
| **Net Banking Income** | **604.915** | **313.996** | **30.400** | **125.414** | **1.074.726** |
| Other operating income and expenses | - | - | - | 13.086 | 13.086 |
| **Banking income** | **604.915** | **313.996** | **30.400** | **138.500** | **1.087.811** |
| General administrative expenses plus valuation allowances in respect of intangible and tangible assets | -292.112 | -113.810 | -24.308 | -40.335 | -470.565 |
| Net allowances for valuation and impairment | -56.525 | -78.351 | 2.069 | 89 | -132.719 |
| Income from associates | - | - | - | 48.159 | 48.159 |
| **Income before tax** | **256.277** | **121.835** | **8.161** | **146.413** | **532.687** |
| Tax on income for the period and deferred taxes | -45.724 | -21.738 | -1.253 | -12.583 | -81.299 |
| Minority interests | - | - | - | -2.117 | -2.117 |
| **Income for the year attributable to equity holders of the parent** | **210.553** | **100.097** | **6.908** | **131.713** | **449.271** |
| **Assets** | **19.281.132** | **7.504.652** | **27.844.103** | **1.554.509** | **56.184.395** |
| **Liabilities** | **24.886.898** | **20.877.134** | **8.184.828** | **2.235.536** | **56.184.395** |

| 31/12/2024<br>In thousands of euros | Retail Banking and Private Banking | Corporate, Public Sector and Institutional Client Banking | Financial Markets | Investments and Corporate Center | Total |
|---|---|---|---|---|---|
| Net interest margin | 518.767 | 270.650 | 24.062 | 37.243 | 850.723 |
| Income from securities | - | - | - | 45.297 | 45.297 |
| Fee and commission income | 112.423 | 77.179 | 1.644 | 15.442 | 206.687 |
| Income from financial instruments and foreign exchange | 5.039 | 20.904 | 12.222 | 12.590 | 50.755 |
| **Net Banking Income** | **636.229** | **368.734** | **37.927** | **110.572** | **1.153.462** |
| Other operating income and expenses | - | - | - | 10.033 | 10.033 |
| **Banking income** | **636.229** | **368.734** | **37.927** | **120.606** | **1.163.495** |
| General administrative expenses plus valuation allowances in respect of intangible and tangible assets | -307.495 | -104.946 | -24.877 | -43.746 | -481.064 |
| Net allowances for valuation and impairment | -74.436 | -109.703 | -6.446 | -18.140 | -208.725 |
| Income from associates | - | - | - | 69.587 | 69.587 |
| **Income before tax** | **254.299** | **154.085** | **6.604** | **128.307** | **543.294** |
| Tax on income for the period and deferred taxes | -63.209 | -38.300 | -1.641 | 2.144 | -101.007 |
| Minority interests | - | - | - | -106 | -106 |
| **Income for the year attributable to equity holders of the parent** | **191.089** | **115.785** | **4.962** | **130.345** | **442.181** |
| **Assets** | **20.052.317** | **7.008.922** | **27.903.346** | **1.908.779** | **56.873.363** |
| **Liabilities** | **26.800.493** | **21.141.946** | **6.534.080** | **2.396.844** | **56.873.363** |

<u>Contribution by product to net bank margin:</u>

| in thousands of euros | 31/12/2023 | 31/12/2024 |
|---|---|---|
| Deposits from retail and private customers | 324.539 | 322.876 |
| Loans and advances to retail and private customers | 194.954 | 223.766 |
| Other products for retail and private customers | 85.422 | 89.587 |
| Deposits from corporate, public sector and institutional customers | 160.238 | 202.176 |
| Loans and advances to corporate, public sector and institutional customers | 81.766 | 83.905 |
| Other products for corporate, public sector and institutional customers | 71.993 | 82.652 |
| Other products | 155.814 | 148.499 |
| **Total Net Bank Margin** | **1.074.726** | **1.153.462** |

Neither one individual customer nor any consolidated group of customers generates more than 10% of the Group's NBM.

## SPUERKEESS'S GOVERNING BODIES

The organisation of Banque et Caisse d'Epargne de l'Etat, Luxembourg, the leading national financial institution, founded in 1856, is governed by the law of 24 March 1989, as amended, which defined the respective powers of the Board of Directors and the Executive Committee. Pursuant to Article 8 of this organic law, "the Board of Directors defines the Bank's general policy and is responsible for management control of the Executive Committee. All administrative acts and measures necessary or relevant to Spuerkeess's purpose fall within the responsibility of the Executive Committee, subject to such approvals as are required by virtue of this law".

BOARD OF DIRECTORS AS AT 31 DECEMBER 2024

| | |
|---|---|
| ***CHAIRMAN*** | Camille Fohl |
| ***VICE-CHAIRMAN*** | Simone Delcourt |
| ***BOARD MEMBERS*** | Nima Ahmadzadeh |
| | Bettina Blinn |
| | Pierre Krier |
| | François Thill |
| | Jean-Pierre Zigrand |
| ***BOARD MEMBERS-STAFF REPRESENTATIVES*** | Carmen Jaffke |
| | Marilène Marques |

SUPERVISORY COMMISSIONER

Luc Feller

EXECUTIVE COMMITTEE AS AT 31 DECEMBER 2024

| | | |
|---|---|---|
| ***CHAIRMAN*** | Françoise Thoma | Chief Executive Officer |
| ***MEMBERS*** | Aly Kohll | Deputy Chief Executive Officer |
| | Romain Wehles | Executive Vice President |
| | Doris Engel | Executive Vice President |
| | Olivier Wantz | Executive Vice President |

STATUTORY AUDITOR

Ernst & Young, Public Limited Company, Luxembourg

Approved by the Board of Directors during its meeting of 26 March 2025.

Luxembourg, 26 March 2025

For the Board of Directors

Camille Fohl
Chairman