



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Press release

29 June 2026

ECB sanctions BIL for breaching ECB decision on internal models

- Banque Internationale à Luxembourg (BIL) breached ECB decision on internal models regarding calculation of expected loss for one year
- As a result, the bank overstated its capital for three consecutive quarters
- ECB imposes a penalty of €3.255 million

The European Central Bank (ECB) has imposed an administrative penalty of €3.255 million (€3,255,000) on Banque Internationale à Luxembourg for intentionally failing to apply its approved internal models for the calculation of the expected loss for retail and corporate exposures in default.

The expected loss calculated by internal models is important because, if it is higher than the bank's provisions, the bank must subtract the difference, referred to as the internal ratings-based shortfall, from its capital. Subtracting this shortfall from capital ensures that a bank's capital position adequately reflects its risk exposure.

By failing to calculate expected losses as approved by the ECB, the bank was unable to accurately determine this shortfall. The bank therefore reported higher capital than it should have for three consecutive quarters, from the fourth quarter of 2023 to the second quarter of 2024. As a result of overestimating its capital, the bank reported higher capital ratios, which are key indicators of a bank's capital strength and ability to absorb losses, than it should have.

When deciding on the amount of a penalty to sanction a bank, the ECB applies its [Guide to the method of setting administrative pecuniary penalties](#). The ECB has classified this breach as "severe". The range of severity categories comprises "minor", "moderately severe", "severe", "very severe" and "extremely severe". More details on supervisory sanctions imposed by the ECB are available on our [web page](#).

European Central Bank

Directorate General Communications

Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.bankingsupervision.europa.eu

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The bank has the right to challenge the ECB's decision before the Court of Justice of the European Union.

For media queries, please contact [Lina Bennar](#) tel.: +49 152 0655 6600.

Notes

- The ECB's power to impose sanctions stems from Article 18 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.
- The Decision imposing a sanction may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

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