Annual Report 2019

BIL
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BANQUE INTERNATIONALE À LUXEMBOURG

Executive foreword

In 2019, the Bank launched a new strategic plan which foresees investments of EUR 400 million in the next five years. With the strong support of our shareholders, Legend Holdings and the Government of Luxembourg, we intend to position BIL as an innovative bank on our Luxembourgish home market whilst developing our international wealth management and corporate banking offering. In addition, the plan introduces new measures to increase efficiency and focus in all business areas.

In addition, the new strategic plan leverages the support of our new majority shareholder Legend Holdings by embarking BIL on the road to China. We reached a first major milestone in September 2019, when we became the first Luxembourgish bank to establish a physical presence in this very attractive market. Our Representative Office in Beijing will promote the BIL brand and help us provide tailored support to companies and business owners in China who want to invest and develop their business in Europe.

Generally speaking, the Bank aims to play a greater role in promoting business exchanges as well as economic and trade cooperation between China and Luxembourg. With this in mind, BIL is cooperating closely with the Luxembourgish branches of Chinese banks and with Chinese companies and entrepreneurs to help them do business in Europe.

Nevertheless, BIL's main focus remains on its Luxembourgish home market. In 2019, we further streamlined our universal product offering to maximise the investment opportunities for clients. While basic services such as our credit card range were simplified and made more efficient, we invested more resources in extending our range of investment products, for example with the launch of our new real estate fund BIL RE I. At the same time, we continued to upgrade our digital services with new features on the BILnet app. The app is very popular amongst our clients with top ratings on the Luxembourgish app stores.

A strong commercial performance

We are pleased to report an increase of 20% in core operating net income before tax to EUR 136 million in 2019, compared to EUR 114 million in 2018. This is mainly due to good results across all commercial business lines with customer loans growing by 9.9% compared to 2018.

Net income after tax amounted to EUR 113 million, 14% less than in 2018 (EUR 131 million). This was mainly due to large non-recurring capital gains in 2018, mainly from the Bank's Investment Portfolio and from the revaluation of the *Les Terres Rouges* building complex which was divested in 2019 following the sale of Red Sky S.A.

Assets under Management (AuM) increased by 10.3% in 2019, reaching EUR 43.5 billion. While this increase is made up of new net inflows of EUR 1.4 billion, we also recorded a positive market effect of EUR 2.6 billion which succeeded negative market conditions during the last quarter of 2018.

Indeed, 2019 was a strong year for stock markets despite the trade conflict between the US and China which provided a backdrop of uncertainty. Thanks to a prudent management of our equity holdings, our portfolios were protected from the repercussions of the trade tensions.

The overall good business performance was slightly offset by persistent negative interest rates. To limit the impact, we provided clients with cash conversion incentives throughout the year, notably with private asset investment opportunities such as the above-mentioned real estate fund or our private equity fund. We will continue to extend our investment offering in the years to come to further strengthen our reputation as an investment advisor.

We would like to take this opportunity to thank our clients for their continued trust in the Bank which made these good business results for 2019 possible. Going forward, we intend to further enhance our services to continue to meet their needs in the best possible way.

Marcel Leyers
Chief Executive Officer

Luc Frieden
Chairman of the Board of Directors

Annual Report 2019

Consolidated management report

Corporate governance (as of December 31, 2019)

Board of Directors and Board Specialised Committees

The Board of Directors is vested with the broadest powers to act in the name of the Bank and to take any action which is either necessary or useful to fulfil the corporate object of the Bank, with the exception of the powers reserved by the applicable law or the articles of association of BIL to the general meeting of shareholders. Among its missions, the Board of Directors is responsible for setting and overseeing the overall business and risk strategy and policy including the risk tolerance/appetite and the risk management framework.

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

Management Board / Executive Committee

The Management Board of BIL (also referred to as the "Authorised Management") is responsible for the day-to-day management of BIL and exercises its duties under the supervision of the Board of Directors.

The Management Board decides on all matters prescribed by the law and the articles of association of BIL and ensures compliance with legal requirements and internal guidelines (in particular Charters, Policies and the Authorities Matrix). It takes the necessary measures to ensure that adequate internal guidelines are developed and implemented. The Management Board's responsibilities include, in particular, the Bank's strategic management and direction, the allocation of resources, financial accounting and reporting, control and risk management, as well as a properly functioning business organisation and corporate control.

On October 1, 2018, an Executive Committee was established, consisting of the Chief Executive Officer, the other members of the Authorised Management as well as heads of support functions and business lines. The Chief Compliance Officer as well as the Chief Internal Auditor are permanent invitees to the Executive Committee, with direct reporting lines to the chairman of the Board of Directors (amongst other directors) and to the chairman of the Board Audit and Compliance Committee.

The objective of the Executive Committee is to run the Bank, make recommendations and contribute to discussions in order to allow the Executive Committee and ultimately the Authorised Management to decide on all actions to be taken for the benefit and in the corporate interest of BIL and BIL group. As a matter of principle, decisions are taken by the Authorised Management during the Executive Committees meetings.

Board of Directors

Chairman

Luc Frieden

Vice-Chairman

Peng Li

Members

Hugues Delcourt	Director (up to April 26, 2019) and CEO (up to April 30, 2019)
Marcel Leyers	Director and CEO (as from June 11, 2019), Chairman of the Executive Committee (as from May 1, 2019)
Maurice Lam	Director
Jing Li	Director
Pierrot Rasqué	Director
Christian Schaack	Director
Vincent Thurmes	Director
Chris Van Aeken	Director
Michel Scharff	Director, Staff Representative
Serge Schimoff	Director, Staff Representative
Marc Terzer	Director, Staff Representative
Fernand Welschbillig	Director, Staff Representative (up to July 31, 2019)
Ashley Glover	Director, Staff Representative (as from November 14, 2019)

Board Strategy Committee

Chairman

Jing Li

Members

Luc Frieden
Vincent Thurmes

Board Audit and Compliance Committee

Chairman

Maurice Lam

Members

Jing Li
Pierrot Rasqué

Board Risk Committee

Chairman

Christian Schaack

Vice-Chairman

Jing Li

Members

Luc Frieden
Vincent Thurmes
Chris Van Aeken

Board Remuneration and Nominations Committee

Chairman

Peng Li

Members

Jing Li
Vincent Thurmes
Fernand Welschbillig (sub-meeting Remuneration) (up to July 31, 2019)
Serge Schimoff (as from August 1, 2019)

Executive Committee

Chairman

Hugues Delcourt[1]	CEO (up to April 30, 2019)
Marcel Leyers[1]	Chairman of the Executive Committee (as from May 1, 2019) and CEO (as from June 11, 2019)

Members

Stéphane Albert[1]	Chief Risk Officer
Yves Baguet[1]	Chief Operating Officer
Hans-Peter Borgh[1]	Head of Wealth Management and International Corporate Development (up to December 31, 2019)[2]
Olivier Debehogne[1]	Head of Retail, Private Banking Luxembourg and Digital
Martin Freiermuth	Head of Products and Markets
Emilie Hoël	Head of Strategy, Corporate Development and Marketing (up to April 14, 2019)[3]
Erwin Liebig	Head of Strategy, Marketing and Data (as from April 15, 2019)
Marcel Leyers[1]	Head of Corporate and Institutional Banking (up to April 30, 2019)
Jeffrey Dentzer	Head of Corporate and Institutional Banking (as from May 1, 2019)
Bernard Mommens[1]	Secretary General & General Counsel
Nico Picard[1]	Chief Financial Officer
Karin Scholtes[1]	Global Head of People, Culture and Communication

Permanent Invitees

Pia Haas	Chief Internal Auditor
Marie Bourlond	Chief Compliance Officer

[1] Member of the Authorised Management.
[2] As from January 1, 2020, Hans-Peter Borgh becomes the Group Head International and CEO of Banque Internationale à Luxembourg (Suisse) S.A. and remains a member of the Executive Committee.
[3] As from January 1, 2020, Emilie Hoël becomes Head of Wealth Management and a member of the Executive Committee.

Business Review and Results

1. Highlights of 2019 and early 2020

2019 was marked by the rollout of the new strategic five-year plan Create Together 2025 following a senior management change in May. The plan not only foresees a review and adaptation of the Bank's commercial setup to take advantage of market opportunities but also the implementation of a more modern processing environment in 2023. To this end, BIL intends to invest EUR 400 million in a new core banking system and innovative digital solutions over the next five years.

In particular, BIL aims to defend its strong market share in Luxembourg thanks to organic and semi-organic growth in all business areas with a focus on the very attractive Chinese market. BIL reached a first milestone when it became the first Luxembourgish bank with a physical presence in China in September thanks to its new Representative Office in Beijing. Meanwhile, in its Luxembourgish home market, BIL divested its holding in Red Sky S.A. which held the *"Terres Rouges"* real estate complex in Esch-Belval, in the interest of business simplification.

GOVERNANCE CHANGES

2019 saw a senior management reshuffle at BIL with Marcel Leyers taking over the helm as CEO of the Group on June 11, 2019. At the same time, Erwin Liebig was appointed Head of Strategy while Jeffrey Dentzer took on the role of Head of Corporate and Institutional Banking.

The Bank also announced further executive changes to develop its international wealth management activities: Hans-Peter Borgh was appointed Group Head International and CEO of BIL Suisse while Emilie Hoël, an Executive Committee member, is the new Head of Wealth Management. Both appointments took effect on January 1, 2020.

ENHANCED DIGITAL AND INVESTMENT SERVICES

2019 saw further enhancements of BIL's digital solutions. Following the rollout of fully mobile onboarding solutions for new clients in 2018, desktop onboarding was enabled in 2019 with an ID now identification via mobile phone. Clients appreciate the Bank's digital services; BILnet was top rated in app stores throughout the year. In late August for example, the app was rated 4.7 out of 5 on Apple's App Store and 4.5 on Google Play. On January 21, 2020, BIL launched Apple Pay services which enables its clients to pay with an Apple device that is linked to their BIL credit or debit cards.

BIL also continued to extend its alternative investment fund range in 2019 to maximise investment opportunities for clients. In this context, the Bank reached another milestone with the launch of its first in-house real estate fund BIL RE I in collaboration with Quilvest on December 11. The objective of BIL RE I is to raise a minimum of EUR 50 million to invest in offices or commercial buildings in Europe with a projected net return of 10%.

This real estate fund complements the private equity fund BIL PE I. The latter was launched in 2018 as one of the first private equity funds that gave investors access to the thriving IPO market in China with a relatively low entry ticket- two further subscription rounds in 2019 were met with continued client interest. Both the real estate and the private equity fund provide experienced investors with more profitable alternatives to traditional assets.

In general, BIL is witnessing a growing client appetite for investments in funds which offer attractive yields in the current low-interest rate environment. As a result, the BIL Invest fund range recorded one billion euros under management in late 2019. Discretionary management has become a flagship product thanks to a strong portfolio performance which enabled BIL to once again be included in the ranking of leading investment service providers in Luxembourg.

At the same time, the Bank constantly strives to make its standard products more attractive. For example, the Bank can now offer enhanced payment services thanks to an exclusive partnership with Visa. In this context, BIL launched a new range of debit and credit cards with completely overhauled coverage and assistance services in October.

SUPPORTING INNOVATIVE COMPANIES IN LUXEMBOURG AND ABROAD

Throughout 2019, BIL continued to support innovative companies in Luxembourg. In April, the InnovFin guarantee agreement that was signed by the European Investment Fund and BIL in 2015 was extended to allow BIL to expand its lending to innovative Luxembourgish small and medium-sized businesses and small mid-caps. The InnovFin facility now covers up to EUR 80 million in total.

In another move to boost lending to entrepreneurs, BIL signed a framework agreement with Office du Ducroire (ODL) aimed at increasing lending to Luxembourgish companies to boost their international trade on May 13. ODL is a public institution that provides financial support to Luxembourgish companies to help cover their promotion and exhibition costs and also offers them insurance solutions for international trade and investment risks. This is the first agreement of its kind between ODL and a bank.

Consolidated management report

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On an international level, BIL is participating in a pilot project for instant cross-border payments together with large international banks, SWIFT and the European Central Bank (ECB). While it can currently take several days to transfer funds between different countries, this setup tests real-time cross-border payments using the ECB's TARGET Instant Payments Settlement (TIPS) platform. The tests concerned transfers from Europe and North America to Asia as well as transfers from banks around the world to Europe. In a few years, BIL will be able to offer the service to corporate and institutional clients.

A STREAMLINED SERVICING OF THE LUXEMBOURGISH MARKET

BIL is striving to streamline its services to offer clients a more clear-cut value proposition. To this end, the Retail, Private Banking Luxembourg and Digital business line underwent a major reorganisation from July to late October. All branch director, deputy branch director, branch manager or professional team leader positions were reassigned by September. In addition, the private banking centres for wealthy Luxembourgish clients were reduced from eight to three (Ettelbruck, Luxembourg City, Esch-sur-Alzette). The aim was to encourage greater specialisation, collaboration and interdependence amongst the sales force to better meet customers' needs.

The aim of this business simplification is not only to streamline the product offering for clients but also to concentrate resources on key business areas such as the discretionary investment proposition to boost growth. This strategy has already started to pay off: in addition to the BIL Invest fund range recording one billion euros in assets under management in late 2019 as indicated above, BIL's fund structuring subsidiary BIL Manage Invest reached the symbolic threshold of five billion euros of assets under management on September 30. The latter was mainly driven by real estate and private equity.

ON THE ROAD TO CHINA

The acquisition of the majority stake in BIL by Legend Holdings in 2018 created many opportunities in the attractive Chinese market. China has become the second largest wealth management market in the world after the United States of America (USA) and these wealthy individuals are increasingly interested in diversifying their portfolio by investing overseas in European and developed Asian markets such as Hong Kong.

This presents an opportunity for BIL as the Bank's longstanding experience in private banking paired with Legend Holdings' extensive network and excellent reputation in China constitutes a competitive advantage. Wealth Management is therefore a key factor in the development of BIL's China strategy and the Bank is currently beefing up its capacity to service Chinese High Net Worth Individual (HNWI) clients - two dedicated wealth management China desks were opened in Luxembourg and Switzerland in early 2019.

It should be noted that BIL can provide more than just private banking services for Chinese clients. The Bank can also help Chinese investors to benefit from the Luxembourgish investment fund hub, thereby acting as an investment bridge between China and Europe. For example, BIL is the administrator of the first Chinese innovation private equity fund domiciled in Luxembourg, the "China-Luxembourg Innovation Investment Fund" (CLIIF). The fund was officially launched at BIL's headquarters on April 26 in the presence of representatives of the Luxembourgish government, the Chinese ambassador to Luxembourg and senior representatives of major Chinese banks.

On September 17, BIL opened a Representative Office in Beijing in the presence of the Minister of Finance Pierre Gramegna. BIL is the first Luxembourgish bank to open a representative office in China, this will enable the Bank to provide tailored support to companies, business owners, and individuals who want to invest and develop their business in Europe. Regulated by the China Banking and Insurance Regulatory Commission, the office will mainly conduct market research and promote the BIL brand in the Chinese market while the banking and investment services will be provided by BIL Luxembourg and BIL Suisse.

INTRODUCTION OF OPEN BANKING SERVICES

In addition to investing in business growth, BIL continues to devote significant resources to regulatory compliance. One of the main regulations to enter into force in 2019 was the second European Payment Services Directive (PSD2), which encourages banks to open their information systems up to third party providers. Accordingly, BIL launched its new open banking platform in June to collaborate with these third parties (online merchants, fintechs, partner companies, etc.) and to offer even more services to clients.

Of course, this collaboration is completely transparent and secure for clients. They choose the service they wish to use and their consent is needed for a third party to access their information or to initiate a payment. These third parties must also be certified by a financial regulator of an EU country.

In practice, the Bank offers external developers an initial application programming interface (API), giving access to account information (balance and transactions) and enabling payments. Developers will be able to test and use this API to offer BIL clients account aggregation and payment services in 2020.

A STRONG COMMITMENT TO CSR

BIL sees open banking as an opportunity for accelerating innovation in financial and non-financial services. And indeed, innovation is one of the Bank's overall priorities which is also reflected in BIL's Corporate Social Responsibility (CSR) policy which focuses on innovation, education, art and culture as well as health.

In the area of innovation, teams from BIL took part in the Design and Project Booster Day organised by the non-profit organisation WIDE (Women in Digital Empowerment) in collaboration with Technoport on January 17. In a further bid towards encouraging female inclusion and more specifically female entrepreneurship in Luxembourg, BIL hands out the BIL Business Woman of the Year award every two years. This year, the award with a cash prize of EUR 10,000 was presented to Stéphanie Jauquet, the founder of the restaurant chain Cocottes.

BIL also continues its efforts to support the start-up community in Luxembourg. For example, BIL deepened its existing cooperation with the coworking centre The Office in November by opening its own dedicated space which will be freely available to up to three start-ups for a six-month period.

Concerning art and culture, the CSR highlights of 2019 included the exhibition "ECCO" by Elisabeth Calmes in the Independence Gallery at BIL's headquarters from March to May as well as the award of the Independence Grant to Steve Gerges. The EUR 20,000 grant by the National Cultural Fund, the "Fondation Indépendance" and BIL aims to support innovative works in the field of digital arts and new technologies. The artwork was on display in the Independence Gallery from October 2019 to February 2020.

Art2Cure was another major exhibition in the Independence Gallery which was showcased from June to September. The works of multiple Luxembourgish and international artists were exhibited with the aim of donating half of the proceeds to the Luxembourg Centre for Biomedicine Systems of the University of Luxembourg and the non-profit organisation Trauerwee. In October, BIL further sponsored the centre under the health stream of its CSR activities by buying a sculpture of a brain as part of the Mind the Brain project.

In addition to promoting external initiatives, the Bank also encourages employees to get involved in non-profit organisations. In April, five employees were presented with a cheque of EUR 4,000 for projects they support, ranging from food donations to Venezuela to the provision of sports equipment for disabled children in Luxembourg.

Throughout the year, the Bank implemented several measures to reduce the use of plastic in all offices. All single-use plastic containers and utensils were replaced with multi-use equivalents. This will significantly reduce the amount of plastic waste produced by BIL. For example, the installation of water fountains is expected to save around 78,000 PET bottles a year, which amounts to two tons of plastic. In this context, BIL signed the IMS Luxembourg zero single-use plastic manifesto on October 18.

EXTERNAL RECOGNITION

The high quality of BIL's products and services received positive feedback on the market on several occasions in 2019. Global Finance named BIL the Best Bank in Luxembourg for the third year in a row and the Bank won three awards in November, Best Bank in Luxembourg (The Banker), Best Retail Bank in Luxembourg (Global Banking and Finance Review) and Best Corporate Bank in Luxembourg (Global Banking and Finance Review). Internationally, BIL Dubai won a Wealth Briefing award for the Best Private Bank Servicing the Expat UHNW Community.

Specific initiatives were also awarded, for example the content marketing platform myLIFE won first place for "Best Use of Native Advertising in Email" at the Native Advertising Awards 2019 in Berlin and the Bank's training platform BIL Academy won the HR One Award in the Category "People Experience". The BIL Academy was particularly commended for the blended learning methodology.

A further indicator of BIL's good standing on the market is the ease with which the Bank manages to place bonds. For example, BIL issued CHF 150 million of senior non-preferred bonds in Switzerland in June. The bonds were issued to comply with the Bank Recovery and Resolution Directive (BRRD), which requires banks to maintain a sufficient buffer of capital and reserves, subordinated bonds and senior non-preferred bonds to absorb potential losses. The fact that the bonds were purchased by 60 institutional investors within less than two hours shows the confidence investors place in the Bank and in its shareholders.

In a similar demonstration of strong investor confidence in the Bank, BIL issued EUR 175 million of subordinated debt (AT1) at a reduced coupon rate of 5.25% in November. At the same time, the Bank repurchased EUR 118 million of AT1 bonds in circulation from a 2014 issue with a coupon of 6.625% and the next call date in June 2020. Analysts noted that BIL was the first European bank to combine a new issue and a repurchase offer, thus limiting its refinancing costs as much as possible. This successful, innovative issuance reflects the growing recognition of BIL in international financial markets.

BREXIT

The United Kingdom (UK) officially left the European Union (EU) at midnight on January 31, 2020. According to the Withdrawal Agreement published on October 17, 2019 but only recently ratified by both parties, a transition period started on February 1, 2020 and will last at least until December 31, 2020.

During this period, the UK will effectively remain in the EU's customs union and single market - but will be outside the political institutions and there will be no British members of the European Parliament. The top priority during this period will be to negotiate a trade deal with the EU in order to avoid an unregulated exit of the UK from the EU (hard Brexit).

A thorough review of the potential impact of Brexit on BIL's operations was conducted during the last quarter of 2018 and throughout 2019. We identified a number of processes that will likely be impacted if no deal becomes effective, in particular:

- Clients residing in the UK (ca. EUR 430 million as at January 31, 2020 in terms of assets);
- Legal matters (e.g. new ISDA & GMRA, clarity regarding local laws, "novations");
- Risk matters (credit portfolio, internal models, counterparty risks);
- Operational matters (cash correspondent, broker list authorisations, etc.);
- Compliance matters (e.g. cross border rules, data storage, etc.);
- Tax matters (VAT treatment, income tax, double tax treaties);
- HR matters (UK citizens employed by the Bank).

Brexit also represents a strong business opportunity as many UK corporates announced their intent to relocate in the EU area. In order to address the main issues relating to Brexit, a formal governance has been put in place to monitor the impact analysis and mitigation actions until more clarity is provided to European institutions and clients.

2. Key figures

COMMERCIAL FRANCHISES

The "Retail, Corporate and Wealth Management" business areas delivered a solid performance in 2019:

- Assets under Management (AuM) increased by 10.3% reaching EUR 43.5 billion compared with EUR 39.5 billion at the end of 2018. This increase resulted from new net inflows of EUR 1.4 billion across all the business lines and from a highly positive market effect of EUR 2.6 billion following the favourable market conditions observed in 2019;
- Customer deposits increased by 10%, reaching EUR 19 billion compared with EUR 17.3 billion at year-end 2018. Nevertheless, the Bank continued to encourage cash conversion for clients and further strengthened its good reputation as an investment advisor;
- Customer loans increased by 9.9% to EUR 14.7 billion compared with EUR 13.4 billion at year-end 2018 essentially due to the commercial activities' contribution which grew by EUR 1.4 billion (+10.3% compared with year-end 2018 excluding impairment), proof of BIL's ongoing support of the local economy.

PROFITABILITY

BIL reported a net income after tax of EUR 113 million in 2019, compared with EUR 131 million in 2018, down 14%.

Net income before tax amounted to EUR 143 million, down by EUR 13 million compared with 2018, influenced by a negative evolution of the non-recurring items of EUR 36 million offset by a good performance of the core operating activities of EUR 23 million.

The non-recurring items were mainly composed of the capital gains realised in 2019 of EUR 11 million following the sale of the 100% shareholding in Red Sky S.A. which held the building complex *"Les Terres Rouges"* versus the 2018 revaluation of EUR 35 million of this building, a decrease of EUR 5 million in capital gains from the Bank's Investment Portfolio (EUR 11 million in 2019 compared with EUR 16 million in 2018), with costs relating to the repurchase offer on the contingent convertible bonds of EUR 4 million.

Core operating net income before tax totalled EUR 136 million in 2019 compared with EUR 114 million in 2018, which represents an increase of EUR 23 million (20%). This positive result was marked by a solid performance of the commercial business lines in line with the commercial franchise evolution, financial markets results, cost containment measures and a limited impact in terms of cost of risk.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In 2019, both Moody's and Standard & Poor's affirmed BIL's ratings of A2/Stable/P-1 and A-/Stable/A-2, respectively.

BIL group	Dec 2018	Dec 2019	Outcome
Moody's	A2 Stable P-1	A2 Stable P-1	On November 18, 2019 Moody's Investors Service completed a periodic review of the ratings of the Bank and confirmed the ratings affirmed on May 7, 2018.
S&P	A- Stable A-2	A- Stable A-2	On November 22, 2019 S&P Global Ratings affirmed the ratings.

3. Business line segmentation

During the last quarter of 2018, the Bank put in place a new organisation to meet new challenges and benefit from new opportunities and foster collective intelligence and agility. This is reflected in the financial results from January 2019.

"Retail Banking, Corporate & Institutional Banking and Wealth Management" were slightly impacted by the new organisation. The main changes were the centralisation of institutional activities under Corporate & Institutional Banking. "Retail Banking, Corporate & Institutional Banking and Wealth Management" are divided into three business lines: Retail, Private Banking Luxembourg & Digital; Corporate & Institutional Banking; and Wealth Management & International Corporate Development.

"Treasury and Financial Markets" (TFM) activities were reallocated to Banking Book Management and Products & Markets. The Institutional Banking desk under TFM was transferred to Corporate & Institutional Banking to enhance synergies. In terms of segmentation, Banking Book Management and Products & Markets are now reported under **"Financial Markets"** in the business reporting.

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

4. Consolidated statement of income and consolidated balance sheet

PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements of BIL group for 2019 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The main accounting principles are described in Note 1 of the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME [1]

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

BIL group (in EUR million)	**31/12/18**	**31/12/19**	**Change versus 2018**	**%**
Income	573	568	(6)	(1)%
Interests and dividend income	312	318	6	2%
Fees income	197	209	12	6%
Other income	64	40	(23)	(36)%
Expenses	(398)	(397)	1	(0)%
Gross operating income	**175**	**170**	**(5)**	**(3)%**
Cost of risk and provisions for legal litigation	(19)	(27)	(9)	46%
Net income before tax	**156**	**143**	**(13)**	**(9)%**
Tax expenses	(26)	(30)	(4)	17%
Net income	**131**	**113**	**(18)**	**(14)%**

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

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

BIL group (in EUR million)	Commercial activities and Financial Markets		Group Center		Total		Change versus 2018	%
	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19		
Income	551	575	22	(8)	573	568	(6)	(1)%
of which Core operating income	*535*	*565*	*(14)*	*(14)*	*521*	*551*	*30*	*6%*
Expenses	(379)	(378)	(20)	(20)	(398)	(397)	1	(0)%
of which Core operating expenses	*(377)*	*(375)*	*(12)*	*(15)*	*(389)*	*(389)*	*(0)*	*0%*
Gross operating income	173	198	2	(28)	175	170	(5)	(3)%
of which Core gross operating income	*159*	*191*	*(27)*	*(29)*	*132*	*162*	*29*	*22%*
Cost of risk and provisions for legal litigation	(18)	(26)	(1)	(1)	(19)	(27)	(9)	46%
of which Core operating cost of risk	*(18)*	*(25)*	*(1)*	*(0)*	*(19)*	*(25)*	*(7)*	*36%*
Net income before tax	155	172	1	(29)	156	143	(13)	(9)%
of which core operating net income before tax	*141*	*166*	*(28)*	*(29)*	*114*	*136*	*23*	*20%*
Tax expenses					(26)	(30)	(4)	17%
Net income					**131**	**113**	**(18)**	**(14)%**

Income

In 2019, total income amounted to EUR 568 million, down by EUR 6 million (-1%) compared with year-end 2018 (EUR 573 million). Excluding the aforementioned non-recurring items evolution, core operating income amounted to EUR 551 million compared with EUR 521 million in 2018, an increase of EUR 30 million (+6%).

Commercial activities' contributions to the core operating income increased significantly by EUR 18 million (+3.5%). Despite a slight decrease in Wealth Management activities against the backdrop of a challenging environment, the Bank achieved a good level of income thanks to its diversification into various activities in Retail and Corporate Banking. Despite the low interest rate environment, net interest income increased by EUR 9 million (+3%) through commercial activities' loans growth (EUR 15.3 billion compared with EUR 13.9 billion in December 2018). Fee and commission income increased by EUR 13 million (+7%) resulting from higher management and performance fees combined with positive market conditions in 2019 and loan fees in line with the growth in customer loans. Other net income decreased by EUR 4 million.

Financial Markets' contribution to the core operating income increased by EUR 12 million through Banking Book Management (EUR 10 million) and Products & Markets (EUR 2 million). The Investment Portfolio, treasury and bonds' activities contributed to this positive evolution.

Group Center activities generated a negative contribution of EUR 14 million to the core operating income and remained stable compared with 2018. Group Center was notably composed of the Deposit Guarantee Scheme (DGS) and Resolution Funds' contributions which decreased from EUR 17.4 million in 2018 to EUR 15.2 million in 2019, offset by the increased funding costs related to the issuance of senior non-preferred debts pursued in 2018 and 2019.

Expenses

Expenses of EUR 397 million remained stable compared with 2018 (EUR 398 million). Core operating expenses (excluding non-recurring items such as restructuring costs) also remained stable at EUR 389 million.

General and administrative expenses decreased by EUR 24 million following the effect of IFRS 16 on operating lease expenses (please see Note 1 of the consolidated financial statements) on January 1, 2019 (EUR 8 million) and the cost containment measures applied in 2019 mainly in Luxembourg (EUR 16 million). These measures mainly reduced consultancy, IT and other fees and enabled the Bank to compensate the increased staff expenses (EUR 17 million) following the full effect of new employees hired in 2018 and the overall impact in 2019 of the salary indexation applied in August 2018. Depreciation & amortisation increased by EUR 6 million due to the application of IFRS 16 at BIL group level, compensated by the accelerated amortisation accounted in 2018. The core cost income ratio improved and reached 71% as at December 2019 versus 75% in December 2018 driven by cost containment measures and increased revenues.

Gross operating income

Gross operating income amounted to EUR 170 million compared with EUR 175 million in 2018 (-3%). Excluding non-recurring items, core gross operating income rose by EUR 29 million, an increase of 22%, influenced by core operating revenues.

Cost of risk and provisions for legal litigation

BIL group recorded net provisions on loans and advances and provisions for legal litigations of EUR 27 million compared with EUR 19 million in 2018, representing an increase of EUR 9 million.

The level of provisions reached EUR 25 million compared with EUR 18 million. This evolution was mainly identified under Stage 1[1] which reflects the low risk profile of the Bank's core commercial activities. BIL Luxembourg's problem loans (non-performing loans excluding non-core activities) represented 2.08% of gross loans at the end of December 2019 compared with 2.44% at the end of December 2018.

Impairment on tangible and intangible assets reached EUR 1.8 million and relates to impairment booked on right-of-use assets of offices rented in accordance with IFRS 16 "Leases".

Net income before tax

Net income before tax stood at EUR 143 million compared with EUR 156 million in 2018. Core operating net income before tax reached EUR 136 million, an increase of EUR 23 million (+20%) compared with 2018.

Tax expenses

2019 tax expenses stood at EUR 30 million. The evolution of tax expenses is partly explained by the tax rate decrease in Luxembourg and the partial write back of impairments on tax losses carried forward.

Net income

Despite a challenging market environment, the Bank reported net income of EUR 113 million, lower than in 2018, however, largely influenced by non-recurring items. Limited to the core activities, the Bank's performance exceeded expectations, making this a very promising starting point for implementing its "Create Together 2025" strategic plan over the coming years.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET[2]

(in EUR billion)	31/12/18	31/12/19	Change versus 2018	%
ASSETS	**25.5**	**28.1**	**2.6**	**10.3%**
Cash at central banks and loans and advances to credit institutions	4.4	4.7	0.4	8.6%
Loans and advances to customers	13.4	14.7	1.3	9.9%
Financial investments	6.5	7.6	1.0	15.8%
Positive fair value of derivative products	0.3	0.3	0.0	15.4%
Other assets	0.9	0.7	(0.2)	(18.1)%
LIABILITIES	**25.5**	**28.1**	**2.6**	**10.3%**
Amounts due to credit institutions	2.9	3.1	0.2	5.1%
Amounts due to customers	17.3	19.0	1.7	10.0%
Negative fair value of derivative products	0.5	0.6	0.1	19.6%
Debt securities	2.8	3.2	0.4	15.3%
Subordinated debts	0.3	0.2	(0.1)	(40.7)%
Other liabilities	0.3	0.3	0.0	(0.8)%
Shareholders' equity	1.4	1.7	0.3	24.7%

In 2019, the consolidated balance sheet increased by EUR 2.6 billion (+10.3%).

[1] Stage 1 regroups financial instruments that have a performing status and for which no significant deterioration in credit quality has occurred since their origination.
[2] Variation and percentages calculated on exact numbers may bring rounding differences.

ASSET MOVEMENTS

"Loans and advances to customers" amounted to EUR 14.7 billion compared with EUR 13.4 billion, up by EUR 1.3 billion (+9.9%) compared with year-end 2018. Commercial activities' loans (excluding impairment) increased by EUR 1.4 billion (+10.3% compared with year-end 2018). Outstanding mortgage loans increased by EUR 0.6 billion (+12%) and investment loans by EUR 0.7 billion (+10.8%). The Bank continued to support the projects of individual and business clients, reflected in particular in the performance of both Retail and Corporate & Institutional Banking, which rose by 9.7% and 12.7%, respectively.

"Financial investments" rose by EUR 1 billion to EUR 7.6 billion as a result of an increase in BIL's excess cash, stemming from the substantial rise in client deposits and debt securities. The Investment Portfolio is made up mainly of assets eligible for refinancing by the European Central Bank (ECB) qualifying as liquidity reserves under Basel III and the CRD IV Directive. These assets enable the Bank to fully comply with liquidity ratio requirements. As at December 31, 2019 the Liquidity Coverage Ratio (LCR) stands at 139% and the Net Stable Funding Ratio (NSFR) at 111%.

"Cash at central banks and loans and advances to credit institutions" amounted to EUR 4.7 billion, up by EUR 0.4 billion (+8.6%); this positive trend is in correlation with the growth of "Amounts due to customers".

LIABILITY MOVEMENTS

"Amounts due to customers" totalled EUR 19 billion at year-end 2019, representing a growth of 10% (EUR 1.7 billion). This growth is attributed to the three main business lines and occurred mainly in term deposits (EUR 1 billion) and current accounts (EUR 0.7 billion).

"Debt Securities" reached EUR 3.2 billion (+15.3% versus 2018). Following BIL's first senior non-preferred bond issuance of EUR 300 million in September 2018, the Bank continued its long-term financing programme in this debt class and issued a further CHF 150 million senior non-preferred bond on the Swiss market in July 2019 as well as additional private placements during 2019 for EUR 114 million.

"Subordinated debts" decreased by EUR 0.1 billion following the successful repurchase offer on contingent convertible bonds (EUR 118 million) issued in 2014.

"Shareholders' equity" increased by EUR 0.3 billion (+24.7%) consisting of several components:

- The new AT1 transaction for EUR 175 million issued in November 2019;
- The capital increase of EUR 58 million realised in December 2019;
- The 2019 net profit of EUR 113 million;
- The increase of EUR 6 million in the revaluation reserves on financial instruments.

5. Movements in share capital

At the end of the year 2019, the Bank's share capital was fixed at EUR 146,108,270 (2018: EUR 141,212,330) represented by 2,087,261 fully paid-up shares (2018: 2,017,319). In 2019, the Bank carried out a capital increase split into the following two operations:

- The issuance of 70,912 new shares for a total amount of EUR 58,000,343 allocated for an amount of EUR 4,963,840 to the share capital and for an amount of EUR 53,036,503 to the share premium;
- The cancellation of the existing 970 treasury shares held by the Bank for an amount of EUR 67,900.

6. Research and development

Products and services are continuously adapted to optimise the way in which client needs are met and to further ensure that portfolios match individual risk profiles. In the current low-interest rate environment, BIL is looking into the development of alternative savings products that combine a reasonable risk profile with an attractive return.

To this end, BIL will further leverage the network and expertise of its majority shareholder Legend Holdings. In particular, the Bank intends to intensify its collaboration with its sister company Legend Capital, an outstanding Venture Capital fund manager.

BIL continues to research innovative technologies and supports their development in startups through partnerships with business incubators and dedicated startup funding programmes. Going forward, BIL intends to intensify its collaboration with startups to provide innovative payment services and to promote open banking.

At a systemic level, BIL is currently developing a new, reliable, modern core banking system which will improve service quality and speed. Total IT investments will amount to EUR 400 million from 2019 to 2025.

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

7. Post-balance sheet events

COVID-19 OUTBREAK

The COVID-19 outbreak has been identified as a post-balance sheet, non-adjusting event with a potential material impact on BIL group.

In view of the COVID-19 pandemic and the protective measures announced by the Luxembourgish Government, the Bank and all BIL group entities have taken measures to protect the safety and health of employees and clients whilst ensuring business continuity. These measures include restricting business trips, splitting teams between different buildings, additional hygiene measures and remote working. The Bank is constantly adapting to the latest applicable government measures.

As one of the major banks in Luxembourg, BIL is supporting government and Central Bank actions and remains accessible to all retail, private and corporate clients. Financing facilities are available to clients to minimise the negative effect of the economic slowdown on their activities.

The significant worsening of the macroeconomic outlook will impact all market participants, businesses and banks. As a result, we are expecting an impact on BIL's 2020 financials with lower revenues and higher costs of risk and operations. It remains too early to quantify the potential impact on BIL financials arising from COVID-19 as this will depend on a large range of external factors. Our capital and liquidity positions remain solid with significant buffers in excess of regulatory requirements.

ACQUISITION OF SINO SUISSE FINANCIAL GROUP (HONG KONG) LIMITED

Since the closure of the financial year, BIL acquired 100% of Sino Suisse Financial Group (Hong Kong) Limited in February 2020. Founded in 2017, Sino Suisse Financial Group (Hong Kong) Limited is an External Wealth Management firm based in Hong Kong, which provides financial advice to High Net Worth Individuals, entrepreneurs and their families. As part of the transaction, Sino Suisse Financial Group (Hong Kong) Limited will be renamed BIL Wealth Management Limited. This transaction had no impact on the 2019 financial or commercial situation of the Group.

8. Strategic outlook

BIL aims to grow its brand domestically and internationally, further enhance its client offering and achieve sustainable growth. Going forward, the majority shareholder Legend Holdings and the Grand Duchy of Luxembourg have committed to providing the necessary support to help BIL achieve this goal.

Under the new strategic five-year plan, BIL will continue to implement its core banking system, requiring significant IT investments. At the same time, digital capabilities are constantly being enhanced. All of these activities will be carried out with prudent risk management and in compliance with regulations.

In Luxembourg, BIL aims to meet the evolving needs of its diverse client base through its comprehensive range of retail, corporate and institutional banking solutions as well as its wealth management and financial market services. At an international level, the Bank intends to strengthen its wealth management activities in a selected number of target markets and expand its offering for Chinese clients.

Risk Management

1. INTRODUCTION

1.1 Key events of 2019

Corporate structure and risk profile

Since late 2014, important strategic initiatives have been taken at group level. Each initiative has been monitored by the Bank's risk management department whose main objective is to ensure that risks are continuously monitored and managed and are consistent with the institution's risk appetite.

The BIL group risk management department monitored the Bank's activities and risk profile throughout 2019 in line with BIL's new strategy Create Together 2025. The ongoing implementation of new regulatory requirements and enhanced methodologies was a further challenge of the year.

1.2 Main regulatory changes in 2019

In 2019, BIL continued to invest time and resources in ensuring that it continues to comply with regulatory standards. In particular, it implemented the supervisory slotting approach for specialised lending in relation to real estate exposures and the new regulatory definition of default.

Supervisory slotting approach for specialised lending in relation to real estate exposures: In 2019, BIL obtained regulatory approval from the European Central Bank to use a new approach regarding the assessment of the risk-weighted exposure method for specialised lending under supervisory slotting criteria. This assessment is based on five grades with predefined risk weightings ranging from strong (1) to weak (4) and default (5) for loans defined as Advanced Internal Ratings Based (A-IRB) subclass "specialised real estate financing" loans such as Income Producing Real Estate (IPRE) and land Acquisition, Development and Construction (ADC).

In 2019, BIL implemented the **new definition of default** as well as amendments concerning non-performing exposures (NPE) and forbearance in accordance with the latest European Banking Authority (EBA) guidelines. This implies in particular the implementation of strategic solutions including various elements such as the IT deployment. In a second step, the new implied internal models will be updated to take the new definition of default into account. Some developments have already been achieved: (i) The new loss database (LDB) based on the new default definition (NDD) for Loss Given Default (LGD) modelling and (ii) The NDD tactical database with clients' account movements for Probability of Default (PD) modelling. Both provide data which covers the past eleven years.

As part of the **Targeted Review of Internal Models** (TRIM), BIL has been monitoring the adequacy and appropriateness of its approved Pillar I internal models used by significant institutions within the Single Supervisory Mechanism (SSM), thereby enhancing their soundness. Through the TRIM process, the ECB assesses whether the models comply with regulatory standards and seeks to harmonise supervisory practices. In 2019, an on-site mission on financial institution exposures was conducted by the ECB. The final letter from the ECB on this mission is expected during the first half of 2020. In 2019, as part of the supervisory programme, the Bank was also subject to an on-site mission by the ECB regarding **Risk Governance matters**.

As part of the revision of the **Basel III framework**, some matters were published by the Basel Committee ahead of the so-called Basel IV reforms. In 2019, the Bank analysed the various impacts and submitted its findings to the ECB.

In July 2018, the EBA published its final guidelines on the management of interest rate risk arising from non-trading book activities. This document refers to the interest rate risk in the banking book **(IRRBB)** and follows previous EBA (2015) and Basel Committee on Banking Supervision (BCBS) (2016) publications. It refers to the current or prospective risk to the Bank's capital and earnings, arising from adverse movements in interest rates that affect the banking book. The new standards were applicable from June 2019. In 2020, the Bank will continue to develop its framework.

The **Bank Recovery and Resolution Directive** (2014/59/EU), published in May 2014, was transposed into Luxembourgish law in late 2015. In this context, in 2019, the Bank elaborated its annual Recovery Plan, which was sent to the regulators at the end of September. Regarding the resolution part, BIL participated in different meetings with the Resolution Authority (the Single Resolution Board; (SRB)). Moreover, in May, the Bank provided general information notably on its governance, legal contracts and balance sheet items. In January 2020, the Bank submitted its working programme to the SRB in order to establish the 2020 roadmap. A detailed version of BIL's Resolution Plan will be prepared by the SRB for June 2020.

Concerning liquidity and funding matters, the Bank participated in the ECB Sensitivity Analysis of Liquidity Risk – Stress Test for 2019 (LiST). The results of the exercise reflected a sound liquidity risk situation. It should also be noted that the Bank has continued to review its framework for internal liquidity stress tests in line with market practices, notably by updating and developing several scenarios.

The Bank was taking part in the 2020 EU-wide stress testing exercise until it was postponed to 2021 following a decision of the European Banking Authority (EBA) made on March 12, 2020 in the context of the COVID-19 outbreak. This decision is supported by the European Central Bank. The purposes of this exercise are to:

- Contribute to the overall Supervisory Review and Evaluation Process (SREP) to determine an adequate level of capital;
- Foster banks' own stress testing and risk management capabilities;
- Support other supervisory activities, for instance the planning of on-site and internal model inspections or the assessment of recovery and resolution plans;
- Provide a quantitative assessment of bank risk profiles with a view to identifying vulnerabilities to adverse market developments and;
- Foster market discipline and contribute to market confidence.

Regarding **operational risk**, as planned, an ECB on-site mission ran from the last quarter of 2018 until early April 2019. Actions have been taken to strengthen the management of operational risk. The Bank is also reviewing its information systems regarding operational risk.

Business continuity exercises were performed for all critical activities of the Bank in 2019. In September 2019, a crisis management exercise was carried out to enhance the ability of the Management Board to manage a crisis in realistic conditions and to identify any necessary enhancements of our existing crisis management procedures.

The Bank is also fully committed to the **BCBS 239 principles** and has setup a three-year project (2019-2021). The project is structured in three sections: (i) Overarching governance and infrastructure; (ii) Risk data aggregation capabilities and (iii) Risk reporting practices. The first two sections have been accelerated by the Data programme (Risk Foundation Master, data quality management and data exploitation capabilities) and the growing Data Office (committees, governance).

2. RISK MANAGEMENT OBJECTIVES AND GOVERNANCE

2.1 Objectives

The main objectives of the risk management function are to:

- **Ensure that all risks are under control** by identifying, measuring, assessing, mitigating and monitoring them on an on-going basis. Global risk charters, policies and procedures define the framework for controlling all types of risks by describing the methods and the limits defined, as well as escalation procedures;
- **Provide the Management Body (the Board of Directors assisted by the Board Risk Committee and the Management Board) and all other relevant stakeholders** with a comprehensive, objective and relevant overview of risks;
- **Ensure that the risk limits are compatible** with the risk appetite framework, which defines the level of risk the Bank is willing to take to achieve its strategic and financial objectives. It should be noted that the Risk teams have participated in the review of BIL's strategy in 2019, which notably led to the assessment of the strategy in terms of risk appetite;
- **Ensure compliance with banking regulation requirements** by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements related to risk management;
- **Ensure compliance with banking regulation requirements** by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements related to risk management.

2.2 Risk Management Governance

General principles

According to Circular CSSF 12/552 (as amended), risk management is one of the three distinct internal control functions (together with internal audit and compliance).

The BIL group risk management framework is based on a governance which enables prudent and sound management of risks. This governance structure is defined by:

- The responsibilities of the Board of Directors (assisted by the Board Risk Committee) and the Management Board and their roles in decision-taking and risk management;
- A number of Management Committees relating to risk topics in which at least one member of the Management Board is a participant;
- Other formalised Risk Committees, including experts and operational teams, taking decisions related to the Bank's risk monitoring as well as specific practices;
- Consistent with the Bank's risk appetite, charters, policies, procedures and reporting explaining the:
  - Activities,
  - Definition of limits for risk-taking by operational units,
  - Process of detection,
  - Assessment and measurement of the risks induced by the Bank's activities,
  - Reporting to the management.

As a general principle, the internal risk functions of each BIL entity report to the appropriate risk functions at BIL Head Office level, from both a hierarchical and functional perspective for branches and from a functional perspective for subsidiaries.

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

Board of Directors

Among its roles, the Board of Directors is responsible for setting and overseeing the overall business strategy, the overall risk strategy and policy including the risk tolerance/appetite and the risk management framework.

According to CSSF circular 12/552 (as amended), the Board of Directors makes a critical assessment of the internal governance mechanisms and approves them by taking into account the:

- Balance between the incurred risks, the ability of the Bank to manage these risks, own funds (economic and regulatory reserves);
- Strategies and guiding principles with a view to improving and adapting them to internal and external, as well as current and anticipated changes;
- Manner in which the Management Board meets its responsibilities (for instance by ensuring corrective measures are implemented);
- Effectiveness and efficiency of internal control mechanisms;
- Adequacy of organisational and operational structures.

These assessments may be prepared by dedicated internal committees and may be based on information received from the Management Board, the ICAAP and ILAAP reports and the summary reports of the internal control functions which the Board of Directors is called upon to approve on this occasion.

Board Risk Committee

The Board Risk Committee is responsible for proposing BIL group's risk policy to the Board of Directors. This committee also ensures that BIL's activities are consistent with its risk profile and makes positive recommendations to the Board of Directors with regards to the level of global limits for the main risk exposures.

The Board Risk Committee supports the Board of Directors on risk-related matters and amongst others:

- Reviews and positively recommends changes to the BIL group risk management framework, the global risk limits and capital allocation and recommends changes to the Board of Directors;
- Reviews BIL group's risk exposure, risk profile and related adequacy with the Bank's risk appetite (including capital adequacy) and other key risk management matters on a group-wide basis;
- Reviews, assesses and discusses with the external auditor any significant risk or exposure and relevant risk assessments on an annual basis;
- Reports regularly to the Board of Directors and makes such recommendations with respect to any of the above or other matters.

Management Board

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

According to Circular CSSF 12/552 (as amended), the Management Board "is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the Board of Directors and the existing regulations, taking into account and safeguarding the institution's long-term financial interests, solvency and liquidity situation…" "The members of the Authorised Management shall be authorised to effectively determine the business orientation. Consequently, where management decisions are taken by management committees which are larger than solely the Authorised Management, the Authorised Management shall be part of it and have a veto right."

Among its responsibilities, the Management Board shall inform, "…in a comprehensive manner and in writing, on a regular basis and at least once a year, the Board of Directors of the implementation, adequacy, effectiveness and compliance with the internal governance arrangements, including the state of compliance and internal control as well as the ICAAP and ILAAP reports on the situation and management of the risks and the internal and regulatory own funds and liquidity (reserves). Once a year, the Authorised Management shall confirm compliance with this circular to the CSSF by way of a single written sentence followed by the signatures of all the members of the Management Board."

The Management Board ensures that rigorous and robust processes for risk management and internal controls are in place and that the Bank is staffed in such way that it can ensure a sound management of its activities. These processes include the establishment of a strong risk governance function.

Risk Committees

Risk Committees stand and receive their mandates from the Management Board within a precise scope. They facilitate the development and implementation of sound corporate governance and decision-making practices. Their responsibilities and roles, their memberships and other rules defining their working practices are described in a specific form. At least one member of the Management Board is part of the Risk Committees. These Risk Committees may make decisions related to the overall risk process based on a delegation of powers by the Management Board.

Risk Management organisation

In order to reflect a sound risk management framework and to develop an integrated risk culture, the Bank has set up an effective risk management organisation that is consistent with its activities and encompasses the relevant risks associated with its activities.

The risk management function has been designed to support the Bank in achieving its defined objectives under the BIL strategy and regulatory requirements.

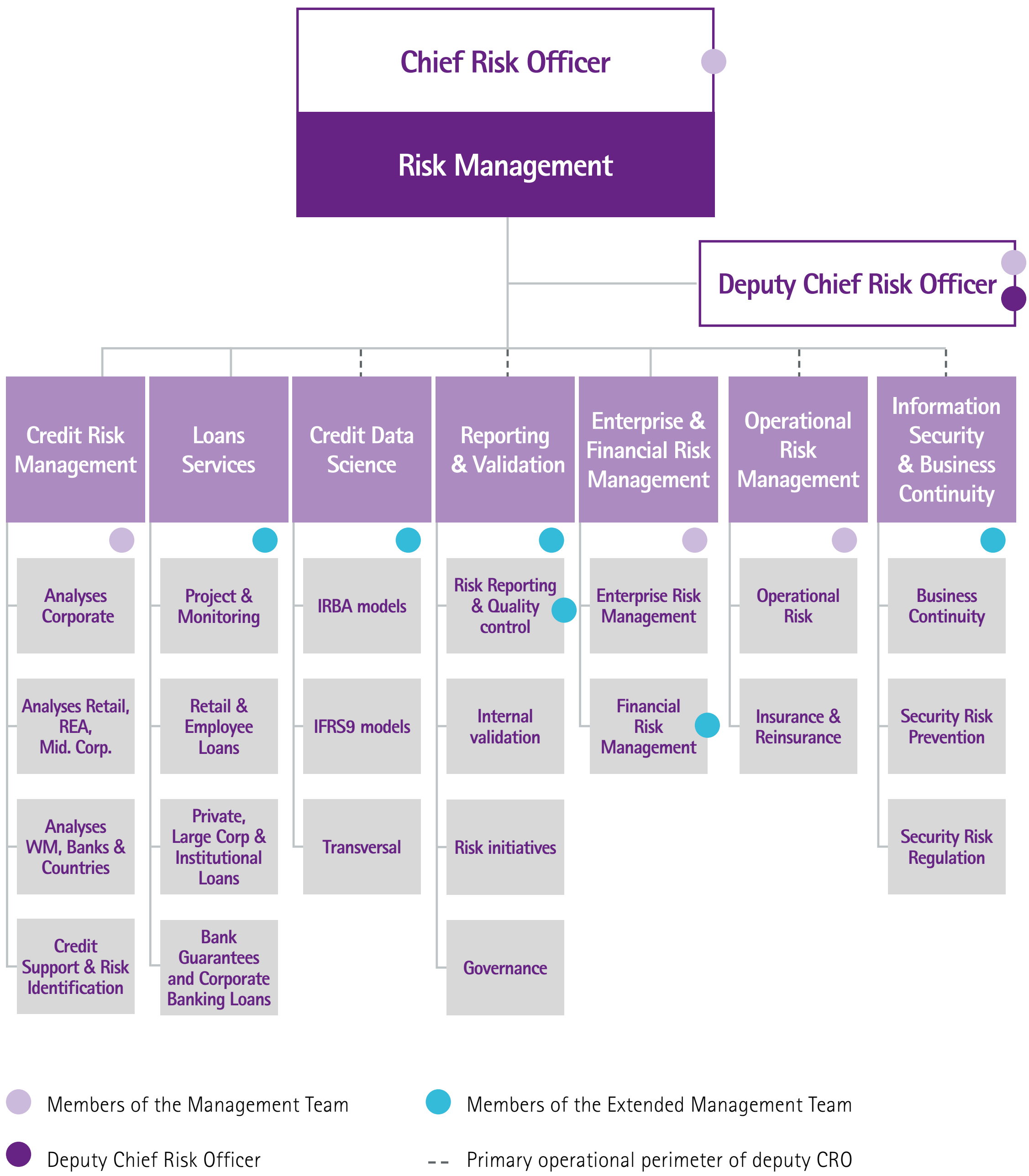
In this context, the risk management missions are described as follows:

- As a control function, risk management aims to contribute to the sustainable development of BIL by defining its risk appetite and setting up a risk management, monitoring and follow-up system;
- As an independent function, risk management also works together with BIL's business lines, the latter acting as the first line of defence regarding risk associated with the processes and transactions they initiate.

The risk management roles can also be viewed through different objectives and tasks:

- Establishment of a risk framework and risk appetite for BIL to support the management body through risk charters, policies, guidelines and risk indicators;
- Challenge first lines of defence by analysing:
  - Risks in BIL's credit portfolio (credit risk) by examining counterparties and credit requests;
  - Risks of financial and market activities (market risk and liquidity risk);
  - Operational risks including information security;
  - Control the risk framework through the monitoring of risks;
- Maintain the risk systems and data to ensure the production of regulatory and internal reports;
- Challenge and review the strategic developments and decisions;
- Implement and monitor the SREP components (Risk Appetite, ICAAP, ILAAP, Stress tests, Recovery Plan, etc.);
- Develop and maintain quantitative models related to risk management (capital and provisions);
- Implement and maintain a working programme regarding the SRB requirements in terms of resolution.

RISK MANAGEMENT ORGANISATIONAL CHART



At Management Board level, the Chief Risk Officer (CRO) is responsible for the overall risk management, and for providing any relevant information on risks to the Management Board, thereby enabling the management of the Bank's overall risk profile.

3. CREDIT RISK

3.1 Definition

Credit risk refers to the risk that a borrower will default on any type of debt if they fail to make the required payments. The risk includes lost principal and interest, disruption to cash flows and increased collection costs.[1]

Facilities can be analysed by the nature of the client/counterparty's obligations or by the following characteristics:
- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

3.2 Credit Risk Policy

The BIL group risk management department has established a general policy and procedural framework in line with the Bank's risk appetite. This framework guides the analysis, decision making and monitoring of credit risk. The risk management department manages the loan issuance process by chairing credit and risk committees. As part of its monitoring tasks, the credit risk management department oversees changes in the credit risk of the Bank's portfolios by regularly analysing loan applications and reviewing counterparties' ratings. The risk management department also draws up and implements the policy on provisions and participates in the Default Committee which assesses the cases of default and related potential provisions.

3.3 Organisation and Governance

The BIL group risk management department oversees the Bank's credit risk, under the supervision of the Management Board and dedicated committees.

The Risk Policy Committee defines the general risk policies, as well as specific credit policies in different areas or for certain types of counterparties, sets the rules for granting loans, supervises the counterparties' ratings and monitors exposures. The Risk Policy Committee validates all changes to procedures or risk policies, principles and calculation methods relating to risk.

To streamline the decision-making process, the Management Board delegates its decision-making authority to credit committees. This delegation is based on specific rules, depending on the counterparty's category, rating level and credit risk exposure. The Board of Directors remains the ultimate decision-making body for the largest loan applications. The Credit Risk Management department carries out an independent analysis of each credit application presented to the credit committees, including determining the counterparty's rating, and stating the main risk indicators. It also carries out a qualitative analysis of the transaction.

Alongside the supervision of the issuance process, various committees are tasked with overseeing specific risks:
- The Default Committee identifies and tracks counterparties in the event of default in accordance with Basel regulations, by applying the rules in force at BIL, determining the amount of specific provisions and monitoring the cost of risk. This committee oversees credit files deemed "sensitive" and placed under surveillance by filing them as "special mention" or by placing them on "watchlists";
- The main task of the Rating Committee is the approval of any changes in the operational rating process in accordance with the rating methodology, the approval of the internal rating system reports performed by the Data Management and Quality team and the review of significant rating overrides and unrated counterparties;
- The Model Risk Committee ensures the monitoring of BIL's internal rating system performance over time (i.e. backtesting, benchmarking, model validation) and makes all the related strategic choices (e.g. new model development, material changes, etc.).

3.4 Risk Measurement

Credit risk measurement is primarily based on internal rating systems introduced and developed within the Basel framework. Each counterparty is assigned an internal rating by credit risk analysts, using dedicated rating tools. This internal rating corresponds to an evaluation of the level of default risk borne by the counterparty, expressed by means of an internal rating scale. Rating assessment is a key factor in the loan issuance process.

Ratings are reviewed at least once a year, making it possible to identify counterparties requiring closer attention by the Default Committee.

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

To manage the general credit risk profile and to limit the concentration of risk, credit risk limits are set for each counterparty and economic groups, establishing the maximum acceptable level for each one of these. The Risk Management department may also impose limits by economic sector and by product. It actively monitors these limits, which it can reduce at any time, taking into account changes in the related risks. The Risk Management department may freeze specific limits at any time to take account of most recent events.

Focus on forbearance measures

BIL closely monitors forborne exposures, in line with European Directives and EBA Guidelines.

Management of forborne exposures is constantly updated to meet the latest changes in guidelines.

Forbearance measures can be defined as restructured repayment conditions of a temporary nature elaborated to remedy financial difficulties. They are only applied to debtors facing or about to face difficulties in meeting their financial commitments. These concessions aim to reduce non-sustainable repayments.

Forbearance solutions involve short-term and/or long-term measures which also take into account sustainable considerations. Short term measures (generally less than two years) mainly include:
- Payment of interest only;
- Reduced payment for a limited period;
- Grace period;
- Arrears / interest capitalisation.

whereas long-term measures consist of:
- Interest rate reduction;
- Extension of loan maturities;
- Rescheduled payments;
- Debt consolidation.

These listed measures are not exhaustive.

Once forbearance conditions are met and viable solutions are applied, exposures are flagged in the core banking system as such. From this point on, the exposures go through the different probation periods and must fulfil specific requirements to be classified as performing and shed their forbearance status.

Forbearance lists are closely monitored and reported on a monthly basis.

3.5 Risk Exposure [1]

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

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

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

Unless otherwise stated, all figures are expressed in euro (EUR).

As at December 31, 2019, the Bank's total credit risk exposure amounted to EUR 31.89 billion. Compared to year-end 2018 (EUR 28.30 billion), the exposure increase is observed among *Individual, SME and Self-Employed* (EUR +1.18 billion), *Financial Institutions* (EUR +1.00 billion), *Central Governments* (EUR +0.80 billion) and *Corporate* (EUR +0.77 billion) portfolios while exposures to *Public Sector Entities* (EUR -0.09 billion) and *Securitisation* (EUR -0.07 billion) decreased.

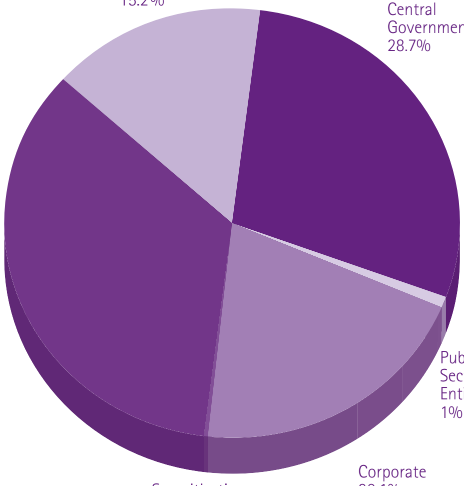
Exposure by type of counterparty

In 2019 and in line with BIL group business model and strategy, the *Individuals, SME and Self Employed* segment remained the Bank's largest portfolio, representing around 34.8% of the overall exposure.

The *Central Governments* exposure weight slightly decreased compared with the previous year and remained the second largest segment of the Bank's portfolio, representing 28.7% of overall exposure.

Finally, exposures to *Financial Institutions* increased compared to the end of 2018, representing 15.2% of the overall exposure, while the weight of Corporate increased slightly from 19.9% to 20.1%.

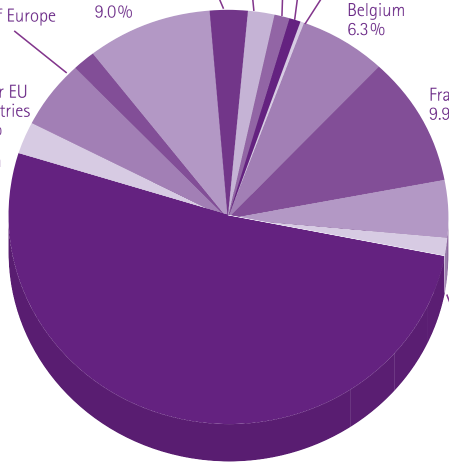
[1] Variation and percentages calculated on exact numbers may bring rounding differences.



Exposures by counterparty category (in EUR million)	31/12/18	31/12/19	Variation
Central Governments	8,358	9,157	799
Public Sector Entities	393	305	(88)
Corporate	5,642	6,414	772
Securitisation	140	69	(71)
Individuals, SME & Self Employed	9,907	11,084	1,177
Financial Institutions	3,861	4,858	997
Others	4	3	(1)
TOTAL	**28,305**	**31,890**	**3,585**

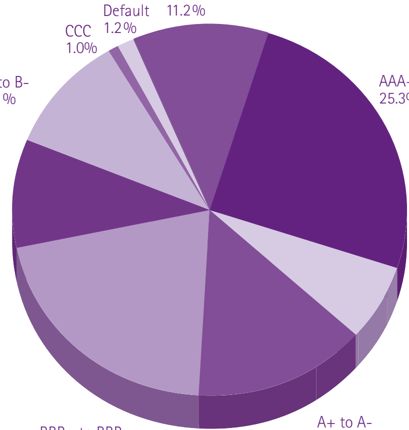
Exposure by geographical region

As at December 31, 2019, the Bank's exposure remained concentrated in Europe, primarily in Luxembourg (51.7%), France (9.9%), Switzerland (9.0%), Belgium (6.3%) and Germany (4.5%).



Exposure by rating

The credit risk profile of the Bank has remained stable and is of good quality. Indeed, the Investment Grade (IG) exposures represent 67.04% of the total credit risk exposure, of which 25.30% lies within the AAA+ to AAA range.



Exposure to Ireland and Spain

The breakdown of the government bond portfolio for Ireland and Spain by maturity bucket is provided hereafter for 2019.

	31/12/18												
(in EUR million)		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2031	TOTAL
Ireland	336	0	0	0	0	74	13	63	0	60	64	54	**328**
Spain	664	22	66	54	25	90	63	80	30	174	45	0	**649**
TOTAL	**1,000**	**22**	**66**	**54**	**25**	**165**	**76**	**143**	**30**	**234**	**110**	**54**	**978**

The Bank's portfolio exposure towards Ireland and Spain has remained roughly similar to the exposure at year-end 2018. This is because some bonds have matured or were sold and reinvestments in Ireland and Spain were lower than in 2018 due to much tighter spreads. Therefore, the risk-return of such investments was less attractive. As at December 31, 2019, the Bank had no investment in Portuguese, Italian and Greek government bonds.

Losses on Immovable Property

The following table displays the losses recorded in 2019 on exposures collateralised by residential and commercial immovable property regarding retail counterparties. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of EUR.

	31/12/18		31/12/19	
Collateralised by:	**Sum of overall losses**	**Sum of the exposures**	**Sum of overall losses**	**Sum of the exposures**
Residential property	0.27	6,004	0.82	6,632
Commercial immovable property	0.00	515	0.00	491

Asset Quality

(in EUR million)	31/12/18	31/12/19
Gross amount of non credit-impaired loans to customers	13,362	14,669
Credit-impaired loans to customers	292	318
Specific provisions on credit-impaired loans to customers	224	214
Asset quality ratio[1]	2.14%	2.12%
Coverage ratio[2]	76.65%	67.19%
Total Stage 3 outstanding amount (note 7.4)	596	574
of which stage 3 with specific provisions	292	318
of which stage 3 without provisions sufficiently collateralised	112	157
of which stage 3 (e.g. past-due, cure period)	192	99

4. MARKET RISK, ASSETS & LIABILITIES MANAGEMENT (ALM)

4.1 Definitions

Market risk is the risk of losses in positions arising from adverse movements due to changes in market factors with regards to BIL. It mainly consists of interest rate risk, foreign exchange risk, price risk and spread risk:

- Interest rate risk is the risk that an investment's value changes due to a movement in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. The four components of interest rate risk are: basis risk, re-pricing risk, yield risk and option risk;
- Foreign exchange risk – also called FOREX risk, currency risk or exchange rate risk – is the financial risk of an investment's value changing due to the currency exchange rate movements;
- Price risk represents the risk arising from the reduction in value of equity or a bond;
- Spread risk is the risk of a reduction in market value of an instrument due to changes in the credit quality of the debtor or the counterparty.

Liquidity risk measures BIL's ability to meet its current and future liquidity requirements, both expected and unexpected, whether or not the situation deteriorates.

1 Credit-impaired loans as a percentage of total loans.
2 The coverage ratio measures specific provisions recognised for loans and receivables in relation to total outstanding impaired loans and advances to customers.

Assets & Liabilities Management covers all the banking[1] book's structural risks, namely interest rate risk, foreign exchange risk and liquidity risk.

Counterparty risk measures the risk that a counterparty to a financial transaction fails to fulfil the terms and conditions of the contract which may cause financial losses, including notably the risk arising from credit value adjustment (CVA).

4.2 Risk Policy

To ensure integrated market and ALM risk management, BIL has defined a framework based on the following:

- An exhaustive risk measurement approach, which is an important part of BIL's risk profile monitoring and control process;
- Sound limits and procedures governing risk-taking;
- As a core principle, the system of limits must be consistent with the overall risk measurement (including risk appetite) and management process and be proportionate to the capital position. These limits are set for the broadest possible scope;
- An efficient risk management structure for identifying, measuring, monitoring, controlling and reporting risks: BIL's general risk management framework is suited to the type of challenges it addresses. This approach offers an assurance that market risks are managed in accordance with BIL's objectives and strategy, within its overall risk appetite.

4.3 Organisation and Governance

Financial Risk Management (FRM) is under the responsibility of Enterprise & Financial Risk Management (E&FRM) which directly reports to the CRO. FRM oversees market risk under the supervision of the Management Board and specialised risk committees. In line with its global risk management approach, it is responsible for identifying, analysing, monitoring and reporting risks and results (including the valuation of assets) associated with financial markets' activities.

The charters, policies and procedures documenting and governing each of the activities are defined by BIL and applied to all the Bank's entities:

- The Head Office FRM teams define risk measurement methods for the Group; in addition, they report and monitor the consolidated risks;
- The Head Office and local FRM teams follow the day-to-day activities, implement policies and directives, monitor risks (e.g. calculation of risk indicators, control limits and triggers, frame new activities/new products etc.) and report to their own Management Board, as well as to local supervisory and regulatory bodies;
- The ALM Committee (ALCO) decides on the structural balance sheet positioning regarding rates, foreign exchange and liquidity. It defines market risk limits;
- FRM is supported by two operational committees in its day-to-day activity: the MOC (Monthly Operational Committee) and the NPC (New Products Committee).

4.4 Risk Measurement and Exposures

Market Risk

Risk measurement

The Bank has adopted sensitivity, Value at Risk (VaR) and stress testing as key risk indicators.

Risk sensitivity measurements reflect the exposure impact of a parallel movement of 1% on the interest rate curve. VaR measures the maximum potential loss that can be expected with a 99% confidence interval, within a 10-day holding period. Stress testing gauges the vulnerability of BIL's financial risk environment to exceptional but plausible events. The stress tests are intended to explore a range of low probability events that lie outside of the predictive capacity of VaR measurement techniques. Combined with VaR, stress testing thus gives a broader indication of financial risk.

- General interest rate risk (trading fixed income and FOREX) and currency risk/volatility (trading FOREX) are measured through historical VaR and stress testing;
- Trading portfolio equity risk is measured through historical VaR and stress testing;
- Non-linear risks are measured through historical VaR and stress testing;
- Specific interest rate risk (of which spread risk) is measured through sensitivities and stress testing.

In 2019, the VaR perimeter and the VaR limit were recalibrated to reflect the Bank's level of risk appetite. The VaR is now calculated on the trading scope only while the Treasury activity is monitored by sensitivity calculations. Stress testing is still applied to all scopes.

[1] In line with EBA and BIS regulations, the Bank applied the Interest Rate Risk in the Banking Book (IRRBB) principles in 2017 and continues to implement the latest developments relating to the EBA release of July 2018. The IRRBB refers to the current or prospective risk to the Bank's capital and its earnings, arising from the impact of adverse movements in interest rates on its banking book. The Bank implemented the two complementary methods of measuring the potential impact of IRRBB: Changes in expected earnings and changes in economic value.

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Risk exposure

Treasury and financial markets activities

The VaR used for financial markets' activities (ALM not included) is disclosed in the table below. The average Value at Risk was EUR 0.23 million in 2019, compared with EUR 0.26 million in 2018.

VaR (10 days, 99%) (in EUR million)		2018							
		Fixed Income & FOREX (Trading)				Equity (Trading)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.42	0.28	0.22	0.13	0.01	0.01	0.01	0.01
	Maximum	0.68	0.52	0.73	0.38	0.04	0.02	0.07	0.04
Global Trading	Average	0.26							
	Maximum	0.73							
	End of period	0.09							
	Limit	**8.00**							

VaR (10 days, 99%) (in EUR million)		2019							
		Fixed Income & FOREX (Trading)				Equity (Trading)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.30	0.26	0.18	0.16	0.01	0.01	0.01	0.02
	Maximum	0.64	0.62	0.78	0.46	0.05	0.02	0.05	0.43
Global Trading	Average	0.23							
	Maximum	0.79							
	End of period	0.09							
	Limit	**2.00**							

Regarding Fixed Income as at December 31, 2019:
- the directional spread sensitivity (+1bp) is EUR -9,573 for a limit set at EUR 30,000 (EUR -10,789 in 2018);
- the absolute spread sensitivity (+1bp) is EUR 22,050 for a limit set at EUR 60,000 (EUR 34,396 in 2018).

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

As at December 31, 2019, the Treasury sensitivity was EUR 0.68 million compared with EUR 0.53 million in 2018. In a low rate environment, the Bank keeps a quasi-neutral sensitivity

Sensitivity +1% (in EUR million)	2018			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	0.67	0.59	0.79	0.53
Limit	**20,00**			

Sensitivity +1% (in EUR million)	2019			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	1.25	0.57	(1.20)	0.68
Limit	**20.00**			

Asset and Liability Management

The role of the ALM unit in terms of interest rate risk management is to reduce the volatility of income, thereby safeguarding the gross margin generated by the business lines.

The sensitivity of the net present value of ALM positions to a change in interest rates is currently used as the main indicator for setting limits and monitoring risks.

As of December 31, 2019, ALM sensitivity amounted to EUR -1.6 million (vs. EUR 6 million as at end 2018).

Throughout 2019, the ALM department managed its rate position to keep a neutral sensitivity.

The limit of interest rate sensitivity for a 100 bp parallel shift was EUR 119 million[1] as at December 31, 2019 (EUR 81 million last year).

Investment Portfolio

The interest rate risk of the Investment Portfolio is transferred and managed by the Treasury department or by the ALM department, depending on various criteria (i.e. maturity, sector).

[1] The +100bp parallel shift limit is set in relation with the total capital.

The Investment Portfolio had a total nominal exposure of EUR 6.7 billion as at December 31, 2019 (against EUR 5.9 billion as at December 31, 2018). Following IFRS 9 introduction, the majority of the bonds are classified in the "Financial investments measured at amortised cost" portfolio: EUR 5.7 billion as at December 31, 2019 (against EUR 4.6 billion as at December 31, 2018). The remaining part is classified in the "Financial investments at fair value through OCI" portfolio: EUR 1 billion as at December 31, 2019 (against EUR 1.3 billion as at December 31, 2018).

As far as the "Hold-to-collect and sell" (HTC&S) portfolio is concerned, the sensitivity of fair value (booked in the OCI reserve), to a one basis point widening of the spread, was EUR 0.38 million as at December 31, 2019 (compared with EUR 0.57 million per basis point as at December 31, 2018).

Investment portfolio HTC&S (in EUR million)

	Notional amount		Rate bpv		Spread bpv	
	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19
Treasury	514	261	(0.02)	(0.01)	(0.15)	(0.05)
ALM	798	740	(0.69)	(0.01)	(0.42)	(0.33)

Liquidity Risk

The liquidity management process involves covering funding requirements with available liquidity reserves. Funding requirements are assessed carefully, dynamically and comprehensively by taking the existing and planned on- and off-balance sheet asset and liability transactions into consideration. Reserves are constituted with assets eligible for refinancing with the central banks to which BIL has access (Banque Centrale du Luxembourg (BCL) and Swiss National Bank (SNB)).

Risk measurement and risk exposure

The internal liquidity management framework includes indicators to assess BIL's resilience to liquidity risk. These indicators include liquidity ratios and liquidity gaps, which compare liquidity reserves with liquidity needs. These ratios are shared with the CSSF and the BCL, on a daily and a weekly basis respectively.

A daily liquidity report containing the liquidity forecasts up to five days and a daily estimated LCR on a solo basis is sent to the Chief Risk Officer, the Chief Financial Officer, the ALM and Treasury teams and risk management.

In addition, a weekly stress liquidity (3-month horizon) report is sent to the Chief Executive Officer, the Chief Risk Officer, the ALM Committee members, risk management, the ALM and Treasury teams. The aim of this stress test is to quantify and anticipate the vulnerability of BIL to liquidity and refinancing risk taking into account the Bank's specificities. The stress tests are considered as an early warning signal for the LCR evolution within the next three months. Liquidity risk is captured through three scenarios:

- Market-wide, which focuses on a depreciation of the Bank's assets and additional margin calls because of general adverse market conditions;
- Idiosyncratic, which is specific to BIL's access to market funding;
- Combined, which is a mix of the two previous scenarios.

The tables below compare the results of the liquidity stress test as at December 31, 2018 and 2019:

Stress	Market-Wide 3M		Idiosyncratic 3M		Combined 3M	
In EUR million	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer
31/12/18	2,464	4,572	3,783	4,705	3,968	4,572

Stress	Market-Wide 3M		Idiosyncratic 3M		Combined 3M	
In EUR million	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer
31/12/19	2,787	5,154	3,648	5,424	4,131	5,154

Although the cumulative gap increased in 2019 under stress, the cumulative available liquidity buffer increased to a larger extent, thereby confirming a sound liquidity management.

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

In addition to these stress tests, BIL is currently working on a new stress testing framework including scenarios based on 12-month and reverse stress tests. These new stress tests will enter into force in mid-2020.

Part of the excess cash of the Bank is invested in the Bank's bond portfolio as a liquidity buffer. This portfolio is mainly composed of central bank-eligible bonds which are also compliant with the Basel III package requirements, i.e. the LCR and NSFR.

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Liquidity Coverage Ratio (LCR)

As the main short-term liquidity reference indicator, the LCR (Delegated Act based on Article 462 of the CRR) requires the Bank to hold sufficient high-quality liquid assets (HQLA) to cover total net cash outflows over 30 days.

(In EUR billion)	31/12/18	31/12/19
Stock of HQLA	4.42	6.34
Net Cash Outflows	3.3	4.55
LCR ratio	134%	139%
Limit	100%	100%

The LCR increased from 134% as at December 31, 2018 to 139% as at December 31, 2019.

The stock of HQLA grew more than the net cash outflows. This resulted from new sources of stable funding and investments eligible as HQLA. The sources of stable funding mainly consisted of sight deposits from retail and non-financial counterparties, deposits with a residual maturity greater than 30 days and long-term debt issued by the Bank. On the investment side, purchases of HQLA bonds, more deposits of excess liquidity at Banque Centrale de Luxembourg and the termination of some securities lending transactions impacted the stock of HQLA positively.

Net Stable Funding Ratio (NSFR)

The NSFR, reflecting the long-term liquidity position of an institution, requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress. Pending the official EU calibration of the NSFR, calculations are based on Basel III calibrations included in the Quantitative Impact Study (QIS) and reported in the Short-Term Exercise (STE).

(in EUR billion)	31/12/18	31/12/19
Available Stable Funding (ASF)	16.42	17.76
Required Stable Funding (RSF)	15.18	16.01
NSFR ratio	108%	111%
Limit	100%	100%

The increase in the NSFR (from 108% in 2018 to 111% at the end of 2019) comes from the following:

- an increase of capital;
- (long-term issues; and
- an increase in deposits.

Asset Encumbrance

The Bank reports on key metrics and asset encumbrance limits which are based on data collected for regulatory reporting. The following metrics have been selected to provide key information:

- Level of asset encumbrance;
- Credit quality of unencumbered debt securities;
- Sources of encumbrance;
- Contingent encumbrance.

A reference to the LCR classification has been added to the section "Credit quality of unencumbered debt securities" in order to provide additional information on the quality of unencumbered assets:

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

The above ratio measures the asset encumbrance of credit institutions in Europe in a harmonised manner. The overall weighted average encumbrance ratio calculated and published regularly by the EBA[1] (27.9% in 2019 for the reference period December 2018) is an available benchmark. By comparison, BIL's ratio was around 14% (see table below) and reflects a low/moderate level of asset encumbrance. The limit in the risk appetite framework is set at 25%.

(in EUR million)		
LEVEL OF ASSET ENCUMBRANCE	**31/12/18**	**31/12/19**
Encumbered assets	3,439	2,671
Collateral received re-used	184	250
TOTAL AMOUNT	**3,623**	**2,921**
Ratio[1]	**14%**	**10%**
Limit	**25%**	**25%**

As of December 31, 2019, EUR 2.9 billion of BIL group's balance sheet assets were encumbered and the asset encumbrance ratio was 10%. The annual variation of the ratio is mainly explained by the cessation of the asset securities lending (ASL) programme (EUR 400 million) and the change of the calculation method relating to the central bank reserves (average amount instead of accounting amount). Key sources of encumbrance are participation in the ECB's Targeted Long-Term Refinancing Operations (TLTRO), collateral swaps and repos.

[1] EBA Report on Asset Encumbrance, August 2019.

5. OPERATIONAL RISK AND INFORMATION SECURITY

5.1. Definition

Operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. It also excludes financial impacts resulting from commercial decisions.

The main role of Information Security is to protect sensitive information, including BIL's customer data. Information Security must guarantee that information is accessible only to authorised parties (confidentiality), that it remains accurate and complete (integrity), and can be accessed when needed (availability). Information Security is fundamental to ensuring compliance with applicable legal, regulatory and contractual requirements.

5.2 Operational Risk Policy

BIL's operational risk management (ORM) Policy involves the identification and regular assessment of existing risks and requests the implementation of measures to ensure an acceptably low level of risk. This is done in a preventive manner using the Risk and Control Self-Assessment (RCSA).

The management of the Bank's risk framework also includes the transfer of part of the financial consequences of certain risks to insurance companies.

A critical review of the Risk Management Policy was carried out in November 2018 to allocate more roles and responsibilities to business owners in the risk management activities and align the risk classification matrix with the one used by operational risk management in its annual RCSA exercise.

In addition, BIL has a cyber security strategy with a dedicated internal governance with charters, policies and procedures (i.e. covering both IT security and information security perimeters) to support this framework.

The BIL Information Security Charter defines high-level security objectives in each area of information security – as defined in ISO/IEC 27001:2013 - and allocates the corresponding roles as defined in the CSSF Circular 12/552 to ensure the security of the Bank's information. The Charter also defines the high-level responsibilities of the various parties within BIL's information security function.

Moreover, in the context of an IT security and information security review (organisation, governance, operational mode, etc.), the Business Continuity and Crisis Management Charter was reviewed in late 2019 to more clearly define the risk assessment, the business impact analysis and the business continuity strategy. Moreover, a resilient technical infrastructure procedure completes this procedural framework. These documents define the high-level objectives in each area of Business Continuity Management and Crisis Management – as defined in ISO/IEC 22301:2012 – that must be fulfilled to ensure business continuity and crisis management. Finally, the list of critical activities identified within the Bank and the scenarios related to the BCP enhancement, including the residual risks, has been validated by the Security Committee.

5.3 Organisation and Governance

BIL's operational risk management framework relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible for operational risk at BIL:

- The Internal Control Committee (ICC), a management committee with delegated powers from the Management Board is in charge of strengthening cooperation between the three lines of defence functions through coordination of the activities of each Internal Control function and decision on transversal issues related to Internal Control. Main topics discussed are: Internal audit matters (mainly : audit reports, follow-up of recommendations, activity reports, audit plan), Compliance matters (mainly: compliance activity reports, compliance action plan, compliance visit reports),ORM matters (mainly: reporting on major risks, information security, business continuity plan and disaster recovery plan), and any other matter related to Internal control (in BIL and its branches and subsidiaries);
- The New Product Committee (NPC) is a transversal management committee with delegated powers from the Management Board and is responsible for new products, services and markets based on suggestions from all business areas across the Bank including the Innovation and Digital Forum. The Committee also checks the relevancy of the underlying business case against the Bank's strategy. The Head of BIL's Products & Markets business line acts as the chairman and the deputy CRO acts as a member for risk matters;
- The Monthly Operational Committee (MOC), under the responsibility of the Products & Markets business line (PM), and with the participation of ORM, supervises BIL's PM projects and operational risks, takes decisions to address day-to-day issues and monitors other risks related to PM Luxembourg's activities;

- The Crisis Committee (CC) is composed of the Management Board members and can decide to set up an Operational Crisis Committee (OCC), composed of different members of the functions necessary for the management of the crisis. Depending on the nature of the crisis, this OCC is complemented by the heads of the entities concerned. The OCC also deals with Information Security subjects.

It should be noted that all topics related to Information Security are handled by the following committees:
- The Security Committee (SC) is mandated by the Management Board to oversee the risks with regards to BIL's information security including its subsidiaries and branches, as well as all risks relating to lack of confidentiality, availability, or integrity of the Bank's information assets. It is also in charge of overseeing security incidents, making decisions on any project which potentially impacts the security of BIL's information assets and ensures that the implementation of a global Business Continuity Plan (BCP) follows the strategy defined by the Management Board;
- The Compliance, Audit and Risk Committee (CARco) is a quarterly committee which covers aspects of compliance, audit and risk between BIL and its main IT providers. It brings together the BIL Chief Compliance Officer, the BIL Head of Audit, the BIL Head of Operational Risk Management or the BIL Head of Corporate Information Security and their equivalents from the Bank's main IT provider.

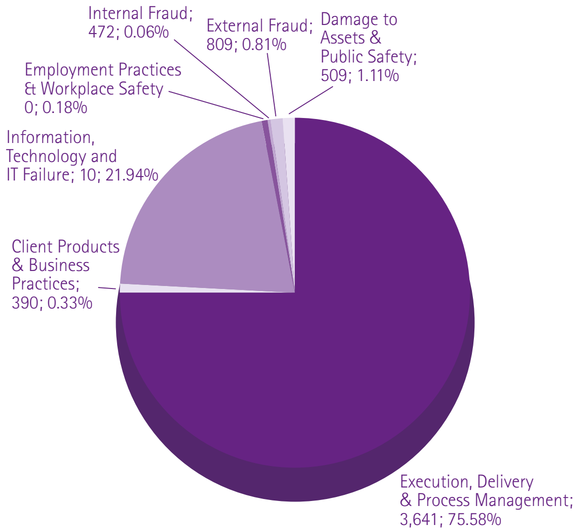
5.4 Risk measurement and management

The operational risk framework relies on the following elements.

Operational Risk Event Data Collection:
- According to the Basel Committee, the systematic recording and monitoring of operational incidents is a fundamental aspect of risk management: "Historical data on banking losses may provide significant information for assessing the Bank's operational risk exposure and establishing a policy to limit/manage risk";
- Recorded incidents provide information that may be used to improve the internal control system and determine the Bank's operational risk profile.

The split of BIL group gross losses for 2019 by risk event type is disclosed in the chart below. The total gross impact is calculated on an absolute value basis, including losses, profits and excluding recoveries. This explains possible differences with other regulatory reports which are only based on a loss view.

Gross impact in EUR thousand and share in %



The Execution, Delivery & Process Management category remains the most important, both in terms of number of incidents and total amount of BIL group operational risk incidents. These incidents were mainly due to human errors and the main operational risk lies in the incorrect execution of instructions. These amounts do not include high recoveries (EUR 1.51 million).

In 2019, the Bank recorded 27 operational incidents related to External Fraud of which 70% have been stopped by the Bank (fraud attempts) with a risk exposure amount of EUR 130,246. Four external frauds were carried out with an actual loss of EUR 808,898 and recoveries (business or insurance) of EUR 548,226. It should be noted that an internal fraud case with a financial impact of EUR 472,401 was reported in 2019 but was first detected in 2014 and only closed in 2019 after a full recovery of the amount.

In the Information, Technology and Infrastructures category (22% of all incidents but 0% of losses), operational incidents were linked to disruptions in the IT systems. BIL does not estimate the related financial impact of these incidents unless they have direct financial consequences for clients. The main impacts are calculated in man/days cost.

In terms of control, an exhaustive monthly document is produced for each line manager (head office, subsidiaries and branches). It covers every incident that has arisen in their business over the previous month and that has been declared to the ORM team. Recipients analyse their report and verify that all incidents brought to their attention have been dealt with and reported.

Since 2019, ORM presents a report on operational risk to the ICC at the end of each quarter and a report on operational risk to the BRC at the end of each half year.

Self-assessment of risks and associated controls

A pre-defined Risk Control Self-Assessment (RCSA) exercise is performed each year to identify the most significant operational risk areas of the Bank. As part of a 2-year plan, all departments of the Bank performed a RCSA exercise. This forward-looking exercise provides a good overview of the various activities and existing checks and may lead to mitigating actions. The results of these exercises are reported to management during the ICC meeting.

It should be noted that the RCSA methodology, revised in 2019, has strengthened control identification and its impact on the inherent risks assessed. It has also revised the quantification, no longer giving rise to an amount but rather the outcome of an equation between probability and severity. RCSA reporting was also improved and now includes both financial and non-financial risk analysis and follow-up reporting on the action plan. The methodology and the assessment methods are defined in a specific guideline, the latest version of which is dated July 2019. All Operational Risk correspondents (COR) received dedicated training to carry out the assessment. This updated version ensures that high residual risks are appropriately addressed by adequate action or escalated to management for validation.

Definition and follow-up of action plans

As part of operational risk management, corrective action plans linked to major risks and events are defined and monitored.

Action plans arise from incident management and RCSA exercises to reduce and mitigate identified risks:
- Incidents: Following a significant incident, management has to implement action plans in order to reduce the impact and prevent new incidents;
- RCSA: In the event of an unacceptable risk exposure, management has to identify ad hoc action plans mitigating the identified risk.

Calculation of the regulatory capital requirements

BIL group applies the standardised Basel approach to calculate the regulatory capital requirements for operational risk. This approach consists of applying a factor (ranging from 12% to 18%) depending on the activity as defined by the regulator. The figures are reported in the following chapter.

6. REGULATORY CAPITAL ADEQUACY - PILLAR 1

6.1 Weighted risks

Since 2008, the Bank has complied with the revised Basel framework – through its various evolutions – to calculate its capital requirements with respect to credit, market, operational and counterparty risk, and to publish its solvency ratios.

For credit risk, BIL group uses the Advanced-Internal Rating Based (A-IRB) approach for the majority of its exposures to assess its risk-weighted assets (RWA). For market risk, the Bank has adopted the standardised method because of a moderate trading activity, whose sole purpose is to assist BIL's customers by providing the best service relating to the purchase or sale of bonds, foreign currencies, equities and structured products. The standardised method is also used for the calculation of the operational risks of the Bank. At the end of 2019, the Bank's total RWAs amounted to EUR 8.54 billion, compared with EUR 8.03 billion at the end of 2018.

RWA growth of EUR 509 million (+6%) is mainly driven by credit risk (EUR +409 million), changes in the credit risk models and commercial loans' portfolio growth.

Meanwhile, the market risk RWAs decreased by EUR 14 million including RWA for Credit Valuation Adjustment (CVA RWA) and the operational risk RWAs increased by EUR 115 million in 2019 (taking into account a more granular segmentation of BIL's activities in order to map these activities with the Basel II Operational Risk typology).

(in EUR million)	31/12/18	31/12/19	Variation (%)
Risk Weighted Assets	**8,035**	**8,543**	**6%**
Credit risk	7,111	7,520	6%
Market risk	62	49	(21)%
Operational risk	837	952	14%
Credit Value Adjustment risk	25	22	(10)%

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6.2 Capital adequacy ratios

Capital	31/12/18	31/12/19	Variation (%)
Common Equity Tier 1 (CET 1)	968	1,065	10%
+ Additional Tier 1	150	175	17%
Tier 1 equity	1,118	1,240	11%
Tier 2 equity	137	139	1%
Total regulatory capital	1,255	1,379	10%

Solvency ratios	31/12/18	31/12/19	Variation (%)
Common Equity Tier 1 ratio (CET 1)	12.04%	12.47%	0.43%
Tier 1 ratio	13.91%	14.52%	0.61%
Capital Adequacy Ratio	15.62%	16.14%	0.52%

The Common Equity Tier 1 Capital includes a partial 2019 profit allocation of EUR 40.9 million.

7. INTERNAL CAPITAL ADEQUACY – PILLAR 2

Article 73 of Directive 2013/36/EU defines the ICAAP as a set of *"[…] sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed".*

The ICAAP is an internal instrument, which allows BIL group to hold the internal capital it deems appropriate to cover all the risks to which it is or could be exposed as a result of its business model and strategic plan, this being framed by its Risk Appetite and its risk bearing capacity.

Under the ICAAP, BIL group is required to identify the material risks to which it is exposed, to quantify them and to ensure it maintains adequate capital to back them. This capital must be of sufficient quality to absorb losses that may arise for a given time period and level of confidence.

The ICAAP shall fully reflect all risks to which BIL group is or could be exposed, as well as the economic and regulatory environment within which the Bank operates or could come to operate. The ICAAP shall therefore not only take into account the current situation but shall also be forward-looking in order to ensure internal capital adequacy on an ongoing basis.

The main building blocks of BIL group's ICAAP

In order to maintain internal capital adequacy on an ongoing basis, the ICAAP is anchored in BIL group's decision-making processes, its business and risk strategies and risk management and control processes as follows.

This objective is achieved through the development of a sound and comprehensive framework based on the following key components:

- In order to determine the adequacy of its internal capital, BIL group first translates its business and strategy plans into Risk Appetite Statements and develops and monitors the corresponding framework;
- Secondly, BIL group has to identify the risks to which it is exposed to (i.e. risk identification and cartography). Different steps are then taken within the Bank on an ongoing basis: definition of a risk glossary, identification of the risks borne by the institution, assessment of the risk materiality and drafting of the Bank's risk cartography;
- BIL group then assesses its capital needs to cover the economic effects of risk-taking activities in accordance with the Economic Capital (ECAP) framework. ECAP is defined as the potential deviation between the group's economic value and its expected value, for a given confidence interval (depending on BIL group's target rating), and a horizon of one year;
- BIL group finally assesses its capacity to maintain sufficient capital, in terms of quantity and quality, to support its risk profile through both normal and stress-oriented scenarios. This is done through the ongoing assessment of the Bank's capital adequacy and, at least once a year, through the forward-looking assessment of the Bank's capital soundness (capital planning).

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Report of the "réviseur d'entreprises agréé"

To the Board of Directors of
Banque Internationale à Luxembourg S.A.
69, route d'Esch
L-2953 Luxembourg

Report on the audit of the consolidated financial statements

OPINION

We have audited the consolidated financial statements of Banque Internationale à Luxembourg S.A. (the "Bank" or the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 "Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Bank 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 financial statements, 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 financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below.

1. Impairment of loans and advances to customers

Description

As at 31 December 2019, the gross loans and advances to customers of the Group amount to EUR 14,986.7 million against which an impairment of EUR 270.5 million is recorded (see Note 7.4 to the consolidated financial statements).

We considered this as a key audit matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Group's management. The Group uses the following methods to assess the required impairment allowance:

- The expected credit loss (ECL) allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Bank in its ECL calculation process, model and tool;
- For defaulted loans and advances, impairment is assessed individually on a regular basis.

In particular, the determination of impairment against loans and advance to customers requires:

- The use of judgments and estimates for the design and setup of the internal rating system which form the basis of the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9;
- Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple economic scenarios;
- The use of judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.

Refer to the Accounting policy Note 1.7.5 and to Note 7.4 to the consolidated financial statements.

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How the matter was addressed in our audit

We tested the design and operating effectiveness of key controls across the processes relevant to the ECL calculation. This included testing of:

- Entity level controls over the ECL modelling process, including model review and governance;
- Controls over the incorporation of multiple economic scenarios by the Credit committee and the Group's Executive Committee;
- Controls over allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances;
- Controls over data accuracy and completeness.

We also performed the following substantive audit procedures:

- We verified that the data used as a basis to calculate the ECL are complete and accurate; we also tested, on a sample basis, extractions of data used in the models, including rating of loans and movements between various ratings;
- We tested a sample of loans and advances (including an extended sample of loans included into the Credit Watchlist) to form our own assessment as to whether they are classified in the appropriate bucket (staging methodology adjusted by manual entries, as the case may be);
- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios;
- We performed an overall assessment of the ECL provision levels by stage as well as their variations during the period to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment;
- We performed substantive audit procedures on a sample of defaulted loans and advances, consisting of key items. We examined in a critical manner the assumptions used by the Group to determine expected cash flows and estimated recovery from any underlying collateral.

2. Impairment of goodwill

Description

As at 31 December 2019, the gross amount of goodwill (arising in a business combination) amounted to EUR 57.1 million against which an impairment allowance of EUR 5.4 million was recorded.

We considered this as a key audit matter as the Bank makes complex and subjective judgments with respect to the identification of the cash-generating units ("CGUs") and the estimation of the recoverable values (which are the fair value less cost to sell or the value in use) when determining the impairment to be recorded.

Recoverable values are primarily measured from a Dividend Discount Model ("DDM") valuation method which, in practice, represents an estimation of fair value less costs of disposal.

Other cross-check methods such as the "Net asset value + multiple of Assets under management" might be used to corroborate the results of the DDM method applied to the wealth management units.

The assumptions are made by the Bank considering a three year period and a terminal value is calculated based on a long term dividends growth rate.

Refer to the Accounting policy Note 1.19 and to Note 7.11 to the consolidated financial statements.

How the matter was addressed in our audit

We performed the following procedures:

- We assessed whether the CGUs identified by the Bank that should be subject to impairment testing are aligned with our understanding of the Bank's activities;
- We obtained the goodwill valuation methodology applied by the Bank;
- We assessed whether or not the valuation methodology used by the Bank is reasonable in the circumstances, giving consideration to the:
  - (i) nature of the entity being valued;
  - (ii) premise of value;
  - (iii) business, industry, and environment in which the entity operates; and
  - (iv) common practices among valuation experts.
- We identified, verified and tested significant assumptions used by the Bank for each CGUs and evaluated whether the information used:
  - (i) was reasonably available at the time of the analysis;
  - (ii) was appropriate given the circumstances; and
  - (iii) gave consideration to observable market prices.
- We also assessed the consistency and reasonableness of these assumptions by back-testing the assumptions made at prior year-end;
- We verified the arithmetical accuracy of the calculation performed by the Group.

3. Deferred tax assets recognition and impairment

Description

As at 31 December 2019, the deferred tax assets recognized in the consolidated balance sheet amounts to EUR 200.3 million of which EUR 59.9 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a third party country.

We considered this as a key audit matter as the Bank makes forecast to determine the amount of tax losses carried forward which will be resorbed by future taxable profits. Those forecasts are based on subjective Bank's assumptions.

Refer to the Accounting policy Note 1.23 and to Note 9.2 to the consolidated financial statements.

How the matter was addressed in our audit

We performed the following procedures:

- We obtained (1) the budget prepared by the Bank for 2020 and (2) the "Create Together 2025" business plan prepared by the Bank as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan;
- We assessed the consistency and reasonableness of these assumptions including back-testing of the assumptions made at prior year end;
- We evaluated whether updates in the Luxembourg tax laws and regulations have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former third party country's branch, we assessed whether the conditions for such tax losses to be incorporated to the basis of the consolidated tax losses carried forward are fulfilled;
- We verified the arithmetical accuracy of the computations, included the corporate income tax rate used.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Bank ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 financial statements.

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the 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 reappointed as "Réviseur d'Entreprises Agréé" by the Board of directors on 14 December 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

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

The corporate governance statement, included in the consolidated management report, is the responsibility of the Board of Directors. 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, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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 Bank in conducting the audit.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

Luxembourg, March 27, 2020

Consolidated balance sheet

ASSETS (in EUR)		Notes	31/12/18	31/12/19
I.	Cash, balances with central banks and demand deposits	7.2	3,281,434,826	3,541,542,203
II.	Financial assets held for trading	7.5	126,889,819	63,537,620
III.	Financial investments measured at fair value	7.6	1,498,024,806	1,175,992,672
	Financial assets at fair value through other comprehensive income	*7.6.2/7.15.1*	*1,476,561,341*	*1,151,919,379*
	Non-trading financial assets mandatorily at fair value through profit or loss	*7.6.1*	*21,463,465*	*24,073,293*
IV.	Loans and advances to credit institutions	7.3	1,075,243,576	1,190,634,588
V.	Loans and advances to customers	7.4	13,386,056,162	14,716,149,186
VI.	Financial investments measured at amortised cost	7.7/7.15.1	5,039,541,719	6,392,840,867
VII.	Derivatives	9.1	290,313,542	334,980,807
VIII.	Fair value revaluation of portfolios hedged against interest rate risk		1,470,569	303,238
IX.	Investments in subsidaries, joint ventures and associates	7.8	24,580,236	28,171,467
X.	Investment property	7.10	800,000	800,000
XI.	Property, plant and equipment	7.9	106,587,651	143,421,250
XII.	Intangible fixed assets and goodwill	7.11	194,083,757	230,867,591
XIII.	Current tax assets	7.12	201,980	896,629
XIV.	Deferred tax assets	7.12/9.2	225,453,739	200,258,183
XV.	Other assets	7.13	62,015,329	79,995,974
XVI.	Non-current assets and disposal groups held for sale	7.16	171,859,785	0
TOTAL ASSETS			**25,484,557,496**	**28,100,392,275**

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

LIABILITIES (in EUR)		**Notes**	**31/12/18**	**31/12/19**
I.	Amounts due to credit institutions	8.1	2,945,818,913	3,095,841,613
II.	Amounts due to customers	8.2	17,267,224,127	18,987,047,358
III.	Other financial liabilities	8.3	0	42,300,007
IV.	Financial liabilities measured at fair value through profit or loss	8.4	832,445,114	923,354,039
	Liabilities designated at fair value		*832,445,114*	*923,354,039*
V.	Derivatives	9.1	503,183,727	601,785,519
VI.	Fair value revaluation of portfolios hedged against interest rate risk		24,826,064	13,688,928
VII.	Debt securities	8.5	1,933,985,745	2,267,418,784
VIII.	Subordinated debts	8.6	285,345,888	169,079,812
IX.	Provisions and other obligations	8.7	53,116,313	50,098,880
X.	Current tax liabilities	8.8	1,878,972	2,220,890
XI.	Deferred tax liabilities	8.8/9.2	4,876,126	6,160,610
XII.	Other liabilities	8.9	245,969,510	214,905,319
XIII.	Liabilities included in disposal groups held for sale	7.6/8.10	1,335,413	0
TOTAL LIABILITIES			**24,100,005,912**	**26,373,901,759**

SHAREHOLDERS' EQUITY (in EUR)		**Notes**	**31/12/18**	**31/12/19**
XIV.	Subscribed capital	9.7	141,212,330	146,108,270
XV.	Additional paid-in capital		708,216,940	760,527,961
XVI.	Treasury shares		(1,455,000)	0
XVII.	Other equity instruments		0	173,592,617
XVIII.	Reserves and retained earnings		400,677,236	521,826,621
XIX.	Net income for the year		130,814,616	113,068,966
SHAREHOLDERS' EQUITY			**1,379,466,122**	**1,715,124,435**
XX.	Gains and losses not recognised in the consolidated statement of income		5,085,462	11,366,081
	Financial instruments at fair value through other comprehensive income		*37,378,103*	*43,971,017*
	Other reserves		*(32,292,641)*	*(32,604,936)*
GROUP EQUITY			**1,384,551,584**	**1,726,490,516**
XXI.	Non-controlling interests		0	0
TOTAL SHAREHOLDERS' EQUITY			**1,384,551,584**	**1,726,490,516**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**25,484,557,496**	**28,100,392,275**

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

Consolidated statement of income

(in EUR)		Notes	31/12/18	31/12/19
I.	Interest and similar income	11.1	599,792,004	665,761,341
	of which : Interest revenue calculated using the effective interest method		*397,872,067*	*432,508,519*
II.	Interest and similar expenses	11.1	(288,020,901)	(347,939,798)
III.	Dividend income	11.2	528,860	87,832
IV.	Net income from associates	11.3	1,767,360	4,127,377
V.	Net trading income	11.4	(23,000,395)	63,468,783
VI.	Net income on financial instruments measured at fair value and net result of hedge accounting	11.5	48,899,351	(30,167,312)
VII.	Net income on derecognition of financial instruments at amortised cost	11.6	4,432,829	9,907,263
VIII.	Fee and commission income	11.7	236,177,692	247,897,135
IX.	Fee and commission expenses	11.7	(38,804,305)	(38,750,060)
X.	Other net income	11.8	31,545,750	(6,843,701)
INCOME			**573,318,245**	**567,548,860**
XI.	Staff expenses	11.9	(214,620,530)	(231,275,598)
XII.	General and administrative expenses	11.10	(139,560,588)	(115,987,780)
XIII.	Amortisation of tangible, intangible and right-of-use assets	11.12	(44,080,327)	(50,122,021)
EXPENSES			**(398,261,445)**	**(397,385,399)**
GROSS OPERATING INCOME			**175,056,800**	**170,163,461**
XIV.	Impairments	11.13	(18,122,023)	(27,244,415)
	Net impairment on financial instruments and provisions for credit commitments		*(18,122,023)*	*(25,415,560)*
	Net impairment on tangible, intangible and right-of-use assets		*0*	*(1,828,855)*
XV.	Provisions for legal litigations	11.14	(510,000)	109,185
NET INCOME BEFORE TAX			**156,424,777**	**143,028,231**
XVI.	Tax expenses	11.15	(25,610,161)	(29,959,265)
NET INCOME FOR THE YEAR			**130,814,616**	**113,068,966**
	Net income - Group share		130,814,616	113,068,966
	Non-controlling interests		0	0

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

Consolidated statement of comprehensive income

(in EUR)	31/12/18	31/12/19
NET INCOME FOR THE YEAR RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	130,814,616	113,068,966
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	(19,549,457)	6,280,618
Items that will not be reclassified to profit or loss	**11,886,152**	**8,229,743**
Actuarial gains (losses) on defined benefit pension plans	(9,269,163)	1,331,138
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(56,427)	3,113
Fair value changes of equity instruments measured at fair value through other comprehensive income	20,188,302	8,293,300
Tax on items that will not be reclassified to profit or loss	1,023,440	(1,397,808)
Items that may be reclassified to profit or loss	**(31,435,609)**	**(1,949,125)**
Gains (losses) on net investment hedge	(117,986)	(119,002)
Translation adjustments	(2,845,166)	(2,503,386)
Gains (losses) on cash flow hedge	(1,330,129)	3,012,573
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(37,187,356)	(2,411,065)
Tax on items that may be reclassified to profit or loss	10,045,028	71,755
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	111,265,159	119,349,584
Attributable to equity holders of the parent company	111,265,159	119,349,584
Attributable to non-controlling interests	0	0

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

Consolidated statement of changes in equity

SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Other equity instruments	Reserves and retained earnings[1]	Net income for the year	Shareholders' equity
As at 01/01/18	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**281,279,589**	**130,518,531**	**1,259,772,390**
Classification of income 2017					130,518,531	(130,518,531)	0
Interest on contingent convertible bond					(7,299,443)		(7,299,443)
Changes in scope of consolidation					7,966		7,966
Realised performance on equities at fair value through other comprehensive income					(3,829,407)		(3,829,407)
Net income for the year						130,814,616	130,814,616
As at 31/12/18	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**400,677,236**	**130,814,616**	**1,379,466,122**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Associates	Other reserves	Translation adjustments[2]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/18	**46,131,161**	**(4,712,064)**	**0**	**(6,755,715)**	**(10,028,467)**	**24,634,915**
Net change in fair value through equity - fair value through other comprehensive income	(1,566,590)					(1,566,590)
Net change in fair value through equity - cash flow hedges		(1,235,718)				(1,235,718)
Translation adjustments	(9,635)			(305,912)	(2,845,163)	(3,160,710)
Cancellation of fair value following fair value through other comprehensive income disposals	(7,168,930)					(7,168,930)
Cash flow hedge + Break in hedging		164,258				164,258
Net change in other reserves	(7,903)			(6,573,860)		(6,581,763)
As at 31/12/18	**37,378,103**	**(5,783,524)**	**0**	**(13,635,487)**	**(12,873,630)**	**5,085,462**

NON-CONTROLLING INTERESTS (in EUR)	Shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/18	**0**	**0**	**0**
Other transfers	0	0	0
Conversion variations	0	0	0
As at 31/12/18	**0**	**0**	**0**

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

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 1.4 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2018, translation adjustments comprise an amount of EUR -47,246,127 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income for the year	Shareholders' equity
As at 01/01/19	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**400,677,236**	**130,814,616**	**1,379,466,122**
Issuance of equity instruments	4,963,840	53,036,503		173,592,617			231,592,960
Cancellation of treasury shares	(67,900)	(725,482)	1,455,000		(661,618)		0
Classification of income 2018					130,814,616	(130,814,616)	0
Interest on contingent convertible bond					(9,618,357)		(9,618,357)
Changes in scope of consolidation					678,130		678,130
Realised performance on equities at fair value through other comprehensive income					(63,386)		(63,386)
Net income for the year						113,068,966	113,068,966
As at 31/12/19	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**521,826,621**	**113,068,966**	**1,715,124,435**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge	Associates	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the consolidated statement of income
As at 01/01/19	**37,378,103**	**(5,783,524)**	**0**	**(13,635,487)**	**(12,873,630)**	**5,085,462**
Net change in fair value through equity - fair value through other comprehensive income	7,180,159				0	7,180,159
Net change in fair value through equity - cash flow hedges		2,088,276				2,088,276
Translation adjustments	(3,764)			(322,529)	(2,513,715)	(2,840,008)
Cancellation of fair value following fair value through other comprehensive income disposals	(583,481)					(583,481)
Net change in other reserves				425,343		425,343
Changes in scope of consolidation					10,330	10,330
As at 31/12/19	**43,971,017**	**(3,695,248)**	**0**	**(13,532,673)**	**(15,377,015)**	**11,366,081**

NON-CONTROLLING INTERESTS (in EUR)	Shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/19	**0**	**0**	**0**
Other transfers	0	0	0
Conversion variations	0	0	0
As at 31/12/19	**0**	**0**	**0**

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

[1] On November 14, 2019, BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as "other equity instrument" in accordance with IAS 32. It qualifies as AT1 regulatory capital under the Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
[2] Of which legal reserve for EUR 14.1 million.
[3] As at December 31, 2019, translation adjustments comprise an amount of EUR -53,628,479 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	Notes	31/12/18	31/12/19
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		130,814,616	113,068,966
Adjustment for :			
- Depreciation and amortisation	7.9 / 7.11 / 11.12	44,080,327	50,122,021
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		0	1,828,855
- Impairment on bonds, equities and other assets	11.13	(24,226,511)	(2,566,775)
- Net gains / (losses) on investments	11.5/11.6	(1,553,372)	(10,779,661)
- Provisions (including ECL)	8.7 / 11.13	(14,630,218)	10,475,405
- Change in unrealised gains / (losses)	11.4	(35,127,656)	472,218
- Income / (expense) from associates	7.8 / 11.3	(1,767,360)	(4,127,377)
- Dividends from associates	7.8	1,214,280	1,214,280
- Deferred taxes	11.15	24,569,595	28,831,167
- Other adjustments		0	(35,619)
Changes in operating assets and liabilities		514,059,719	(89,361,936)
NET CASH FLOW FROM OPERATING ACTIVITIES		**637,433,420**	**99,141,544**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.9 / 7.11	(71,505,179)	(75,848,001)
Sale of fixed assets	7.9 / 7.11	2,271,551	13,044
Purchase of non-consolidated shares		(48,237)	(120,000)
Sale of non-consolidated shares		2,855,244	334,230
Capital increase on non-consolidated subsidiaries		(332,170)	0
Sale of subsidiaries		685,679	89,237,947
NET CASH FLOW FROM INVESTING ACTIVITIES		**(66,073,112)**	**13,617,220**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares		0	58,000,343
Issuance of other equity instruments		0	173,592,617
Reimbursement of subordinated debts		0	(118,900,000)
Payments on lease liabilities		0	(6,367,589)
NET CASH FLOW FROM FINANCING ACTIVITIES		**0**	**106,325,371**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**571,360,308**	**219,084,135**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**2,972,154,330**	**3,552,363,665**
Net cash flow from operating activities		637,433,420	99,141,544
Net cash flow from investing activities		(66,073,112)	13,617,220
Net cash flow from financing activities		0	106,325,371
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		8,849,027	13,840,873
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**7.1**	**3,552,363,665**	**3,785,288,673**
ADDITIONAL INFORMATION			
Taxes paid		(1,667,480)	(1,484,806)
Dividends received	11.2	528,860	87,832
Interest received		568,648,548	654,751,005
Interest paid		(257,612,393)	(336,173,942)

BIL group decided to classify operations relating to shareholders' equity, treasury shares and other elements eligible as regulatory capital as financing activities.

Investing activities are limited to tangible and intangible fixed assets and to transactions on consolidated or non-consolidated shares.

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

Changes in liabilities arising from financing activities (IAS7 amendment)

(in EUR)	As at 01/01/18	Acquisition - Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/18
Subordinated debts	**283,347,225**	0	0	4,065,362	0	**287,412,587**
Subscribed capital	**141,212,330**	0	0	0	0	**141,212,330**
Additional paid-in capital	**708,216,940**	0	0	0	0	**708,216,940**
Treasury shares	**(1,455,000)**	0	0	0	0	**(1,455,000)**
Other equity instruments	**0**	0	0	0	0	**0**

(in EUR)	As at 01/01/19	Acquisition - Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/19
Subordinated debts	**287,412,587**	(118,900,000)	0	1,686,179	0	**170,198,766**
Subscribed capital	**141,212,330**	4,895,940	0	0	0	**146,108,270**
Additional paid-in capital	**708,216,940**	52,311,021	0	0	0	**760,527,961**
Treasury shares	**(1,455,000)**	0	0	0	1,455,000	**0**
Other equity instruments	**0**	173,592,617	0	0	0	**173,592,617**

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

Notes to the consolidated financial statements

Presentation of the consolidated financial statements

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the (consolidated) financial statements. This rule applies to the presentation of the (consolidated) balance sheet, the (consolidated) statement of income, the (consolidated) statement of comprehensive income, the (consolidated) statement of change in equity, the (consolidated) cash flow statement, as well as to the notes to the (consolidated) financial statements.

Note 11

Notes on the consolidated statement of income

Note 12

Notes on risk exposures

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

GENERAL INFORMATION

The parent company of BIL group is Banque Internationale à Luxembourg, a Luxembourgish public limited company (hereafter "BIL" or the "Bank"). Its registered office is situated at 69, route d'Esch, L-2953 Luxembourg.

BIL group is integrated in the consolidated financial statements of Legend Holdings Corporation, comprising the largest body of undertakings of which BIL forms part as a subsidiary. The registered office of Legend Holdings Corporation is located at Room 1701, 17/F, Block 1, Court No. 2, Ke Xue Yuan Nanlu, Haidian District, Beijing, the People's Republic of China. BIL group is integrated in the consolidated financial statements of Beyond Leap Limited, comprising the smallest body of undertakings of which BIL forms part as a subsidiary. The registered office of Beyond Leap Limited is located at 27/F., One Exchange Square, Central, Hong Kong, and its consolidated accounts are available at the same address.

The object of BIL is to undertake all banking and financial operations, for its own account or for the account of third parties, in Luxembourg or abroad – including the establishment of subsidiaries, branches and representative offices – and to carry out all financial, industrial and commercial operations, as well as to take deposits of funds and to hold items of value on deposit.

These financial statements were approved for publication by the Board of Directors on March 4, 2020, and signed by Marcel Leyers, Chief Executive Officer of BIL Group.

These financial statements cover the period beginning January 1, 2019 and ending December 31, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies adopted in preparation of these consolidated financial statements are set out below.

The common used abbreviations below are:
- IASB: International Accounting Standards Board;
- IFRIC: International Financial Reporting Interpretations Committee;
- IFRS: International Financial Reporting Standards.

ACCOUNTING RULES AND METHODS

1.1 Basis of accounting

1.1.1 Statement of compliance

BIL's consolidated financial statements have been prepared in accordance with all IFRS as adopted by the European Union (EU) and endorsed by the European Commission (EC) up to December 31, 2019.

The consolidated financial statements are prepared on a "going-concern basis" and are presented in euro (EUR) unless otherwise stated.

1.1.2 Accounting estimates and judgments

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the consolidated financial statements and exercises its judgment. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the consolidated financial statements.

Judgments are made principally in the following areas:
- Determination on whether BIL controls the investee, including special purpose entities (see 1.4);
- Classification of financial instruments into the appropriate category ("Held-to-Collect", "Held-to-Collect-and-Sell", "Held-for-Trading", "Designated at Fair Value through P&L" and "Mandatorily at Fair Value through P&L") for measurement purposes based on the instrument's characteristics and BIL's intention (see 1.7.3);
- Measurement of the expected credit loss allowance (see 1.7.5);
- Financial instruments for which no quoted market prices on active markets are available are valued by means of valuation techniques. The determination as to whether or not there

is an active market is based on criteria such as number of contributors, bid offer spread and issue size (see 1.8);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.8);
- The appropriateness of designating derivatives as hedging instruments (see 1.13); and
- Existence of a present obligation with probable outflows in the context of litigation (see 1.25).

These judgments are entered into the corresponding sections of the accounting policies.

Estimates are principally made in the following areas:
- Determination of the market value correction to adjust for market value and model uncertainty (see 1.8);
- The measurement of hedge effectiveness in hedging relations (see 1.13);
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets and determination of the lease term of lease contracts (see 1.16, 1.17);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see 1.19);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see 1.23); and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.24).

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going-concern basis.

1.2 Changes in accounting principles and policies since the previous annual publication that may impact BIL group

The overview of the texts below is made up to the reporting date of December 31, 2019.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2019

- IFRS 16 "Leases" (issued on January 13, 2016 and endorsed on October 31, 2017) replaces IAS 17 Leases (and related interpretations) and is effective as from January 1, 2019. The standard specifies how an IFRS reporter recognises, measures, presents and discloses leases. Refer to note 1.3 for the changes brought by the standard and the related impacts;
- Amendments to IFRS 9 "Prepayments Features with Negative Compensation" (issued on October 12, 2017). This amendment is applicable as from January 1, 2019 and does not impact BIL;
- IFRIC 23 "Uncertainty over income tax treatments" (issued on June 7, 2017). This standard is applicable as from January 1, 2019. The requirements prescribed by the interpretation are already applied by the Bank;
- Amendments to IAS 28 "Long-term interests in associates and joint ventures" (issued on October 12, 2017). This standard is applicable as at January 1, 2019. No impact for BIL;
- Annual improvements to IFRS standards 2015-2017 Cycle (issued on December 12, 2017). These improvements are applicable as from January 1, 2019. No impact for BIL;
- Amendments to IAS 19 "Plan amendment, curtailment or settlement" (issued on February 7, 2018). These amendments are applicable as from January 1, 2019. No impact for BIL.

1.2.2 IASB and IFRIC texts endorsed by the European Commission during the current period but not yet applicable as at January 1, 2019

- Amendments to References to the Conceptual Framework in IFRS standards (issued on March 29, 2018). These amendments are applicable as from January 1, 2020. No impact for BIL;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on October 31, 2018). These amendments are applicable as from January 1, 2020. No impact for BIL.

1.2.3 IASB and IFRIC texts issued during previous periods and neither endorsed by the European Commission nor applicable as at January 1, 2019

- IFRS 17, "Insurance contracts" (issued on May 18, 2017). The standard is applicable as from January 1, 2023 and may impact BIL;
- Amendments to IFRS 3 "Business Combinations" (issued on October 22, 2018). These amendments are applicable as from January 1, 2020. No impact for BIL.

1.2.4 IASB and IFRIC texts issued during the current period and neither endorsed by the European Commission nor applicable as at January 1, 2019

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7 issued on September 26, 2019). These amendments are applicable as from January 1, 2020. The company has early adopted the Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 as published by the IASB in September 2019 and endorsed by the EU on 15 January 2020.

1.3. Impact of the IFRS 16 standard applicable as from January 1, 2019

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where BIL is the lessor.

BIL adopted IFRS 16 using the modified retrospective method where comparative figures are not restated and the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

In particular, BIL used the following practical expedients of IFRS 16 for transition:

- BIL relies on its assessment of whether leases are onerous applying IAS37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review;
- BIL elects to apply the accounting for short-term leases in IFRS 16 to leases for which the lease term ends within the 12 months of the date of initial application;
- BIL has excluded initial direct costs from the measurement of the Right-of-Use (ROU) asset at the date of initial application;
- The accounting policies for leases (as lessee) have been amended. Refer to note 1.21.1.

The effect of adoption of IFRS 16 is as follows:

BIL has analysed the existing leases (as lessee) within the Group that meet the recognition requirements of IFRS 16 and concluded these are mainly property leases taken such as bank agencies and administrative offices.

BIL only entered into operating leases (as lessee).

The effect of IFRS 16 as at January 1, 2019

Right-of-use assets recognised on January 1, 2019 (A) *(included in Property, Plant and Equipment)*	39,939,979
Deferred expenses (B)	(96,629)
Lease liabilities recognised on January 1, 2019 (C) *(included in Other financial liabilities)*	41,078,150
Reversal of provision recognised before January 1, 2019 and accounted for impairment of right-of-use under IFRS 16 (D)	(1,234,800)
Impact on Equity on January 1, 2019 (A+B-C-D)	**0**

Reconciliation of lease liabilities

Minimum operating lease commitments disclosed as at December 31, 2018	**44,392,851**
(-) Short-term leases recognised on a straight-line basis as expense	(127,408)
(-) Low-value leases recognised on a straight-line basis as expense	(1,456,288)
(+)/(-) Adjustments due to reassessment of the nature of the contract	(773,736)
(+)/(-) Adjustments as a result of a different treatment of extension/termination options	855,458
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,812,727)
Lease liability recognised as at January 1, 2019	**41,078,150**

Effect of IFRS 16 on operating lease expenses

Impact of IFRS 16	31/12/18	31/12/19	Difference
Operating leases *(included in General and Administrative expenses)*	(8,641,849)	(643,061)	7,998,788
Amortisation of right-of-use assets		(7,973,557)	(7,973,557)
Interest expenses on lease liabilities		(497,593)	(497,593)
TOTAL	**(8,641,849)**	**(9,114,211)**	**(472,362)**

Weighted average lessee's borrowing rate

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated balance sheet as at January 1, 2019 is 1.22%.

1.4 Consolidation

1.4.1 Subsidiaries

Subsidiaries are those entities over whose financial and operating policies BIL may, directly or indirectly, exercise control.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements:
- Power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of the investor's returns.

In practice, the Bank uses the board composition, the percentage of voting rights owned and the articles of incorporation of the company in order to determine whether it controls an investee.

Subsidiaries are fully consolidated as of the date upon which effective control is transferred to BIL and are no longer consolidated as of the date upon which BIL's control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions among BIL group's companies have been eliminated. Where necessary, the subsidiaries' accounting policies have been amended to ensure consistency with the policies BIL has adopted.

Changes in BIL's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When BIL loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:
- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary as of the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.4.2 Associates

Associates are consolidated by the equity method. Associates are participating interests in which the parent company exerts a significant influence without having control. In general, participating interests in which the parent company owns between 20% and 50% of the voting rights are classified in this category. Nevertheless, the IFRS 10 principles are used to determine whether BIL has control over the entity or only exerts a significant influence.

The net result for the financial year on which the owning percentage is applied is booked as the result of the associate and the participation in the associate is booked in the balance sheet for an amount equal to the net assets, including value adjustments after applying the owning percentage.

Consolidation using the equity method ends when the amount of the participating interest reaches zero, except if the parent company has to take responsibility for or to guarantee commitments of the associate. If necessary, rules and accounting methods of associates are adapted to be consistent with those of the parent company.

1.4.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by BIL, the liabilities incurred by BIL to former owners of the acquiree and the equity interests issued by BIL in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by BIL in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in the consolidated statement of income.

When a business combination is achieved in stages, BIL's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date on which BIL obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

1.5 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and consequently, only the net amount is reported) when BIL has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Foreign currency translation and transactions

1.6.1 Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from BIL's presentation currency are translated into BIL's presentation currency (EUR) at the average exchange rates for the year and their assets and liabilities are translated at the respective year-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss upon disposal.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

1.6.2 Foreign currency transactions

For individual BIL entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies are translated at year-end exchange rates for monetary items and non-monetary items carried at fair value.

Historical rates are used for non-monetary items carried at cost.

The resulting exchange differences from monetary items are recorded in the consolidated statement of income; except for the foreign exchange impact related to fair value adjustments on available-for-sale bonds, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.7 Financial instruments

1.7.1 Measurement methods

AMORTISED COST AND EFFECTIVE INTEREST RATE

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest-rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

INITIAL MEASUREMENT

All financial assets (except trade receivables) are initially recognised at their fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

If the Bank determines that the fair value at initial recognition differs from the transaction price, the instrument is accounted at that date as follows:

(a) at the measurement required by IFRS 9 §5.1.1 if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price is recorded as a gain or loss;

(b) in all other cases, at the measurement required by IFRS 9 §5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the deferred difference is recorded as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

1.7.2 Recognition and derecognition of financial instruments

BIL recognises financial assets held for trading on trade date. For these financial assets, BIL recognises in the consolidated statement of income and on the trade date any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. BIL recognises these unrealised gains and losses under "Net trading income".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by BIL.

BIL derecognises financial assets when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and the transfer qualifies for derecognition.

BIL recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument.

BIL derecognises financial liabilities only when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

1.7.3 Classification and subsequent measurement of financial assets

The financial assets are classified and subsequently measured at amortised cost, at fair value through other comprehensive income (without recycling to P&L for equities), or at fair value through profit or loss. In addition, financial assets may, at initial recognition, be irrevocably designated as measured at fair-value through profit or loss ("P&L") if doing so eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch").

The classification is based on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Bank has documented its business models for both the loans and the securities through internal policies.

1.7.3.1 Debt instruments

1.7.3.1.1 Business models

The first element driving the classification of a financial asset is the business model. There are three types of business models: hold-to-collect (HTC), hold-to-collect and sell (HTC&S) and other business models.

HOLD-TO-COLLECT (HTC)
Financial assets that are within the "Hold-to-collect" (HTC) business model are managed to realise cash flows by collecting contractual payments over the life of the instrument. Sales are not an integral part of the business model but may be consistent with the HTC cash flows business model when they are insignificant even if frequent, infrequent even if significant in value, realised close to the maturity of the instrument or due to an increase in credit risk. The total nominal value of sales, excluding sales aiming at mitigating credit or concentration risks and sales close to maturity, does not exceed on average 5% of the total nominal value of the portfolios within the HTC business model on a long term view, as measured on the portfolio size. During a current year, the total nominal value of sales should not exceed 10% of the portfolios within the HTC business model.

HTC financial assets are recorded under the items "Loans and advances to credit institutions", "Loans and advances to customers" and "Financial Investments measured at amortised costs".

HOLD-TO-COLLECT-AND-SELL (HTC&S)
Financial assets that are within the "Hold-to-collect and sell" (HTC&S) business model are managed to realise cash flows by both collecting contractual cash flows and selling financial assets. Selling financial assets is integral to achieving the business model's objective and compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. HTC&S financial assets are recorded under the item "Financial assets at fair value through other comprehensive income".

OTHER BUSINESS MODELS
Financial assets which are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets are included in the remaining business model category.

These financial assets are either held-for-trading, designated at fair value through profit or loss or mandatorily at fair value through profit or loss and are recorded under the items "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss" and "Derivatives".

- Held-for-trading
  Held-for-trading financial instruments are securities acquired for generating a profit from short-term fluctuations in price or dealer margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists;
- Designated at fair value through profit or loss (also called Fair Value Option/ "FVO")
  These are financial assets designated at fair value through profit or loss. Financial assets may be irrevocably designated by the entity at FVTPL at initial recognition in case of accounting mismatch;
- Mandatorily at fair value through profit or loss
  Financial assets mandatorily at fair-value through profit or loss include equities which are not at FVTOCI, non-trading financial assets which failed the "solely payments of principal and interest" ("SPPI") test, and non-trading financial assets managed on a fair-value basis.

1.7.3.1.2 Contractual cash flow characteristics of a financial asset
The second element driving the classification of a financial asset is the contractual cash flow characteristics.

Contractual cash flows that are SPPI on the principal amount outstanding allow the classification of financial assets either at amortised cost or at fair-value through OCI according to the business model.

Contractual cash flows that are not SPPI imply the measurement of financial assets at fair-value through profit or loss (no matter which business model is chosen).

Contractual cash flows that are "SPPI" are consistent with a basic lending arrangement meaning that the interests include the consideration for the time value of money, a compensation for credit risk, other basic lending risks (such as liquidity risk), and costs (for example, administrative costs), and include a potential profit margin that is consistent with a basic lending arrangement.

BIL has documented the following policies to cover the SPPI process for both loans and securities.

1.7.3.1.3 Changes in business model and reclassification of financial assets
Reclassification of financial assets could occur when, and only when there is a change in business model for managing financial assets. The affected financial assets are then reclassified accordingly to the business model and to the cash flow characteristics. Changes in business model are expected to be very infrequent, as they are determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties.

In the event of a reclassification, the reclassification applies prospectively from the reclassification date. Any previously recognised gains, losses (including impairment gains or losses) or interest shall not be restated.

1.7.3.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.
BIL measures all equity investments at fair value through profit or loss, except where BIL has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

1.7.3.3 Subsequent measurement

(a) Financial assets at amortised cost

Financial assets are classified and therefore subsequently measured at amortised cost when they meet the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Interest on financial assets at amortised cost is recognised using the effective interest rate method and is recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income.

(b) Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are classified and therefore subsequently measured at fair value through other comprehensive income when they meet the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTC&S); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Equity instruments that the entity has irrevocably designated at FVOCI at initial recognition are subsequently measured at fair-value through other comprehensive income. This refers to an option left to the discretion of the Bank to irrevocably classify at initial recognition and measure equity instruments that are not held for trading. This election is made on an instrument-by-instrument (i.e. share-by-share) basis. BIL has elected the FVOCI option for its investments in equity as well as equity funds which are not open-ended.

Interest on debt instruments at FVOCI is recognised using the effective interest rate method and recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income. Dividends received from equity instruments at FVOCI are recorded under the item "Dividend Income" in the consolidated statement of income.

Unrealised gains and losses from changes in the fair value of financial instruments at FVOCI are recorded within equity. When debt instruments at FVOCI are disposed, the Bank recycles the related accumulated fair value adjustments in the consolidated statement of income under the item "Net income on financial instruments measured at fair value and net result of hedge accounting" while gains and losses on equity instruments at FVOCI are never recycled to profit or loss.

(c) Financial assets at fair-value through profit or loss (FVTPL)

Gains and losses on financial assets at FVTPL are included in the "Net trading income" item in the consolidated statement of income.

Interest on debt instruments at FVTPL is recognised using the effective interest rate method and recorded under the item "Interest revenue calculated using the effective interest method" in the consolidated statement of income. Dividends are recognised on equity instruments at FVTPL and recorded under the item "Dividend Income".

Unrealised gains and losses from changes in the fair value of financial instruments at FVTPL are recorded in the consolidated statement of income under the item "Net income on financial instruments at fair value and net result of hedge accounting".

1.7.4 Classification and subsequent measurement of financial liabilities

All financial liabilities are classified as financial liabilities at amortised cost and subsequently measured as such, unless they fall into the following categories:
- Financial liabilities held for trading which are measured at fair value through profit or loss (including derivatives);
- Financial liabilities designated at fair value through profit or loss (also called Fair Value Option/"FVO"): an entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss in case: it eliminates or significantly reduces an accounting mismatch or in case a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis.

Financial liabilities at amortised cost are recorded under items "Amounts due to credit institutions", "Amounts due to customers", "Debt securities" and "Subordinated debts".

Financial liabilities held for trading and designated at FVPTL are recorded under the item "Financial liabilities at fair value through profit or loss".

Fair value changes on financial liabilities at FVTPL are reported to P&L similarly to financial assets at FVPTL, while the recognition of the change in own credit risk is recorded in other comprehensive income.

Finally, financial liabilities are not subject to reclassification, they are irrevocably classified at initial recognition.

BORROWINGS

BIL recognises borrowings initially at fair value, generally at their issue proceeds, net of any transaction costs incurred.

Subsequently, borrowings are measured at amortised cost. BIL recognises any difference between their initial carrying amount and the reimbursement value in the consolidated statement of income over the period of the borrowings using the effective interest-rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts, rather than their legal form.

1.7.5 Impairment of financial instruments

IMPAIRMENT ASSESSMENT

BIL assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. BIL recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects a weighted average of credit losses, with the respective risks of a default occurring in a given time period.

Note 12.2 provides more details of how the expected credit loss allowance is measured.

ACCOUNTING TREATMENT OF THE IMPAIRMENT

Impairment losses and releases are recorded as an adjustment of the financial asset's gross carrying value and provision for ECLs for undrawn loan commitments are recorded under the item "Provision and other obligations".

BIL recognises changes in ECL in the consolidated statement of income and reports them as "Impairment on financial instruments and provisions for credit commitments".

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the consolidated statement of income under the item "Impairment on financial instruments and provisions for credit commitments" and the loss is recorded under the same item.

1.7.6 Derivatives

Derivatives not designated in a hedge relationship are deemed to be held for trading. The main types of derivatives are foreign exchange and interest-rate derivatives. BIL, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All changes in fair value are recognised in the consolidated statement of income. BIL reports derivatives as assets when fair value is positive and as liabilities when fair value is negative under item "Derivatives".

BIL treats some derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the consolidated statement of income.

For derivatives in a hedge relationship, please refer to note 1.13.

1.8 Fair value of financial instruments

1.8.1 Valuation principles as per IFRS 13

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices on an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions.

The valuation model should take into account all factors that market participants would consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial assets and liabilities measured at fair value are categorised into one of three fair value hierarchy levels. The following definitions used by the Bank for the hierarchy levels are in line with IFRS 13:

- Level 1: quoted prices (unadjusted) on active markets for identical assets and liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly;
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Changes between levels may occur in case of (i) improvements in internal models and satisfactory back-testing results or (ii) changes in market characteristics.

Bilateral collateral arrangements, master netting agreements and other credit enhancement or risk mitigation tools reduce the credit exposure associated with a liability (or asset) and are considered in determining the fair value of the liability. Although these agreements reduce credit exposure, they typically do not eliminate the exposure completely.

1.8.2 Valuation techniques used by the Bank

The Bank's approach for the valuation of its financial instruments (financial instruments at fair value through profit or loss, financial assets at fair value through OCI and valuations for disclosures) can be summarised as follows:

1.8.2.1 Financials instruments measured at fair value (financial assets held for trading, financial investments measured at fair value, financial liabilities at fair value, derivatives)

A. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH RELIABLE QUOTED MARKET PRICES ARE AVAILABLE

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted on an active market for identical instruments with no adjustments qualifies for inclusion in Level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices on inactive markets or the use of quoted spreads.

B. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR WHICH NO RELIABLE QUOTED MARKET PRICES ARE AVAILABLE AND FOR WHICH VALUATIONS ARE OBTAINED BY MEANS OF VALUATION TECHNIQUES

Financial instruments for which no quoted market prices are available on an active market are valued by means of valuation techniques. The models used by the Bank range from standard market models (discount models) to in-house developed valuation models.

In order for a fair value to qualify for Level 2 inclusion, observable market data should be significantly used. The market data incorporated in the Bank's valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for Level 3 disclosure.

The Bank integrates the notions of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for derivatives. A CVA reflects the counterpart's risk of default and a DVA reflects the Bank's own credit risk.

When determining the CVA / DVA, the Bank considers the market of uncollateralised derivatives, where there is a risk on the fair value of the derivative at the balance-sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.

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

1.8.2.2 Financial instruments measured at amortised cost (disclosures of the fair value)

Loans and advances, financial investments measured at amortised cost and liabilities at amortised cost are valued based on the following valuation principles.

GENERAL PRINCIPLES

- The carrying amount of loans maturing within the next 12 months is assumed to reflect their fair value.
- For bonds classified in HTC since inception and measured at amortised cost, the valuation is done as for bonds classified in HTC&S.

INTEREST-RATE PART

- The fair value of fixed-rate loans or liabilities and mortgages reflects interest-rate movements since inception.
- Embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of financial assets or liabilities at amortised cost.
- The fair value of variable-rate loans or liabilities is assumed to be approximately the same as their carrying amounts.

CREDIT RISK PART

credit spread changes since inception are reflected in the fair value.

1.9 Financial guarantees, letters of credit and undrawn loan commitments

BIL issues financial guarantees, letter of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of income and an ECL provision.

The premium received is recognised in the consolidated statement of income under the item "Fee and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, BIL is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, undrawn loan commitments are under the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, are not recorded in the balance sheet. The nominal values of these instruments together with the corresponding ECLs are disclosed in note 12.2.

1.10 Interest and similar income and expense

Interest income and expense are recognised in the statement of income for all interest-bearing instruments on an accrual basis, using the effective interest rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through profit or loss.

Negative interest expense arising on financial liabilities resulting from a negative effective interest rate, are presented as a separate line item in the notes on the statement of income in "Interest income in liabilities". Negative interest income arising on financial assets resulting from a negative effective interest rate, are presented as a separate line item in the notes on the statement of income in "Interest expenses on assets".

Discretionary interests on compound instruments issued are recognised in equity as those payments relate to the equity component.

Transaction costs are the incremental costs directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest, positive or negative, is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest-bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the interest used to discount the future cash flows for measuring the recoverable amount that is the basis for the calculation of interest income.

1.11. Fee and commission income and expenses

Commissions and fees arising from most of BIL's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed. For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry, if no loan is granted.

1.12 Insurance and reinsurance activities

1.12.1 Insurance

BIL's main activity is banking products.

1.12.2 Reinsurance

BIL's reinsurance contracts with third parties containing enough insurance risk to be classified as an insurance contract continue to be accounted for in accordance with local GAAP.

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

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

1.13 Hedging derivatives

Hedging derivatives are categorised as either:
- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

BIL designates derivatives as hedging instruments if certain criteria are met:
- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- the hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80 % to 125 %) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
- the hedge is effective at inception and on an ongoing basis. BIL records changes in the fair value of derivatives that are designated and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that are attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge, BIL amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument into the consolidated statement of income over the remaining life of the hedged instrument, if shorter by an adjustment of the yield of the hedged item.

BIL recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges in "Other comprehensive income" under the heading "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

1.14 Hedge of the interest-rate risk exposure of a portfolio

As explained in 1.1.1 "Statement of compliance", BIL makes use of the provisions of IAS 39 as adopted by the European Union ("IAS 39 carveout") because it better reflects the way in which BIL manages its financial instruments.

Hedge accounting is intended to reduce the interest-rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

BIL performs an overall analysis of interest-rate risk exposure.

This involves assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

BIL applies the same methodology to select which assets and / or liabilities will be entered into the portfolio's hedge of interest-rate risk exposure. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio, based on behavioural study to estimate expected maturity date. BIL may designate as qualifying hedged items different categories of assets or liabilities such as financial investments or loan portfolios.

On the basis of this gap analysis, which is carried out on a gross basis, BIL defines, at inception, the risk exposure to be hedged, the length of the time bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. BIL recognises the hedging items at fair value with adjustments accounted for in the consolidated statement of income.

BIL reports the revaluation of elements carried at amortised cost which are on the consolidated balance sheet under the line "Fair value revaluation of portfolios hedged against interest-rate risk".

1.15 Day one profit or loss

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:
- the transaction price and the quoted market price; in cases where the transaction is quoted; or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment, in cases where the transaction is not quoted.

If BIL considers the main parameters of the model as observable and if risk management validates the model, the day one profit or loss is recognised immediately in the consolidated statement of income.

If BIL does not consider the main parameters as observable or if risk management does not validate the model, the day one profit or loss is amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, BIL recognises the remaining portion of day one profit or loss in the consolidated statement of income.

In cases of early termination, the remaining portion of day one profit or loss is recognised in the consolidated statement of income.

In cases of partial early termination, BIL recognises in the consolidated statement of income the part of the day one profit or loss relating to the partial early termination.

1.16 Tangible fixed assets

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to BIL and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

Typical useful lives are linked to asset categories as follows:
- Buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- Computer equipment: 3 to 6 years;
- Leasehold improvements, equipment and furniture: 2 to 12 years;
- Vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individual varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:
- Structure of the building: 50 years;
- Roof, and frontage: 30 years;
- Technical installations: 10 to 20 years;
- Fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually, BIL determines the recoverable amount of the cash generating unit (CGU) or group of CGUs to which the asset belongs.

Depreciation on assets (excluding investment properties) given in operating lease are booked under "Other net income".

Investment properties are those properties held to earn rentals or appreciate in value. BIL may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if BIL holds an insignificant portion for its own use.

Investment properties are recorded at their fair value. The market value is generally determined on the basis of appraisals by independent external experts. The statement of income for a given year records the change in value for each property.

Fair value changes on investment properties are calculated by comparison with their latest market value recorded in the balance sheet of the previous financial year and are included under "Other net income".

Capital gains and losses on disposals of property and equipment and investment property are determined by reference to their carrying amount and are included under " Other net income ".

1.17 Intangible assets

Intangible assets consist mainly of (a) internally-generated and (b) acquired software. Costs associated with maintaining computer software are recognised as expenses when incurred.

However, expenditure that enhances or extends the benefits of computer software beyond one year is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.

As borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount, and are included under "Net income on investments".

1.18 Non-current assets held for sale and discontinued operations

IIf the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction, rather than through continuing use, it will be classified as "held for sale" or as "discontinued operations", if the disposal group represents a segment of activities.

BIL measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount or its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the consolidated balance sheet, without restatement for previous years. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for the previous period is performed.

When a disposal group is classified as held for sale or discontinued operations, the related elements of its Other Comprehensive Income are isolated in a separate line of the equity. The carrying amount of a disposal group, being the difference of assets less liabilities and non-controlling interests, is composed of the group part of the equity. If this equity includes other comprehensive income (OCI) elements, this OCI part is recycled in the consolidated statement of income at the sale of the disposal group. It may therefore happen that the result of the sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and the carrying amount includes negative OCI that will be recorded in the following accounting period, when the disposal is realised.

The disposal group held for sale and discontinued operations consist mainly of financial assets, as the group is active in financial activities. If the disposal group's fair value less costs to sell is lower than its carrying amount after impairing the non-current assets that are in the IFRS 5 measurement scope, the difference is allocated to the other assets of the disposal group, including financial assets, and is accounted for in the consolidated statement of income for the period. The difference will be adjusted at each year-end until the sale.

If a non-current asset ceases to be classified as held for sale, due to a change in market conditions or to the impossibility of selling it because of a lack of counterparties or other reasons, it will be reclassified in its original portfolio and restated at the value at which it would have been recognised if it had never been classified as held for sale. In this case, the difference between the fair value less cost to sell and the value, if no reclassification had taken place, is reversed.

1.19 Goodwill

Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between:
- the sum of the following elements:
  - Consideration transferred;
  - Amount of any non-controlling interests in the acquiree;
  - Fair value of the acquirer's previously held equity interest in the acquiree (if any); and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in the consolidated statement of income as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered to be transactions with shareholders.

Therefore, neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

Impairment of goodwill

The carrying amount of goodwill is reviewed at each year-end. For the purpose of this impairment testing, BIL allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is higher). The "value in use" is the sum of the future cash flows expected to be derived from a CGU.

The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

For subsidiaries operating in economically mature and financially stable markets, the discount rate used is BIL's Cost of Equity defined under a dividend discount model. For subsidiaries operating on emerging markets, a specific discount rate is applied on a case-by-case basis.

1.20 Other assets

Other assets mainly include accrued incomes (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivable, etc.), and plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standards, less any allowance for impairment if applicable. Plan assets are recognised in accordance with IAS 19 requirements.

1.21 Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.21.1 BIL is the lessee

Right-of-use assets
BIL recognises right-of-use assets at commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless BIL is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, BIL recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by BIL and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, BIL uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease (IRIIL) is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value
BIL applies the short-term lease recognition exemption to its short-term leases.

It also applies the recognition exemption to leases that are considered immaterial to BIL. The assessment of whether the underlying asset is material and is within the scope or excluded from the recognition requirements of IFRS 16 is based on the concept of materiality in the Conceptual Framework and IAS 1. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Judgment in determining the lease term of contracts with renewal/termination options
BIL determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under some of its leases, BIL has the option to lease the assets for additional terms or to terminate the lease before its legal term. BIL applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or to terminate. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal/the termination. After the commencement date, BIL reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew/to terminative (e.g., a change in business strategy).

BIL included the results of the renewal/termination options as part of the lease term for leases.

1.21.2 BIL is the lessor

BIL grants both operating and finance leases.

Revenue from operating leases is recognised in the consolidated statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, BIL recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest-rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest-rate implicit in the lease.

1.22 Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is recorded under "Amounts due to credit institutions" or "Amounts due to customers", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Loans and advances to credit institutions" or "Loans and advances to customers".

The difference between the sale and the repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest-rate method.

Securities lent to counterparties are not derecognised but, rather, recorded in the consolidated financial statements in the same heading. Securities borrowed are not recognised in the consolidated balance sheet.

If they are sold to third parties, the gain or loss is recorded under "Net trading income" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

1.23 Deferred tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loans and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.

The rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences and tax losses can be utilised.

Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value re-measurement of financial assets at FVOCI and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.24 Employee benefits

1.24.1 Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

Expenses relating to bonuses which are payable at a future date subject only to the requirement for continued employment for a further period (the 'loyalty' period) are recognised as the employees render the service that increases the amount to be paid. As the amount of the bonus does not increase after the earning period, BIL measures the obligation - for the full amount expected to be paid taking into consideration the expected forfeitures - in its entirety as from the end of the earning period.

1.24.2 Post-employment benefits

If BIL has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution" plan. BIL offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. These pension plans are generally funded by payments from both BIL and its employees. In some cases, BIL provides post-retirement health care benefits to its retirees.

1.24.2.1 Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest-rates of AA-rated corporate bonds (Iboxx Corp AA), which have terms to maturity approximating the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions including both demographic assumptions and financial assumptions such as the inflation rate.

Pension costs are determined based on the projected units credit method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Net cumulative unrecognised actuarial gains and losses are recognised in other comprehensive income.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods) and reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and are recorded separately, if those assets are held by an entity of the Group.

Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Qualified external actuaries carry out valuations of these obligations. All the valuations' assumptions and results are reviewed and validated by an external actuary for BIL, which ensures that all calculations are harmonised and calculated in compliance with IAS 19 Revised.

1.24.2.2 Defined contribution pension plans

BIL's contributions to defined contribution pension plans are charged to the statement of income for the year to which they relate. Under such plans, BIL's obligations are limited to the contributions that BIL agrees to pay into the insurance company or the pension fund on behalf of its employees.

1.24.2.3 Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

1.24.3 Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, remeasurements relating to these benefits are immediately recognised. All past service costs are recognised immediately in the consolidated statement of income.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance-sheet date.

1.24.4 Termination benefits

A termination benefit provision is only recorded when BIL is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases, BIL has a detailed formal plan and no realistic possibility of withdrawal.

1.25 Provisions

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Provisions are recognised when:
- BIL has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

1.26 Share capital, treasury shares and other equity instruments

1.26.1 Share and other equity instruments issue costs

External incremental costs directly attributable to the issue of new equity instruments, other than as part of a business combination, are deducted from equity, net of any related income tax.

1.26.2 Dividends on BIL's ordinary shares

BIL recognises its dividends on its ordinary shares as a liability from the date upon which they are declared.

1.26.3 Preferred shares

BIL classifies preferred shares that are non-redeemable and upon which dividends are declared, at the directors' discretion, as equity.

1.26.4 Treasury shares

Where BIL or one of its subsidiaries purchases BIL's shares capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, the consideration paid - including any attributable transaction costs, net of income taxes - is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account within equity.

1.27 Fiduciary activities

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements in cases where BIL acts in a fiduciary capacity such as nominee, trustee or agent.

1.28 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an initial maturity of 3 months from acquisition date, included within cash and balances with central banks, loans and advances to credit institutions and financial assets in the HTC&S portfolio.

Note 2: Material changes in scope of consolidation and list of subsidiaries and associates

2.1 Changes compared with 2018

A. Companies consolidated for the first time or no longer consolidated

Companies fully consolidated for the first time
None

Companies no longer fully consolidated
Selskabet af 18 December 2013 A/S (liquidated on May 31, 2019)
Red Sky S.A. (sold on December 18, 2019)

Companies accounted for by the equity method for the first time
None

Companies no longer accounted for by the equity method
None

B. Main changes in the Group's interest percentage
None

C. Changes in corporate names
BIL Fund & Corporate Services (formerly Experta Corporate and Fund Services S.A., Luxembourg, until February 15, 2019)
BIL Private Invest Management S.à r.l. (formerly BIL PE Management S.à r.l., until April 26, 2019)

2.2 List of fully consolidated subsidiaries, non-consolidated subsidiaries and associates accounted for by the equity method

A. Fully consolidated subsidiaries

Name	Head office	% of capital held
Banque Internationale à Luxembourg (Suisse) S.A.	Beethovenstrasse 48 CH-8002 Zürich	100
Belair House, société anonyme	10, rue Henri Schnadt L-2530 Luxembourg	100
BIL Fund & Corporate Services, société anonyme	42, rue de la Vallée L-2661 Luxembourg	100
BIL Manage Invest S.A.	42, rue de la Vallée L-2661 Luxembourg	100
BIL Reinsurance S.A.	69, route d'Esch L-2953 Luxembourg	100
IB Finance, société anonyme	69, route d'Esch L-2953 Luxembourg	100
Société du 25 juillet 2013, société anonyme (en liquidation)	54-56 avenue Hoche F-75008 Paris	100
Société Luxembourgeoise de Leasing BIL-LEASE, société anonyme	42, rue de la Vallée L-2661 Luxembourg	100

B. Non-consolidated subsidiaries

Name	Head office	% of capital held	Reason for non-inclusion
Audit Trust S.à r.l.	42, rue de la Vallée L-2661 Luxembourg	100	insignificant
BIL Private Invest Management S.à r.l.	42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Biltrust Limited	PO Box 665 Roseneath/The Grange St Peter Port GY1 3SJ, Guernsey	100	insignificant
Koffour S.A.	42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Lannage S.A.	42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Private II Wealth Management, société à responsabilité limitée	42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Valon S.A.	42, rue de la Vallée L-2661 Luxembourg	100	insignificant

C. Associates accounted for by the equity method

Name	Head office	% of capital held
Europay Luxembourg, société coopérative [1]	2-4, rue Edmond Reuter L-5326 Contern	52.20
Société de la Bourse de Luxembourg, société anonyme	35A, boulevard Joseph II L-1840 Luxembourg	21.41

[1] BIL has more than 50% voting rights of Europay Luxembourg S.C. but does not meet the criteria set out by IFRS 10 to consolidate the entity.

Note 3: Business and geographic reporting

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

During the last quarter of 2018, the Bank put in place a new organisation to meet new challenges and benefit from new opportunities and foster collective intelligence and agility. This is reflected in the financial results from January 2019.

- **"Retail Banking, Corporate & Institutional Banking and Wealth Management"** were slightly impacted by the new organisation. The main changes were the centralisation of institutional activities under Corporate & Institutional Banking. "Retail Banking, Corporate & Institutional Banking and Wealth Management" are divided into three business lines: Retail Private Banking Luxembourg & Digital; Corporate & Institutional Banking; and Wealth Management & International Corporate Development.
- "Treasury and Financial Markets" (TFM) activities were reallocated to Banking Book Management and Products & Markets. The Institutional Banking desk under TFM was transferred to Corporate & Institutional Banking to enhance synergies. In terms of segmentation, Banking Book Management and Products & Markets are now reported under **"Financial Markets"** in the business reporting.
- **"Group Center"** remains unchanged and includes dividends from unconsolidated shareholdings and the results of non-operating entities as well as certain types of costs not attributable to the other business lines mentioned above such as DGS, Resolution Funds' contributions and funding costs (such as senior non-preferred debts).

INCOME (in EUR thousands)	31/12/18			
	Income	***of which net income from associates***	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	516,837		*302,099*	137,937
Financial Markets	34,585		*16,166*	17,316
Group Center	21,896	*1,767*	*(5,965)*	1,172
TOTAL	**573,318**	***1,767***	***312,300***	**156,425**
Net income before tax				156,425
Tax expenses				(25,610)
NET INCOME				**130,815**

	31/12/19			
	Income	***of which net income from associates***	***of which net interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	534,522		*311,443*	150,049
Financial Markets	40,976		*23,250*	21,680
Group Center	(7,949)	*4,127*	*(16,783)*	(28,701)
TOTAL	**567,549**	***4,127***	***317,910***	**143,028**
Net income before tax				143,028
Tax expenses				(29,959)
NET INCOME				**113,069**

2018 figures have been restated to reflect the new organisation applicable since January 1, 2019.

ASSETS AND LIABILITIES (in EUR thousands)	31/12/18		31/12/19	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	13,386,056	18,630,887	14,716,149	20,376,579
Financial Markets	11,247,617	4,508,116	12,623,995	4,850,951
Group Center	850,884	961,002	760,248	1,146,372
TOTAL	**25,484,557**	**24,100,005**	**28,100,392**	**26,373,902**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/18				
	Capital expenditures [1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(32,242)	(150,245)	131,919	0
Financial Markets	70,898	(4,522)	(12)	216	0
Group Center		(7,316)	0	0	(16,521)
TOTAL	**70,898**	**(44,080)**	**(150,257)**	**132,135**	**(16,521)**

	31/12/19				
	Capital expenditures[1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(39,023)	(117,080)	91,716	0
Financial Markets	84,526	(4,710)	(86)	34	0
Group Center		(6,390)	(1,829)	0	(14,999)
TOTAL	**84,526**	**(50,123)**	**(118,995)**	**91,750**	**(14,999)**

Relations between product lines, in particular commercial product lines, financial markets and production and service centres are subject to retrocessions and/or analytical transfers, carried out according to market conditions. The results of each product line also include:

- earnings from commercial transformation, including the management costs of this transformation;
- cost of financing.

Tangible and intangible fixed assets are allocated to the "Group Center" segment, except when they are directly managed by a commercial or financial product line.

GEOGRAPHIC BREAKDOWN (in EUR thousands)	Denmark	France	Luxembourg	Switzerland	United Arab Emirates	Total
Staff (in average FTE)	49	0	1,843	114	15	2,021
Income	10,710	0	529,099	29,971	3,539	573,318
Net income before tax	(1,364)	(11)	162,428	(4,468)	(160)	156,425
Tax expenses	267	0	(25,874)	(3)	0	(25,610)
NET INCOME AS AT 31/12/18	**(1,097)**	**(11)**	**136,554**	**(4,471)**	**(160)**	**130,815**
Staff (in average FTE)	48	0	1,847	115	12	2,022
Income	10,656	0	523,035	31,523	2,335	567,549
Net income before tax	(1,023)	(14)	152,677	(6,710)	(1,902)	143,028
Tax expenses	200	0	(29,777)	(382)	0	(29,959)
NET INCOME AS AT 31/12/19	**(823)**	**(14)**	**122,900**	**(7,092)**	**(1,902)**	**113,069**

The geographic zone is determined by the country of the company concluding the transaction and not by the country of the transaction's counterpart.

[1] Capital expenditures including the acquisitions for the year in terms of tangible and intangible assets for which the allocation by business line is not available.
[2] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.
[3] Include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

LUXEMBOURG

Banque Internationale à Luxembourg

BIL is officially listed as a credit institution in Luxembourg and has been identified as an "Other Systemically Important Institution" in accordance with the law of April 5, 1993 on the financial sector, as amended. BIL is also classified as a significant supervised entity and as such, it falls under the direct prudential supervision of the ECB in the framework of the Single Supervisory Mechanism (jointly supervised by the ECB and the CSSF).

BIL has been serving retail and business customers since 1856. It is a key player in the Luxembourgish market. Recognised as a cornerstone of Luxembourg's financial centre, BIL plays an active role in developing the local economy. Through its retail banking (with a network of 41 branches), wealth management, corporate banking and financial markets activities, the Bank boasts one of the best credit ratings in Luxembourg's banking sector (A-) and is among the country's top three banks. BIL is currently owned by Legend Holdings – a leading diversified investment group that is, headquartered in Beijing, China and listed on the Hong Kong Stock Exchange – and the Grand Duchy of Luxembourg.

Belair House

Belair House launched its Family Office and Investment Management services in March 2014. An independent Multi-family Office, Belair House offers a comprehensive and flexible range of solutions aimed at assisting wealthy families with protecting and growing their assets, generation after generation. Using a pragmatic and highly personalised approach, based on the principle of open architecture the company offers wealthy families selected services to protect, expand and bequeath their wealth. Belair House operates as a financial sector professional (PSF) and is regulated by the CSSF (Luxembourg's financial regulator).

BIL Manage Invest

A wholly-owned subsidiary of BIL Group, BIL Manage Invest (BMI) is a leading independent third-party Management Company in Luxembourg providing specialised fund governance services to conventional (UCITS) and alternative investment funds (AIF). BMI brings regulatory infrastructure to a whole series of fund promoters looking for external Alternative Investment Fund Management (AIFM) solutions, targeting the financial, real estate and private equity asset classes. BMI effectively provides management company and risk management services to clients.

BIL Fund & Corporate Services (formerly Experta Corporate and Fund Services)

BIL Fund & Corporate Services (BFCS) was formed in 2002, following the decision to spin off BIL's corporate engineering business line after fifty years. The company is a wholly owned subsidiary of BIL, with long-standing experience in structuring solutions. BFCS is a financial sector professional (PSF), regulated by the CSSF (Luxembourg's financial regulator), and committed to providing global fund and corporate services to international clients wishing to structure their assets, private equity and real estate investments.

BIL Lease

BIL Lease is a subsidiary dedicated to the management of leasing services, since 1991. The subsidiary offers financial leasing solutions to corporate customers, for all professionally used movable capital equipment including IT systems, vehicles and various types of machinery.

SWITZERLAND

BIL (Suisse)

BIL (Suisse), a wholly-owned subsidiary of the BIL Group, has been a provider of wealth management services to private and corporate clients for more than 25 years. Specialised in financial analysis and management, it is active in Switzerland's three main financial centres, Zurich, Geneva and Lugano, and offers a full range of investment services. The company supports its customers in structuring, protecting and growing their assets. Flexible and efficient, BIL (Suisse) offers personalised services including asset management and investment advice. Similarly, it undertakes to find innovative and transparent solutions tailored to specific requirements, while simultaneously protecting its customers. BIL (Suisse) is also a partner of choice for Independent Financial Advisers (IFA) providing a robust and independent set of services that supports the work they conduct with their clients.

DENMARK

BIL Denmark

BIL Denmark is a private banking centre specialised in wealth management and asset management services. The Scandinavian community of entrepreneurs and senior executives is a key market for the Bank. Operating with moderate risk exposure, the branch's objective concerns the long-term development of a sound private banking activity. The company offers interesting and attractive wealth management services, including investment management, asset structuring and financial planning services covering inheritance, estate and retirement planning. The branch offers bespoke investment solutions to its customers.

UNITED ARAB EMIRATES

BIL Dubai
In the Middle East, the Bank focuses in particular on regional very high net worth customers, both with respect to their family and their business activities. The branch works closely with the Luxembourg and Swiss-based units. As such, it can offer a comprehensive range of international financial structuring services on an open architecture basis, as well as meeting the service needs of family offices and independent external wealth managers. BIL Dubai offers a broad range of banking products, including bespoke financing solutions. For its wealth structuring services, BIL's Middle East branch can call on BIL group's international expertise to propose specific financial solutions for customer projects.

CHINA

BIL Beijing Representative Office
BIL opened a representative office in Beijing on September 17, 2019. BIL is the first Luxembourgish bank to open a representative office in China, this will enable BIL group to provide tailored support to companies, business owners, and individuals who want to invest and develop their business in Europe. Regulated by the China Banking and Insurance Regulatory Commission, the office mainly conducts market research and promotes the BIL brand in the Chinese market while the banking and investment services will be provided by BIL Luxembourg and BIL Suisse.

Note 4: Material items in the consolidated statement of income

For the period ending December 31, 2019, the material items in the statement of income are the following:

- Income reached EUR 568 million at the end of December 2019 compared to EUR 573 million at the end of December 2018.
  This decrease was largely due to a negative evolution of non-recurring items of EUR 36 million as explained in the profitability section of the Business Review and Results offset by a good performance of the core operating revenues.
  Core operating revenues increased by EUR 30 million compared with 2018. Margin income and fee income increased significantly due to a solid performance of the commercial business lines in line with the commercial franchise evolution and financial markets results.
  Other net income decreased significantly following the 2018 revaluation of the "Terres Rouges" building of EUR 35 million (compared with the capital gains realised in 2019 of EUR 11 million) and a decrease of EUR 5 million in capital gains from the Bank's Investment Portfolio (EUR 11 million in 2019 compared with EUR 16 million in 2018).
- General expenses totalled EUR 397 million as at December 31, 2019 remaining stable compared with 2018.
  General and administrative expenses decreased by EUR 24 million following the effect of IFRS 16 on operating lease expenses on January 1, 2019 (EUR 8 million) and the cost containment measures applied in 2019 mainly in Luxembourg (EUR 16 million).
  These measures mainly reduced consultancy, IT and other fees and enabled the Bank to compensate increased staff expenses (EUR 17 million) and depreciation & amortisation (EUR 6 million).

Note 5: Post-balance sheet events

COVID-19 OUTBREAK

The COVID-19 outbreak has been identified as a post-balance sheet, non-adjusting event with a potential material impact on BIL group.

In view of the COVID-19 pandemic and the protective measures announced by the Luxembourgish Government, the Bank and all BIL group entities have taken measures to protect the safety and health of employees and clients whilst ensuring business continuity. These measures include restricting business trips, splitting teams between different buildings, additional hygiene measures and remote working. The Bank is constantly adapting to the latest applicable government measures.

As one of the major banks in Luxembourg, BIL is supporting government and Central Bank actions and remains accessible to all retail, private and corporate clients. Financing facilities are available to clients to minimise the negative effect of the economic slowdown on their activities.

The significant worsening of the macroeconomic outlook will impact all market participants, businesses and banks. As a result, we are expecting an impact on BIL's 2020 financials with lower revenues and higher costs of risk and operations. It remains too early to quantify the potential impact on BIL financials arising from COVID-19 as this will depend on a large range of external factors. Our capital and liquidity positions remain solid with significant buffers in excess of regulatory requirements.

ACQUISITION OF SINO SUISSE FINANCIAL GROUP (HONG KONG) LIMITED

Since the closure of the financial year, BIL acquired 100% of Sino Suisse Financial Group (Hong Kong) Limited in February 2020. Founded in 2017, Sino Suisse Financial Group (Hong Kong) Limited is an External Wealth Management firm based in Hong Kong, which provides financial advice to High Net Worth Individuals, entrepreneurs and their families. As part of the transaction, Sino Suisse Financial Group (Hong Kong) Limited will be renamed BIL Wealth Management Limited. This transaction had no impact on the 2019 financial or commercial situation of the Group.

Note 6: Litigation

Banque Internationale à Luxembourg S.A. and Banque Internationale à Luxembourg (Suisse) S.A.

Following the bankruptcy of Bernard Madoff's investment vehicle, Bernard L. Madoff Investment Securities ("BLMIS"), the official receivers of BLMIS and the liquidators of certain feeder funds, ultimately invested in BLMIS instituted legal proceedings against numerous financial institutions and institutional investors that had purchased Madoff securities and investment products linked to B. Madoff.

In accordance with the "clawback principle", they are claiming the return of profits and redemptions obtained on these investments over a period of several years until the discovery of the fraudulent set-up put in place by BLMIS that culminated in its collapse. Some of these clawback actions were brought against Banque Internationale à Luxembourg S.A. and its subsidiary Banque Internationale à Luxembourg (Suisse) S.A., the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 72 million, most of which corresponds to investments made by Banque Internationale à Luxembourg S.A. on behalf of third parties.

With regard to the proceedings initiated by the liquidators of certain feeder funds, the Bankruptcy Court dismissed Common Law Claims and the Contract Claims but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The decision to dismiss the Common Law Claims and the Contract Claims is now on appeal to the District Court. The parties are in the process of briefing that appeal. In the meantime, the defendants will be filing a second motion to dismiss the BVI Insolvency Claims in the Bankruptcy Court.

With regard to the Madoff subsequent transferee action, this action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality, but the Second Circuit Court of Appeals reversed the decision on February 25, 2019. Defendants have filed a petition for certiorari (permission to appeal) to the US Supreme Court, which is currently pending.

At this time, Banque Internationale à Luxembourg S.A. is not able to express a reasonable opinion on the duration or outcome of actions or on any potential financial impact.

As at December 31, 2019, no material provision for clawback actions has been made. Some clients who invested in products linked to Mr Madoff have also brought legal proceedings against Banque Internationale à Luxembourg S.A.

Note 7: Notes on the assets of the consolidated balance sheet

7.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Cash and balances with central banks[1]	3,140,763,074	3,400,490,314
Other demand deposits	143,417,792	143,023,361
Loans and advances to credit institutions	268,182,799	241,774,998
TOTAL	**3,552,363,665**	**3,785,288,673**

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should the interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates years, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

[1] This item includes the mandatory reserves deposited by credit institutions with Central Bank of Luxembourg or other central banks. The average minimum requirement for the period from December 18, 2019 to January 28, 2020 amounts to EUR 179,209,891.

7.2 Cash and balances with central banks and demand deposits

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

ANALYSIS BY NATURE	31/12/18	31/12/19
Cash in hand	44,384,753	64,042,543
Balances with central banks other than mandatory reserve deposits	2,544,124,145	2,390,680,548
Mandatory reserve deposits	549,506,894	943,795,751
Other demand deposits	143,419,034	143,023,361
TOTAL	**3,281,434,826**	**3,541,542,203**
of which included in cash and cash equivalents	*3,284,180,866*	*3,543,513,675*

7.3 Loans and advances to credit institutions

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Cash collateral	322,922,693	445,789,122
Loans and other advances	752,377,457	744,931,027
Less:		
Impairment stage 1	(34,832)	(17,291)
Impairment stage 2	(21,742)	(68,270)
Impairment stage 3	0	0
TOTAL	**1,075,243,576**	**1,190,634,588**
of which included in cash and cash equivalents	*268,182,799*	*241,774,998*

B. QUALITATIVE ANALYSIS

see Note 7.15

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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7.4 Loans and advances to customers

All loans and advances to customers are held under the business model held-to-collect and are measured at amortised cost.

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	124,643,058	97,033,312
Other	12,933,984,517	14,315,733,437
Stage 3 impaired loans	595,720,394	573,920,973
Less:		
impairment stage 1	(20,521,484)	(34,032,911)
impairment stage 2	(16,904,794)	(12,296,187)
impairment stage 3	(230,865,529)	(224,209,438)
TOTAL	**13,386,056,162**	**14,716,149,186**
of which included in finance lease	**163,712,127**	**176,088,839**

B. ANALYSIS BY NATURE	31/12/18	31/12/19
On demand and short notice	608,951,522	347,815,569
Finance leases	163,712,127	176,088,839
Other term loans	12,613,392,513	14,192,244,778
of which: loans collateralised by immovable property	*8,666,025,981*	*9,504,454,316*
of which: credit for consumption	*453,874,747*	*490,546,930*
TOTAL	**13,386,056,162**	**14,716,149,186**

C. QUALITATIVE ANALYSIS

see Note 7.15

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

E. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.5 Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	23,096,213	17,227,623
Credit institutions	83,048,075	34,137,238
Other	20,745,531	12,172,759
TOTAL	126,889,819	63,537,620

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	23,096,213	17,227,623
Other bonds and fixed-income instruments	103,639,015	46,207,399
Equities and other variable income instruments	154,591	102,598
TOTAL	126,889,819	63,537,620

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.6 Financial investments measured at fair value

	31/12/18	31/12/19
Non-trading financial investments mandatorily at fair value through profit or loss	21,463,465	24,073,293
Financial investments at fair value through other comprehensive income	1,476,561,341	1,151,919,379
TOTAL	1,498,024,806	1,175,992,672

7.6.1 Non-trading financial investments mandatorily at fair value through profit or loss

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	0	0
Credit institutions	0	0
Other	21,463,465	24,073,293
TOTAL	21,463,465	24,073,293

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	21,463,465	24,073,293
TOTAL	21,463,465	24,073,293

C. QUALITATIVE ANALYSIS

see Note 7.15

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

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7.6.2 Financial investments at fair value through other comprehensive income

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	934,837,387	809,943,123
Credit institutions	404,463,511	241,381,140
Other	137,299,325	100,685,735
TOTAL BEFORE IMPAIRMENTS	**1,476,600,223**	**1,152,009,998**
Less:		
Impairments	(38,882)	(90,619)
TOTAL	**1,476,561,341**	**1,151,919,379**

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	934,837,387	809,943,123
Other bonds and fixed-income instruments	497,886,049	290,212,448
Equity and variable-income instruments	43,876,787	51,854,427
TOTAL BEFORE IMPAIRMENTS	**1,476,600,223**	**1,152,009,998**
Less:		
Impairments	(38,882)	(90,619)
TOTAL	**1,476,561,341**	**1,151,919,379**

C. QUALITATIVE ANALYSIS

see Note 7.15

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

7.7 Financial investments measured at amortised cost

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	3,148,818,603	3,713,232,081
Credit institutions	1,017,929,015	1,638,623,537
Other	861,690,237	1,033,991,050
Impaired financial investments	19,917,195	21,759,703
Less :		
Impairment stage 1	(1,075,402)	(1,560,181)
Impairment stage 2	(502,789)	(638,938)
Impairment stage 3	(7,235,140)	(12,566,385)
TOTAL	**5,039,541,719**	**6,392,840,867**

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	3,148,044,746	3,712,440,511
Other bonds and fixed-income instruments	1,891,496,973	2,680,400,356
TOTAL	**5,039,541,719**	**6,392,840,867**

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.8 Investments in associates

A. CARRYING VALUE	2018	2019
CARRYING VALUE AS AT JANUARY 1	**23,687,019**	**24,580,236**
Change in consolidation scope	340,137	678,134
Share of result before tax	2,385,753	5,467,412
Share of tax	(618,393)	(1,340,035)
Dividend paid	(1,214,280)	(1,214,280)
CARRYING VALUE AS AT DECEMBER 31	**24,580,236**	**28,171,467**

B. LIST OF ASSOCIATES AS AT 31/12/19

	Acquisition cost	Equity method valuation	Reference to website
Europay Luxembourg, société coopérative	592,993	1,075,967	
Société de la Bourse de Luxembourg, société anonyme	319,805	27,095,500	www.bourse.lu
TOTAL	**912,798**	**28,171,467**	

Financial Statements of Europay Luxembourg, société coopérative

(in EUR)	31/12/18	31/12/19
Assets	14,921,866	8,187,032
Liabilities	12,860,628	6,580,042
Equity	2,061,238	1,606,990
Revenue	8,877,010	9,497,531
Net income	619,474	74,871

2019 figures have been estimated based on Lux GAAP financial statements and are unaudited.

Financial Statements of Société de la Bourse de Luxembourg, société anonyme

(in EUR)	31/12/18	31/12/19
Assets	206,514,718	216,513,338
Liabilities	100,913,287	98,198,410
Equity	105,601,431	118,314,928
Revenue	47,697,293	49,043,860
Net income	8,216,645	18,282,793

Europay Luxembourg, société coopérative, was incorporated for an unlimited period on May 30, 1989. The Company is a cooperative society with limited liability. The purpose of the Company is to act as a principal member of Mastercard and to promote the development of Mastercard programs in Luxembourg. The Company is located at 2-4 rue Edmond Reuter, L-5326 Contern (Luxembourg) and is registered under the trade register RCS B 30.764. The financial year begins on January 1 and ends on December 31 of each year.

Société de la Bourse de Luxembourg, société anonyme was incorporated for an unlimited period on April 5, 1928. BIL participated as a founding stakeholder of the Company. The purpose of the Company is to list securities, make them available for trading and disseminate information to the market. The Company complements its offering with reporting services. The Company is located at 35A, boulevard Joseph II, L-1840 Luxembourg and is registered under the trade register RCS B 06.222. The financial year begins on January 1 and ends on December 31 of each year.

7.9 Property, plant and equipment

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use	Own use owner	Right-of-use	
ACQUISITION COST AS AT 01/01/18	**322,362,639**		**138,304,842**		**460,667,481**
Acquisitions	7,512,385		2,705,976		10,218,361
Disposals	(1,403,858)		(10,045,863)		(11,449,721)
Transfers and cancellations	0		(211,157)		(211,157)
Translation adjustments	13,545		394,525		408,070
ACQUISITION COST AS AT 31/12/18 (A)	**328,484,711**		**131,148,323**		**459,633,034**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/18	**(226,359,525)**		**(122,475,398)**		**(348,834,923)**
Booked	(7,053,407)		(8,064,135)		(15,117,542)
Write-off	0		10,045,863		10,045,863
Transfers and cancellations	1,008,816		210,056		1,218,872
Translation adjustments	(13,062)		(344,591)		(357,653)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/18 (B)	**(232,417,178)**		**(120,628,205)**		**(353,045,383)**
NET CARRYING VALUE AS AT 31/12/18 (A) + (B)	**96,067,533**		**10,520,118**		**106,587,651**

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use[1]	Own use owner	Right-of-use[1]	
ACQUISITION COST AS AT 01/01/19	**328,484,711**	**39,693,298**	**131,148,323**	**246,681**	**499,573,013**
Acquisitions	5,460,145	8,459,801	2,740,736	232,811	16,893,493
Post-acquisition adjustments	0	70,672	0	(89,371)	(18,699)
Disposals	0	0	(66,301)	0	(66,301)
Transfers and cancellations	(41,097)	1,234,800	(5,550)	0	1,188,153
Translation adjustments	5,692	514,975	406,894	22,538	950,100
ACQUISITION COST AS AT 31/12/19 (A)	**333,909,451**	**49,973,546**	**134,224,102**	**412,659**	**518,519,758**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/19	**(232,417,178)**	**0**	**(120,628,205)**	**0**	**(353,045,383)**
Booked	(8,075,461)	(10,386,547)	(2,350,730)	(121,872)	(20,934,610)
Recognised	0	706,007	0	0	706,007
Write-off	0	0	61,353	0	61,353
Transfers and cancellations	(192,247)	(1,234,800)	5,550	0	(1,421,497)
Translation adjustments	(5,394)	(88,995)	(367,088)	(2,901)	(464,378)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/19 (B)	**(240,690,280)**	**(11,004,335)**	**(123,279,120)**	**(124,773)**	**(375,098,508)**
NET CARRYING VALUE AS AT 31/12/19 (A) + (B)	**93,219,171**	**38,969,211**	**10,944,982**	**287,886**	**143,421,250**

[1] Right-of-use balances as of January 1, 2019 correspond to the effect of first application of IFRS 16 as of January 1, 2019. Refer to Note 1 for details of IFRS 16 first adoption.

7.10 Investment property

	2018	2019
ACQUISITION COST AS AT JANUARY 1	**131,592,988**	**88,828**
- Acquisitions	607,307	0
- Transfer to non-current assets and disposal groups held for sale[1]	(132,111,467)	0
ACQUISITION COST AS AT DECEMBER 31 (A)	**88,828**	**88,828**
FAIR VALUE ADJUSTMENTS AS AT JANUARY 1	**3,227,012**	**711,172**
- Reevaluation Investment Property	35,332,693	0
- Transfer to non-current assets and disposal groups held for sale[1]	(37,848,533)	0
FAIR VALUE ADJUSTMENTS AS AT DECEMBER 31 (B)	**711,172**	**711,172**
NET CARRYING VALUE AS AT DECEMBER 31 (A) + (B)	**800,000**	**800,000**

Until 2018, Investment property mainly comprises the building "Les Terres Rouges" held by Red Sky S.A., formerly fully consolidated into BIL group.

[1] As at December 31, 2018, Red Sky S.A. has been classified as held-for-sale according to IFRS 5. On December 18, 2019, Red Sky S.A. was sold. Refer to Note 7.16 for details.

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7.11 Intangible fixed assets and goodwill

	Positive goodwill[1]	Software / internally developped	Other intangible fixed assets[2]	Total
ACQUISITION COST AS AT 01/01/18	**61,855,504**	**177,720,204**	**80,839,543**	**320,415,251**
Acquisitions	0	32,892,674	27,786,838	60,679,512
Transfers and cancellations	0	0	(1,561,853)	(1,561,853)
Translation adjustments	766,896	0	311,411	1,078,307
ACQUISITION COST AS AT 31/12/18 (A)	**62,622,400**	**210,612,878**	**107,375,939**	**380,611,217**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/18	**(11,734,189)**	**(122,671,643)**	**(24,550,769)**	**(158,956,601)**
Booked	0	(17,828,576)	(11,134,209)	(28,962,785)
Transfers and cancellations	0	0	1,561,853	1,561,853
Translation adjustments	0	0	(169,927)	(169,927)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/18 (B)	**(11,734,189)**	**(140,500,219)**	**(34,293,052)**	**(186,527,460)**
NET CARRYING VALUE AS AT 31/12/18 (A) + (B)	**50,888,211**	**70,112,659**	**73,082,887**	**194,083,757**

	Positive goodwill[1]	Software / internally developped	Other intangible fixed assets[2]	Total
ACQUISITION COST AS AT 01/01/19	**62,622,400**	**210,612,878**	**107,375,939**	**380,611,217**
Acquisitions	0	58,522,389	9,124,731	67,647,120
Changes in the consolidation scope	(6,325,496)	0	0	(6,325,496)
Translation adjustments	773,511	0	326,699	1,100,210
ACQUISITION COST AS AT 31/12/19 (A)	**57,070,415**	**269,135,267**	**116,827,369**	**443,033,051**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/19	**(11,734,189)**	**(140,500,219)**	**(34,293,052)**	**(186,527,460)**
Booked	0	(16,816,412)	(14,905,859)	(31,722,271)
Changes in the scope of consolidation	6,325,496	0	0	6,325,496
Translation adjustments	0	0	(241,225)	(241,225)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/19 (B)	**(5,408,693)**	**(157,316,631)**	**(49,440,136)**	**(212,165,460)**
NET CARRYING VALUE AS AT 31/12/19 (A) + (B)	**51,661,722**	**111,818,636**	**67,387,233**	**230,867,591**

[1] Origin of goodwill :
- EUR 30.7 million goodwill from the acquisition of Bikuben Girobank International S.A. Luxembourg in 2001.
- EUR 21.0 million goodwill from the acquisition of KBL (Switzerland) Ltd in 2015.

The impairment test on the goodwill from nordic market activities has been performed on the related cash generating unit based on the discounted cash flow methodology with indefinite lifetime assumption. Cash flows are assumed to be stable. They have been computed as revenue of the generating unit less direct and indirect costs, and after taxes. No further impairment is required as at the end of 2019 (goodwill valuation of EUR 40.1 million).

Sensitivity test : +1% increase of the discount rate generates EUR -5.0 million goodwill value whereas -1% decrease of this rate generates EUR +6.7 million goodwill value.

The impairment test on the goodwill from KBL (Switzerland) Ltd acquisition could not be based on a cash generating unit as KBL (Switzerland) Ltd has been merged into BIL (Suisse) S.A. and no "cash-generating unit" is identifiable as such. The only identifiable element linked to the business assets of ex KBL (Switzerland) Ltd are the original AUMs of this entity. Therefore, the impairment test has been based on the valuation of these AUMs. No impairment is deemed necessary as at the end of 2019.

[2] Other intangible fixed assets include, inter alia, softwares purchased.

7.12 Tax assets

	31/12/18	31/12/19
Current tax assets	201,980	896,629
Deferred tax assets (see Note 9.2)	225,453,739	200,258,183
TOTAL	**225,655,719**	**201,154,812**

7.13 Other assets

	31/12/18	31/12/19
Other assets*	61,736,210	79,330,915
Other assets specific to insurance activities	279,119	665,059
TOTAL	**62,015,329**	**79,995,974**

*ANALYSIS BY NATURE	31/12/18	31/12/19
Receivables	4,381,148	4,572,692
Prepaid fees	844,248	2,170,289
Other receivables[1]	35,976,611	48,177,412
Pension plan assets	4,430,001	4,861,001
Precious metals	0	353
Operating taxes	8,230,146	4,316,673
Other assets[1]	7,874,056	15,232,495
TOTAL	**61,736,210**	**79,330,915**

[1] Mainly composed of transactions linked to current business awaiting settlement.

7.14 Leasing

1. BIL as lessor

A. FINANCE LEASE

Gross investment in finance lease	31/12/18	31/12/19
Less than 1 year	115,584,057	114,406,239
More than 1 year and less than 5 years	177,721,082	186,661,345
SUBTOTAL (A)	**293,305,139**	**301,067,584**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	**(129,593,012)**	**(124,978,745)**
NET INVESTMENT IN FINANCE LEASE (A)-(B)	**163,712,127**	**176,088,839**

Net investment in finance lease may be analysed as follows:	31/12/18	31/12/19
Less than 1 year	64,514,764	66,914,085
More than 1 year and less than 5 years	99,197,363	109,174,754
TOTAL	**163,712,127**	**176,088,839**

	31/12/18	31/12/19
Amount of doubtful debts on finance leases included in the loan loss provision at the end of the financial year	2,218,297	2,290,412
Estimated fair value of finance leases	163,712,127	176,088,839
Accumulated provision for irrecoverable minimum lease payments	1,834,898	1,917,499

Overview of the significant provisions of leasing contracts (see IFRS 7)

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

- 75.72% of the assets are composed of vehicles, mainly passenger cars but also commercial vehicles;
- 6.17% of the assets are composed of IT equipment;
- 17.71% of the assets are composed of industrial equipment : machinery, medical equipment, etc;
- 0.40% of the assets are composed primarily of office furniture.

B. OPERATING LEASE

BIL was the operating lessor of certain land and buildings, relating information is detailed in Note 7.10.

2. BIL as lessee

A. FINANCE LEASE

The Bank is not involved in any financial lease as at December 31, 2019 and as at December 31, 2018.

B. OPERATING LEASE

	IAS 17	IFRS 16
Future net minimum lease payments under non-cancellable operating lease	**31/12/18**	**31/12/19**
Less than 1 year	9,063,362	362,959
More than 1 year and less than 5 years	26,255,611	0
More than 5 years	9,073,878	223,559
TOTAL	**44,392,851**	**586,518**

Lease and sublease payments recognised as an expense during the financial year:		
- minimum lease payments	8,939,673	528,822
TOTAL	**8,939,673**	**528,822**
Leasing - Contingent rents	0	0
Leasing - Sublease payments	0	0
TOTAL	**0**	**0**

Under IFRS 16, applied as from January 1, 2019, there is no distinction anymore between operational and finance leases for lessees.

As at December 31, 2019, the Group uses practical expedients of IFRS 16 for leases of low-value assets and short-term leases that are accounted for as expenses.

For the year 2019:
- the lease expenses related to low-value assets amounts to EUR - 171,293;
- the lease expenses related to short-term leases amounts to EUR - 171,876;
- the expenses relating to variable lease payments not included in the measurement of lease liabilities amounts to EUR 0.

The commitment for short-term leases and the commitment for leases not yet commenced respectively amounts to EUR 0 and EUR 0 as at December 31, 2019.

The income from subleasing right-of-use assets amounts to EUR 276,586 for the year 2019.

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7.15 Quality of financial assets

7.15.1 Loans and securities by stages

	31/12/18			
	Net carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to credit institutions	1,065,766,106	9,477,470	0	1,075,243,576
Loans and advances to customers	10,763,102,718	2,258,098,579	364,854,865	13,386,056,162
Debt securities	6,176,753,371	282,790,847	12,682,055	6,472,226,273
Debt securities measured at amortised cost	*4,929,948,551*	*96,911,113*	*12,682,055*	*5,039,541,719*
Debt securities measured at fair value through other comprehensive income	*1,246,804,820*	*185,879,734*	*0*	*1,432,684,554*
TOTAL	**18,005,622,195**	**2,550,366,896**	**377,536,920**	**20,933,526,011**

	31/12/19			
	Net carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to credit institutions	1,188,985,238	1,649,350	0	1,190,634,588
Loans and advances to customers	11,909,598,596	2,456,839,055	349,711,535	14,716,149,186
Debt securities	7,242,171,214	241,541,287	9,193,318	7,492,905,819
Debt securities measured at amortised cost	*6,196,348,685*	*187,298,864*	*9,193,318*	*6,392,840,867*
Debt securities measured at fair value through other comprehensive income	*1,045,822,529*	*54,242,423*	*0*	*1,100,064,952*
TOTAL	**20,340,755,048**	**2,700,029,692**	**358,904,853**	**23,399,689,593**

7.15.2 Analysis of normal and impaired loans and securities by stages

	31/12/18						
	Gross carrying amount			Accumulated impairments			Net carrying amount
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans and advances to credit institutions	1,065,800,938	9,499,212	0	(34,832)	(21,742)	0	1,075,243,576
Loans and advances to customers	10,783,624,202	2,275,003,373	595,720,394	(20,521,484)	(16,904,794)	(230,865,529)	13,386,056,162
Debt securities	6,177,867,641	283,293,650	19,917,195	(1,114,270)	(502,803)	(7,235,140)	6,472,226,273
Debt securities measured at amortised cost	*4,931,023,953*	*97,413,902*	*19,917,195*	*(1,075,402)*	*(502,789)*	*(7,235,140)*	*5,039,541,719*
Debt securities measured at fair value through other comprehensive income	*1,246,843,688*	*185,879,748*	*0*	*(38,868)*	*(14)*	*0*	*1,432,684,554*
TOTAL	**18,027,292,781**	**2,567,796,235**	**615,637,589**	**(21,670,586)**	**(17,429,339)**	**(238,100,669)**	**20,933,526,011**

	31/12/19						
	Gross carrying amount			Accumulated impairments			Net carrying amount
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans and advances to credit institutions	1,189,002,529	1,717,620	0	(17,291)	(68,270)	0	1,190,634,588
Loans and advances to customers	11,943,631,507	2,469,135,242	573,920,973	(34,032,911)	(12,296,187)	(224,209,438)	14,716,149,186
Debt securities	7,243,754,534	242,247,705	21,759,703	(1,583,320)	(706,418)	(12,566,385)	7,492,905,819
Debt securities measured at amortised cost	*6,197,908,866*	*187,937,802*	*21,759,703*	*(1,560,181)*	*(638,938)*	*(12,566,385)*	*6,392,840,867*
Debt securities measured at fair value through other comprehensive income	*1,045,845,668*	*54,309,903*	*0*	*(23,139)*	*(67,480)*	*0*	*1,100,064,952*
TOTAL	**20,376,388,570**	**2,713,100,567**	**595,680,676**	**(35,633,522)**	**(13,070,875)**	**(236,775,823)**	**23,399,689,593**

7.15.3 Movements of loans and securities by stages (gross carrying amount)

	31/12/18			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**5,796,582,498**	**275,986,366**	**18,077,923**	**6,090,646,787**
To Stage 2 from Stage 1	(68,824,999)	68,824,999		0
To Stage 1 from Stage 2	2,152,126	(2,152,126)		0
To Stage 3 from Stage 2		0	0	0
To Stage 2 from Stage 3		0	0	0
To Stage 3 from Stage 1	0		0	0
To Stage 1 from Stage 3	0		0	0
Purchase	1,660,509,795	0	623,402	1,661,133,197
Derecognition during the period other than write-offs	(1,228,838,753)	(52,166,183)	0	(1,281,004,936)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	1,288,423	(888,587)	772,916	1,172,752
Changes in premium / discount	(15,502,786)	(1,113,211)	0	(16,615,997)
Changes in fair value	3,817,209	(5,407,787)	0	(1,590,578)
Write-offs	0	0	0	0
Conversion difference (FX change)	26,684,128	210,179	442,954	27,337,261
DEBT SECURITIES AS AT DECEMBER 31	**6,177,867,641**	**283,293,650**	**19,917,195**	**6,481,078,486**

	31/12/18			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**10,619,159,556**	**2,772,647,620**	**665,988,238**	**14,057,795,414**
To Stage 2 from Stage 1	(645,229,872)	645,229,872		0
To Stage 1 from Stage 2	862,640,358	(862,640,358)		0
To Stage 3 from Stage 2		(81,907,240)	81,907,240	0
To Stage 2 from Stage 3		76,850,721	(76,850,721)	0
To Stage 3 from Stage 1	(58,487,303)		58,487,303	0
To Stage 1 from Stage 3	26,193,932		(26,193,932)	0
Origination	4,212,312,465	423,240,871	42,162,272	4,677,715,608
Derecognition during the period other than write-offs	(3,186,564,402)	(690,874,490)	(110,494,304)	(3,987,933,196)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	1,958,240	498,263	0	2,456,503
Changes in premium / discount	96,292	0	0	96,292
Changes in fair value	96,513	0	0	96,513
Write-offs	0	0	(39,364,677)	(39,364,677)
Conversion difference (FX change)	17,249,361	1,457,326	78,975	18,785,662
LOANS AND ADVANCES AS AT DECEMBER 31	**11,849,425,140**	**2,284,502,585**	**595,720,394**	**14,729,648,119**

	31/12/19			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**6,177,867,641**	**283,293,650**	**19,917,195**	**6,481,078,486**
To Stage 2 from Stage 1	(120,592,378)	120,592,378		0
To Stage 1 from Stage 2	232,516,210	(232,516,210)		0
To Stage 3 from Stage 2		0	0	0
To Stage 2 from Stage 3		0	0	0
To Stage 3 from Stage 1	0		0	0
To Stage 1 from Stage 3	0		0	0
Purchase	2,021,084,239	91,190,236	0	2,112,274,475
Derecognition during the period other than write-offs	(1,147,071,826)	(19,519,230)	0	(1,166,591,056)
Modification of contractual cash flows	0	0	2,415,010	2,415,010
Changes in interest accrual	2,765,544	(95,277)	(772,916)	1,897,351
Changes in premium / discount	(19,196,164)	2,169,787	0	(17,026,377)
Changes in fair value	80,316,326	(3,155,522)	0	77,160,804
Write-offs	(604,045)	0	0	(604,045)
Conversion difference	16,668,987	287,893	200,414	17,157,294
DEBT SECURITIES AS AT DECEMBER 31	**7,243,754,534**	**242,247,705**	**21,759,703**	**7,507,761,942**

	31/12/19			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**11,849,425,140**	**2,284,502,585**	**595,720,394**	**14,729,648,119**
To Stage 2 from Stage 1	(796,149,576)	796,149,576		0
To Stage 1 from Stage 2	518,487,534	(518,487,534)		0
To Stage 3 from Stage 2		(44,133,524)	44,133,524	0
To Stage 2 from Stage 3		5,732,563	(5,732,563)	0
To Stage 3 from Stage 1	(45,991,505)		45,991,505	0
To Stage 1 from Stage 3	18,185,273		(18,185,273)	0
Origination	4,231,943,437	491,004,016	52,701,829	4,775,649,282
Derecognition during the period other than write-offs	(2,688,043,227)	(552,666,805)	(133,995,719)	(3,374,705,751)
Modification of contractual cash flows	0	0	6,113,648	6,113,648
Changes in interest accrual	(84,557)	(1,304,616)	0	(1,389,173)
Changes in premium / discount	109,746	0	0	109,746
Changes in fair value	4,295,040	0	0	4,295,040
Write-offs	0	0	(14,885,313)	(14,885,313)
Conversion difference	40,456,731	10,056,601	2,058,941	52,572,273
LOANS AND ADVANCES AS AT DECEMBER 31	**13,132,634,036**	**2,470,852,862**	**573,920,973**	**16,177,407,871**

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7.16 Non-current assets held for sale

Following the decision of the relevant decision-making bodies made in December 2018 to sell Red Sky S.A., the entity was therefore presented as "Non-current asset and disposal groups held for sale" in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended December 31, 2018. The sale of Red Sky S.A. took place on December 18, 2019. The table below provides details of the assets held for sale and liabilities directly associated with the assets held for sale in the balance sheet for the year ended December 31, 2018.

	31/12/18	31/12/19
Tangible and intangible assets held for sale	169,960,000	0
Other assets	1,899,785	0
TOTAL ASSETS HELD FOR SALE	**171,859,785**	**0**
Liabilities of subsidiaries held for sale	1,335,413	0
TOTAL LIABILITIES HELD FOR SALE	**1,335,413**	**0**

Note 8: Notes on the liabilities of the consolidated balance sheet (in EUR)

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/18	31/12/19
On demand	475,731,873	410,628,827
Term	404,181,640	549,672,938
Cash collateral	57,506,598	65,225,159
Repurchase agreements	551,261,603	612,991,019
Central banks[1]	695,281,496	708,718,466
Other borrowings[2]	761,855,703	748,605,204
TOTAL	**2,945,818,913**	**3,095,841,613**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Demand deposits	10,355,007,030	11,043,124,737
Saving deposits	3,467,923,846	3,473,283,255
Term deposits	3,435,630,203	4,418,173,018
Cash collateral	8,663,048	52,466,348
TOTAL	**17,267,224,127**	**18,987,047,358**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

8.3 Other financial liabilities

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Other financial liabilities	0	42,300,007
of which lease liabilities		*42,300,007*
TOTAL	**0**	**42,300,007**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

[1] The Management Board decided to participate to the last tranche of the TLTRO III (Targeted Longer-Term Refinancing Operations) for EUR 300 million in December 2019. As at December 31, 2019, TLTRO transactions amount to EUR 700 million.
[2] Other borrowings represent day-to-day cash management operations.

8.4 Financial liabilities measured at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss (fair value option)

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Non-subordinated liabilities	832,445,114	923,354,039
TOTAL	**832,445,114**	**923,354,039**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

BIL group primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

8.5 Debt securities

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Certificates of deposit	19,480,219	20,828,172
Non-convertible bonds	1,914,505,526	2,246,590,612
TOTAL	**1,933,985,745**	**2,267,418,784**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

8.6 Subordinated debts

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Non-convertible subordinated debts[1]	135,720,308	138,035,616
Contingent convertible bond (compound instrument)[2]	149,625,580	31,044,196
TOTAL	**285,345,888**	**169,079,812**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

[1] List available upon request.
[2] On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital. On November 14, 2019, the Bank partially bought back and cancelled the contingent convertible bond for an amount of EUR 118.9 million.

8.7 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Litigation[1]	7,334,509	6,215,819
Restructuring (including garden leave)	6,829,474	6,140,978
Defined benefit plans	14,873,718	9,426,433
Other long-term employee benefits (including jubilee and time saving account)	16,154,642	16,583,022
Provision for off-balance sheet credit commitments	6,166,807	9,207,776
Other provisions	1,757,163	2,524,852
TOTAL	**53,116,313**	**50,098,880**

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/18	**21,744,022**	**8,594,853**	**27,821,433**	**6,525,208**	**466,836**
Exchange differences	183,871	13,182	406,986	23,978	3,962
Additional provisions	1,318,339	4,892,272	5,118,126	0	1,842,478
Changes due to change in credit risk	0	0	0	(3,700,552)	0
Increases due to origination or acquisition	0	0	0	6,385,658	0
Decreases due to derecognition	0	0	0	(3,067,485)	0
Revaluation through reserves[2]	0	0	8,861,280	0	0
Unused amounts reversed	(528,410)	0	(9,810,543)	0	(160,298)
Used during the year	(15,383,313)	(6,670,833)	(1,422,922)	0	(372,415)
Changes in the scope	0	0	0	0	(23,400)
Transfers	0	0	54,000	0	0
AS AT 31/12/18	**7,334,509**	**6,829,474**	**31,028,360**	**6,166,807**	**1,757,163**
AS AT 01/01/19	**7,334,509**	**6,829,474**	**31,028,360**	**6,166,807**	**1,757,163**
Exchange differences	209,365	6,058	352,772	5,619	52,788
Additional provisions	1,000,634	4,906,586	2,267,919	0	3,007,377
Changes due to change in credit risk	0	0	0	(1,180,113)	0
Changes due to modifications without derecognition	0	0	0	981	0
Increases due to origination or acquisition	0	0	0	7,893,265	0
Decreases due to derecognition	0	0	0	(3,687,094)	0
Revaluation through reserves[2]	0	0	(1,753,974)	0	0
Unused amounts reversed	(1,484,372)	0	(4,460,032)	0	(72,000)
Used during the year	(844,317)	(5,601,140)	(1,425,590)	(435,192)	(985,676)
Transfers	0	0	0	443,503	0
Other movements	0	0	0	0	(1,234,800)
AS AT 31/12/19	**6,215,819**	**6,140,978**	**26,009,455**	**9,207,776**	**2,524,852**

C. ANALYSIS BY MATURITY

see Note 12.6

[1] Provisions for legal litigation, including those for staff and tax-related litigation.
[2] See point 1.24 of Note 1.

D. PROVISIONS FOR PENSIONS

a. Reconciliation of defined benefit obligations	31/12/18	31/12/19
Defined benefit obligations at the beginning of the year	269,696,843	258,563,097
Current service cost	10,967,824	10,353,022
Interest cost	2,430,595	2,441,724
Past service cost and gains and losses arising from settlements	(418,790)	(2,544,924)
Actuarial gains/losses	(1,611,353)	10,678,364
Stemming from changes in demographic assumptions	*1,133,000*	*(3,412,804)*
Stemming from changes in financial assumptions	*(1,908,805)*	*7,241,757*
Stemming from experience adjustments	*(835,548)*	*6,849,411*
Benefits paid	(23,602,018)	(16,646,440)
Out of which: amounts paid in respect of settlements	*0*	*0*
Pension plan participant contributions	1,200,391	1,245,844
Currency adjustment	1,868,767	1,842,589
Business combination and disposals	0	0
Other	(1,969,162)	(1,996,277)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**258,563,097**	**263,936,999**

b. Reconciliation of fair value of pension plan assets	31/12/18	31/12/19
Fair value of pension plan assets at the beginning of the year	266,884,074	248,119,377
Actual return on pension plan assets	(7,993,365)	14,796,363
Interest income	*2,479,267*	*2,381,847*
Return on pension plan assets (excluding interest income)	*(10,472,632)*	*12,414,516*
Employer contributions	12,157,132	12,415,928
Pension plan participant contributions	1,200,391	1,245,844
Benefits paid	(23,602,018)	(16,646,440)
Out of which: amounts paid in respect of settlements	*0*	*(1,000)*
Currency adjustment	1,468,694	1,496,137
Business combination and disposals	0	0
Other	(1,995,531)	(2,055,646)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**248,119,377**	**259,371,564**

c. Reconciliation of the effect of the asset ceiling	31/12/18	31/12/19
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
Other	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

NET LIABILITY	**(10,443,720)**	**(4,565,435)**

d. Funded status	31/12/18	31/12/19
Pension plan assets in excess of benefit obligation	(4,430,001)	(4,861,001)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/18	31/12/19
Net liability at the beginning of the year	(2,781,770)	(10,443,720)
Net periodic pension cost recognised in the income statement	(10,557,730)	(7,927,344)
Remeasurements recognised in OCI	(8,861,279)	1,736,152
Employer contributions	12,157,132	12,415,928
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	0	0
Currency adjustments	(400,073)	(346,451)
Other	0	0
NET LIABILITY AT THE END OF THE YEAR	**(10,443,720)**	**(4,565,435)**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/18	31/12/19
Recognised reserve at the beginning of the year	(9,316,320)	(18,585,482)
Remeasurements recognised in OCI	(9,269,162)	1,331,137
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(18,585,482)**	**(17,254,345)**

g. Amounts recognised in the income statement	31/12/18	31/12/19
Current service cost	10,967,824	10,353,022
Net interest on the defined benefit liability/asset	(48,672)	59,877
Past service cost	(418,790)	(2,544,924)
Gains and losses arising from settlements	0	0
Other	57,368	59,369
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**10,557,730**	**7,927,344**

h. Amounts recognised in other comprehensive income	31/12/18	31/12/19
Actuarial gains/losses on the defined benefit obligation	(1,611,353)	10,678,364
Actual return on plan assets (excluding amounts included in interest income)	10,472,632	(12,414,516)
Other	0	0
Currency adjustments	407,883	405,014
TOTAL OTHER COMPREHENSIVE INCOME	**9,269,162**	**(1,331,137)**

Actual return on pension plan assets (%)	31/12/18	31/12/19
	(3.10%)	5.83%

Breakdown of pension plan assets	31/12/18	31/12/19
Fixed income		
Quoted market price on an active market	63.86%	59.27%
Equities		
Quoted market price on an active market	15.77%	10.96%
Alternatives		
Quoted market price on an active market	2.20%	2.15%
Cash	1.51%	1.17%
Other	16.66%	26.45%
TOTAL	**100.00%**	**100.00%**

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR -1%	9.63%
	Scenario DR +1%	(7.35%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR -1%	(1.56%)
	Scenario SR +1%	4.19%

The Duration of the DBO of the pension plans in EUR as of December 31, 2019 is 6.86 (6.99 in 2018).
The Duration of the DBO of the Swiss pension plan as of December 31, 2019 is 15.6 (20.1 in 2018).

Expected contributions for next year	7,958,950

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures
People hired from June 1, 2017 partake in a new pension plan outsourced to an external insurance company which is not reported under the current note as this note refers to a defined benefit plan.
Other pension plans are thus closed plans with membership depending on the hiring date.
These closed plans are two hybrid defined benefit (DB)/ defined contribution (DC) pension plans and one DC with guaranteed return pension plan. In 2019, no specific event occurred regarding pension plan provision for active people. For retirees, the pension plan is a DB plan (closed) for which no specific event occurred during the year 2019.
For all closed plans the risk exposure is actually an exposure to financial risk and for part of the plans to longevity and inflation risks.

In Switzerland, the pension plan is a DC pension plan with guaranteed return. A plan amendment has been considered in 2019 due to a reduction in the conversion factors used for the retirement pensions (effective January 1, 2020). This led to a plan amendment gain of KCHF 2,907 (KEUR 2,615). This gain is a past service income and has been recorded in the statement of income in the financial year 2019.

B. Methods and assumptions used in preparing the sensitivity analysis
The principal assumptions used to assess the defined benefit obligation are as follows:

	Luxembourg		Switzerland	
	31/12/18	**31/12/19**	**31/12/18**	**31/12/19**
Discount rate	1.00%	0.25%	0.90%	0.20%
Salary increase	0.50% - 5.50%	0.50% - 5.50%	1.00%	1.00%
Inflation[1]	1.80%	1.50%	0.50%	0.50%

C. Description of ALM strategies
In Luxembourg the pension fund investment strategy is based on ALM objectives trying to align as far as possible assets maturities with liabilities profile and is also based on return objectives with limited risks exposure.
Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).
In Switzerland, the investment strategy is in the hands of the insurer.

[1] Included in the salary increase for Switzerland.

D. Description of funding arrangements

In Luxembourg, closed pension plans are funded through pension plan arrangements.

In the pension plans for "active people" hired before June 1, 2017, employer contributions are calculated according to an Aggregate Cost method.

In the pension plans for "retirees", pensions are fully funded.

For these plans, minimum funding applies according to the legislation in force and the employer is due to make additional contributions in case assets do not meet the funding requirements.

Asset ceiling under IAS 19 does not apply.

For employees hired since June 1, 2017, the new plan is funded through an external insurance company. It is reported under defined contributions expenses.

The Swiss pension plan is funded through a multi-employer foundation.

This pension plan is subject to asset ceiling under IAS 19 however the plan shows a net liability.

8.8 Tax liabilities

ANALYSIS BY NATURE	31/12/18	31/12/19
Current tax liabilities	1,878,972	2,220,890
Deferred tax liabilities (see Note 9.2)	4,876,126	6,160,610
TOTAL	**6,755,098**	**8,381,500**

8.9 Other liabilities

	31/12/18	31/12/19
Other liabilities*	245,590,248	211,974,343
Other liabilities specific to insurance activities	379,262	2,930,976
TOTAL	**245,969,510**	**214,905,319**

*ANALYSIS BY NATURE	31/12/18	31/12/19
Accrued costs	11,017,419	12,484,329
Deferred income	14,458,203	15,784,957
Other payables[1]	141,824,120	108,020,669
Other granted amounts received	736,764	691,341
Salaries and social security costs (payable)	31,491,845	32,476,788
Other operating taxes	40,650,230	33,863,590
Other liabilities	5,411,667	8,652,669
TOTAL	**245,590,248**	**211,974,343**

8.10 Liabilities included in disposal groups held for sale

see Note 7.16

[1] The heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

Note 9: Other notes on the consolidated balance sheet (in EUR)

9.1 Derivatives and hedging activities

Derivatives instruments are split in two categories:
- Derivatives held for trading;
- Derivatives designated in a hedge relationship.

The Bank applies hedge accounting in four separate strategies where derivatives and non-derivative instruments are used as hedging elements:

Fair value hedge

The fair value hedge strategies are used to hedge the interest rate risk arising from a portion of the investment portfolio. Generally speaking:
- The hedged items are fixed-rate bonds exposed to a change in fair value due to the movement in market interest rates;
- The hedging items are receive-floating interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in fair value of the bonds arising from changes in the relevant yield curves.

Two different hedge ratios are computed to assess the effectiveness of each fair value hedge strategy.
- At the initiation of the strategy, the ratio between the interest rate sensitivity (+100bps) of each item must be in the range [90%; 110%] (prospective test);
- At the end of each month, the ratio between the evolution of the fair value arising from the interest rate risk of each item must be in the range [80%; 125%] (retrospective test).

Sources of ineffectiveness arise from the floating leg of the hedging instruments.

Cash flow hedge

Interest rate risk

The cash flow hedge is used to hedge the interest rate risk arising from revolving instruments. Generally speaking:
- The hedged items are revolving short-term money market loans and deposits exposed to a change in earnings due to the movement in market interest rates;
- The hedging items are interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in the earnings arising from changes in the benchmark interest rates when the contract is renewed.

The efficiency assessment is based on the comparison between the cash flows (interest and nominal) generated by the short-term loans and deposits and the cash flows generated by the floating legs of the interest rate swaps. For each currency and index, the cumulative amount of cash flows of interest rate swaps must not exceed the cumulative amount of cash flows of the short-term instrument.

Foreign currency risk

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

Only the foreign currency risk is hedged.

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

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

Portfolio hedge

The carve out is used to hedge the interest rate risk arising from loans and deposits not already hedged within the fair value or the cash flow hedge framework. Generally speaking:
- The hedged items are loans and deposits in the banking book exposed to a change in fair value due to the movement in market interest rates;
- The hedging items are interest rate swaps.

Only the interest rate risk is hedged.

The interest rate risk is determined as the change in fair value arising from changes in the relevant yield curves.

The efficiency assessment is based on a cumulative gap of the hedged instruments and the fixed-rate legs of the interest rate swaps. For each predetermined bucket, the amount of interest rate swaps must not exceed the amount of the loans and the deposits.

Sources of ineffectiveness arise from the floating leg of the hedging instruments.

Net investment in foreign operations

The Bank hedges the currency risk arising from its net investment in foreign operations using foreign currency-denominated liabilities. The Bank has net investments in a number of foreign locations and currencies and designates the hedged risk as the risk of the foreign currency changes against the EUR, in order to reduce fluctuations in the value of the Bank's net investment in its subsidiaries due to movements in the EUR exchange rate. The effective portion of foreign exchange gains and losses on the hedging instruments is recognised in OCI. The Bank aims to set the hedge ratio to 100% and the efficiency assessment is made on a monthly basis.

A. ANALYSIS BY NATURE	31/12/18		31/12/19	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	243,863,819	298,024,829	288,788,728	291,561,678
Derivatives designated as fair value hedge	16,756,604	194,799,362	27,875,511	304,150,167
Derivatives designated as cash flow hedge	3,026,845	8,779,884	2,775,326	5,641,701
Derivatives designated as portfolios hedged against interest rate risk	26,666,274	1,579,652	15,541,241	431,973
TOTAL	**290,313,542**	**503,183,727**	**334,980,806**	**601,785,519**

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**17,309,863,444**	**17,305,213,890**	**221,993,357**	**223,623,364**
FX forward	17,050,932,232	17,042,676,485	220,094,614	216,909,079
Cross currency swap	44,378,652	46,029,479	1,234,492	6,291,749
FX options	214,552,560	216,507,926	664,251	422,536
Interest rate derivatives	**764,509,678**	**770,125,590**	**10,072,276**	**10,587,186**
Option/Cap/Floor/Collar/Swaption	138,008,917	131,350,703	3,013,838	3,018,006
IRS	609,630,132	610,330,132	7,058,438	7,569,180
Interest futures	16,870,629	28,444,755	0	0
Equity derivatives	**504,978,579**	**532,861,257**	**11,798,186**	**63,814,279**
Equity futures	7,086,137	532,625	0	0
Equity options	75,670,937	39,376,078	6,594,962	22,498,356
Equity option	228,958,400	228,958,400	0	0
Other equity derivatives	193,263,105	263,994,154	5,203,224	41,315,923
Credit derivatives	**0**	**0**	**0**	**0**
TOTAL	**18,579,351,701**	**18,608,200,737**	**243,863,819**	**298,024,829**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**19,495,188,230**	**19,501,828,021**	**263,234,714**	**276,035,944**
FX forward	19,294,684,319	19,299,799,312	259,992,882	271,453,054
Cross currency swap	58,953,788	59,890,974	1,995,682	4,046,282
FX options	141,550,123	142,137,735	1,246,150	536,608
Interest rate derivatives	**861,085,308**	**859,558,270**	**13,770,501**	**9,898,318**
Option/Cap/Floor/Collar/Swaption	137,598,738	137,598,737	2,132,530	2,132,529
IRS	710,786,570	712,186,570	11,637,971	7,765,789
Interest futures	12,700,000	9,772,963	0	0
Equity derivatives	**475,497,061**	**457,090,688**	**11,783,513**	**5,627,416**
Equity futures	7,029,116	0	0	0
Equity options	61,711,340	0	2,271,991	0
Equity option	217,696,255	217,696,255	0	0
Other equity derivatives	189,060,350	239,394,433	9,511,522	5,627,416
TOTAL	**20,831,770,599**	**20,818,476,979**	**288,788,728**	**291,561,678**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**3,289,092,379**	**3,289,092,379**	**16,756,604**	**194,799,362**
IRS	3,289,092,379	3,289,092,379	16,756,604	194,799,362
TOTAL	**3,289,092,379**	**3,289,092,379**	**16,756,604**	**194,799,362**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**4,473,784,877**	**4,473,784,877**	**27,875,511**	**304,150,167**
IRS	4,473,784,877	4,473,784,877	27,875,511	304,150,167
TOTAL	**4,473,784,877**	**4,473,784,877**	**27,875,511**	**304,150,167**

D1. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**178,451,849**	**180,734,993**	**1,452,369**	**4,844,334**
Cross currency swaps	87,412,587	89,581,654	888,039	4,844,334
Other currency derivatives	91,039,262	91,153,339	564,330	0
Interest rate derivatives	**55,148,483**	**55,148,483**	**1,574,476**	**3,935,550**
IRS	55,148,483	55,148,483	1,574,476	3,935,550
TOTAL	**233,600,332**	**235,883,476**	**3,026,845**	**8,779,884**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**260,047,101**	**262,156,767**	**1,549,520**	**2,564,875**
Cross currency swaps	89,098,766	89,581,654	905,169	2,564,875
Other currency derivatives	170,948,335	172,575,113	644,351	0
Interest rate derivatives	**47,689,002**	**47,689,002**	**1,225,806**	**3,076,826**
IRS	47,689,002	47,689,002	1,225,806	3,076,826
TOTAL	**307,736,103**	**309,845,769**	**2,775,326**	**5,641,701**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interests generated by derivatives designated as cash flow hedge amounted to EUR 1.2 million in 2019 (EUR 3.5 million in 2018) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

D2. BREAKDOWN OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE BY RESIDUAL MATURITY	31/12/18				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	564,330	0	2,462,515	0	**3,026,845**
Liabilities	0	358,244	8,421,640	0	**8,779,884**

	31/12/19				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	644,351	0	2,130,975	0	**2,775,326**
Liabilities	0	1,858,497	3,783,204	0	**5,641,701**

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE

	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,976,010	4,690,432	274,586	249
Interest rate derivatives	382,633,574	382,633,574	26,391,688	1,579,403
TOTAL	**386,609,584**	**387,324,006**	**26,666,274**	**1,579,652**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	4,104,427	4,690,432	199,737	109
Interest rate derivatives	325,700,000	325,700,000	15,341,504	431,864
TOTAL	**329,804,427**	**330,390,432**	**15,541,241**	**431,973**

F. MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO FAIR VALUE HEDGE (FVH) RELATIONSHIPS

	31/12/18			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	0	48,706,294	132,857,442	181,563,736
Micro FVH for fixed rate fair value through other comprehensive income debt instruments (notional amount)	8,741,259	618,773,846	412,000,000	1,039,515,105
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	25,000,000	607,623,280	1,435,390,258	2,068,013,538
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	0	0
TOTAL	**33,741,259**	**1,275,103,420**	**1,980,247,700**	**3,289,092,379**

	31/12/19			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	5,000,000	44,549,383	136,516,883	186,066,266
Micro FVH for fixed rate fair value through other comprehensive income debt instruments (notional amount)	0	648,530,596	195,000,000	843,530,596
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	34,000,000	1,317,766,842	2,087,421,173	3,439,188,015
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	5,000,000	5,000,000
TOTAL	**39,000,000**	**2,010,846,821**	**2,423,938,056**	**4,473,784,877**

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

G. MATURITY PROFILE OF HEDGING INTRUMENTS USED IN MICRO CASH FLOW HEDGE RELATIONSHIP	31/12/18			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
1. Derivative instruments				
Cross-currency interest rate swaps - Notional	*0*	*0*	*89,581,654*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate	*0*	*0*	*5.01%*	
2. Non-derivatives instruments				
Non-derivative instruments	0	0	9,901,869	9,901,869
TOTAL	0	0	99,483,523	99,483,523

	31/12/19			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
1. Derivative instruments				
Cross-currency interest rate swaps - Notional	*0*	*0*	*89,581,654*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate	*0*	*0*	*5.01%*	
2. Non-derivative instruments				
Non-derivative instruments	0	0	10,268,453	10,268,453
TOTAL	0	0	99,850,107	99,850,107

H. HEDGED ITEMS IN A FAIR VALUE HEDGE RELATIONSHIP	31/12/18	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	*180,980,807*	*(1,256,532)*
Debt securities measured at FVOCI	*1,150,638,643*	*8,255,839*
Debt securities measured at amortised cost	*2,163,077,685*	*24,769,310*
TOTAL ASSETS	3,494,697,135	31,768,617
Debt instruments issued	0	0
TOTAL LIABILITIES	0	0

	31/12/19	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	*189,758,180*	*3,038,508*
Debt securities measured at FVOCI	*933,240,129*	*22,060,168*
Debt securities measured at amortised cost	*3,644,341,335*	*90,536,931*
TOTAL ASSETS	4,767,339,644	115,635,607
Debt instruments issued	5,024,974	(29,983)
TOTAL LIABILITIES	5,024,974	(29,983)

I. HEDGED ITEMS IN A CASH FLOW HEDGE RELATIONSHIP

	31/12/18		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	35,164,332	(35,092,058)	72,274
Portfolio fair value hedge	8,655,760	(8,711,071)	(55,311)
TOTAL	**43,820,092**	**(43,803,129)**	**16,963**

	31/12/19		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	83,665,337	(83,711,784)	(46,447)
Portfolio fair value hedge	9,986,728	(10,006,371)	(19,643)
TOTAL	**93,652,065**	**(93,718,155)**	**(66,090)**

J. HEDGE EFFECTIVENESS FOR CASH FLOW HEDGE RELATIONSHIPS

	31/12/18					
	Notional amount	Carrying value		Change in FV of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	146,301,822	2,138,806	3,935,550	(1,079,320)	(1,301,320)	222,000
Micro cash flow hedge	89,581,654	888,039	4,844,334	(1,669,220)	(1,669,220)	0
2. Non-derivative instruments						
Micro cash flow hedge	0	9,901,869	0	1,418,412	203,346	1,215,066
TOTAL	**235,883,476**	**12,928,714**	**8,779,884**	**(1,330,128)**	**(2,767,194)**	**1,437,066**

	31/12/19					
	Notional amount	Carrying value		Change in FV of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivative instruments						
Macro cash flow hedge	220,264,115	1,870,157	3,076,827	509,271	509,271	0
Micro cash flow hedge	89,581,654	905,169	2,564,874	2,279,460	2,279,460	0
2. Non-derivative instruments						
Micro cash flow hedge	0	10,268,453	0	223,842	223,842	
TOTAL	**309,845,769**	**13,043,779**	**5,641,701**	**3,012,573**	**3,012,573**	**0**

K. DETAIL OF HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS AGAINST FOREIGN EXCHANGE MOVEMENTS

HEDGING INSTRUMENTS	31/12/18			
	Carrying amount of hedging instruments	Changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge inneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in DKK	13,332,108	37,999	0	0
Deposits in CHF	146,433,763	(5,548,675)	0	0
Deposits in USD	1,337,834	(67,424)	0	0
Deposits in SGD	0	0	0	50,108
TOTAL	**161,103,705**	**(5,578,100)**	**0**	**50,108**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/18
	Change in fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	(37,999)
Investments in CHF subsidiaries	5,548,675
Investments in USD subsidiaries	67,424
Investments in SGD subsidiaries	(50,108)
TOTAL	**5,527,992**

HEDGING INSTRUMENTS	31/12/19			
	Carrying amount of hedging instruments	Changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge inneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in DKK	5,585,837	(4,654)	0	0
Deposits in CHF	230,309,990	(6,487,409)	0	0
Deposits in USD	1,018,476	(9,292)	0	0
TOTAL	**236,914,303**	**(6,501,355)**	**0**	**0**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/19
	Change in fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	4,654
Investments in CHF subsidiaries	6,487,409
Investments in USD subsidiaries	9,292
TOTAL	**6,501,355**

L. HEDGING ACTIVITIES IMPACT ON EQUITY

EQUITY RECONCILIATION	31/12/18		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(3,828,441)**	**(10,028,467)**	**(883,623)**
Cash Flow Hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*(1,669,221)*		
Interest rate swaps	*(1,301,320)*		
Loans and deposits	*203,346*		
Net amount reclassified to profit or loss			
Following hedge discontinuation	*222,000*		
Following utilisation	*1,215,066*		
Net Investment Hedges			
Foreign currency reevaluation on the hedging financial instruments		(5,460,114)	(117,986)
Net amount reclassified to profit or loss			
Following hedge discontinuation		*50,108*	*0*
Foreign currency reevaluation on the unhedged net foreign operations		2,564,843	
Tax impact on the above	345,966		30,689
CLOSING BALANCE AS AT DECEMBER 31	**(4,812,604)**	**(12,873,630)**	**(970,920)**

EQUITY RECONCILIATION	31/12/19		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(4,812,604)**	**(12,873,630)**	**(970,920)**
Cash Flow Hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*2,279,460*		
Interest rate swaps	*509,271*		
Loans and deposits	*223,842*		
Net amount reclassified to profit or loss			
Following hedge discontinuation	*0*		
Others (including FX translation)	*0*		
Net Investment Hedges			
Foreign currency reevaluation on the hedging financial instruments		(6,382,353)	(119,002)
Net amount reclassified to profit or loss			
Following hedge discontinuation		*0*	*0*
Following utilisation		*0*	
Foreign currency reevaluation on the unhedged net foreign operations		3,878,968	
Tax impact on the above	(820,933)		15,638
CLOSING BALANCE AS AT DECEMBER 31	**(2,620,964)**	**(15,377,015)**	**(1,074,284)**

9.2 Deferred tax

A. ANALYSIS	31/12/18	31/12/19
Net deferred tax assets	225,453,739	200,258,183
Deferred tax liabilities	(4,876,126)	(6,160,610)
DEFERRED TAX	**220,577,613**	**194,097,573**

B. MOVEMENTS	2018	2019
AS AT JANUARY 1	**233,423,975**	**220,577,613**
Movements during the financial year:		
- Amounts recognised in the statement of income	(24,469,792)	(19,222,007)
- Items directly computed by equity	10,970,355	(1,369,708)
- Effect of change in tax rates - statement of income	(7,276)	(9,605,817)
- Effect of change in tax rates - equity	0	(95,957)
- Exchange differences	106,887	77,435
- Other movements	553,464	3,736,014
AS AT DECEMBER 31	**220,577,613**	**194,097,573**

Deferred tax coming from balance sheet assets	31/12/18		31/12/19	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	11,413,956	(336,721)	15,438,698	4,021,795
Securities	(5,825,614)	187,965	(5,343,683)	(207,250)
Derivatives	1,691,794	0	870,861	0
Tangible and intangible fixed assets	4,472,770	4,697,896	4,131,759	(341,391)
TOTAL	**11,752,906**	**4,549,140**	**15,097,635**	**3,473,154**

Deferred tax coming from balance sheet liabilities	31/12/18		31/12/19	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(2,782,468)	(647,991)	(2,042,547)	(2,511,226)
Provisions	(9,575,123)	4,478,665	(4,760,587)	4,811,183
Pensions	5,986,939	(399,760)	3,738,178	(1,003,269)
Other liabilities specific to insurance companies	(5,139,761)	(749,434)	(5,895,382)	(755,621)
Other non allocated and non applicable liabilities	0	0	467,628	0
TOTAL	**(11,510,413)**	**2,681,480**	**(8,492,710)**	**541,068**

Deferred tax coming from other items	31/12/18		31/12/19	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	372,815,072	(28,176,612)	318,678,436	(54,136,636)
less: impairments	*(152,479,952)*	*220,659*	*(131,185,789)*	*21,294,163*
TOTAL	**220,335,120**	**(27,955,953)**	**187,492,647**	**(32,842,473)**

Considering that :
- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts);
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years;
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future;
- Our analysis on future taxable profit over the next years will enable us to use the unused tax losses over a medium term period (no time restriction applied in Luxembourg on tax losses generated before the fiscal reform).

Based on these considerations, BIL has recognised the full amount of unused tax losses.

9.3 Share-based payments

There is no stock option plan settled in BIL shares.

9.4 Related party transactions

A. RELATED PARTY TRANSACTIONS	Key management		Subsidiaries	
(in EUR thousands)	31/12/18	31/12/19	31/12/18	31/12/19
Loans[1]	9,689	12,497	67	84
Interest received	0	0	0	1
Deposits	6,576	14,330	264	10,027
Interest paid	0	0	0	(38)
Derivatives - Total to receive	0	92	0	0
Derivatives - Total to deliver	0	91	0	0
Guarantees and commitments given by the Group	43	47	0	0
Guarantees and commitments given to the Group	3	0	0	0
Assets entrusted from third parties	11,838	9,700	0	0

	Associates		Other related parties	
	31/12/18	31/12/19	31/12/18	31/12/19
Loans[1]	4	0	0	0
Interest received	7	2	71	0
Deposits	11,078	3,873	7,340	5,979
Interest paid	0	0	(9)	(4)
Derivatives - Total to receive	0	0	29,981	20,293
Derivatives - Total to deliver	0	0	31,413	7,659
Commissions received	0	0	2	2
Assets entrusted from third parties	0	0	203,932	199,359

Advisory fees paid to Precision Capital S.A. amount to EUR -0.1 million in 2018.

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.9 "Staff expenses")

9.5 Securitisation

BIL group has no securitisation vehicles included in its scope of consolidation.

The relevant accounting rules are described in point 1.3 of Note 1.

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.6 Acquisitions and disposals of consolidated companies

A. MAIN ACQUISITIONS

Year 2018
None.

Year 2019
None.

B. MAIN DISPOSALS

Year 2018
BIL ASIA Singapore Ltd (liquidated since November 14, 2018).

Year 2019
Selskabet af 18 December 2013 A/S (liquidated on May 31, 2019).

Red Sky S.A. (sold on December 18, 2019). The assets and liabilities sold were as follows :

Loans and advances to credit institutions	563,066
Investment property	169,960,000
Other assets	1,938,676
Borrowings	(91,501,453)
Other liabilities	(386,548)
NET ASSETS	**80,573,741**
Proceeds from the sale	94,118,800
Less: Transaction cost	(2,773,495)
Less: Cash and cash equivalents of subsidiaries sold	0
NET PROCEEDS ON THE SALE	**91,345,305**
CAPITAL GAIN ON THE SALE	**10,771,564**

9.7 Subscribed and authorised capital

By share category	31/12/18	31/12/19
Number of shares authorised and not issued[1]	2,982,681	2,927,025
Number of shares issued and fully paid up[2]	2,017,319	2,087,261
Capital	141,212,330	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	970	0

[1] Following the extraordinary general meeting of April 25, 2019, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 351 million, without prejudice to possible renewals, until April 24, 2024.

[2] On December 16, 2019, the Bank carried out a capital increase split into the following two operations :
- the issuance of 70,912 new shares for a total amount of EUR 58,000,343 allocated for an amount of EUR 4,963,840 to the share capital and for an amount of EUR 53,036,503 to the share premium;
- the cancellation of the existing 970 treasury shares held by the Bank, decreasing the share capital for EUR 67,900 and the share premium for EUR 725,482.

9.8 Exchange rates

The main exchange rates used are the following:

		31/12/18		31/12/19	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.6228	1.5828	1.5977	1.6082
Canadian Dollar	CAD	1.5621	1.5320	1.4554	1.4811
Swiss Franc	CHF	1.1274	1.1505	1.0859	1.1117
Danish Krone	DKK	7.4681	7.4534	7.4718	7.4660
Pound Sterling	GBP	0.8929	0.8853	0.8489	0.8747
Hong Kong Dollar	HKD	8.9601	9.2398	8.7418	8.7671
Japanese Yen	JPY	125.7542	129.9485	121.8197	121.9665
Norwegian Krone	NOK	9.9419	9.6262	9.8434	9.8464
Polish Zloty	PLN	4.2996	4.2689	4.2541	4.2976
Swedish Krona	SEK	10.2323	10.2985	10.4658	10.5853
Singapore Dollar	SGD	1.5590	1.5894	1.5091	1.5251
US Dollar	USD	1.1440	1.1787	1.1224	1.1192

Note 10: Notes on the consolidated off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/18	31/12/19
Loans to be delivered	1,140,408,136	1,030,326,102
Borrowings to be received	1,435,312,813	1,323,976,692

10.2 Guarantees

	31/12/18	31/12/19
Guarantees given to credit institutions	201,041,787	194,240,631
Guarantees given to customers	674,380,887	757,842,531
Guarantees received from credit institutions	79,289,677	80,263,869
Guarantees received from customers	1,346,394,213	1,597,549,254

10.3 Loan commitments

	31/12/18	31/12/19
Unused credit lines granted to credit institutions	89,029,528	90,955,860
Unused credit lines granted to customers	2,518,156,271	3,050,667,116

10.4 Other commitments

	31/12/18	31/12/19
Banking activity - Other commitments given[1]	38,872,806,433	40,274,135,453
Banking activity - Other commitments received[2]	183,695,204,111	196,436,196,581

[1] Other commitments given are mainly composed of assets entrusted to third parties.
[2] Other commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 185.9 billion as at December 31, 2019 and EUR 173.4 billion as at December 31, 2018.

Note 11: Notes on the consolidated statement of income (in EUR)

11.1 Interest and similar income - Interest and similar expenses

	31/12/18	31/12/19
INTEREST AND SIMILAR INCOME	599,792,004	665,761,341
a) Interest and similar income of assets not measured at fair value through profit or loss	**331,722,964**	**362,083,665**
Loans and advances to credit institutions	14,929,770	20,069,200
Loans and advances to customers	250,302,951	265,309,296
Financial investments measured at fair value	20,429,025	17,179,529
Financial investments measured at amortised cost	46,061,218	59,372,745
Other	0	152,895
b) Interest and similar income of assets measured at fair value through profit or loss	**252,585,060**	**284,423,033**
Financial assets held for trading	828,997	787,032
Derivatives held for trading	185,606,960	213,058,254
Derivatives used for hedging purposes	66,149,103	70,577,747
c) Interest income on liabilities	**15,483,980**	**19,254,643**
INTEREST AND SIMILAR EXPENSES	(288,020,901)	(347,939,798)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(63,618,453)**	**(87,932,645)**
Amounts due to credit institutions	(21,110,977)	(34,999,916)
Amounts due to customers	(25,336,000)	(30,312,964)
Debt securities	(11,913,752)	(16,270,031)
Subordinated debts	(5,142,858)	(5,737,470)
Lease liability		(497,593)
Other	(114,866)	(114,671)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(204,045,670)**	**(237,692,197)**
Financial liabilities held for trading	(3,222)	(3)
Financial liabilities designated at fair value through profit or loss	(12,676,300)	(14,026,939)
Derivatives held for trading	(122,308,140)	(140,152,059)
Derivatives used for hedging purposes	(69,058,008)	(83,513,196)
c) Interest expenses on assets	**(20,356,778)**	**(22,314,956)**
NET INTEREST INCOME	311,771,103	317,821,543

11.2 Dividend income

	31/12/18	31/12/19
Financial investments measured at fair value	518,688	85,688
Financial assets held for trading	10,172	2,144
TOTAL	528,860	87,832

11.3 Net income from associates

	31/12/18	31/12/19
Income from associates before tax	2,385,753	5,467,412
Share of tax	(618,393)	(1,340,035)
TOTAL	1,767,360	4,127,377

11.4 Net trading income

	31/12/18	31/12/19
Net income from trading transactions	2,789,056	5,890,588
of which income from trading securities	*2,143,880*	*5,544,722*
of which income from trading derivatives	*645,176*	*345,866*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	(36,244,567)	46,953,636
Net foreign exchange gain/(loss)	10,455,116	10,624,559
TOTAL	**(23,000,395)**	**63,468,783**

11.5 Net income on financial instruments measured at fair value and net result of hedge accounting

	31/12/18	31/12/19
Net income on financial investments measured at fair value through other comprehensive income	15,415,922	12,111,888
Net income on financial investments at fair value through profit or loss	(1,559,306)	3,281,141
of which financial investments mandatorily fair value through profit or loss	*(1,559,306)*	*3,281,141*
Net income on financial liabilities designated at fair value through profit or loss	35,247,772	(45,494,251)
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**49,104,388**	**(30,101,222)**
Fair value hedge	**72,274**	**(46,447)**
Change in the fair value of the hedged item attributable to the hedged risk	35,164,332	83,665,337
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	(35,092,058)	(83,711,784)
Portfolio hedge against interest rate risk	**(55,311)**	**(19,643)**
Fair value revaluation - Portfolio hedge - Hedged items	8,655,760	9,986,728
Fair value revaluation - Derivatives - Portfolio hedge	(8,711,071)	(10,006,371)
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**(222,000)**	**0**
NET RESULT OF HEDGE ACCOUNTING	**(205,037)**	**(66,090)**
TOTAL	**48,899,351**	**(30,167,312)**

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

	31/12/18	31/12/19
Net income on loans and advances measured at amortised cost	2,920,882	4,351,581
Net income on financial investments measured at amortised cost	1,506,947	9,984,768
Net income on financial liabilities at amortised cost	5,000	(4,429,086)
TOTAL	**4,432,829**	**9,907,263**

As at December 31, 2018 gains and losses on derecognition on loans respectively amount to EUR 2,920,882 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 2,605,896 and EUR -1,098,949.

As at December 31, 2019 gains and losses on derecognition on loans respectively amount to EUR 4,351,581 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 10,083,926 and EUR - 99,158.

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see note 11.5).

11.7 Fee and commission income and expenses

	31/12/18			31/12/19		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	24,382,706	(5,883,294)	18,499,412	31,916,324	(6,098,052)	25,818,272
Administration of unit trusts and mutual funds	93,768	0	93,768	106,292	0	106,292
Insurance activity	6,839,907	0	6,839,907	6,122,942	(10,707)	6,112,235
Credit activity	20,916,038	(867,299)	20,048,739	24,747,717	(998,977)	23,748,740
Purchase and sale on securities	23,789,997	(13,941,913)	9,848,084	24,003,952	(12,483,298)	11,520,654
Purchase and sale of unit trusts and mutual funds	7,738,748	(411,266)	7,327,482	6,770,973	(1,599,833)	5,171,140
Payment services	26,568,104	(880,669)	25,687,435	27,574,564	(838,144)	26,736,420
Commissions to non-exclusive brokers	0	(278,978)	(278,978)	0	(210,307)	(210,307)
Financial engineering	4,833,748	(143,763)	4,689,985	4,774,395	(110,508)	4,663,887
Services on securities other than safe keeping	1,975,306	(32,850)	1,942,456	2,170,546	(147,516)	2,023,030
Custody	21,907,952	(4,981,075)	16,926,877	22,957,541	(5,888,455)	17,069,086
Issues and placements of securities	3,054,870	0	3,054,870	3,702,257	0	3,702,257
Private banking	62,853,622	(8,108,896)	54,744,726	63,789,358	(7,170,617)	56,618,741
Clearing and settlement	25,469,654	(2,529,474)	22,940,180	23,617,915	(2,572,816)	21,045,099
Securities lending	420,440	(33,107)	387,333	122,852	(34,997)	87,855
Other	5,332,832	(711,721)	4,621,111	5,519,507	(585,833)	4,933,674
TOTAL	**236,177,692**	**(38,804,305)**	**197,373,387**	**247,897,135**	**(38,750,060)**	**209,147,075**

11.8 Other net income

	31/12/18	31/12/19
Operating taxes	190,845	2,922,735
Rental income	10,841,395	12,888,526
Other rental income	159,233	153,549
Gains on tangible fixed assets	867,693	8,096
Technical margins insurance companies (income)	3,312,485	3,760,408
Fair value adjustments on investment property	35,332,693	43,581
Other income on other activities[1]	11,713,308	7,760,200
OTHER INCOME	**62,417,652**	**27,537,095**
Operating taxes	(3,062,223)	(4,034,766)
Maintenance and repair of investment property	(3,377,196)	(1,546,585)
Other bank charges[2]	(17,446,128)	(15,158,511)
Technical margins insurance companies (expenses)	(2,160,454)	(5,338,437)
Fair value adjustments on investment property	0	(449,709)
Other expenses on other activities[3]	(4,825,901)	(7,852,788)
OTHER EXPENSES	**(30,871,902)**	**(34,380,796)**
TOTAL	**31,545,750**	**(6,843,701)**

[1] This consists primarily of write-backs of provisions and extraordinary operating income.
[2] This consists of contributions paid to the Fonds de garantie des dépôts Luxembourg, the Single Resolution Fund and the Fonds de résolution Luxembourg.
[3] This consists primarily of provisions for litigation and extraordinary loss.

11.9 Staff expenses

A. STAFF EXPENSES

	31/12/18	31/12/19
Wages and salaries	(174,669,677)	(188,181,351)
Social security and insurance costs	(20,617,007)	(21,818,500)
Staff benefits	(11,629,087)	(10,093,402)
Restructuring expenses	(4,892,272)	(4,906,586)
Other expenses	(2,812,487)	(6,275,759)
TOTAL	**(214,620,530)**	**(231,275,598)**

B. WORKFORCE

(in average FTE)	2018	2019
Senior management	52	53
Employees	1,969	1,969
TOTAL	**2,021**	**2,022**

(in average FTE) [1] as at 31/12/18	Luxembourg	Other Europe	Other (Non-Europe)	Total BIL group
Senior management	46	5	1	52
Employees	1,797	158	14	1,969
TOTAL	**1,843**	**163**	**15**	**2,021**

(in average FTE) [1] as at 31/12/19	Luxembourg	Other Europe	Other (Non-Europe)	Total BIL group
Senior management	47	5	1	53
Employees	1,800	158	11	1,969
TOTAL	**1,847**	**163**	**12**	**2,022**

C. REMUNERATION OF BIL GROUP'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Group granted emoluments to current members of its administrative and financial bodies and has made contributions in respect of retirements pensions on their behalf as follows:

	31/12/18	31/12/19	31/12/18	31/12/19
	Remuneration		Retirement pensions	
Members of the administrative bodies	1,079,500	1,298,308	-	0
Members of the managerial bodies[2]	18,031,023	17,590,428	2,660,258	3,112,518
TOTAL	**19,110,523**	**18,888,736**	**2,660,258**	**3,112,518**

[1] Breakdown by subsidiaries' and branches' country of implementation.
[2] 2018 retirement pensions include EUR 1.2 million of defined benefit pension plan and EUR 1.5 million of defined contribution plan.
2019 retirement pensions include EUR 1.7 million of defined benefit pension plan and EUR 1.4 million of defined contribution plan.

D. DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/18	31/12/19
Defined contribution plan expenses	2,938,295	3,385,693
TOTAL	**2,938,295**	**3,385,693**

11.10 General and administrative expenses

	31/12/18	31/12/19
Occupancy	(7,731,697)	(7,958,100)
Operating leases	(8,641,849)	(643,061)
Professional fees	(23,091,082)	(14,715,972)
Marketing, advertising and public relations	(6,020,721)	(6,881,550)
Technology and system costs	(35,194,069)	(31,574,612)
Software costs and maintenance expenses	(13,749,780)	(13,912,025)
Repair and maintenance expenses	(49,351)	(56,900)
Operational taxes	407,981	71,482
Other general and administrative expenses[1]	(45,490,020)	(40,317,042)
TOTAL	**(139,560,588)**	**(115,987,780)**

11.11 Independent auditor's fees

The fees for the services rendered by the independent auditor for the years 2018 and 2019 are as follows (VAT excluded).

	2018	2019
Statutory audit and Long Form Report	1,229,440	1,558,220
Other assurance services[2]	919,056	283,950
Other services	3,166	38,325
TOTAL	**2,151,662**	**1,880,495**

11.12 Amortisation of tangible, intangible and right-of-use fixed assets

	31/12/18	31/12/19
Depreciation on land and buildings	(7,053,406)	(8,075,461)
Depreciation on other tangible fixed assets	(834,469)	(970,575)
Depreciation on IT equipment	(7,229,666)	(1,380,156)
Depreciation on intangible fixed assets	(28,962,786)	(31,722,272)
Depreciation on right-of-use assets		(7,973,557)
TOTAL	**(44,080,327)**	**(50,122,021)**

[1] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.
[2] 2018 figures include EUR 0.4 million of fees in the context of the transaction with Legend Holdings Corporation.

11.13 Impairment on loans and provisions for credit commitments

Stage 1	31/12/18		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(81,746)	74,445	(7,301)
Loans and advances to customers measured at amortised cost	(19,221,827)	19,964,456	742,629
Normal debt securities measured at amortised cost	(1,494,209)	2,031,616	537,407
Financial assets measured at amortised cost	(20,797,782)	22,070,517	1,272,735
Normal debt securities measured at fair value through other comprehensive income	**(12,325)**	**70,103**	**57,778**
Financial assets measured at fair value through other comprehensive income	(12,325)	70,103	57,778
Off-balance sheet commitments	**(7,968,023)**	**7,803,805**	**(164,218)**
TOTAL IMPAIRMENTS STAGE 1	**(28,778,130)**	**29,944,425**	**1,166,295**

Stage 2	31/12/18		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(2,879)	5,556	2,677
Loans and advances to customers measured at amortised cost	(25,543,227)	21,796,899	(3,746,328)
Normal debt securities measured at amortised cost	(2,475,722)	1,995,012	(480,710)
Financial assets measured at amortised cost	**(28,021,828)**	**23,797,467**	**(4,224,361)**
Normal debt securities measured at fair value through other comprehensive income	0	145,618	145,618
Financial assets measured at fair value through other comprehensive income	**0**	**145,618**	**145,618**
Off-balance sheet commitments	**(2,539,756)**	**2,609,113**	**69,357**
TOTAL IMPAIRMENTS STAGE 2	**(30,561,584)**	**26,552,198**	**(4,009,386)**

Stage 3	31/12/18				
	Allowances	Write-backs	Losses	Recoveries	Total
Impaired loans and advances to credit institutions measured at amortised cost	0	0	0	0	0
Impaired loans and advances to customers measured at amortised cost	(42,958,859)	74,140,946	(39,715,928)	0	(8,533,841)
Impaired debt securities measured at amortised cost	(7,167,836)	0	0	0	(7,167,836)
Impaired financial assets measured at amortised cost	**(50,126,695)**	**74,140,946**	**(39,715,928)**	**0**	**(15,701,677)**
Other receivables	**0**	**49,028**	**(103,523)**	**0**	**(54,495)**
Off-balance sheet commitments	**(970,741)**	**1,447,981**	**0**	**0**	**477,240**
TOTAL IMPAIRMENTS STAGE 3	**(51,097,436)**	**75,637,955**	**(39,819,451)**	**0**	**(15,278,932)**

TOTAL IMPAIRMENTS STAGE 1 / 2 / 3	**(18,122,023)**

Stage 1	31/12/19		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(98,684)	116,577	17,893
Loans and advances to customers measured at amortised cost	(32,086,366)	18,641,209	(13,445,157)
Normal debt securities measured at amortised cost	(1,557,699)	1,082,520	(475,179)
Financial assets measured at amortised cost	**(33,742,749)**	**19,840,306**	**(13,902,443)**
Normal debt securities measured at fair value through other comprehensive income	(3,276)	19,113	15,837
Financial assets measured at fair value through other comprehensive income	**(3,276)**	**19,113**	**15,837**
Off-balance sheet commitments	**(9,725,675)**	**7,479,242**	**(2,246,433)**
TOTAL IMPAIRMENTS STAGE 1	**(43,471,700)**	**27,338,661**	**(16,133,039)**

Stage 2	31/12/19		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(139,239)	94,462	(44,777)
Loans and advances to customers measured at amortised cost	(22,147,902)	26,812,447	4,664,545
Normal debt securities measured at amortised cost	(1,412,988)	1,277,214	(135,774)
Financial assets measured at amortised cost	**(23,700,129)**	**28,184,123**	**4,483,994**
Normal debt securities measured at fair value through other comprehensive income	(82,599)	15,134	(67,465)
Financial assets measured at fair value through other comprehensive income	**(82,599)**	**15,134**	**(67,465)**
Off-balance sheet commitments	**(2,905,382)**	**2,386,131**	**(519,251)**
TOTAL IMPAIRMENTS STAGE 2	**(26,688,110)**	**30,585,388**	**3,897,278**

Stage 3	31/12/19				
	Allowances	Write-backs	Losses	Recoveries	Total
Impaired loans and advances to customers measured at amortised cost	(25,799,628)	33,958,462	(15,242,052)	0	(7,083,218)
Impaired debt securities measured at amortised cost	(5,249,485)	0	0	0	(5,249,485)
Impaired financial assets measured at amortised cost	**(31,049,113)**	**33,958,462**	**(15,242,052)**	**0**	**(12,332,703)**
Other receivables	**(394,264)**	**0**	**(191,476)**	**0**	**(585,740)**
Off-balance sheet commitments	**(1,919,431)**	**1,658,075**	**0**	**0**	**(261,356)**
TOTAL IMPAIRMENTS STAGE 3	**(33,362,808)**	**35,616,537**	**(15,433,528)**	**0**	**(13,179,799)**

TOTAL IMPAIRMENTS STAGE 1 / 2 / 3	**(25,415,560)**

11.14 Provisions for legal litigation

Charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of related provisions.

11.15 Tax expenses

	31/12/18	31/12/19
Income tax for current financial year	(906,333)	(1,186,893)
Deferred taxes	(24,469,792)	(28,834,327)
Tax on current financial year result (A)	**(25,376,125)**	**(30,021,220)**
Income tax for previous year	(134,233)	58,795
Deferred taxes for previous year	(99,803)	3,160
Other tax expenses (B)	**(234,036)**	**61,955**
TOTAL (A)+(B)	**(25,610,161)**	**(29,959,265)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 26.01% as at December 31, 2018 and 24.94% as at December 31, 2019.
The effective BIL tax rate was 16.41% in 2018 and 21.61% in 2019.
The difference between both rates may be analysed as follows:

	31/12/18	31/12/19
NET INCOME BEFORE TAX	**156,424,777**	**143,028,231**
Tax base	**154,657,417**	**138,900,854**
Applicable tax rate at year-end	26.01%	24.94%
Theoretical corporate income tax at standard rate	**(40,226,394)**	**(34,641,873)**
Effect of different tax rates in other countries	(140,762)	(468,953)
Tax effect of non-deductible expenses	(960,282)	(1,341,447)
Tax effect of non-taxable income	16,444,398	2,876,418
Effect of change in tax rates[1]	0	(9,605,817)
Tax effect on the use of previous tax losses not recognised in the assets	250,000	12,800,000
Other	(743,085)	360,452
Tax on current financial year result	**(25,376,125)**	**(30,021,220)**
EFFECTIVE TAX RATE	**16.41%**	**21.61%**

[1] Review of the deferred tax assets due to the 2017 Luxembourg tax reform and the progressive reduction of the corporate income tax rate to 18.19% in 2019.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value of financial instruments

A. BREAKDOWN OF FAIR VALUE

A.1 Fair value of assets	31/12/18			31/12/19		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	3,281,434,826	3,281,434,826	0	3,541,542,203	3,541,542,203	0
Financial assets held for trading	126,889,819	126,889,819	0	63,537,620	63,537,620	0
Financial investments measured at fair value	1,498,024,806	1,498,024,806	0	1,175,992,672	1,175,992,672	0
Financial assets at fair value through other comprehensive income	*1,476,561,341*	*1,476,561,341*	*0*	*1,151,919,379*	*1,151,919,379*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*21,463,465*	*21,463,465*	*0*	*24,073,293*	*24,073,293*	*0*
Loans and advances to credit institutions	1,075,243,576	1,075,245,656	2,080	1,190,634,588	1,190,638,992	4,404
Loans and advances to customers	13,386,056,162	13,490,121,628	104,065,466	14,716,149,186	14,890,428,129	174,278,943
Financial investments measured at amortised cost	5,039,541,719	5,061,074,631	21,532,912	6,392,840,867	6,492,917,578	100,076,711
Derivatives	290,313,542	290,313,542	0	334,980,807	334,980,807	0
Fair value revaluation of portfolios hedged against interest rate risk	1,470,569	1,470,569	0	303,238	303,238	0
TOTAL	**24,698,975,019**	**24,824,575,477**	**125,600,458**	**27,415,981,181**	**27,690,341,239**	**274,360,058**

A.2 Fair value of liabilities	31/12/18			31/12/19		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	2,945,818,913	2,952,578,679	6,759,766	3,095,841,613	3,099,337,370	3,495,757
Amounts due to customers	17,267,224,127	17,274,062,938	6,838,811	18,987,047,358	18,997,975,541	10,928,183
Financial liabilities measured at fair value through profit or loss	832,445,114	832,445,114	0	923,354,039	923,354,039	0
Derivatives	503,183,727	503,183,727	0	601,785,519	601,785,519	0
Fair value revaluation of Portfolio hedged against interest rate risk	24,826,064	24,826,064	0	13,688,928	13,688,928	0
Debt securities	1,933,985,745	1,968,339,248	34,353,503	2,267,418,784	2,318,549,830	51,131,046
Subordinated debts	285,345,888	291,844,874	6,498,986	169,079,812	180,947,712	11,867,900
TOTAL	**23,792,829,578**	**23,847,280,644**	**54,451,066**	**26,058,216,053**	**26,135,638,939**	**77,422,886**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value.

With the exception of the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value", the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

B. ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as level 2.

B.1. Assets	31/12/18			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	62,286,498	60,877,274	3,726,047	126,889,819
Financial investments measured at fair value	1,244,264,981	210,000,654	43,759,171	1,498,024,806
Derivatives	0	278,543,667	11,769,875	290,313,542
TOTAL	**1,306,551,479**	**549,421,595**	**59,255,093**	**1,915,228,167**

	31/12/19			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	42,990,628	16,710,216	3,836,776	63,537,620
Financial investments measured at fair value	962,989,649	161,197,696	51,805,327	1,175,992,672
Derivatives	0	330,647,549	4,333,258	334,980,807
TOTAL	**1,005,980,277**	**508,555,461**	**59,975,361**	**1,574,511,099**

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

B.2. Liabilities

	31/12/18			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	656,127,715	176,317,399	832,445,114
Derivatives	0	450,529,078	52,654,649	503,183,727
TOTAL	**0**	**1,106,656,793**	**228,972,048**	**1,335,628,841**

	31/12/19			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	728,044,065	195,309,974	923,354,039
Derivatives	0	598,192,360	3,593,159	601,785,519
TOTAL	**0**	**1,326,236,425**	**198,903,133**	**1,525,139,558**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2018 and 2019.

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2018 and 2019.

D. LEVEL 3 RECONCILIATION

D.1 Assets	31/12/18 Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income– Realised & Unrealised	Purchase	Sale
Financial assets designated held for trading	2,645,350	733,351	0	1,348,900	(1,001,554)
Financial assets measured at fair value	82,207,847	(122,270)	16,380,410	2,340,732	0
Derivatives	19,828,321	(14,602,353)	0	6,543,907	0
TOTAL	**104,681,518**	**(13,991,272)**	**16,380,410**	**10,233,539**	**(1,001,554)**

	31/12/18 Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	3,726,047
Financial assets measured at fair value	(57,047,548)	0	0	0	0	43,759,171
Derivatives	0	0	0	0	0	11,769,875
TOTAL	**(57,047,548)**	**0**	**0**	**0**	**0**	**59,255,093**

D.1 Assets	31/12/19 Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income– Realised & Unrealised	Purchase	Sale
Financial assets designated held for trading	3,726,047	34,595	0	2,481,880	(2,405,746)
Financial assets measured at fair value	43,759,171	0	8,203,349	209,099	(366,292)
Derivatives	11,769,875	(9,765,120)	0	2,328,503	0
TOTAL	**59,255,093**	**(9,730,525)**	**8,203,349**	**5,019,482**	**(2,772,038)**

	31/12/19 Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	3,836,776
Financial assets measured at fair value	0	0	0	0	0	51,805,327
Derivatives	0	0	0	0	0	4,333,258
TOTAL	**0**	**0**	**0**	**0**	**0**	**59,975,361**

D.2 Liabilities

	31/12/18			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	199,524,925	(8,572,412)	140,062,162	(154,888,904)
Derivatives	41,422,793	(22,248,685)	33,480,541	0
TOTAL	**240,947,718**	**(30,821,097)**	**173,542,703**	**(154,888,904)**

	31/12/18				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	191,628	176,317,399
Derivatives	0	0	0	0	52,654,649
TOTAL	**0**	**0**	**0**	**191,628**	**228,972,048**

	31/12/19			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	176,317,399	(6,691,744)	148,802,615	(127,197,108)
Derivatives	52,654,649	(49,416,381)	354,891	0
TOTAL	**228,972,048**	**(56,108,125)**	**149,157,506**	**(127,197,108)**

	31/12/19				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	4,078,812	195,309,974
Derivatives	0	0	0	0	3,593,159
TOTAL	**0**	**0**	**0**	**4,078,812**	**198,903,133**

BIL has elaborated a procedure defining the criteria for an active market and the notions of observable and non-observable inputs. These definitions have led the Bank to reconsider the levels of existing positions and led to changes in the levels of some banking and structured bonds activities.

Banking bonds

For each position, the FRM department has obtained from Bloomberg the following information:
- the bid and ask spread;
- the issue size (with type of issuer and currency);
- number of contributors providing a direct observable price.

Following these criteria, FRM has submitted a level for advice to a market expert.

The market expert has pointed out that some instruments are still in an active market even though all the criteria are not filled. Therefore, we need to consider the following information:

a) The rarity of the issue: when the overall issuer debt is relatively low, or in the case of securities issued by issuers outside the Eurozone. This is the case of issues from Poland, the Czech Republic (EUR -area size and debt), Slovakia and Lithuania (loan size). The bid/ask spread observed on these bonds can be relatively low as well as the number of contributors;
b) Securitisations: prices are not available on Bloomberg, therefore there is no spread, nor any contributor. However, they are reported on a daily basis by traders and there are at least five contributors per security;
c) The investors "buy and hold" behaviour: certain issues are sought by investors but retained in their portfolio, therefore there are less sellers than buyers and as a result the bid/ask spread is low and there are sometimes limited contributors. This is particularly the case for issues from Qatar, Abu Dhabi and Luxembourg.

Structured bonds

Finalyse communicates for each product the type of data required for the valuation as well as whether these data are observable or not.

Moreover, the market expert is requested to evaluate the impact of the non-observability of the forward data.

The "Total gains and losses in the statement of income" column cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3.

It should be noted that Level 3 financial instruments held for trading are the result of buybacks of BIL issues.

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVE SCENARIOS

BIL uses a discounted cash flow model to determine the mark-to-model price. Sensitivity is a measurement of the fair value impact of alternative scenarios relating to the model's unobservable parameters at the closing date.

With regard to the spread valuation, in cases where BIL uses its own models, alternative scenarios relating to unobservable parameters were taken into consideration, in particular for:
- credit spreads: by considering credit spreads available on a single counterpart or, failing that, on similar counterparts or counterparts belonging to similar sectors, or by using credit spreads indexed to liquid CDS indices;
- liquidity premiums: by considering the different levels of premiums primarily used in determining the fair value of bonds, and which depend in particular on the eligibility of the security for refinancing with the central banks;
- the illiquidity of the financial instrument: by considering a change in the estimated liquidity of the market for a single instrument or similar product and/or by incorporating an analysis of the bid/ask spread for real transactions.

Tests were carried out on all financial instruments classified under Level 3.

The effects of sensitivity are mainly felt at the level of structured issues recognised at fair value through profit and loss. These effects are, however, offset by a reverse sensitivity at the level of activity-related hedging derivatives.

The most significant stand-alone level 3 instrument is BIL's participation in Luxair S.A. The sensitivity test leads to a minor impact in the OCI reserve. Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair S.A. valuation.

12.2 Credit risk

Definition of credit risk

Credit risk refers to the risk that a borrower will default on any type of debt if they fail to make the required payments. The risk includes lost principal and interest, disruption to cash flows, and increased collection costs[1].

Facilities can be analysed by the nature of the client/counterparty's obligations or by the following characteristics:
- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

Definition of default

Default is defined as the inability of a borrower or guarantor to meet obligations vis-à-vis one or more creditors at a given moment or on a lasting basis. The Bank must include all products and positions that are potentially at risk. Default is defined in the Basel II context (Art. 178 CRR) as follows:

"A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:
- The Bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full, without recourse by the bank to actions such as realising security (if held);
- The obligor is past due more than 90 days on any material credit obligation to the bank group. The materiality of a credit obligation past due must be assessed against the following threshold which comprises two components: an absolute and a relative component. The past due credit obligation is considered material when both the absolute and relative components are exceeded for more than 90 consecutive days.

The absolute component is a limit in terms of the sum of all amounts past due owed by the obligor to BIL, its parent undertaking or any of its subsidiaries (hereinafter the "credit obligation past due") and is set at:
i. EUR 100 for retail exposures;
ii. EUR 500 for exposures others than retail exposures".

The relative component is a limit in terms of the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor for BIL, its parent undertaking or any of its subsidiaries excluding equity exposures and is set at 1%.

Write-off policy

Problem loans are written-off, in full or in part, as soon as the Bank considers that there is no reasonable expectation of recovery of the balance outstanding (or part thereof) whether the legal claim against the borrower remains or not. Write-off will ordinarily be accommodated via utilisation of loan loss provisions raised previously. Approval for write-offs is granted by the Default Committee.

Low credit risk exemption

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

IFRS 9 Staging Assessment

The transition to the new (IFRS 9) credit loss provisioning standard has impacted the way we classify a financial instrument according to its credit risk dynamics over time – the so-called Staging process. Basically, three IFRS 9 Stages have to be distinguished and they can be broadly conceptualised as follows:
- Stage 1 regroups financial instruments that have a performing status and for which no significant deterioration in credit quality has occurred since their origination;
- Stage 2 regroups financial instruments for which a significant increase in credit risk (SICR) has occurred since their origination;
- Stage 3 regroups financial instruments having a credit-impaired status.

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

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

Significant increase in credit risk

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

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

Credit-impaired status

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

Cure Period

Conversely, if the quantitative and/or qualitative factors of a given exposure improve, its corresponding IFRS 9 Stage may improve over time. Nevertheless, some cure (or probation) periods may apply, particularly in the following circumstances:

- Exit from forborne non-performing to forborne performing status: a one-year period has passed since the forbearance measures were extended;
- Exit from forbearance: a minimum two-year period has passed from the date the forborne exposure was considered as performing;
- Exit from Stage 2 (resp. Stage 3) due to a 30 (resp. 90) days past due: a cure period of 90 days is applied in both cases.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

In addition to Pillar I models which focus on the unexpected credit loss, IFRS 9 also defines principles to estimate the expected credit loss (ECL). Under IFRS 9, the ECL is a probability-weighted average of credit losses, considering the respective weight of several representative macroeconomic scenarios. Moreover, two types of ECL are proposed:

- 12-month ECL: representing the ECL resulting from default events within 12 months on a financial instrument – only applicable to Stage 1 exposures;
- Lifetime ECL: representing the ECL resulting from all possible default events over the expected lifetime of a financial instrument – applicable to both Stage 2 and Stage 3 exposures.

The Expected Credit Loss (ECL) is computed as follows:

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

Where:

- w_i is the weight (or probability of occurrence) assigned to the macroeconomic scenario i (three distinct scenarios are calibrated: baseline, upside and downside);
- $CPD_{(i,t)}$ represents the cumulative probability of default at the date t in the scenario i;
- $EAD_{(i,t)}$ (Exposure at Default) represents the amount of a credit that the Bank is exposed to at the date t in the scenario i;
- LGD (Loss Given Default) is defined as the loss rate in the event of default;
- D_t represents the discount factor at the date t, and;
- M represents the residual maturity of the financial instrument (M is capped at a 12-month horizon for Stage 1 exposures).

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

IFRS 9 ECL parameter approaches

Contrary to regulatory (or Pillar I) credit risk parameters, IFRS 9 ones must exhibit the following properties:

(i) Incorporate forward-looking information by trying to explain the dynamics over time by means of business/financial cycle indicators;
(ii) Remain unbiased with respect to ex-post observed credit risk parameters.

If one firstly considers the Probability of Default (PD) parameters, it is clear that they fully respect these two requirements. On one hand, forward-looking information is incorporated by relying on both econometric models and the calibration of three distinct macroeconomic scenarios. On the other hand, the historical observation of average default rates is used as an essential component in forecasting PDs.

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

And finally, like PD parameters, Exposure At Default (EAD) is also satisfying the two requirements. More specifically, forward-looking information is tackled through two components:
(i)The amortisation scheme of a given loan over time and;
(ii) The inclusion of eligible collaterals – in case of mortgage exposures notably, collateral values are evolving over time by considering forecasts of residential property prices.

BIL's overview of active models for IFRS 9 impairment
The Bank has 6 active PD models:
- 2 for Retail (private and professional);
- 3 for Corporates (small, medium and large), and;
- 1 for Banks.

(Please note that in case of Sovereign exposures, the Bank uses regulatory (Basel) parameters for IFRS 9 purposes.)

There are no specific LGD models for IFRS 9 in that the Bank uses LGD estimates from Pillar I models. Except for both Large Corporates and Sovereign exposures, one removes several components – conservatism margins, downturn effects and indirect costs, notably – from regulatory parameters so as to be compliant with IFRS 9 requirements. The Bank uses the same CCF model as developed for Pillar I (applied on retail exposures).

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

Forward-Looking parameters

In contrast to the previous (IAS 39) accounting standard, IFRS 9 leads financial institutions to calculate loan loss provisions in a forward-looking perspective – the so-called ECL based accounting approach. More precisely, under this new framework, financial institutions are required to:
- Identify relationships between their main credit risk parameters – PD, LGD and EAD – and business/financial cycle indicators;
- Design several representative macroeconomic scenarios where the variables of interest must be forecasted over a given horizon;
- Compute a probability-weighted amount of ECL (given the likelihood of each macro scenario).

BIL has mainly identified strong dependencies between macroeconomic factors and historical default rates (or PD models) by distinguishing its high- and low-default portfolios. On one side, internal default rates were collected for both retail counterparts and small & medium sized enterprises (high-default portfolios) for which the main relevant drivers are (i) labour market indicators (unemployment rate) and (ii) opinion surveys data amongst Luxembourgish private economic agents (households and manufacturing sector). On the other side, external data (source: Moody's) were used for low-default portfolios that are composed of two distinct types of exposures: large corporates and banking institutions. In this regard, the cyclical dynamics of corporate and banking default rates may be apprehended by means of equity prices measured at both the Eurozone and US levels, as well as by using monetary aggregates and market-based risk measures reflecting the buildup or the materialisation of financial vulnerabilities in the euro area notably.

Additional forward-looking components are considered in the ECL modelling process, especially for addressing some credit risk mitigation effects in case of mortgage loans. Specifically, collateral valuation is directly impacted over time by residential property prices that are forecasted for five different countries (or zones): Luxembourg, Germany, France, Belgium and the euro area as a whole.

To further illustrate the IFRS 9 forward-looking dimension, one provides some macroeconomic forecasts for both the Luxembourg and the Eurozone: the two following tables show respectively the annual projections of the harmonised unemployment rate and the residential property price index considering three distinct scenarios (baseline, upside and downside).

Harmonised unemployment rate (in %)						
	Luxembourg			Eurozone		
Year	Baseline	Upside	Downside	Baseline	Upside	Downside
2019	5.52	5.52	5.52	7.61	7.61	7.61
2020	5.10	5.04	5.18	7.69	7.42	8.65
2021	5.08	4.91	5.45	7.72	7.18	10.05
2022	5.11	4.90	5.67	7.74	7.22	10.23
2023	5.14	4.93	5.74	7.80	7.35	9.92
2024	5.16	4.98	5.71	7.84	7.47	9.55

Residential property price index (base 100 = 2019)						
	Luxembourg			Eurozone		
Year	Baseline	Upside	Downside	Baseline	Upside	Downside
2019	100	100	100	100	100	100
2020	104.85	107.37	101.68	104.69	106.39	100.33
2021	108.50	114.97	101.51	108.72	113.48	97.50
2022	110.62	116.13	102.82	112.03	117.20	98.37
2023	111.96	115.96	105.06	114.45	118.95	101.25
2024	113.11	116.20	107.29	116.30	120.34	104.57

Source: Moody's DataBuffet

Sensitivity of expected credit losses to scenarios weighting

31/12/19	Reported ECL[1]	Stressed ECL[1]
Stage 1	42,167,434	50,757,144
Stage 2	14,853,945	15,378,061
Stage 3	237,666,617	237,667,544
TOTAL	**294,687,996**	**303,802,749**

[1] Including ECL on loan commitments and guarantees. ECL are stressed using a baseline/down/up weighting of 50%/40%/10% instead of 60%/20%/20% in the central scenario for reported ECL.

A. ANALYSIS OF BIL EXPOSURES

Counterparty and geographical exposures are indicated in the consolidated management report. Geographical region is determined according to the country of residence of the counterparty.

Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographic region

(in EUR million)	31/12/18	31/12/19
Belgium	1,608	1,996
France	2,955	3,162
Germany	1,199	1,433
Ireland	434	450
Italy	32	16
Luxembourg	13,822	16,501
Spain	856	842
Other EU countries	1,640	1,698
Rest of Europe	647	574
Switzerland	2,911	2,882
United States and Canada	722	893
Middle East	713	672
Asia	297	386
Australia	260	241
Others	209	144
TOTAL	**28,305**	**31,890**

Exposures by counterparty category

(in EUR million)	31/12/18	31/12/19
Central Governments	8,358	9,157
Public Sector Entities	393	305
Corporate	5,642	6,414
Securitisation	140	69
Individuals, SME & Self Employed	9,907	11,084
Financial Institutions	3,861	4,858
Others	4	3
TOTAL	**28,305**	**31,890**

Credit risk exposure is shown as follows:

- balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of the specific provision);
- derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposure to credit risk is broken down by geographic region and counterparty category, bearing in mind guarantees received.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS[1]

(in EUR million)	31/12/18 Credit risk exposures[2]	31/12/18 Financial effect of the collateral	31/12/19 Credit risk exposures[2]	31/12/19 Financial effect of the collateral
Financial investments at FVOCI (excluding variable income securities)	1,360	0	1,053	0
Financial assets held-for-trading	62	0	42	0
Loans and advances measured at amortised cost	17,108	2,421	18,927	2,653
Financial investments measured at amortised cost	5,087	0	6,265	0
Derivatives	211	216	225	252
Other financial instruments measured at amortised cost	347	1,245	374	1,504
Commitments in respect of guarantees given	1,394	98	1,664	89
Commitments in respect of loans granted	2,736	870	3,340	926
TOTAL	**28,305**	**4,850**	**31,890**	**5,424**

Maximum Credit Risk Exposures[1]	31/12/18				
(in EUR million)	Stage 1	Stage 2	Stage 3	Not applicable	Total
Financial investments at FVOCI (excluding variable-income securities)	1,174	185	0		1,359
Held-for trading portfolio (excluding variable-income securities)				62	62
Loans and advances measured at amortised cost	14,596	2,105	245		16,946
Financial investments measured at amortised cost	4,906	98	17		5,021
Derivatives				210	210
Other financial instruments measured at amortised cost	1	0	0	344	345
Commitments in respect of loans granted	2,346	400	7		2,753
Commitments in respect of guarantees given	1,322	98	4		1,424
TOTAL	**24,345**	**2,886**	**273**	**616**	**28,120**

(in EUR million)	31/12/19				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Financial investments at FVOCI (excluding variable-income securities)	999	54	0		1,053
Held-for trading portfolio (excluding variable-income securities)				42	42
Loans and advances measured at amortised cost	15,637	2,248	348		18,233
Financial investments measured at amortised cost	5,855	235	13		6,103
Derivatives				226	226
Other financial instruments measured at amortised cost	1	0	0	371	372
Commitments in respect of loans granted	2,962	333	23		3,318
Commitments in respect of guarantees given	1,589	89	7		1,685
TOTAL	**27,043**	**2,959**	**391**	**639**	**31,032**

[1] Data differs from those published in BIL's Annual Reports due to a reallocation of exposures from Commitments in respect of guarantees given towards Commitments in respect of loans granted.

[2] Credit risk exposures net of the financial effect of the collateral. Collaterals here include financial collateral and netting agreements, however physical collaterals such as residential and commercial real estate are out of scope.

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS[1]

(in EUR million)	31/12/18 Credit quality of normal financial assets AAA+ to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Financial investments at FVOCI (excluding variable income securities)	919	441	0	0	1,360
Financial assets held-for-trading	37	9	0	16	62
Loans and advances measured at amortised cost	3,814	6,607	4,788	1,169	16,378
Financial investments measured at amortised cost	3,439	1,626	0	5	5,070
Derivatives	58	147	3	2	210
Other financial instruments measured at amortised cost	223	75	45	2	345
Commitments in respect of guarantees given	137	323	366	362	1,188
Commitments in respect of loans granted	357	1,313	761	252	2,683
TOTAL	**8,984**	**10,541**	**5,963**	**1,808**	**27,296**

(in EUR million)	31/12/19 Credit quality of normal financial assets AAA+ to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Financial investments at FVOCI (excluding variable income securities)	951	102	0	0	1,053
Financial assets held-for-trading	28	5	0	9	42
Loans and advances measured at amortised cost	4,121	7,038	5,202	2,183	18,544
Financial investments measured at amortised cost	4,227	2,019	0	5	6,251
Derivatives	74	145	3	3	225
Other financial instruments measured at amortised cost	273	52	32	17	374
Commitments in respect of guarantees given	141	368	342	806	1,657
Commitments in respect of loans granted	333	1,471	949	559	3,312
TOTAL	**10,148**	**11,200**	**6,528**	**3,582**	**31,458**

The quality of financial assets is determined using internal credit ratings, or external ratings in the event that internal ratings are not available.

Prior to being taken into account in the table, external ratings are converted into internal ratings by means of a correlation table based on default probabilities.

[1] Data differs from those published in BIL's Annual Reports due to a reallocation of exposures from Commitments in respect of guarantees given towards Commitments in respect of loans granted.

D. PAST DUE BUT NOT IMPAIRED FINANCIAL ASSETS

	31/12/18		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	118,274,613	36,931,257	19,648,231
TOTAL	**118,274,613**	**36,931,257**	**19,648,231**

	31/12/19		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	98,884,118	29,598,542	5,677,910
TOTAL	**98,884,118**	**29,598,542**	**5,677,910**

BIL has defined three types of past due loans:
- "technical" past due financial assets;
- "operational" past due financial assets;
- "credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS

	31/12/18			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	19,917,195	(7,235,140)	12,682,055	12,682,055
Loans and advances measured at amortised cost	595,720,394	(230,865,529)	595,720,394	340,157,102
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**615,637,589**	**(238,100,669)**	**608,402,449**	**352,839,157**

	31/12/19			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,759,703	(12,566,385)	9,193,318	9,193,318
Loans and advances measured at amortised cost	573,920,973	(224,209,438)	349,711,535	318,105,518
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**595,680,676**	**(236,775,823)**	**358,904,853**	**327,298,836**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/18	31/12/19
Cash	6,188,280	16,183,015
Debt instruments	117,991	3,864,047
TOTAL	**6,306,271**	**20,047,062**

In general, guarantees obtained are immediately converted into cash by BIL.

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/18	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/18	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(22,962,720)**	**(9,739,031)**	**2,771,806**	**8,297,738**	**0**	**0**	**0**	**(38,379)**	**(21,670,586)**	**n.a**	**n.a**
Debt securities at amortised cost	(1,612,468)	(964,573)	175,560	1,326,420	0	0	0	(341)	(1,075,402)	n.a	n.a
Debt securities at fair value through other comprehensive income	(96,515)	(3,183)	18,826	42,135	0	0	0	(131)	(38,868)	n.a	n.a
Loans and advances at amortised cost	(21,253,737)	(8,771,275)	2,577,420	6,929,183	0	0	0	(37,907)	(20,556,316)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(13,319,622)**	**0**	**1,916,421**	**(5,063,009)**	**(932,155)**	**0**	**0**	**(30,974)**	**(17,429,339)**	**n.a**	**n.a**
Debt securities at amortised cost	(22,079)	0	0	(480,710)	0	0	0	0	(502,789)	n.a	n.a
Debt securities at fair value through other comprehensive income	(145,640)	0	58,978	86,640	0	0	0	8	(14)	n.a	n.a
Loans and advances at amortised cost	(13,151,903)	0	1,857,443	(4,668,939)	(932,155)	0	0	(30,982)	(16,926,536)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(258,503,778)**	**(1,209,263)**	**2,439,294**	**(14,933,327)**	**(1,647,130)**	**0**	**39,527,909**	**(3,774,374)**	**(238,100,669)**	**0**	**(39,715,928)**
Debt securities at amortised cost	0	0	0	(7,167,836)	0	0	0	(67,304)	(7,235,140)	0	0
Loans and advances at amortised cost	(258,503,778)	(1,209,263)	2,439,294	(7,765,491)	(1,647,130)	0	39,527,909	(3,707,070)	(230,865,529)	0	(39,715,928)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(294,786,120)**	**(10,948,294)**	**7,127,521**	**(11,698,598)**	**(2,579,285)**	**0**	**39,527,909**	**(3,843,727)**	**(277,200,594)**	**0**	**(39,715,928)**
Commitments and financial guarantees given (Stage 1)	4,094,179	5,815,882	(1,889,797)	(3,761,867)	0	0	0	23,227	4,281,624	0	0
Commitments and financial guarantees given (Stage 2)	1,331,469	411,487	(457,772)	(23,072)	0	0	0	872	1,262,983	0	0
Commitments and financial guarantees given (Stage 3)	1,099,560	158,289	(719,916)	84,387	0	0	0	(120)	622,200	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**6,525,208**	**6,385,658**	**(3,067,485)**	**(3,700,552)**	**0**	**0**	**0**	**23,979**	**6,166,807**	**0**	**0**

	As at 01/01/19	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/19	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(21,670,586)**	**(11,339,843)**	**5,213,356**	**(7,760,119)**	**0**	**0**	**0**	**(76,330)**	**(35,633,522)**	**n.a**	**n.a**
Debt securities at amortised cost	(1,075,402)	(336,527)	128,623	(267,275)	0	0	0	(9,600)	(1,560,181)	n.a	n.a
Debt securities at fair value through other comprehensive income	(38,868)	0	9,196	6,641	0	0	0	(108)	(23,139)	n.a	n.a
Loans and advances at amortised cost	(20,556,316)	(11,003,316)	5,075,537	(7,499,485)	0	0	0	(66,622)	(34,050,202)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(17,429,339)**	**0**	**2,837,985**	**1,578,603**	**(60)**	**0**	**0**	**(58,064)**	**(13,070,875)**	**n.a**	**n.a**
Debt securities at amortised cost	(502,789)	0	205	(135,979)	0	0	0	(375)	(638,938)	n.a	n.a
Debt securities at fair value through other comprehensive income	(14)	0	15	(67,480)	0	0	0	(1)	(67,480)	n.a	n.a
Loans and advances at amortised cost	(16,926,536)	0	2,837,765	1,782,062	(60)	0	0	(57,688)	(12,364,457)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(238,100,669)**	**(2,078,577)**	**2,710,940**	**(12,101,963)**	**(69,316)**	**0**	**14,499,955**	**(1,636,192)**	**(236,775,823)**	**0**	**(15,242,052)**
Debt securities at amortised cost	(7,235,140)	0	0	(5,249,485)	0	0	0	(81,760)	(12,566,385)	0	0
Loans and advances at amortised cost	(230,865,529)	(2,078,577)	2,710,940	(6,852,478)	(69,316)	0	14,499,955	(1,554,432)	(224,209,438)	0	(15,242,052)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(277,200,594)**	**(13,418,420)**	**10,762,281**	**(18,283,479)**	**(69,376)**	**0**	**14,499,955**	**(1,770,587)**	**(285,480,220)**	**0**	**(15,242,052)**
Commitments and financial guarantees given (Stage 1)	4,281,624	7,181,080	(2,709,627)	(2,225,020)	0	0	0	5,856	6,533,913	0	0
Commitments and financial guarantees given (Stage 2)	1,262,983	331,552	(415,969)	602,686	981	0	0	836	1,783,070	0	0
Commitments and financial guarantees given (Stage 3)	622,200	380,633	(561,498)	442,221	0	0	(435,192)	442,430	890,794	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**6,166,807**	**7,893,265**	**(3,687,094)**	**(1,180,113)**	**981**	**0**	**(435,192)**	**449,122**	**9,207,776**	**0**	**0**

G. CREDIT RISK LINKED TO FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31/12/18				
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	832,445,114	56,427	(380,283)	(38,563,699)

As at 31/12/19				
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	923,354,039	(3,113)	(383,396)	7,090,640

In 2018 and 2019, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposures towards its subsidiaries (BIL group) in the calculation of large exposures limits, in accordance with Part XVI, point 24 of the former Circular 06/273, as amended. The amount of exposures covered by this exemption is null as at December 31, 2019 (as on a consolidated basis, exposures on entities of BIL group are excluded from the large exposures reporting). This exemption was granted on November 22, 2012.

I. INFORMATION ON FORBORNE EXPOSURES

BIL monitors closely its forborne exposures, in line with the definition stated in the publication of the Official Journal of the European Union dated February 2015.

The previous CSSF definition of restructured credit is close to this definition; the latter provides institutions with more details regarding the way this notion should be addressed across different jurisdictions. Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). These measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

Once these criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the "Gestion Intensive et Particulière" (GIP) team.

In order to comply with the regulatory standards, BIL group has set up a dedicated project aimed at (1) identifying the criteria leading to the forborne classification, (2) classifying the Bank's existing exposures between forborne and non-forborne and (3) implementing these criteria across the systems.

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition. The granting of forbearance measure is likely to constitute an impairment trigger, meaning that the loan should be assessed for impairment either individually or as part of a collective assessment.

For credit files in forbearance and in case of early repayment, the costs related to these transactions are either borne by the debtor (in one shot or spread over the term of the new loan) or recognised directly in the Bank's profit and loss.

As at end 2019, BIL group's forborne exposures amounted to EUR 308.3 million (EUR 290.8 million in 2018) including EUR 10.9 million (EUR 3.1 million in 2018) as given banking guarantees.

J. INFORMATION ON SOVEREIGN DEBTS

For 2018 and 2019, this statement refers to bonds issued by central and local governments and governmental bodies.

As at 31/12/18	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
Country Maturity date	Carrying amount	*of which fair value in other comprehensive income*	*of which fair value related to hedging*	Carrying amount	*of which fair value related to hedging*	Carrying amount	*of which fair value in profit or loss*
United Arab Emirates							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	428,010	*(5,483)*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Austria							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	57,955,007	*2,216,669*	*209,012*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Belgium							
maturity < 1 year	0	*0*	*0*	61,107,163	*0*	0	*0*
maturity > 1 year and <= 5 years	118,104,531	*5,047,780*	*467,822*	56,208,926	*746,464*	0	*0*
maturity > 5 years	273,612,138	*6,767,109*	*2,219,066*	259,316,633	*788,877*	0	*0*
Canada							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	144,660,916	*1,134,696*	0	*0*
China							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	885,673	*7,851*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Czech Republic							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	39,241,235	*1,720,282*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Finland							
maturity < 1 year	0	*0*	*0*	20,508,910	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
France							
maturity < 1 year	0	*0*	*0*	17,467,798	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	129,037,104	*(6,954)*	0	*0*
maturity > 5 years	0	*0*	*0*	761,038,094	*507,938*	0	*0*
Germany							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	54,693,841	*2,421,864*	*255,866*	15,544,698	*484,014*	3,660,839	*(21,512)*
maturity > 5 years	0	*0*	*0*	50,836,333	*1,086,779*	9,440,910	*77,650*
Ireland							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	119,257,476	*2,375,775*	*619,413*	217,650,218	*1,053,142*	0	*0*
Italy							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	110,710	*2,015*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*

As at 31/12/18	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
Country Maturity date	Carrying amount	*of which fair value in other comprehensive income*	*of which fair value related to hedging*	Carrying amount	*of which fair value related to hedging*	Carrying amount	*of which fair value in profit or loss*
Japan							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	519,242	*155*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Lithuania							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	18,094,470	*72,887*	0	*0*
maturity > 5 years	7,045,501	*(112,611)*	*61,726*	0	*0*	0	*0*
Luxembourg							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	38,478,893	*966,349*	*2,718,511*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	4,983,847	*0*	3,344,377	*64,048*
Poland							
maturity < 1 year	0	*0*	*0*	10,129,546	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	15,155,947	*36,375*	0	*0*
maturity > 5 years	0	*0*	*0*	119,626,054	*801,082*	0	*0*
Portugal							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	929,807	*17,055*	*0*	0	*0*	0	*0*
Qatar							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	18,337,414	*(155,672)*	*(310,799)*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Saudi Arabia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	4,238,479	*(57,520)*	*(92,642)*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Slovakia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	114,506,395	*399,471*	0	*0*
Korea, Republic Of							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	25,860,797	*54,974*	0	*0*
Spain							
maturity < 1 year	0	*0*	*0*	30,206,681	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	170,606,255	*917,905*	0	*0*
maturity > 5 years	266,060	*21,925*	*0*	488,871,365	*4,224,043*	0	*0*
Supranational							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	131,689,491	*5,550,147*	*421,597*	0	*0*	4,395,137	*(118,144)*
maturity > 5 years	48,329,433	*1,367,499*	*400,619*	15,205,833	*0*	422,025	*5,172*
Norway							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	9,096,515	*0*	0	*0*
United States							
maturity < 1 year	26,656,819	*(143,627)*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	35,118,014	*(512,380)*	*0*	353,083,013	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
TOTAL	**934,823,614**	***25,772,377***	***6,970,191***	**3,148,044,746**	***14,021,975***	**23,096,213**	***9,737***

As at 31/12/19 Country Maturity date	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
	Carrying amount	*of which fair value in other comprehensive income*	*of which fair value related to hedging*	Carrying amount	*of which fair value related to hedging*	Carrying amount	*of which fair value in profit or loss*
United Arab Emirates							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	452,749	*9,729*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Austria							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	56,161,521	*1,473,850*	*449,372*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Belgium							
maturity < 1 year	0	*0*	*0*	64,415,083	*0*	0	*0*
maturity > 1 year and <= 5 years	223,455,287	*7,582,548*	*3,564,077*	71,141,712	*1,605,295*	0	*0*
maturity > 5 years	171,422,488	*3,148,962*	*8,841,186*	390,830,700	*6,791,632*	0	*0*
Canada							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	77,045,826	*1,330,993*	0	*0*
maturity > 5 years	0	*0*	*0*	206,713,073	*3,270,982*	0	*0*
China							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	493,650	*(4,626)*
maturity > 5 years	0	*0*	*0*	9,890,318	*(61,418)*	885,362	*(5,529)*
Czech Republic							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	38,246,240	*1,321,737*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
France							
maturity < 1 year	0	*0*	*0*	30,491,856	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	208,954,981	*954,447*	181,323	*158*
maturity > 5 years	0	*0*	*0*	818,164,992	*(19,631)*	0	*0*
Germany							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	54,242,423	*1,815,447*	*813,430*	15,514,222	*444,050*	3,563,236	*(28,241)*
maturity > 5 years	0	*0*	*0*	70,586,930	*2,874,748*	3,441,846	*86,676*
Ireland							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	74,413,282	*0*	0	*0*
maturity > 5 years	26,929,606	*657,967*	*1,199,758*	236,533,100	*9,577,946*	0	*0*
Italy							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	113,475	*4,439*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Japan							
maturity < 1 year	0	*0*	*0*	0	*0*	179,360	*2,993*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Latvia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	9,276,933	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	4,936,164	*(72,297)*	0	*0*

As at 31/12/19	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
Country Maturity date	Carrying amount	*of which fair value in other comprehensive income*	*of which fair value related to hedging*	Carrying amount	*of which fair value related to hedging*	Carrying amount	*of which fair value in profit or loss*
Lithuania							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	18,191,219	*172,677*	0	*0*
maturity > 5 years	0	*0*	*0*	5,276,656	*97,379*	0	*0*
Luxembourg							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	38,036,339	*683,105*	*2,548,116*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	4,989,385	*0*	5,333,854	*(30,140)*
Poland							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	44,470,949	*(56,694)*	0	*0*
maturity > 5 years	0	*0*	*0*	97,303,064	*4,953,985*	0	*0*
Portugal							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	338,620	*23,576*	*0*	0	*0*	0	*0*
maturity > 5 years	297,300	*25,788*	*0*	0	*0*	0	*0*
Qatar							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	19,022,588	*61,818*	*118,090*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Saudi Arabia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	4,572,833	*46,402*	*47,459*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Slovakia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	10,326,021	*21,063*	0	*0*
maturity > 5 years	0	*0*	*0*	126,208,953	*2,396,811*	0	*0*
Korea, Republic Of							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	25,858,828	*439,412*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Slovenia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	47,969	*(1,124)*
Spain							
maturity < 1 year	0	*0*	*0*	21,948,368	*11,631*	0	*0*
maturity > 1 year and <= 5 years	274,115	*28,568*	*0*	238,093,079	*2,985,963*	0	*0*
maturity > 5 years	0	*0*	*0*	409,150,119	*16,955,056*	0	*0*
Supranational							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	157,398,606	*4,855,238*	*1,778,977*	0	*0*	0	*0*
maturity > 5 years	21,231,182	*69,264*	*1,172,105*	15,250,284	*0*	0	*0*
Norway							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	9,067,949	*0*	0	*0*
United States							
maturity < 1 year	18,161,189	*(949)*	*0*	90,261,820	*0*	895,615	*470*
maturity > 1 year and <= 5 years	18,215,352	*24,312*	*0*	268,888,405	*476,493*	1,752,659	*50,668*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
TOTAL	**809,872,924**	***20,500,335***	***20,532,570***	**3,712,440,511**	***56,472,260***	**17,227,623**	***81,034***

12.3 Encumbered assets

A. COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	31/12/18			
	Fair value of collateral received or own debt securities issued available for encumbrance	***of which: central bank eligible***	**Fair value of encumbered collateral received or own debt securities issued available for encumbrance**	***of which: central bank eligible***
Cash collateral	66,169,646	*66,169,646*	0	*0*
Debt securities	585,298,831	*0*	183,630,166	*183,630,166*
TOTAL	**651,468,477**	***66,169,646***	**183,630,166**	***183,630,166***

	31/12/19			
	Fair value of collateral received or own debt securities issued available for encumbrance	***of which: central bank eligible***	**Fair value of encumbered collateral received or own debt securities issued available for encumbrance**	***of which: central bank eligible***
Cash collateral	117,691,507	*117,691,507*	0	*0*
Debt securities	697,454,545	*0*	249,590,276	*249,590,276*
TOTAL	**815,146,052**	***117,691,507***	**249,590,276**	***249,590,276***

B. ENCUMBERED ASSETS

	31/12/18			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Central Bank mandatory reserves	549,506,894	549,506,894	549,506,894	549,506,894
Debt securities held for trading	11,140,053	10,082,961	11,140,053	11,140,053
of which: issued by general governments	*728,522*	*728,522*	*728,522*	*728,522*
of which: issued by financial corporations	*9,417,070*	*8,359,978*	*9,417,070*	*9,417,070*
of which: issued by non-financial corporations	*994,461*	*994,461*	*994,461*	*994,461*
Debt securities at amortised cost	1,677,981,073	1,163,529,455	1,693,315,076	1,184,901,227
of which: issued by general governments	*1,087,602,751*	*727,439,709*	*1,109,556,578*	*754,440,243*
of which: issued by financial corporations	*481,344,798*	*328,557,572*	*475,984,779*	*324,193,555*
of which: issued by non-financial corporations	*109,033,524*	*107,532,174*	*107,773,719*	*106,267,429*
Debt securities at fair value through other comprehensive income	868,876,267	*795,145,498*	868,876,267	*794,088,406*
of which: issued by general governments	*541,651,513*	*541,651,513*	*541,651,513*	*541,651,513*
of which: issued by financial corporations	*314,603,394*	*242,495,985*	*314,603,394*	*241,438,893*
of which: issued by non-financial corporations	*12,621,360*	*10,998,000*	*12,621,360*	*10,998,000*
Loans and advances other than loans on demand	334,514,235	334,514,235	334,514,235	334,514,235
TOTAL	3,442,018,522	2,852,779,043	3,457,352,525	2,874,150,815

	31/12/19			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Central Bank mandatory reserves	179,209,891	179,209,891	179,209,891	179,209,891
Debt securities held for trading	5,617,989	2,978,524	5,617,989	2,978,524
of which: issued by general governments	*2,187,720*	*888,994*	*2,187,720*	*888,994*
of which: issued by financial corporations	*3,127,942*	*1,787,203*	*3,127,942*	*1,787,203*
of which: issued by non-financial corporations	*302,326*	*302,326*	*302,326*	*302,326*
Debt securities at amortised cost	1,588,865,220	1,178,965,031	1,637,999,009	1,225,757,700
of which: issued by general governments	*1,032,682,002*	*673,422,141*	*1,080,009,280*	*718,502,843*
of which: issued by financial corporations	*513,841,029*	*476,914,808*	*515,152,835*	*478,185,742*
of which: issued by non-financial corporations	*42,342,189*	*28,628,082*	*42,836,894*	*29,069,116*
Debt securities at fair value through other comprehensive income	442,445,811	*437,364,993*	442,445,811	*437,364,994*
of which: issued by general governments	*327,314,008*	*327,314,008*	*327,314,008*	*327,314,008*
of which: issued by financial corporations	*115,131,803*	*110,050,985*	*115,131,803*	*110,050,986*
Loans and advances other than loans on demand	456,456,157	456,456,157	456,456,157	456,456,157
TOTAL	2,672,595,067	2,254,974,596	2,721,728,857	2,301,767,266

C. SOURCES OF ENCUMBRANCE

	31/12/18		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	503,183,727	334,514,235	*0*
Repurchase agreements	1,244,599,936	1,250,380,351	*183,630,166*
of which: central banks	*693,338,333*	*693,338,333*	*0*
Collateralised deposits other than repurchase agreements	0	0	*0*
of which: central banks	*0*	*0*	*0*
Fair value of securities borrowed with non cash collateral	1,075,480,825	1,491,247,208	*0*
TOTAL	**2,823,264,488**	**3,076,141,794**	***183,630,166***

	31/12/19		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	601,785,519	456,456,157	*0*
Repurchase agreements	1,311,222,408	1,311,642,130	*249,590,276*
of which: central banks	*698,231,389*	*698,773,926*	*0*
Collateralised deposits other than repurchase agreements	6,653,696	6,653,696	*0*
of which: central banks	*6,653,696*	*6,653,696*	*0*
Fair value of securities borrowed with non cash collateral	947,044,821	968,223,469	*0*
TOTAL	**2,866,706,444**	**2,742,975,452**	***249,590,276***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in Note 1.5 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/18				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	290,313,542	0	290,313,542	66,169,646	224,143,896
TOTAL	**290,313,542**	**0**	**290,313,542**	**66,169,646**	**224,143,896**

Financial liabilities recognised at end of reporting period	31/12/18				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	503,183,727	0	503,183,727	334,514,235	168,669,492
Repurchase agreements	1,244,599,936	0	1,244,599,936	1,244,599,936	0
TOTAL	**1,747,783,663**	**0**	**1,747,783,663**	**1,579,114,171**	**168,669,492**

Financial assets recognised at end of reporting period	31/12/19				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	334,980,807	0	334,980,807	117,691,507	217,289,300
TOTAL	**334,980,807**	**0**	**334,980,807**	**117,691,507**	**217,289,300**

Financial liabilities recognised at end of reporting period	31/12/19				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	601,785,519	0	601,785,519	455,086,157	146,699,362
Repurchase agreements	1,311,222,408	0	1,311,222,408	1,311,222,408	0
TOTAL	**1,913,007,927**	**0**	**1,913,007,927**	**1,766,308,565**	**146,699,362**

12.4 Interest rate risk : breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/18			
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Cash and balances with central banks and demand deposits	3,281,434,826	0	0	0
Financial assets held for trading	66,338,223	117,621	2,847,258	27,289,393
Financial investments measured at fair value	150,228,062	48,809,604	34,965,957	752,731,811
Financial investments measured at fair value through other comprehensive income	*150,228,062*	*30,161,152*	*34,965,957*	*752,731,811*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*18,648,452*	*0*	*0*
Loans and advances to credit institutions	1,067,962,642	3,481,854	0	330,994
Loans and advances to customers	4,623,950,997	183,129,503	241,780,206	1,411,800,541
Financial investments measured at amortised cost	668,589,174	75,027,615	109,029,081	1,335,763,103
Derivatives	564,330	1,007,588	137,508	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**9,859,068,254**	**311,573,785**	**388,760,010**	**3,527,915,842**

	31/12/18		
	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	3,281,434,826
Financial assets held for trading	30,297,324	0	126,889,819
Financial investments measured at fair value	464,855,454	46,433,918	1,498,024,806
Financial investments measured at fair value through other comprehensive income	*464,855,454*	*43,618,905*	*1,476,561,341*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*2,815,013*	*21,463,465*
Loans and advances to credit institutions	3,468,086	0	1,075,243,576
Loans and advances to customers	6,925,394,915	0	13,386,056,162
Financial investments measured at amortised cost	2,851,132,746	0	5,039,541,719
Derivatives	0	288,604,116	290,313,542
Fair value revaluation of portfolios hedged against interest rate risk	0	1,470,569	1,470,569
TOTAL	**10,275,148,525**	**336,508,603**	**24,698,975,019**

[1] Excluding derivatives and off-balance sheet items.
[2] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

A. ASSETS	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Cash and balances with central banks and demand deposits	3,541,542,203	0	0	0
Financial assets held for trading	26,750,467	105,519	1,040,235	15,554,209
Financial investments measured at fair value	89,570,576	18,163,697	9,451,708	761,586,423
Financial investments measured at fair value through other comprehensive income	*89,570,576*	*18,163,697*	*9,451,708*	*761,586,423*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	1,184,221,759	2,762,831	499,998	3,150,000
Loans and advances to customers	4,751,834,725	277,447,809	416,459,614	1,744,668,337
Financial investments measured at amortised cost	639,868,598	73,930,430	149,320,678	2,330,452,746
Derivatives	644,352	809,123	159,845	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**10,234,432,680**	**373,219,409**	**576,932,078**	**4,855,411,715**

	31/12/19		
	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	3,541,542,203
Financial assets held for trading	19,984,592	102,598	63,537,620
Financial investments measured at fair value	221,396,853	75,823,415	1,175,992,672
Financial investments measured at fair value through other comprehensive income	*221,396,853*	*51,750,122*	*1,151,919,379*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*24,073,293*	*24,073,293*
Loans and advances to credit institutions	0	0	1,190,634,588
Loans and advances to customers	7,525,738,701	0	14,716,149,186
Financial investments measured at amortised cost	3,199,268,415	0	6,392,840,867
Derivatives	0	333,367,487	334,980,807
Fair value revaluation of portfolios hedged against interest rate risk	0	303,238	303,238
TOTAL	**10,966,388,561**	**409,596,738**	**27,415,981,181**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES

	31/12/18			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Amounts due to credit institutions	1,489,578,528	570,159,855	85,509,887	743,367,879
Amounts due to customers	15,410,950,967	1,013,113,766	296,168,628	545,009,668
Financial liabilities measured at fair value through profit or loss	323,386,532	10,585,123	66,162,734	188,564,958
Liabilities designated at fair value	*323,386,532*	*10,585,123*	*66,162,734*	*188,564,958*
Derivatives	0	1,082,949	12,732	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
Debt securities	656,366,004	20,796,996	183,799,463	946,334,419
Subordinated debts	47,842,774	0	0	0
TOTAL	**17,928,124,805**	**1,615,738,689**	**631,653,444**	**2,423,276,924**

	31/12/18		
	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	57,202,764	0	2,945,818,913
Amounts due to customers	1,981,098	0	17,267,224,127
Financial liabilities measured at fair value through profit or loss	243,745,767	0	832,445,114
Liabilities designated at fair value	*243,745,767*	*0*	*832,445,114*
Derivatives	0	502,088,046	503,183,727
Fair value revaluation of portfolios hedged against interest rate risk	0	24,826,064	24,826,064
Debt securities	126,688,863	0	1,933,985,745
Subordinated debts	237,503,114	0	285,345,888
TOTAL	**667,121,606**	**526,914,110**	**23,792,829,578**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Amounts due to credit institutions	1,650,234,884	547,338,861	354,601,088	490,115,666
Amounts due to customers	16,194,513,804	1,408,736,142	795,199,340	588,020,985
Other financial liabilities	0	1,793,934	5,323,048	23,393,122
Financial liabilities measured at fair value through profit or loss	313,595,819	13,485,117	67,621,275	273,859,990
Liabilities designated at fair value	*313,595,819*	*13,485,117*	*67,621,275*	*273,859,990*
Derivatives	0	2,492,797	76,447	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
Debt securities	696,415,363	4,811,800	92,105,205	1,166,501,465
Subordinated debts	0	0	31,044,196	0
TOTAL	**18,854,759,870**	**1,978,658,651**	**1,345,970,599**	**2,541,891,228**

	31/12/19		
	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	53,551,114	0	3,095,841,613
Amounts due to customers	577,087	0	18,987,047,358
Other financial liabilities	11,789,903	0	42,300,007
Financial liabilities measured at fair value through profit or loss	254,791,838	0	923,354,039
Liabilities designated at fair value	*254,791,838*	*0*	*923,354,039*
Derivatives	0	599,216,275	601,785,519
Fair value revaluation of portfolios hedged against interest rate risk	0	13,688,928	13,688,928
Debt securities	307,584,951	0	2,267,418,784
Subordinated debts	138,035,616	0	169,079,812
TOTAL	**766,330,509**	**612,905,203**	**26,100,516,060**

C. NET POSITION	31/12/18					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(8,069,056,551)	(1,304,164,904)	(242,893,434)	1,104,638,918	9,608,026,919	(190,405,507)

	31/12/19					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(8,620,327,190)	(1,605,439,242)	(769,038,521)	2,313,520,487	10,200,058,052	(203,308,465)

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

A. TREASURY AND FINANCIAL MARKETS ACTIVITIES

BIL's treasury and financial markets activities support the Bank's commercial activities.
Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.
Treasury management is subject to interest-rate sensitivity limit.

a. Trading: Value at Risk – 99 %, 10 days (in EUR million)

In 2019, BIL calculated:
- a trading VaR (Fixed Income and Forex) based on a historical VaR (99 %, 10 days);
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are:

VaR (10 days, 99%)		**31/12/18**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.42	0.28	0.22	0.13	0.01	0.01	0.01	0.01
	Maximum	0.68	0.52	0.73	0.38	0.04	0.02	0.07	0.04
Global Trading	Average	0.26							
	Maximum	0.73							
	End of period	0.09							
	Limit	8.00							

VaR (10 days, 99%)		**31/12/19**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.30	0.26	0.18	0.16	0.01	0.01	0.01	0.02
	Maximum	0.64	0.62	0.78	0.46	0.05	0.02	0.05	0.43
Global Trading	Average	0.23							
	Maximum	0.79							
	End of period	0.09							
	Limit	2.00							

b. Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)	31/12/18				31/12/19			
	Treasury				Treasury			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	0.67	0.59	0.79	0.53	1.25	0.57	-1.20	0.68
Limit	20.00				20.00			

c. Investment Treasury Portfolio (in EUR million)

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

(in EUR million)	31/12/18	13/12/19
Exposures	514	261
Interest rate sensitivity (+1 bp)	(0.02)	(0.01)
Credit spread sensitivity (+1 bp)	(0.15)	(0.05)

B. ALM INTEREST RATE RISK AND CREDIT SPREAD RISK

The interest-rate risk is followed by an interest-rate sensitivity limit.
For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1% change in the interest-rate position of ALM activities.

(in EUR million)		2018							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(7)	5	8	6	(2)	(2)	(2)	(2)

(in EUR million)		2019							
		Interest rate [1 2]				Credit spread [4]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(1)	12	(13)	(2)	(2)	(2)	(2)	(2)

b. Investment Portfolio HTC&S (in EUR million)

The portfolio's interest rate is managed by ALM.

(in EUR million)	31/12/18	13/12/19
Exposures	798	740
Interest rate sensitivity (+1 bp)	(0.02)	(0.01)
Credit spread sensitivity (+1 bp)	(0.43)	(0.33)

1 Sensitivity (+1 %).
2 On December 31, 2018, the interest rate sensitivity limit for BIL ALM reached EUR 81 million per percent.
3 Sensitivity (+1 basis point).
4 On December 31, 2019, the interest rate sensitivity limit for BIL ALM reached EUR 119 million per percent.

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the consolidated management report.

The maturity analysis do not include the remaining contractual maturities for derivative. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received.

A. ASSETS	31/12/18			
	At sight or on demand [1]	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 2 years**
Cash and balances with central banks and demand deposits	3,279,426,279	2,008,547	0	0
Financial assets held for trading	26,483,806	3,861,636	9,567,458	10,045,002
Financial investments measured at fair value	235,291	58,824,968	54,402,516	133,159,476
Financial investments measured at fair value through other comprehensive income	*235,291*	*40,176,516*	*54,402,516*	*133,159,476*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*18,648,452*	*0*	*0*
Loans and advances to credit institutions	322,428,265	285,304,222	94,121,018	231,107,875
Loans and advances to customers	2,378,156,904	1,814,320,458	689,469,725	696,364,997
Financial investments measured at amortised cost	0	75,027,615	143,207,767	240,377,486
Derivatives	564,330	195,909,889	35,557,318	1,112,030
Fair value revaluation of portfolios hedged against interest rate risk	0	0	1,037,195	0
TOTAL	**6,007,294,875**	**2,435,257,335**	**1,027,362,997**	**1,312,166,866**

	31/12/18			
	Between 2 years and 5 years	**More than 5 years**	**Undetermined maturity**	**Total**
Cash and balances with central banks and demand deposits	0	0	0	3,281,434,826
Financial assets held for trading	45,779,508	31,152,409	0	126,889,819
Financial investments measured at fair value	740,090,590	464,855,456	46,456,509	1,498,024,806
Financial investments measured at fair value through other comprehensive income	*740,090,590*	*464,855,456*	*43,641,496*	*1,476,561,341*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*2,815,013*	*21,463,465*
Loans and advances to credit institutions	138,814,110	3,468,086	0	1,075,243,576
Loans and advances to customers	644,560,593	7,163,183,485	0	13,386,056,162
Financial investments measured at amortised cost	1,448,096,496	3,132,832,355	0	5,039,541,719
Derivatives	34,070,422	23,099,553	0	290,313,542
Fair value revaluation of portfolios hedged against interest rate risk	433,374	0	0	1,470,569
TOTAL	**3,051,845,093**	**10,818,591,344**	**46,456,509**	**24,698,975,019**

[1] Residual maturity, excluding derivatives and off-balance sheet.
[2] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

A. ASSETS	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Cash and balances with central banks and demand deposits	3,541,542,203	0	0	0
Financial assets held for trading	3,872,331	716,516	7,304,894	5,153,524
Financial investments measured at fair value	104,304	18,163,697	28,508,664	126,045,404
Financial investments measured at fair value through other comprehensive income	*104,304*	*18,163,697*	*28,508,664*	*126,045,404*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	588,373,168	342,096,442	171,847,982	85,167,128
Loans and advances to customers	1,720,197,091	1,631,516,143	1,220,122,152	800,926,271
Financial investments measured at amortised cost	0	78,660,782	203,745,914	656,787,506
Derivatives	644,352	236,913,741	32,794,857	21,255,436
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**5,854,733,449**	**2,308,067,321**	**1,664,324,463**	**1,695,335,269**

	31/12/19			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	0	3,541,542,203
Financial assets held for trading	25,664,544	20,723,213	102,598	63,537,620
Financial investments measured at fair value	705,950,335	221,396,853	75,823,415	1,175,992,672
Financial investments measured at fair value through other comprehensive income	*705,950,335*	*221,396,853*	*51,750,122*	*1,151,919,379*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*24,073,293*	*24,073,293*
Loans and advances to credit institutions	0	3,149,868	0	1,190,634,588
Loans and advances to customers	1,526,384,212	7,817,003,317	0	14,716,149,186
Financial investments measured at amortised cost	1,987,261,652	3,466,385,013	0	6,392,840,867
Derivatives	9,859,543	33,512,878	0	334,980,807
Fair value revaluation of portfolios hedged against interest rate risk	303,238	0	0	303,238
TOTAL	**4,255,423,524**	**11,562,171,142**	**75,926,013**	**27,415,981,181**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/18			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Amounts due to credit institutions	811,543,171	1,003,538,909	118,003,671	751,462,070
Amounts due to customers	14,162,852,452	2,241,131,765	297,160,627	259,518,836
Financial liabilities measured at fair value through profit or loss	0	37,330,400	129,744,954	143,633,034
Liabilities designated at fair value	*0*	*37,330,400*	*129,744,954*	*143,633,034*
Derivatives	0	211,154,930	41,508,305	16,416,634
Fair value revaluation of portfolios hedged against interest rate risk	0	0	280,127	0
Debt securities	13,945,177	39,861,207	288,129,428	232,704,491
Subordinated debts	0	0	0	0
TOTAL	**14,988,340,800**	**3,533,017,211**	**874,827,112**	**1,403,735,065**

	31/12/18			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	203,837,443	57,433,649	0	2,945,818,913
Amounts due to customers	285,490,832	1,981,097	19,088,518	17,267,224,127
Financial liabilities measured at fair value through profit or loss	268,411,004	253,325,722	0	832,445,114
Liabilities designated at fair value	*268,411,004*	*253,325,722*	*0*	*832,445,114*
Derivatives	71,639,073	162,464,785	0	503,183,727
Fair value revaluation of portfolios hedged against interest rate risk	24,545,937	0	0	24,826,064
Debt securities	1,224,654,395	134,691,047	0	1,933,985,745
Subordinated debts	0	285,345,888	0	285,345,888
TOTAL	**2,078,578,684**	**895,242,188**	**19,088,518**	**23,792,829,578**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Amounts due to credit institutions	840,659,658	1,176,866,305	536,404,403	155,071,667
Amounts due to customers	14,968,646,343	2,618,494,760	798,988,779	169,499,135
Other financial liabilities	0	1,793,934	5,323,047	6,662,694
Financial liabilities measured at fair value through profit or loss	0	23,681,866	129,290,556	196,142,643
Liabilities designated at fair value	*0*	*23,681,866*	*129,290,556*	*196,142,643*
Derivatives	0	249,998,606	30,144,390	11,741,392
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	13,489,191
Debt securities	12,969,322	66,752,822	173,117,894	370,662,876
Subordinated debts	0	0	31,044,196	0
TOTAL	**15,822,275,323**	**4,137,588,293**	**1,704,313,265**	**923,269,598**

B. LIABILITIES	31/12/19			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	333,288,465	53,551,115	0	3,095,841,613
Amounts due to customers	430,841,254	577,087	0	18,987,047,358
Other financial liabilities	16,730,428	11,789,904	0	42,300,007
Financial liabilities measured at fair value through profit or loss	303,369,317	270,869,657	0	923,354,039
Liabilities designated at fair value	*303,369,317*	*270,869,657*	*0*	*923,354,039*
Derivatives	103,674,908	206,226,223	0	601,785,519
Fair value revaluation of portfolios hedged against interest rate risk	199,737	0	0	13,688,928
Debt securities	1,336,330,919	307,584,951	0	2,267,418,784
Subordinated debts	0	138,035,616	0	169,079,812
TOTAL	**2,524,435,028**	**988,634,553**	**0**	**26,100,516,060**

C. NET POSITION	31/12/18						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(8,981,045,925)	(1,097,759,876)	152,535,885	(91,568,199)	973,266,409	9,923,349,156	27,367,991

	31/12/19						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,967,541,874)	(1,829,520,972)	(39,988,802)	772,065,671	1,730,988,496	10,573,536,589	75,926,013

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

12.7 Currency risk

	31/12/18				
	EUR	Other EU currencies	USD	Other	Total
Assets	19,782,176,830	686,843,251	2,182,184,488	2,833,352,927	25,484,557,496
Liabilities	20,059,479,074	854,550,604	3,810,772,813	759,755,005	25,484,557,496
NET ON-BALANCE SHEET POSITION	**(277,302,244)**	**(167,707,353)**	**(1,628,588,325)**	**2,073,597,922**	**0**
Off-balance sheet – receivable	6,152,877,705	1,536,152,709	7,455,439,581	3,450,229,444	18,594,699,439
Off-balance sheet – payable	5,835,930,899	1,364,508,239	5,828,552,668	5,563,763,416	18,592,755,222
NET OFF-BALANCE SHEET POSITION	**316,946,806**	**171,644,470**	**1,626,886,913**	**(2,113,533,972)**	**1,944,217**

	31/12/19				
	EUR	Other EU currencies	USD	Other	Total
Assets	22,218,403,999	816,050,453	2,327,753,192	2,738,184,631	28,100,392,275
Liabilities	21,898,629,266	865,976,236	4,377,646,772	958,140,001	28,100,392,275
NET ON-BALANCE SHEET POSITION	**319,774,733**	**(49,925,783)**	**(2,049,893,580)**	**1,780,044,630**	**0**
Off-balance sheet – receivable	3,892,100,556	3,274,223,225	8,395,609,783	5,201,442,369	20,763,375,933
Off-balance sheet – payable	4,156,951,134	3,226,271,850	6,322,082,576	7,066,480,221	20,771,785,781
NET OFF-BALANCE SHEET POSITION	**(264,850,578)**	**47,951,375**	**2,073,527,207**	**(1,865,037,852)**	**(8,409,848)**

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/18	31/12/19
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,254,871,420**	**1,379,456,784**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**967,458,833**	**1,065,358,018**
Capital, share premium and own shares	847,974,270	906,636,231
Reserves, retained earnings and eligible result	519,264,559	574,092,700
Regulatory and transitional adjustments[1]	(399,779,996)	(415,370,913)
ADDITIONAL TIER 1 CAPITAL (AT1)	**150,000,000**	**175,000,000**
Subordinated liabilities	150,000,000	0
Other equity instruments	0	175,000,000
TIER 2 CAPITAL (T2)	**137,412,587**	**139,098,766**
Subordinated liabilities	137,412,587	139,098,766
IRB excess	0	0
RISK WEIGHTED ASSETS	**8,034,382,645**	**8,542,978,422**
Credit Risk	7,110,863,203	7,520,015,896
Market Risk	62,019,811	48,879,950
Operational Risk	836,575,711	951,701,480
Credit Value Adjustments	24,923,920	22,381,096
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	12,04%	12,47%
Tier 1 ratio	13,91%	14,52%
Capital Adequacy ratio	15,62%	16,15%

[1] **REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1**	**31/12/18**	**31/12/19**
Goodwill and intangible assets	(194,083,757)	(230,867,591)
Deferred tax assets that rely on future probability	(201,638,424)	(172,223,392)
Fair value reserves related to gains or losses cash flow hedges	4,812,604	2,620,964
Gains or losses on liabilities at fair value resulting from own credit	(380,283)	(383,396)
Additional Value Adjustment	(3,050,125)	(2,785,398)
IRB shortfall	0	(6,871,099)
Defined benefit pension fund assets	(4,430,001)	(4,861,001)
AGDL reserves	(1,010,010)	0
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1	**(399,779,996)**	**(415,370,913)**

The figures are computed according to Basel III rules (CRR 575/2013 as amended and CSSF Regulation 18-03).

The EU Parliament adopted, at the end of 2017, the amendment to the CRR allowing credit institutions to (partially) compensate the impact of the introduction of IFRS 9 on regulatory capital during the transitional period of 5 years (i.e., until 2022). The Bank decided not to apply such a phase-in alternative.

Financial statements of the parent company

Report of the "réviseur d'entreprises agréé"

To the Board of Directors of
Banque Internationale à Luxembourg S.A.
69, route d'Esch
L-2953 Luxembourg

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Banque Internationale à Luxembourg S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 « Responsibilities of "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Bank 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 financial statements, 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 financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each key audit matter, a description of how our audit addressed the matter is set out below:

1. Impairment of loans and advances to customers

Description

At 31 December 2019, the gross loans and advances to customers of the Bank amount to EUR 14,741.3 million against which an impairment of EUR 265.1 million is recorded (see Note 7.4 to the financial statements).

We considered this as a key audit matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Bank's management. The Bank uses the following methods to assess the required impairment allowance:

- The expected credit loss (ECL) allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Bank in its ECL calculation process, model and tool;
- For defaulted loans and advances, impairment is assessed individually on a regular basis.

In particular, the determination of impairment against loans and advances to customers requires;

- The use of judgments and estimates for the design and setup of the internal rating system which form the basis of the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9;
- Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;
- Inputs and assumptions used to estimate the impact of multiple economic scenarios;
- The use of judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.

Refer to the Accounting policy Note 1.7.5 to the consolidated financial statements and to Note 7.4 to the financial statements.

How the matter was addressed in our audit

We tested the design and operating effectiveness of key controls across the processes relevant to the ECL calculation. This included testing of:

- Entity level controls over the ECL modelling process, including model review and governance;
- Controls over the incorporation of multiple economic scenarios by the Bank's Credit and Executive Committees;
- Controls over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances;
- Controls over data accuracy and completeness.

We also performed the following substantive audit procedures:

- We verified that the data used as a basis to calculate the ECL are complete and accurate; We also tested, on a sample basis, extractions of data used in the models, including ratings of loans and movements between various ratings;
- We tested a sample of loans and advances (including an extended sample of loans included into the Credit Watchlist) to form our own assessment as to whether they are classified in the appropriate bucket (staging methodology adjusted by manual entries, as the case may be);
- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios;
- We performed an overall assessment of the ECL provision levels by stage as well as their variations during the period to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment;
- We performed substantive audit procedures on a sample of defaulted loans and advances, consisting of key items. We examined in a critical manner the assumptions used by the Bank to determine expected cash flows and estimated recovery from any underlying collateral.

2. Deferred tax assets recognition and impairment

Description

As at 31 December 2019, the deferred tax assets recognized in the balance sheet amounts to EUR 197.3 million, of which EUR 59.9 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a third-party country.

We considered this as a key audit matter as the Bank makes forecast to determine the amount of tax losses carried forward which will be resorbed by future taxable profits. Those forecasts are based on subjective Bank's assumptions.

Refer to the Accounting policy Note 1.23 to consolidated financial statements and to Note 9.2 to the financial statements.

How the matter was addressed in our audit

We performed the following procedures:

- We obtained the budget for 2020 and the "Create Together 2025" business plan prepared by the Bank as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan;
- We assessed the consistency and reasonableness of these assumptions including back-testing of the assumptions made at prior year end;
- We evaluated whether updates in the Luxembourg tax laws and regulations have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former third-party country's branch, we assessed whether the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward are fulfilled;
- We verified the arithmetical accuracy of the computations, included the corporate income tax rate used.

OTHER INFORMATION

The Board of directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 financial statements.

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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the 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 reappointed as "Réviseur d'Entreprises Agréé" by the Board of directors on 14 December 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The consolidated management report is consistent with the financial statements 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 Board of Directors. 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, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

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 Bank in conducting the audit.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

Luxembourg, March 27, 2020

Balance sheet

ASSETS (in EUR)		Notes	31/12/18	31/12/19
I.	Cash, balances with central banks and demand deposits	7.2	3,083,169,677	3,041,956,502
II.	Financial assets held for trading	7.5	126,889,819	63,537,620
III.	Financial investments measured at fair value	7.6	1,406,244,768	1,107,436,338
	Financial assets at fair value through other comprehensive income		*1,403,429,755*	*1,104,486,218*
	Non-trading financial assets mandatorily at fair value through profit or loss		*2,815,013*	*2,950,120*
IV.	Loans and advances to credit institutions	7.3	1,220,311,674	1,271,324,225
V.	Loans and advances to customers	7.4	13,270,408,274	14,476,238,696
VI.	Financial investments measured at amortised cost	7.7	5,039,541,719	6,253,145,680
VII.	Derivatives	9.1	288,703,842	334,943,947
VIII.	Fair value revaluation of portfolios hedged against interest rate risk		1,470,569	303,238
IX.	Investments in subsidaries, joint ventures and associates	7.8	171,685,462	242,396,603
X.	Investment property	7.10	800,000	800,000
XI.	Property, plant and equipment	7.9	105,444,869	124,850,143
XII.	Intangible fixed assets and goodwill	7.11	139,284,826	177,035,590
XIII.	Current tax assets	7.12	29,054	2,006
XIV.	Deferred tax assets	7.12/9.2	222,694,920	197,260,572
XV.	Other assets	7.13	56,578,856	71,040,869
XVI.	Non-current assets and disposal groups held for sale		14,541,000	0
TOTAL ASSETS			**25,147,799,329**	**27,362,272,029**

The notes are an integral part of these financial statements.

LIABILITIES (in EUR)		Notes	31/12/18	31/12/19
I.	Amounts due to credit institutions	8.1	3,195,542,470	3,188,681,155
II.	Amounts due to customers	8.2	16,796,602,776	18,240,205,520
III.	Other financial liabilities	8.3	0	23,406,317
IV.	Financial liabilities measured at fair value through profit or loss	8.4	832,445,114	923,354,039
	Liabilities designated at fair value		*832,445,114*	*923,354,039*
V.	Derivatives	9.1	502,275,615	599,538,078
VI.	Fair value revaluation of portfolios hedged against interest rate risk		24,826,064	13,688,928
VII.	Debt securities	8.5	1,933,985,745	2,267,418,784
VIII.	Subordinated debts	8.6	285,345,888	169,079,812
IX.	Provisions and other obligations	8.7	37,866,840	34,029,719
X.	Current tax liabilities	8.8	52,536	0
XI.	Other liabilities	8.9	226,285,910	190,525,141
TOTAL LIABILITIES			**23,835,228,958**	**25,649,927,493**

SHAREHOLDERS' EQUITY (in EUR)		Notes	31/12/18	31/12/19
XII.	Subscribed capital	9.6	141,212,330	146,108,270
XIII.	Additional paid-in capital		708,216,940	760,527,961
XIV.	Treasury shares		(1,455,000)	0
XV.	Other equity instruments		0	173,592,617
XVI.	Reserves and retained earnings		347,737,248	423,983,493
XVII.	Net income for the year		86,589,606	172,494,072
SHAREHOLDERS' EQUITY			**1,282,301,124**	**1,676,706,413**
XVIII.	Gains and losses not recognised in the consolidated statement of income		30,269,247	35,638,123
	Financial instruments at fair value through other comprehensive income		*89,268,216*	*96,619,308*
	Other reserves		*(58,998,969)*	*(60,981,185)*
GROUP EQUITY			**1,312,570,371**	**1,712,344,536**
TOTAL SHAREHOLDERS' EQUITY			**1,312,570,371**	**1,712,344,536**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**25,147,799,329**	**27,362,272,029**

The notes are integral part of these financial statements.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

Statement of income

(in EUR)		Notes	31/12/18	31/12/19
I.	Interest and similar income	11.1	591,783,518	654,875,484
	of which : Interest revenue calculated using the effective interest method		*389,645,002*	*421,593,196*
II.	Interest and similar expenses	11.1	(290,811,243)	(350,130,592)
III.	Dividend income	11.2	4,538,893	4,213,676
IV.	Net trading income	11.3	(27,528,906)	58,477,930
V.	Net income on financial instruments measured at fair value and net result of hedge accounting	11.4	52,864,616	24,479,045
VI.	Net income on derecognition of financial instruments at amortised cost	11.5	4,401,986	12,482,305
VII.	Fee and commission income	11.6	193,933,103	205,186,082
VIII.	Fee and commission expenses	11.6	(27,995,658)	(27,547,275)
IX.	Other net income	11.7	(12,944,115)	(15,573,949)
INCOME			**488,242,194**	**566,462,706**
X.	Staff expenses	11.8	(184,749,326)	(198,529,646)
XI.	General and administrative expenses	11.9	(127,698,877)	(107,540,416)
XII.	Amortisation of tangible, intangible and right-of-use assets	11.11	(41,815,622)	(44,176,704)
EXPENSES			**(354,263,825)**	**(350,246,766)**
GROSS OPERATING INCOME			**133,978,369**	**216,215,940**
XIII.	Impairments		(17,925,295)	(15,494,056)
	Net impairment on financial instruments and provisions for credit commitments	*11.12*	*(17,925,295)*	*(14,924,538)*
	Net impairment on tangible, intangible and right-of-use assets		*0*	*(569,518)*
XIV.	Provisions for legal litigations	11.13	(510,000)	109,185
NET INCOME BEFORE TAX			**115,543,074**	**200,831,069**
XV.	Tax expenses	11.14	(28,953,468)	(28,336,997)
NET INCOME FOR THE YEAR			**86,589,606**	**172,494,072**

The notes are an integral part of these financial statements.

Statement of comprehensive income

(in EUR)	31/12/18	31/12/19
NET INCOME FOR THE YEAR RECOGNISED IN THE STATEMENT OF INCOME	86,589,606	172,494,072
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	(13,210,174)	5,368,876
Items that will not be reclassified to profit or loss	**20,255,464**	**11,814,989**
Actuarial gains (losses) on defined benefit pension plans	(11,046,072)	3,160,834
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	(56,427)	3,113
Fair value changes of equity instruments measured at fair value through other comprehensive income	29,883,439	9,696,747
Tax on items that will not be reclassified to profit or loss	1,474,524	(1,045,705)
Items that may be reclassified to profit or loss	**(33,465,638)**	**(6,446,113)**
Gains (losses) on net investment hedge	(117,986)	(119,002)
Translation adjustments	(5,370,746)	(6,357,337)
Gains (losses) on cash flow hedge	(1,330,129)	3,012,573
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(36,523,087)	(3,264,177)
Tax on items that may be reclassified to profit or loss	9,876,310	281,830
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	73,379,432	177,862,948

The notes are integral part of these interim financial statements.

Statement of changes in equity

SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Other equity instruments	Reserves and retained earnings[1]	Net income for the year	Shareholders' equity
As at 01/01/18	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**240,996,904**	**117,869,196**	**1,206,840,370**
Classification of income 2017					117,869,196	(117,869,196)	0
Interest on contingent convertible bond					(7,299,443)		(7,299,443)
Realised performance on equities at fair value through other comprehensive income					(3,829,409)		(3,829,409)
Net income for the year						86,589,606	86,589,606
As at 31/12/18	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**347,737,248**	**86,589,606**	**1,282,301,124**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge reserve	Other reserves	Translation adjustments[2]	Gains and losses not recognised in the statement of income
As at 01/01/18	**87,821,446**	**(4,712,064)**	**2,128,684**	**(41,758,648)**	**43,479,418**
Net change in fair value through equity - fair value through other comprehensive income	8,615,712				8,615,712
Net change in fair value through equity - cash flow hedges		(1,235,718)			(1,235,718)
Translation adjustments	(12)			(5,370,743)	(5,370,755)
Cancellation of fair value following fair value through other comprehensive income disposals	(7,168,930)				(7,168,930)
Cash flow hedge + Break in hedging		164,258			164,258
Net change in other reserves			(8,214,738)		(8,214,738)
As at 31/12/18	**89,268,216**	**(5,783,524)**	**(6,086,054)**	**(47,129,391)**	**30,269,247**

The notes are integral part of these financial statements.

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 1.4 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2018, translation adjustments comprise an amount of EUR -47,246,127 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income for the year	Shareholders' equity
As at 01/01/19	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**347,737,248**	**86,589,606**	**1,282,301,124**
Issuance of equity instruments	4,963,840	53,036,503		173,592,617			231,592,960
Cancellation of treasury shares	(67,900)	(725,482)	1,455,000		(661,618)		0
Classification of income 2018					86,589,606	(86,589,606)	0
Interest on contingent convertible bond					(9,618,357)		(9,618,357)
Realised performance on equities at fair value through other comprehensive income					(63,386)		(63,386)
Net income for the year						172,494,072	172,494,072
As at 31/12/19	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**423,983,493**	**172,494,072**	**1,676,706,413**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Financial instruments at fair value through other comprehensive income	Cash flow hedge reserve	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the statement of income
As at 01/01/19	**89,268,216**	**(5,783,524)**	**(6,086,054)**	**(47,129,391)**	**30,269,247**
Net change in fair value through equity - fair value through other comprehensive income	7,934,575				7,934,575
Net change in fair value through equity - cash flow hedges		2,088,276			2,088,276
Translation adjustments				(6,357,337)	(6,357,337)
Cancellation of fair value following fair value through other comprehensive income disposals	(583,483)				(583,483)
Net change in other reserves			2,286,845		2,286,845
As at 31/12/19	**96,619,308**	**(3,695,248)**	**(3,799,209)**	**(53,486,728)**	**35,638,123**

The notes are integral part of these financial statements.

[1] On November 14, 2019, BIL issued an additional tier 1 instrument (AT1) for a gross amount of EUR 175,000,000. This AT1 issuance is classified as an "other equity instrument" in accordance with IAS 32. It qualifies as AT1 regulatory capital under the Capital Requirement Directive (CRD). The amount presented is net of issuance costs.
[2] Of which legal reserve for EUR 14.1 million.
[3] As at December 31, 2019, translation adjustments comprise an amount of EUR -53,628,479 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Cash flow statement

(in EUR)	Notes	31/12/18	31/12/19
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		86,589,606	172,494,072
Adjustment for :			
- Depreciation and amortisation	7.9 / 7.11 / 11.11	41,815,622	44,176,704
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		0	569,518
- Impairment on bonds, equities and other assets	11.12	(23,446,321)	(11,264,281)
- Net gains / (losses) on investments	11.4 / 11.5	(3,761,551)	(68,615,660)
- Provisions (including ECL)	8.7 / 11.13	(14,323,134)	7,607,890
- Change in unrealised gains / (losses)	11.3	165,037	66,090
- Deferred taxes	11.14	28,923,291	28,352,236
- Other adjustments		0	(60,364)
Changes in operating assets and liabilities		622,498,492	(363,409,706)
NET CASH FLOW FROM OPERATING ACTIVITIES		**738,461,042**	**(190,083,501)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.9 / 7.11	(69,946,797)	(75,197,075)
Sale of fixed assets	7.9 / 7.11	2,256,447	4,948
Purchase of shares		(48,237)	(120,000)
Sale of shares		2,855,244	334,230
Capital increase subsidiaries		(332,170)	(77,388,818)
Liquidation/Sale of subsidiaries		4,609,202	89,237,947
NET CASH FLOW FROM INVESTING ACTIVITIES		**(60,606,311)**	**(63,128,768)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares		0	58,000,343
Issuance of other equity instruments		0	173,592,617
Reimbursement of subordinated debts		0	(118,900,000)
Payments on lease liabilities		0	(3,128,794)
NET CASH FLOW FROM FINANCING ACTIVITIES		**0**	**109,564,166**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**677,854,731**	**(143,648,103)**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**2,782,058,378**	**3,459,894,374**
Net cash flow from operating activities		738,461,042	(190,083,501)
Net cash flow from investing activities		(60,606,311)	(63,128,768)
Net cash flow from financing activities		0	109,564,166
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		(18,735)	(1,992)
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**7.1**	**3,459,894,374**	**3,316,244,279**
ADDITIONAL INFORMATION			
Taxes paid		(61,002)	(10,241)
Dividends received	11.2	4,538,893	4,213,676
Interest received		560,312,417	645,572,987
Interest paid		(260,414,838)	(338,844,121)

The Bank decided to classify operations relating to shareholders' equity, treasury shares and other elements eligible as regulatory capital as financing activities.

Investing activities are limited to tangible and intangible fixed assets and to transactions on consolidated or non-consolidated shares.

The notes are an integral part of these financial statements.

Changes in liabilities arising from financing activities (IAS7 amendment)

(in EUR)	As at 01/01/18	Acquisition - Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/18
Subordinated debts	**283,347,225**	0	0	4,065,362	0	**287,412,587**
Subscribed capital	**141,212,330**	0	0	0	0	**141,212,330**
Additional paid-in capital	**708,216,940**	0	0	0	0	**708,216,940**
Treasury shares	**(1,455,000)**	0	0	0	0	**(1,455,000)**
Other equity instruments	**0**	0	0	0	0	**0**

(in EUR)	As at 01/01/19	Acquisition - Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/19
Subordinated debts	**287,412,587**	(118,900,000)	0	1,686,179	0	**170,198,766**
Subscribed capital	**141,212,330**	4,895,940	0	0	0	**146,108,270**
Additional paid-in capital	**708,216,940**	52,311,021	0	0	0	**760,527,961**
Treasury shares	**(1,455,000)**	0	0	0	1,455,000	**0**
Other equity instruments	**0**	173,592,617	0	0	0	**173,592,617**

The notes are an integral part of these financial statements.

Notes to the financial statements of the parent company

Presentation of the accounts

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the financial statements. This rule applies to the presentation of the balance sheet, the statement of income, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, as well as to the notes to the financial statements.

Note 11

Notes on the statement of income

11.1 Interest and similar income - Interest and similar expenses
11.2 Dividend income
11.3 Net trading income
11.4 Net income on financial instruments measured at fair value and net result of hedge accounting
11.5 Net income on derecognition of financial instruments measured at amortised cost
11.6 Fee and commission income and expenses
11.7 Other net income
11.8 Staff expenses
11.9 General and administrative expenses
11.10 Independent auditor's fees
11.11 Amortisation of tangible, intangible and right-of-use assets
11.12 Impairment on loans and provisions for credit commitments
11.13 Provisions for legal litigation
11.14 Tax expenses

Note 12

Notes on risk exposures

12.1 Fair value
12.2 Credit risk
12.3 Encumbered assets
12.4 Interest rate risk : breakdown by maturity until next interest rate repricing date
12.5 Market risk and Assets & Liabilities Management (ALM)
12.6 Liquidity risk: breakdown by residual maturity
12.7 Currency risk
12.8 Solvency ratios

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Note 1: Accounting principles and rules of the financial statements

As the parent company's annual financial statements have been published using IFRS since 2008, the accounting principles and rules applying to the parent company's financial statements are explained in detail in the Note 1 to the consolidated financial statements herein.

SPECIFIC INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY:

1.1 Consolidated participating interests

Consolidated participating interests are recorded at cost in accordance with IAS 27.

1.2 Change in accounting policies

As explained in the Note 1.2.7 to the consolidated financial statements herein, BIL has changed the accounting policies related to leases (as lessee) following the implementation of IFRS 16 – Leases, the new standard on leases that replaces IAS 17.

1.3. Impact of the IFRS 16 standard applicable as from January 1, 2019

BIL has analysed the existing leases (as lessee) within the Bank that meet the recognition requirements of IFRS 16 and concluded these are mainly property leases taken such as bank agencies and administrative offices.

BIL only entered into operating leases (as lessee).

The effect of adoption of IFRS 16 is as follows

Effect of IFRS 16 on January 1, 2019	
Right-of-use assets recognised on January 1, 2019 (A) *(included in Property, Plant and Equipment)*	25,506,049
Deferred expenses (B)	(96,629)
Lease liabilities recognised on January 1, 2019 (C) *(included in Amounts due to customers and Amounts due to Credit Institutions)*	26,644,220
Reversal of provision recognised before January 1, 2019 and accounted for impairment of right-of-use under IFRS 16 (D)	(1,234,800)
Impact on Equity on January 1, 2019 (A+B-C-D)	0

Reconciliation of lease liabilities

Minimum operating lease commitments disclosed as at December 31, 2018	29,125,227
(-) Short-term leases recognised on a straight-line basis as expense	(37,408)
(-) Low-value leases recognised on a straight-line basis as expense	(1,456,288)
(+)/(-) Adjustments due to reassessment of the nature of the contract	(484,489)
(+)/(-) Adjustments as a result of a different treatment of extension/termination options	805,244
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,308,066)
Lease liability recognised as at January 1, 2019	**26,644,220**

Effect of IFRS 16 on operating lease expenses

Impact of IFRS 16 as at December 31, 2019	31/12/18	31/12/19	Difference
Operating leases *(included in General and Administrative expenses)*	(5,201,804)	(376,282)	4,825,522
Amortisation of right-of-use assets		(4,602,525)	
Interest expenses on lease liabilities		(318,796)	
TOTAL	**(5,201,804)**	**(5,297,603)**	**(95,799)**

Weighted average lessee's borrowing rate

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated balance sheet as at January 1, 2019 is 1.18%.

Note 2: Changes in branches and list of main subsidiaries and associates

2.1 Changes in branches

Opening
None

Closing
None

2.2 List of subsidiaries and associates

As at December 31, 2019 the Bank has participating interest of at least 20% in the capital of the following undertakings:

Name	Head office	% of capital held
Audit Trust S.à r.l.	42, rue de la Vallée L-2661 Luxembourg	100
Banque Internationale à Luxembourg (Suisse) S.A.	Beethovenstrasse 48 CH-8002 Zürich	100
Belair House, société anonyme	10, rue Henri Schnadt L-2530 Luxembourg	100
BIL Fund & Corporate Services, société anonyme	42, rue de la Vallée L-2661 Luxembourg	100
BIL Manage Invest S.A.	42, rue de la Vallée L-2661 Luxembourg	100
BIL Private Invest Management S.à r.l.	42, rue de la Vallée L-2661 Luxembourg	100
BIL Reinsurance S.A.	69, route d'Esch L-2953 Luxembourg	100
Biltrust Limited	PO Box 665 Roseneath/The Grange St Peter Port GY1 3SJ, Guernsey	100
Europay Luxembourg, société coopérative	2-4, rue Edmond Reuter L-5326 Contern	52.20
IB Finance, société anonyme	69, route d'Esch L-2953 Luxembourg	100
Koffour S.A.	42, rue de la Vallée L-2661 Luxembourg	100
Lannage S.A.	42, rue de la Vallée L-2661 Luxembourg	100
Private II Wealth Management, société à responsabilité limitée	42, rue de la Vallée L-2661 Luxembourg	100
Société de la Bourse de Luxembourg, société anonyme	35A, boulevard Joseph II L-1840 Luxembourg	21.41
Société du 25 juillet 2013, société anonyme (en liquidation)	54-56 avenue Hoche F-75008 Paris	100
Société Luxembourgeoise de Leasing BIL-LEASE, société anonyme	42, rue de la Vallée L-2661 Luxembourg	100
Valon S.A.	42, rue de la Vallée L-2661 Luxembourg	100

Note 3: Business and geographic reporting

Please refer to Note 3 of the consolidated financial statements.

INCOME (in EUR thousands)	31/12/18		
	Income	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	472,798	*290,479*	137,899
Financial Markets	34,585	*16,166*	17,316
Group Center	(19,140)	*(1,134)*	(39,672)
TOTAL	**488,242**	***305,511***	**115,543**
Net income before tax			115,543
Tax expenses			(28,953)
NET INCOME			**86,590**

	31/12/19		
	Income	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	488,362	*297,809*	154,400
Financial Markets	40,885	*23,159*	21,630
Group Center	37,216	*(12,010)*	24,801
TOTAL	**566,463**	***308,958***	**200,831**
Net income before tax			200,831
Tax expenses			(28,337)
NET INCOME			**172,494**

2018 figures have been restated to reflect the new organisation applicable since January 1, 2019.

ASSETS AND LIABILITIES
(in EUR thousands)

	31/12/18		31/12/19	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	13,270,408	18,160,266	14,476,239	19,629,735
Financial Markets	11,119,864	4,756,932	12,018,114	4,941,544
Group Center	757,527	918,031	867,920	1,078,648
TOTAL	**25,147,799**	**23,835,229**	**27,362,272**	**25,649,927**

OTHER SEGMENT INFORMATION
(in EUR thousands)

	31/12/18				
	Capital expenditures[1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(29,978)	(149,587)	131,538	0
Financial Markets	69,947	(4,522)	(6)	130	0
Group Center		(7,316)	0	0	(14,315)
TOTAL	**69,947**	**(41,816)**	**(149,593)**	**131,668**	**(14,315)**

	31/12/19				
	Capital expenditures[1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(33,325)	(116,677)	101,804	0
Financial Markets	76,622	(4,465)	(85)	34	0
Group Center		(6,386)	(570)	0	(14,733)
TOTAL	**76,622**	**(44,176)**	**(117,332)**	**101,838**	**(14,733)**

Relations between product lines, in particular commercial product lines, financial markets and production and service centres are subject to retrocessions and/or analytical transfers, carried out according to market conditions. The results of each product line also include:

- earnings from commercial transformation, including the management costs of this transformation;
- cost of financing.

Tangible and intangible fixed assets are allocated to the "Group Center" segment, except when they are directly managed by a commercial or financial product line.

GEOGRAPHIC BREAKDOWN
(in EUR thousands)

	Denmark	Luxembourg	United Arab Emirates	TOTAL
Staff (in average FTE)	49	1,770	15	1,834
Income	10,667	474,037	3,539	488,243
Net income before tax	(1,394)	117,097	(160)	115,543
Tax expenses	267	(29,220)	0	(28,953)
NET INCOME AS AT 31/12/18	**(1,127)**	**87,877**	**(160)**	**86,590**

	Denmark	Luxembourg	United Arab Emirates	TOTAL
Staff (in average FTE)	48	1,773	12	1,833
Income	10,656	553,472	2,335	566,463
Net income before tax	(1,023)	203,756	(1,902)	200,831
Tax expenses	200	(28,537)	0	(28,337)
NET INCOME AS AT 31/12/19	**(823)**	**175,219**	**(1,902)**	**172,494**

The geographic zone is determined by the country of the company concluding the transaction and not by the country of the transaction's counterpart.

[1] Capital expenditures including the acquisitions for the year in terms of tangible and intangible assets for which the allocation by business line is not available.
[2] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.
[3] Include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

Note 4: Material items in the statement of income

For the period ending December 31, 2019, the material items in the statement of income are the following:

- Income reached EUR 566 million at the of December 2019 compared to EUR 488 million at the end of December 2018. Margin income and fee income increased significantly due to a solid performance of the commercial business lines in line with the commercial franchise evolution and financial markets results. Following the sale of Red Sky S.A. on December 18, 2019, the net income on financial instruments has been positively impacted by EUR 76.8 million;
- General expenses totalled EUR 350 million as at December 31, 2019 remaining stable compared with 2018. General and administrative expenses decreased by EUR 20 million following the effect of IFRS 16 on operating lease expenses on January 1, 2019 (EUR 5 million) and the cost containment measures applied in 2019 (EUR 15 million).

These measures mainly reduced consultancy, IT and other fees and enabled the Bank to compensate increased staff expenses (EUR 14 million) and depreciation & amortisation (EUR 2 million).

Note 5: Post-balance sheet events

Please refer to Note 5 of the Consolidated Financial Statement that includes the post-balance sheet events affecting BIL.

Note 6: Litigation

Following the bankruptcy of Bernard Madoff's investment vehicle, Bernard L. Madoff Investment Securities ("BLMIS"), the official receivers of BLMIS and the liquidators of certain feeder funds, ultimately invested in BLMIS instituted legal proceedings against numerous financial institutions and institutional investors that had purchased Madoff securities and investment products linked to B. Madoff.

In accordance with the "clawback principle", they are claiming the return of profits and redemptions obtained on these investments over a period of several years until the discovery of the fraudulent set-up put in place by BLMIS that culminated in its collapse. Some of these clawback actions were brought against Banque Internationale à Luxembourg S.A. and its subsidiary Banque Internationale à Luxembourg (Suisse) S.A., the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 72 million, most of which corresponds to investments made by Banque Internationale à Luxembourg S.A. on behalf of third parties.

With regard to the proceedings initiated by the liquidators of certain feeder funds, the Bankruptcy Court dismissed Common Law Claims and the Contract Claims but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The decision to dismiss the Common Law Claims and the Contract Claims is now on appeal to the District Court. The parties are in the process of briefing that appeal. In the meantime, the defendants will be filing a second motion to dismiss the BVI Insolvency Claims in the Bankruptcy Court.

With regard to the Madoff subsequent transferee action, this action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality, but the Second Circuit Court of Appeals reversed the decision on February 25, 2019. Defendants have filed a petition for certiorari (permission to appeal) to the US Supreme Court, which is currently pending.

At this time, Banque Internationale à Luxembourg S.A. is not able to express a reasonable opinion on the duration or outcome of actions or on any potential financial impact.

As at December 31, 2019, no material provision for clawback actions has been made. Some clients who invested in products linked to Mr Madoff have also brought legal proceedings against Banque Internationale à Luxembourg S.A.

Note 7: Notes on the assets of the balance sheet (in EUR)

7.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

ANALYSIS BY NATURE	31/12/18	31/12/19
Cash and balances with central banks[1]	2,922,005,037	2,933,092,347
Other demand deposits	163,911,922	110,835,627
Loans and advances to credit institutions	373,977,415	272,316,305
TOTAL	**3,459,894,374**	**3,316,244,279**

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should the interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates years, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

[1] This item includes the mandatory reserves deposited by credit institutions with Central Bank of Luxembourg or other central banks. The average minimum requirement for the period from December 18, 2019 to January 28, 2020 amounts to EUR 179,209,891.

7.2 Cash and balances with central banks

ANALYSIS BY NATURE	31/12/18	31/12/19
Cash in hand	41,171,240	61,511,972
Balances with central banks other than mandatory reserve deposits	2,328,579,621	1,925,813,152
Mandatory reserve deposits	549,506,894	943,795,751
Other demand deposits	163,911,922	110,835,627
TOTAL	**3,083,169,677**	**3,041,956,502**
of which included in cash and cash equivalents	*3,085,916,959*	*3,043,927,974*

7.3 Loans and advances to credit institutions

All loans and advances to credit institutions are held under the business model held-to-collect and are measured at amortised cost.

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Cash collateral	320,350,289	441,322,575
Loans and other advances	900,008,838	830,089,785
Less:		
Impairment stage 1	(25,711)	(19,865)
Impairment stage 2	(21,742)	(68,270)
Impairment stage 3	0	0
TOTAL	**1,220,311,674**	**1,271,324,225**
of which included in cash and cash equivalents	*373,977,415*	*272,316,305*

B. QUALITATIVE ANALYSIS
see Note 7.15

C. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE
see Note 12.1

7.4 Loans and advances to customers

All loans and advances to customers are held under the business model held-to-collect and are measured at amortised cost.

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	124,643,058	97,033,312
Other	12,819,249,590	14,075,247,725
Stage 3 impaired loans	590,785,818	569,049,991
Less:		
impairment stage 1	(21,222,410)	(33,645,691)
impairment stage 2	(16,815,602)	(12,108,185)
impairment stage 3	(226,232,180)	(219,338,456)
TOTAL	**13,270,408,274**	**14,476,238,696**

B. ANALYSIS BY NATURE	31/12/18	31/12/19
On demand and short notice	608,951,522	347,815,569
Other term loans	12,661,456,752	14,128,423,127
of which: loans collateralised by immovable property	*8,657,673,172*	*9,497,308,244*
of which: credit for consumption	*260,959,974*	*263,721,438*
TOTAL	**13,270,408,274**	**14,476,238,696**

C. QUALITATIVE ANALYSIS
see Note 7.15

D. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

E. ANALYSIS OF THE FAIR VALUE
see Note 12.1

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7.5 Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	23,096,213	17,227,623
Credit institutions	83,048,075	34,137,238
Other	20,745,531	12,172,759
TOTAL	126,889,819	63,537,620

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	23,096,213	17,227,623
Other bonds and fixed-income instruments	103,639,015	46,207,399
Equities and other variable income instruments	154,591	102,598
TOTAL	126,889,819	63,537,620

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.6 Financial investments measured at fair value

	31/12/18	31/12/19
Non-trading financial investments mandatorily at fair value through profit or loss	2,815,013	2,950,120
Financial investments at fair value through other comprehensive income	1,403,429,755	1,104,486,218
TOTAL	1,406,244,768	1,107,436,338

7.6.1 Non-trading financial investments mandatorily at fair value through profit or loss

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Other	2,815,013	2,950,120
TOTAL	2,815,013	2,950,120

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Equity and variable-income instruments	2,815,013	2,950,120
TOTAL	2,815,013	2,950,120

C. QUALITATIVE ANALYSIS

see Note 7.15

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

7.6.2 Financial investments at fair value through other comprehensive income

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	871,755,296	772,542,327
Credit institutions	402,839,553	239,863,777
Other	128,857,497	92,153,949
TOTAL BEFORE IMPAIRMENTS	1,403,452,346	1,104,560,053
Less :		
Impairments	(22,591)	(73,835)
TOTAL	1,403,429,755	1,104,486,218

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	871,755,296	772,542,327
Other bonds and fixed-income instruments	488,021,543	280,360,051
Equity and variable-income instruments	43,675,507	51,657,675
TOTAL BEFORE IMPAIRMENTS	1,403,452,346	1,104,560,053
Impairments	(22,591)	(73,835)
TOTAL	1,403,429,755	1,104,486,218

C. QUALITATIVE ANALYSIS

see Note 7.15

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

7.7 Financial investments measured at amortised cost

A. ANALYSIS BY COUNTERPART	31/12/18	31/12/19
Public sector	3,148,818,603	3,684,065,396
Credit institutions	1,017,929,015	1,638,623,537
Other	861,690,237	923,047,182
Impaired financial investments	19,917,195	21,759,703
Less :		
impairment stage 1	(1,075,402)	(1,144,815)
impairment stage 2	(502,789)	(638,938)
impairment stage 3	(7,235,140)	(12,566,385)
TOTAL	5,039,541,719	6,253,145,680

B. ANALYSIS BY NATURE	31/12/18	31/12/19
Bonds issued by public bodies	3,148,044,746	3,683,273,985
Other bonds and fixed-income instruments	1,891,496,973	2,569,871,695
TOTAL	5,039,541,719	6,253,145,680

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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7.8 Investments in subsidiaries and associates

	31/12/18	31/12/19
NET CARRYING VALUE	**171,685,462**	**242,396,603**
A. ANALYSIS BY COUNTERPART	**31/12/18**	**31/12/19**
Banks	96,282,175	173,670,993
Other	75,403,287	68,725,610
TOTAL	**171,685,462**	**242,396,603**
B. ANALYSIS BY NATURE	**31/12/18**	**31/12/19**
Unlisted equities and other variable-income instruments	171,685,462	242,396,603
TOTAL	**171,685,462**	**242,396,603**

7.9 Property, plant and equipment

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use	Own use owner	Right-of-use	
ACQUISITION COST AS AT 01/01/18	322,362,639		127,709,561		450,072,200
- Acquisitions	7,512,386		2,524,665		10,037,051
- Disposals	(1,403,858)		(9,961,595)		(11,365,453)
- Transfers and cancellations	0		(211,157)		(211,157)
- Translation adjustments	13,544		3,766		17,310
ACQUISITION COST AS AT 31/12/18 (A)	328,484,711		120,065,240		448,549,951
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/18	(226,359,525)		(113,315,838)		(339,675,363)
- Booked	(7,053,406)		(7,541,905)		(14,595,311)
- Write-off	0		9,961,595		9,961,595
- Transfers and cancellations	1,008,816		210,056		1,218,872
- Translation adjustments	(13,062)		(1,813)		(14,875)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/18 (B)	(232,417,177)		(110,687,905)		(343,105,082)
NET CARRYING VALUE AS AT 31/12/18 (A) + (B)	96,067,534		9,377,335		105,444,869

	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Right-of-use[1]	Own use owner	Right-of-use[1]	
ACQUISITION COST AS AT 01/01/19	328,484,711	25,506,049	120,065,240	0	474,056,000
- Acquisitions	5,460,145	1,424,991	2,281,184	0	9,166,320
- Disposals	0	0	(66,301)	0	(66,301)
- Transfers and cancellations	(41,097)	1,234,800	(5,550)	0	1,188,153
- Translation adjustments	5,692	10,385	2,089	0	18,166
ACQUISITION COST AS AT 31/12/19 (A)	333,909,451	28,176,225	122,276,662	0	484,362,338
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/19	(232,417,177)	0	(110,687,905)	0	(343,105,082)
- Booked	(8,075,461)	(5,878,050)	(1,793,755)	0	(15,747,266)
- Recognised	0	706,007	0	0	706,007
- Write-off	0	0	61,353	0	61,353
- Transfers and cancellations	(192,247)	(1,234,800)	5,550	0	(1,421,497)
- Translation adjustments	(5,395)	891	(1,206)	0	(5,710)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/19 (B)	(240,690,280)	(6,405,952)	(112,415,963)	0	(359,512,195)
NET CARRYING VALUE AS AT 31/12/19 (A) + (B)	93,219,171	21,770,273	9,860,699	0	124,850,143

[1] Right-of-use balances as of January 1, 2019 corresponds to the effect of first application of IFRS 16 as of January 1, 2019. Refer to Note 1 for details of IFRS 16 first adoption.

7.10 Investment property

	2018	2019
ACQUISITION COST AS AT JANUARY 1	88,828	88,828
- Transfers and cancellations	0	0
ACQUISITION COST AS AT DECEMBER 31 (A)	88,828	88,828
FAIR VALUE ADJUSTMENTS AS AT JANUARY 1	671,172	711,172
- Reevaluation Investment Property	40,000	0
FAIR VALUE ADJUSTMENTS AS AT DECEMBER 31 (B)	711,172	711,172
NET CARRYING VALUE AS AT 31/12 (A) + (B)	800,000	800,000

7.11 Intangible fixed assets

	Software / internally developped	Other intangible fixed assets[1]	Total
ACQUISITION COST AS AT 01/01/18	177,720,204	71,843,815	249,564,019
Acquisitions	32,892,674	27,017,074	59,909,748
Transfers and cancellations	0	(1,561,853)	(1,561,853)
Translation adjustments	0	(1,826)	(1,826)
ACQUISITION COST AS AT 31/12/18 (A)	210,612,878	97,297,210	307,910,088
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/18	(122,671,643)	(20,296,645)	(142,968,288)
Booked	(17,828,576)	(9,391,735)	(27,220,311)
Transfers and cancellations	0	1,561,853	1,561,853
Translation adjustments	0	1,484	1,484
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/18 (B)	(140,500,219)	(28,125,043)	(168,625,262)
NET CARRYING VALUE AS AT 31/12/18 (A) + (B)	70,112,659	69,172,167	139,284,826

	Software / internally developped	Other intangible fixed assets[1]	Total
ACQUISITION COST AS AT 01/01/19	210,612,878	97,297,210	307,910,088
Acquisitions	58,522,389	8,933,356	67,455,745
Transfers and cancellations	0	0	0
Translation adjustments	0	(139)	(139)
ACQUISITION COST AS AT 31/12/19 (A)	269,135,267	106,230,427	375,365,694
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/19	(140,500,219)	(28,125,043)	(168,625,262)
Booked	(16,816,412)	(12,888,550)	(29,704,962)
Transfers and cancellations	0	0	0
Translation adjustments	0	120	120
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/19 (B)	(157,316,631)	(41,013,473)	(198,330,104)
NET CARRYING VALUE AS AT 31/12/19 (A) + (B)	111,818,636	65,216,954	177,035,590

[1] Other intangible fixed assets include, inter alia, softwares purchased.

7.12 Tax assets

	31/12/18	31/12/19
Current tax assets	29,054	2,006
Deferred tax assets (see Note 9.2)	222,694,920	197,260,572
TOTAL	**222,723,974**	**197,262,578**

7.13 Other assets

	31/12/18	31/12/19
Other assets*	56,578,856	71,040,869
TOTAL	**56,578,856**	**71,040,869**

* ANALYSIS BY NATURE	31/12/18	31/12/19
Receivables	4,175,200	4,369,076
Prepaid fees	414,463	1,350,542
Other receivables[1]	32,520,110	41,785,598
Pension plan assets	4,376,001	4,781,001
Precious metals	0	353
Operating taxes	7,313,404	2,921,224
Other assets[1]	7,779,678	15,833,075
TOTAL	**56,578,856**	**71,040,869**

[1] Mainly composed of transactions linked to current business awaiting settlement.

7.14 Leasing

1. BIL as lessor

The Bank did not act as lessor for financial or operational leases as at December 31, 2019 and as at December 31, 2018.

2. BIL as lessee

A. FINANCE LEASE

The Bank is not involved in any financial lease as at December 31, 2019 and as at December 31, 2018.

B. OPERATING LEASE

	IAS 17	IFRS 16
Future net minimum lease payments under non-cancellable operating lease	**31/12/18**	**31/12/19**
Less than 1 year	5,308,068	328,700
More than 1 year and less than 5 years	17,136,164	0
More than 5 years	6,680,995	223,559
TOTAL	**29,125,227**	**552,259**

Lease and sublease payments recognised as an expense during the financial year:	5,201,804	376,282
TOTAL	**5,201,804**	**376,282**

Under IFRS 16, applied as from January 1, 2019, there is no distinction anymore between operational and finance leases for lessees.

As at December 31, 2019 the Bank uses practical expedients of IFRS 16 for leases of low-value assets and short-term leases that are accounted for as expenses.

For the year 2019 :
- the leases expenses related to low-value assets amounts to EUR - 171,293;
- the lease expenses related to short-term leases amounts to EUR - 31,268;
- the expenses relating to variable lease payments not included in the measurement of lease liabilities amounts to EUR 0.

The commitment for short-term leases and the commitment for leases not yet commenced respectively amounts to EUR 0 and EUR 0 as at December 31, 2019.

The income from subleasing right-of-use assets amounts to EUR 0 for the year 2019.

7.15 Quality of financial assets

7.15.1 Loans and securities by stages

	31/12/18			
	Net carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to credit institutions	1,210,834,204	9,477,470	0	1,220,311,674
Loans and advances to customers	10,665,821,477	2,240,033,159	364,553,638	13,270,408,274
Debt securities	6,103,823,065	282,790,847	12,682,055	6,399,295,967
Debt securities measured at amortised cost	*4,929,948,551*	*96,911,113*	*12,682,055*	*5,039,541,719*
Debt securities measured at fair value through other comprehensive income	*1,173,874,514*	*185,879,734*	*0*	*1,359,754,248*
TOTAL	**17,980,478,746**	**2,532,301,476**	**377,235,693**	**20,890,015,915**

	31/12/19			
	Net carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to credit institutions	1,269,674,875	1,649,350	0	1,271,324,225
Loans and advances to customers	11,774,404,044	2,352,123,117	349,711,535	14,476,238,696
Debt securities	7,055,239,618	241,541,287	9,193,318	7,305,974,223
Debt securities measured at amortised cost	*6,056,653,498*	*187,298,864*	*9,193,318*	*6,253,145,680*
Debt securities measured at fair value through other comprehensive income	*998,586,120*	*54,242,423*	*0*	*1,052,828,543*
TOTAL	**20,099,318,537**	**2,595,313,754**	**358,904,853**	**23,053,537,144**

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7.15.2 Analysis of normal and impaired loans and securities by stages

	31/12/18						
	Gross carrying amount			Accumulated impairments			Net carrying amount
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans and advances to credit institutions	1,210,859,915	9,499,212	0	(25,711)	(21,742)	0	1,220,311,674
Loans and advances to customers	10,687,043,887	2,256,848,761	590,785,818	(21,222,410)	(16,815,602)	(226,232,180)	13,270,408,274
Debt securities	6,104,921,044	283,293,650	19,917,195	(1,097,979)	(502,803)	(7,235,140)	6,399,295,967
Debt securities measured at amortised cost	*4,931,023,953*	*97,413,902*	*19,917,195*	*(1,075,402)*	*(502,789)*	*(7,235,140)*	*5,039,541,719*
Debt securities measured at fair value through other comprehensive income	*1,173,897,091*	*185,879,748*	*0*	*(22,577)*	*(14)*	*0*	*1,359,754,248*
TOTAL	**18,002,824,846**	**2,549,641,623**	**610,703,013**	**(22,346,100)**	**(17,340,147)**	**(233,467,320)**	**20,890,015,915**

	31/12/19						
	Gross carrying amount			Accumulated impairments			Net carrying amount
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans and advances to credit institutions	1,269,694,740	1,717,620	0	(19,865)	(68,270)	0	1,271,324,225
Loans and advances to customers	11,808,049,735	2,364,231,302	569,049,991	(33,645,691)	(12,108,185)	(219,338,456)	14,476,238,696
Debt securities	7,056,390,788	242,247,705	21,759,703	(1,151,170)	(706,418)	(12,566,385)	7,305,974,223
Debt securities measured at amortised cost	*6,057,798,313*	*187,937,802*	*21,759,703*	*(1,144,815)*	*(638,938)*	*(12,566,385)*	*6,253,145,680*
Debt securities measured at fair value through other comprehensive income	*998,592,475*	*54,309,903*	*0*	*(6,355)*	*(67,480)*	*0*	*1,052,828,543*
TOTAL	**20,134,135,263**	**2,608,196,627**	**590,809,694**	**(34,816,726)**	**(12,882,873)**	**(231,904,841)**	**23,053,537,144**

7.15.3 Movements of loans and securities by stages (gross carrying amount)

	31/12/18			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**5,691,347,111**	**273,834,240**	**18,077,923**	**5,983,259,274**
To Stage 2 from Stage 1	(68,824,999)	68,824,999		0
To Stage 1 from Stage 2	0	0		0
To Stage 3 from Stage 2		0	0	0
To Stage 2 from Stage 3		0	0	0
To Stage 3 from Stage 1	0		0	0
To Stage 1 from Stage 3	0		0	0
Origination	0	0	0	0
Purchase	1,658,361,925	0	623,402	1,658,985,327
Derecognition during the period other than write-offs	(1,190,690,727)	(52,166,183)	0	(1,242,856,910)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	1,673,145	(888,587)	772,916	1,557,474
Changes in premium / discount	(14,831,436)	(1,113,211)	0	(15,944,647)
Changes in fair value	4,481,479	(5,407,787)	0	(926,308)
Write-offs	0	0	0	0
Conversion difference (FX change)	23,404,546	210,179	442,954	24,057,679
Other movements	0	0	0	0
DEBT SECURITIES AS AT DECEMBER 31	**6,104,921,044**	**283,293,650**	**19,917,195**	**6,408,131,889**

	31/12/18			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**10,695,048,937**	**2,756,998,148**	**660,411,159**	**14,112,458,244**
To Stage 2 from Stage 1	(645,229,872)	645,229,872		0
To Stage 1 from Stage 2	862,640,358	(862,640,358)		0
To Stage 3 from Stage 2		(81,907,240)	81,907,240	0
To Stage 2 from Stage 3		76,850,721	(76,850,721)	0
To Stage 3 from Stage 1	(58,487,303)		58,487,303	0
To Stage 1 from Stage 3	26,193,932		(26,193,932)	0
Origination	4,192,404,644	420,735,731	42,082,372	4,655,222,747
Purchase	0	0	0	0
Derecognition during the period other than write-offs	(3,186,564,402)	(690,874,490)	(109,670,427)	(3,987,109,319)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	1,909,597	498,263	0	2,407,860
Changes in premium / discount	96,292	0	0	96,292
Changes in fair value	96,513	0	0	96,513
Write-offs	0	0	(39,364,677)	(39,364,677)
Conversion difference (FX change)	9,795,106	1,457,326	(22,499)	11,229,933
Other movements	0	0	0	0
LOANS AND ADVANCES AS AT DECEMBER 31	**11,897,903,802**	**2,266,347,973**	**590,785,818**	**14,755,037,593**

	31/12/19			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**6,104,921,044**	**283,293,650**	**19,917,195**	**6,408,131,889**
To Stage 2 from Stage 1	(120,592,378)	120,592,378		0
To Stage 1 from Stage 2	232,516,210	(232,516,210)		0
To Stage 3 from Stage 2		0	0	0
To Stage 2 from Stage 3		0	0	0
To Stage 3 from Stage 1	0		0	0
To Stage 1 from Stage 3	0		0	0
Origination	0	0	0	0
Purchase	1,885,413,754	91,190,236	0	1,976,603,990
Derecognition during the period other than write-offs	(1,118,886,391)	(19,519,230)	0	(1,138,405,621)
Modification of contractual cash flows	0	0	2,415,010	2,415,010
Changes in interest accrual	1,608,214	(95,277)	(772,916)	740,021
Changes in premium / discount	(19,442,243)	2,169,787	0	(17,272,456)
Changes in fair value	79,463,296	(3,155,522)	0	76,307,774
Write-offs	0	0	0	0
Conversion difference (FX change)	11,389,282	287,893	200,414	11,877,589
Other movements	0	0	0	0
DEBT SECURITIES AS AT DECEMBER 31	**7,056,390,788**	**242,247,705**	**21,759,703**	**7,320,398,196**

	31/12/19			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**11,897,903,802**	**2,266,347,973**	**590,785,818**	**14,755,037,593**
To Stage 2 from Stage 1	(717,722,386)	717,722,386		0
To Stage 1 from Stage 2	518,487,534	(518,487,534)		0
To Stage 3 from Stage 2		(44,133,524)	44,133,524	0
To Stage 2 from Stage 3		5,732,563	(5,732,563)	0
To Stage 3 from Stage 1	(45,991,505)		45,991,505	0
To Stage 1 from Stage 3	18,185,273		(18,185,273)	0
Origination	4,219,576,888	484,548,633	52,610,929	4,756,736,450
Purchase	0	0	0	0
Derecognition during the period other than write-offs	(2,850,268,377)	(552,666,805)	(133,753,172)	(3,536,688,354)
Modification of contractual cash flows	0	0	6,113,648	6,113,648
Changes in interest accrual	(661,325)	(1,304,616)	0	(1,965,941)
Changes in premium / discount	109,746	0	0	109,746
Changes in fair value	4,295,040	0	0	4,295,040
Write-offs	0	0	(14,885,313)	(14,885,313)
Conversion difference (FX change)	33,829,785	8,189,846	1,970,888	43,990,519
Other movements	0	0	0	0
LOANS AND ADVANCES AS AT DECEMBER 31	**13,077,744,475**	**2,365,948,922**	**569,049,991**	**16,012,743,388**

7.16 Non current assets held for sale

Following the decision made in December 2018 of the relevant decision-making bodies to sell Red Sky S.A., this entity was presented as "Non-current assets and disposal group held-for-sale" as at December 31, 2018. As at December 31, 2018, the non-current assets held for sale amount to EUR 14,541,000 and correspond to the carrying value of the participation of the Bank in Red Sky S.A. The sale of Red Sky S.A. took place on December 18, 2019.

Note 8: Notes on the liabilities of the balance sheet (in EUR)

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/18	31/12/19
On demand	491,412,997	444,676,767
Term	408,690,680	554,565,906
Cash collateral	57,506,598	65,225,159
Repurchase agreements	551,261,603	612,991,019
Central banks[1]	695,281,496	708,718,466
Other borrowings[2]	991,389,096	802,503,838
TOTAL	**3,195,542,470**	**3,188,681,155**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Demand deposits	9,875,204,818	10,289,445,493
Saving deposits	3,476,103,464	3,479,119,883
Term deposits	3,436,631,446	4,419,173,796
Cash collateral	8,663,048	52,466,348
TOTAL	**16,796,602,776**	**18,240,205,520**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

8.3 Other financial liabilities

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Other financial liabilities	0	23,406,317
of which lease liabilities		*23,406,317*
TOTAL	**0**	**23,406,317**

B. ANALYSIS BY MATURITY AND INTEREST RATE
see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE
see Note 12.1

[1] The Management Board decided to participate to the last tranche of the TLTRO III (Targeted Longer-Term Refinancing Operations) for EUR 300 million in December 2019. As at December 31, 2019, TLTRO transactions amount to EUR 700 million.
[2] Other borrowings represent day-to-day cash management operations.

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8.4 Financial liabilities measured at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss (fair value option)

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Non-subordinated liabilities	832,445,114	923,354,039
TOTAL	**832,445,114**	**923,354,039**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

BIL group primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

8.5 Debt securities

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Certificates of deposit	19,480,219	20,828,172
Non-convertible bonds	1,914,505,526	2,246,590,612
TOTAL	**1,933,985,745**	**2,267,418,784**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

8.6 Subordinated debts

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Non-convertible subordinated debts[1]	135,720,308	138,035,616
Contingent convertible bond (compound instrument)[2]	149,625,580	31,044,196
TOTAL	**285,345,888**	**169,079,812**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

[1] List available upon request.

[2] On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital. On November 14, 2019, the Bank partially bought back and cancelled the contingent convertible bond for an amount of EUR 118.9 million.

8.7 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/18	31/12/19
Litigation[1]	2,499,384	2,391,660
Restructuring (including garden leave)	6,584,288	5,954,134
Defined benefit plans	5,377,998	275,998
Other long-term employee benefits (including jubilee and time saving account)	15,821,246	16,245,969
Provision for off-balance sheet credit commitments	6,103,610	9,161,958
Other provisions	1,480,314	0
TOTAL	37,866,840	34,029,719

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/18	16,889,020	7,882,348	16,092,419	6,421,831	0
Exchange differences	(1,153)	0	0	19,936	0
Additional provisions	1,199,403	4,892,272	3,025,775	0	1,480,314
Changes due to change in credit risk	0	0	0	(3,656,330)	0
Increases due to origination or acquisition	0	0	0	6,385,658	0
Decreases due to derecognition	0	0	0	(3,067,485)	0
Revaluation through reserves[2]	0	0	11,046,072	0	0
Unused amounts reversed	(527,210)	0	(7,542,100)	0	0
Used during the year	(15,060,676)	(6,190,332)	(1,422,922)	0	0
AS AT 31/12/18	2,499,384	6,584,288	21,199,244	6,103,610	1,480,314
AS AT 01/01/19	2,499,384	6,584,288	21,199,244	6,103,610	1,480,314
Exchange differences	0	(1,151)	0	3,021	0
Additional provisions	728,984	4,906,586	2,144,650	0	0
Changes due to change in credit risk	0	0	0	(1,160,136)	0
Changes due to modifications without derecognition	0	0	0	981	0
Increases due to origination or acquisition	0	0	0	7,893,265	0
Decreases due to derecognition	0	0	0	(3,687,094)	0
Revaluation through reserves[2]	0	0	(3,160,834)	0	0
Unused amounts reversed	(134,185)	0	(2,235,503)	0	0
Used during the year	(702,523)	(5,535,589)	(1,425,590)	(435,192)	(245,514)
Transfers	0	0	0	443,503	0
Other movements	0	0	0	0	(1,234,800)
AS AT 31/12/19	2,391,660	5,954,134	16,521,967	9,161,958	0

C. ANALYSIS BY MATURITY

see Note 12.6

[1] Provisions for legal litigation, including those for staff and tax-related litigation.
[2] See Note 1.24 of the consolidated financial statements.

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D. PROVISIONS FOR PENSIONS

Employees hired on or after November 1, 2007 partake in a defined-contribution pension plan, while employees hired prior to November 1, 2007 partake either in a defined-contribution or a defined-benefit pension plan. All these commitments are shown in the table below.

a. Reconciliation of benefit obligations	31/12/18	31/12/19
Defined benefit obligations at the beginning of the year	219,519,345	208,772,000
Current service cost	8,216,238	7,707,538
Interest cost	2,056,743	1,972,824
Past service cost and gains and losses arising from settlements	327,000	70,000
Actuarial gains / (losses)	846,452	9,660,826
Stemming from changes in demographic assumptions	*1,134,000*	*0*
Stemming from changes in financial assumptions	*0*	*2,791,000*
Stemming from experience adjustments	*(287,548)*	*6,869,826*
Benefits paid	(20,657,000)	(13,985,000)
Other	(1,536,777)	(1,574,188)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**208,772,000**	**212,624,000**

b. Reconciliation of fair value of pension plan assets	31/12/18	31/12/19
Fair value of pension plan assets at the beginning of the year	228,062,000	207,770,000
Actual return on pension plan assets	(8,003,000)	14,834,000
Expected return on pension plan assets	*2,196,620*	*2,012,340*
Actuarial gains / (losses)	*(10,199,620)*	*12,821,660*
Employer contributions	9,904,777	10,084,188
Benefits paid	(20,657,000)	(13,985,000)
Other	(1,536,777)	(1,574,188)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**207,770,000**	**217,129,000**

c. Reconciliation of the effect of the asset ceiling	31/12/18	31/12/19
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

NET LIABILITY	**(1,002,000)**	**4,505,000**

d. Funded status	31/12/18	31/12/19
Pension plan assets in excess of benefit obligation	(4,376,001)	(4,781,000)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/18	31/12/19
Net liability at the beginning of the year	8,542,655	(1,002,000)
Net periodic pension cost recognised in the income statement	(8,403,360)	(7,738,022)
Remeasurements recognised in OCI	(11,046,072)	3,160,834
Employer contributions	9,904,777	10,084,188
NET LIABILITY AT THE END OF THE YEAR	(1,002,000)	4,505,000

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/18	31/12/19
Recognised reserve at the beginning of the year	2,440,279	(8,605,793)
Remeasurements recognised in OCI	(11,046,072)	3,160,834
RECOGNISED RESERVE AT THE END OF THE YEAR	(8,605,793)	(5,444,959)

g. Amounts recognised in the income statement	31/12/18	31/12/19
Current service cost	8,216,238	7,707,538
Net interest on the defined benefit liability/asset	(139,877)	(39,516)
Past service cost	327,000	70,000
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	8,403,360	7,738,022

h. Amounts recognised in other comprehensive income	31/12/18	31/12/19
Actuarial gains/losses on the defined benefit obligation	846,452	9,660,826
Actual return on plan assets (excluding amounts included in interest income)	10,199,620	(12,821,660)
TOTAL OTHER COMPREHENSIVE INCOME	11,046,072	(3,160,834)

Actual return on pension plan assets (%)	31/12/18	31/12/19
	(3.67%)	6.98%

Breakdown of pension plan assets	31/12/18	31/12/19
Fixed-income		
Quoted market price on an active market	75.82%	69.29%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	18.38%	12.70%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	2.60%	2.59%
Unquoted	0.00%	0.00%
Cash	1.42%	2.29%
Real estate	0.00%	0.00%
Other	1.78%	13.13%
TOTAL	100.00%	100.00%

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR - 1 %	7.12%
	Scenario DR + 1 %	(6.22%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR - 1 %	(1.88%)
	Scenario SR + 1 %	4.21%

The Duration of the pension plans DBO as of December 31, 2019 is 6.86 (6.99 in 2018).

Expected contributions for next year	5,637,360

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures

In Luxembourg, a new pension plan was set up in 2017, for people hired as from June 1, 2017.
This new plan is not reported under the current note as it is a defined contribution plan (step rate contribution).
Other pension plans are thus closed plans with membership depending on the hiring date.
These closed plans are two hybrid defined benefit (DB) / defined contribution (DC) pension plans and one DC with guaranteed return pension plan.
For retirees, the pension plan is a DB plan (closed) for which no specific event occurred in Luxembourg during the year 2017.
For all closed plans, the risk exposure is actually an exposure to financial risk, and for part of the plans, to longevity and inflation risks.

B. Methods and assumptions used in preparing the sensitivity analysis

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

	31/12/18	31/12/19
Discount rate	1.00%	0.25%
Salary increase	0.50% - 5.50%	0.50% - 5.50%
Inflation	1.80%	1.50%

C. Description of ALM strategies

In Luxembourg, pension fund investment strategy is based on ALM objectives, trying to align as far as possible assets maturities with liabilites profile and is also based on return objectives, with limited risks exposures.
Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).

D. Description of funding arrangements

In Luxembourg, closed pension plans are funded through pension fund arrangements.

In the pension plans for "active people" hired before June 1, 2017, employer contributions are calculated according to an Aggregate Cost method.

In the pension plans for "retirees", pensions are fully funded.

For these plans, minimum funding applies according to the legislation in force, and the employer is due to make additional contributions in case assets do not meet the funding requirements.

Asset ceiling under IAS 19 does not apply.

For employees hired since June 1, 2017, the new plan is funded through an external insurance company. It is reported under defined contributions expenses.

8.8 Tax liabilities

ANALYSIS BY NATURE	31/12/18	31/12/19
Current tax liabilities	52,536	0
TOTAL	**52,536**	**0**

8.9 Other liabilities

	31/12/18	31/12/19
Other liabilities*	226,285,910	190,525,141
TOTAL	**226,285,910**	**190,525,141**

*ANALYSIS BY NATURE	31/12/18	31/12/19
Accrued costs	2,473,667	1,830,067
Deferred income	14,267,501	15,386,540
Other payables[1]	138,601,153	103,556,504
Other granted amounts received	736,764	691,341
Salaries and social security costs (payable)	31,330,839	32,273,929
Other operating taxes	36,568,086	30,003,720
Other liabilities	2,307,900	6,783,040
TOTAL	**226,285,910**	**190,525,141**

[1] The heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

Note 9: Other notes on the balance sheet (in EUR)

9.1 Derivatives and hedging activities

Derivative instruments are split in two categories:
- Derivatives held for trading;
- Derivatives designated in a hedge relationship.

The Bank applies hedge accounting in four separate strategies where derivative and non-derivative instruments are used as hedging elements. Refer to Note 9.1 of the consolidated financial statements for a description of hedging strategies.

A. ANALYSIS BY NATURE	31/12/18		31/12/19	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	242,818,449	297,116,717	289,396,220	289,314,237
Derivatives designated as fair value hedge	16,756,604	194,799,362	27,875,511	304,150,167
Derivatives designated as cash flow hedge	2,462,515	8,779,884	2,130,975	5,641,701
Derivatives designated as portfolios hedged against interest rate	26,666,274	1,579,652	15,541,241	431,973
TOTAL	288,703,842	502,275,615	334,943,947	599,538,078

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**17,349,965,135**	**17,345,847,448**	**220,947,987**	**222,715,252**
FX forward	17,089,033,923	17,081,084,182	219,035,945	216,000,967
Cross currency swaps	44,378,652	46,029,479	1,234,492	6,291,749
FX options	216,552,560	218,733,787	677,550	422,536
Interest rate derivatives	**764,509,678**	**770,125,590**	**10,072,276**	**10,587,186**
Option/Cap/Floor/Collar/Swaption	138,008,917	131,350,703	3,013,838	3,018,006
IRS	609,630,132	610,330,132	7,058,438	7,569,180
Interest futures	16,870,629	28,444,755	0	0
Equity derivatives	**504,978,579**	**532,861,257**	**11,798,186**	**63,814,279**
Equity futures	7,086,137	532,625	0	0
Equity options	304,629,337	39,376,078	6,594,962	22,498,356
Other equity derivatives	193,263,105	263,994,154	5,203,224	41,315,923
TOTAL	18,619,453,392	18,648,834,295	242,818,449	297,116,717

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**19,582,061,261**	**19,587,732,442**	**263,842,206**	**273,788,503**
FX forward	19,381,081,402	19,385,236,437	260,589,938	269,205,613
Cross currency swaps	58,953,788	59,890,974	1,995,682	4,046,282
FX options	142,026,071	142,605,031	1,256,586	536,608
Interest rate derivatives	**861,085,308**	**859,558,270**	**13,770,501**	**9,898,318**
Option/Cap/Floor/Collar/Swaption	137,598,738	137,598,737	2,132,530	2,132,529
IRS	710,786,570	712,186,570	11,637,971	7,765,789
Interest futures	12,700,000	9,772,963	0	0
Equity derivatives	**475,497,061**	**457,090,688**	**11,783,513**	**5,627,416**
Equity futures	7,029,116	0	0	0
Equity options	279,407,595	217,696,255	2,271,991	0
Other equity derivatives	189,060,350	239,394,433	9,511,522	5,627,416
TOTAL	20,918,643,630	20,904,381,400	289,396,220	289,314,237

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**3,289,092,379**	**3,289,092,379**	**16,756,604**	**194,799,362**
IRS	3,289,092,379	3,289,092,379	16,756,604	194,799,362
TOTAL	**3,289,092,379**	**3,289,092,379**	**16,756,604**	**194,799,362**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**4,473,784,877**	**4,473,784,877**	**27,875,511**	**304,150,167**
IRS	4,473,784,877	4,473,784,877	27,875,511	304,150,167
TOTAL	**4,473,784,877**	**4,473,784,877**	**27,875,511**	**304,150,167**

D1. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**87,412,587**	**89,581,654**	**888,039**	**4,844,334**
Cross currency swap	87,412,587	89,581,654	888,039	4,844,334
Interest rate derivatives	**55,148,483**	**55,148,483**	**1,574,476**	**3,935,550**
IRS	55,148,483	55,148,483	1,574,476	3,935,550
TOTAL	**142,561,070**	**144,730,137**	**2,462,515**	**8,779,884**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**89,098,766**	**89,581,654**	**905,169**	**2,564,875**
Cross currency swap	89,098,766	89,581,654	905,169	2,564,875
Interest rate derivatives	**47,689,002**	**47,689,002**	**1,225,806**	**3,076,826**
IRS	47,689,002	47,689,002	1,225,806	3,076,826
TOTAL	**136,787,768**	**137,270,656**	**2,130,975**	**5,641,701**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.

Interests generated by derivatives designated as cash flow hedge amounted to EUR 1.2 million in 2019 (EUR 3.5 million in 2018) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

D2. BREAKDOWN OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE BY RESIDUAL MATURITY	31/12/18				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	0	0	2,462,515	0	**2,462,515**
Liabilities	0	358,244	8,421,640	0	**8,779,884**

	31/12/19				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	0	0	2,130,975	0	**2,130,975**
Liabilities	0	1,858,497	3,783,204	0	**5,641,701**

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E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE	31/12/18			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,976,010	4,690,432	274,586	249
Interest rate derivatives	382,633,574	382,633,574	26,391,688	1,579,403
TOTAL	**386,609,584**	**387,324,006**	**26,666,274**	**1,579,652**

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	4,104,427	4,690,432	199,737	109
Interest rate derivatives	325,700,000	325,700,000	15,341,504	431,864
TOTAL	**329,804,427**	**330,390,432**	**15,541,241**	**431,973**

F. MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO FAIR VALUE HEDGE (FVH) RELATIONSHIPS	31/12/18			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	0	48,706,294	132,857,442	181,563,736
Micro FVH for fixed rate fair value through other comprehensive income debt instruments (notional amount)	8,741,259	618,773,846	412,000,000	1,039,515,105
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	25,000,000	607,623,280	1,435,390,258	2,068,013,538
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	0	0
TOTAL	**33,741,259**	**1,275,103,420**	**1,980,247,700**	**3,289,092,379**

	31/12/19			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	5,000,000	44,549,383	136,516,883	186,066,266
Micro FVH for fixed rate fair value through other comprehensive income debt instruments	0	648,530,596	195,000,000	843,530,596
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	34,000,000	1,317,766,842	2,087,421,173	3,439,188,015
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	5,000,000	5,000,000
TOTAL	**39,000,000**	**2,010,846,821**	**2,423,938,056**	**4,473,784,877**

G. MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO CASH FLOW HEDGE RELATIONSHIPS	31/12/18			
	Less than 1 year	Between 1 year and 5 yearss	More than 5 years	Total
1. Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*0*	*89,581,654*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate	*0*	*0*	*5.01%*	
2. Non-derivatives instruments				
Non-derivatives instruments	0	0	9,901,869	9,901,869
TOTAL	**0**	**0**	**99,483,523**	**99,483,523**

	31/12/19			
	Less than 1 year	Between 1 year and 5 yearss	More than 5 years	Total
1. Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*0*	*89,581,654*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate	*0*	*0*	*5.01%*	
2. Non-derivatives instruments				
Non-derivatives instruments	0	0	10,268,453	10,268,453
TOTAL	**0**	**0**	**99,850,107**	**99,850,107**

H. HEDGED ITEMS IN A FAIR VALUE HEDGE RELATIONSHIPS	31/12/18	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	*180,980,807*	*(1,256,532)*
Debt securities measured at fair value through other comprehensive income	*1,150,638,643*	*8,255,839*
Debt securities measured at amortised cost	*2,163,077,685*	*24,769,310*
TOTAL ASSETS	**3,494,697,135**	**31,768,617**
Debt instruments issued	0	0
TOTAL LIABILITIES	**0**	**0**

	31/12/19	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on the hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	*189,758,180*	*3,038,508*
Debt securities measured at fair value through other comprehensive income	*933,240,129*	*22,060,168*
Debt securities measured at amortised cost	*3,644,341,335*	*90,536,931*
TOTAL ASSETS	**4,767,339,644**	**115,635,607**
Debt instruments issued	5,024,974	(29,983)
TOTAL LIABILITIES	**5,024,974**	**(29,983)**

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I. HEDGE EFFECTIVENESS FOR FAIR VALUE HEDGE RELATIONSHIPS

	31/12/18		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	35,164,332	(35,092,058)	72,274
Portfolio fair value hedge	8,655,760	(8,711,071)	(55,311)
TOTAL	**43,820,092**	**(43,803,129)**	**16,963**

	31/12/19		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	83,665,337	(83,711,784)	(46,447)
Portfolio fair value hedge	9,986,728	(10,006,371)	(19,643)
TOTAL	**93,652,065**	**(93,718,155)**	**(66,090)**

J. HEDGE EFFECTIVENESS FOR CASH FLOW HEDGE RELATIONSHIPS

	31/12/18					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	55,148,483	1,574,476	3,935,550	(1,079,320)	(1,301,320)	222,000
Micro cash flow hedge	89,581,654	888,039	4,844,334	(1,669,220)	(1,669,220)	0
2. Non-derivatives instruments						
Micro cash flow hedge	0	9,901,869	0	1,418,412	203,346	1,215,066
TOTAL	**144,730,137**	**12,364,384**	**8,779,884**	**(1,330,128)**	**(2,767,194)**	**1,437,066**

	31/12/19					
	Notional amount	Carrying value		Change in fair value of hedging instruments in the year used for ineffectiveness measurement		
		Assets	Liabilities	Total	Effective portion	Hedge ineffectiveness
1. Derivatives instruments						
Macro cash flow hedge	47,689,002	1,225,806	3,076,827	509,271	509,271	0
Micro cash flow hedge	89,581,654	905,169	2,564,874	2,279,460	2,279,460	0
2. Non-derivatives instruments						
Micro cash flow hedge	0	10,268,453	0	223,842	223,842	0
TOTAL	**137,270,656**	**12,399,428**	**5,641,701**	**3,012,573**	**3,012,573**	**0**

K. DETAIL OF HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS AGAINST FOREIGN EXCHANGE MOVEMENT

HEDGING INSTRUMENTS	31/12/18			
	Carrying amount of hedging instruments	Changes in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognized in OCI	Hedge ineffectiveness recognised in the income statement	Reclassified into income statement
Deposits in DKK	13,332,108	37,999	0	0
Deposits in CHF	146,433,763	(5,548,675)	0	0
Deposits in USD	1,337,834	(67,424)	0	0
Deposits in SGD	0	0	0	50,108
TOTAL	**161,103,705**	**(5,578,100)**	**0**	**50,108**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/18
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	(37,999)
Investments in CHF subsidiaries	5,548,675
Investments in USD subsidiaries	67,424
Investments in SGD subsidiaries	(50,108)
TOTAL	**5,527,992**

HEDGING INSTRUMENTS	31/12/19			
	Carrying amount of hedging instruments	Changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
		Effective portion recognized in OCI	Hedge inneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in DKK	5,585,837	(4,654)	0	0
Deposits in CHF	230,309,990	(6,487,409)	0	0
Deposits in USD	1,018,476	(9,292)	0	0
TOTAL	**236,914,303**	**(6,501,355)**	**0**	**0**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/19
	Change in fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	4,654
Investments in CHF subsidiaries	6,487,409
Investments in USD subsidiaries	9,292
TOTAL	**6,501,355**

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L. HEDGING ACTIVITIES IMPACT ON EQUITY

EQUITY RECONCILIATION	31/12/18		
	Cash flow hedging reserve	Translation reserve	Net investissement hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(3,828,441)**	**(41,758,648)**	**(883,623)**
Cash Flow Hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*(1,669,221)*		
Interest rate swaps	*(1,301,320)*		
Loans and deposits	*203,346*		
Net amount reclassified to profit or loss			
Following hedge discontinuation	*222,000*		
Following utilisation	*1,215,066*		
Net Investment Hedges			
Foreign currency reevaluation on the hedging financial investments		(5,460,114)	(117,986)
Net amount reclassified to profit or loss			0
Following hedge discontinuation		*50,108*	*0*
Foreign currency reevaluation on the unhedged net foreign operations		39,263	
Tax impact on the above	345,966		30,689
CLOSING BALANCE AS AT DECEMBER 31	**(4,812,604)**	**(47,129,391)**	**(970,920)**

EQUITY RECONCILIATION	31/12/19		
	Cash flow hedging reserve	Translation reserve	Net investissement hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(4,812,604)**	**(47,129,391)**	**(970,920)**
Cash Flow Hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*2,279,460*		
Interest rate swaps	*509,271*		
Loans and deposits	*223,842*		
Net amount reclassified to profit or loss			
Following hedge discontinuation	*0*		
Following utilisation	*0*		
Net Investment Hedges			
Foreign currency reevaluation on the hedging financial investments		(6,382,353)	(119,002)
Net amount reclassified to profit or loss		0	0
Following hedge discontinuation		*0*	*0*
Foreign currency reevaluation on the unhedged net foreign operations		25,016	
Tax impact on the above	(820,933)		15,638
CLOSING BALANCE AS AT DECEMBER 31	**(2,620,964)**	**(53,486,728)**	**(1,074,284)**

9.2 Deferred tax

A. ANALYSIS	31/12/18	31/12/19
Net deferred tax assets	222,694,920	197,260,572
DEFERRED TAX	222,694,920	197,260,572

B. MOVEMENTS	2018	2019
AS AT JANUARY 1	236,283,952	222,694,920
Movements during the financial year:		
- Amounts recognised in the statement of income	(28,923,291)	(18,587,113)
- Items directly computed by equity	11,350,829	(729,297)
- Effect of change in tax rates - statement of income	0	(9,767,845)
- Effect of change in tax rates - equity	0	(90,250)
- Exchange differences	(1,323)	(439)
- Other movements	3,984,753	3,740,596
AS AT DECEMBER 31	222,694,920	197,260,572

Deferred tax coming from balance sheet assets	31/12/18		31/12/19	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	11,580,698	(560,675)	14,060,828	2,480,213
Securities	(6,216,761)	(56,289)	(5,069,983)	249,234
Derivatives	1,691,794	0	870,855	0
Tangible and intangible fixed assets	4,472,770	(153,483)	4,112,191	(360,658)
TOTAL	11,528,501	(770,447)	13,973,891	2,368,789

Deferred tax coming from balance sheet liabilities	31/12/18		31/12/19	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(1,295,695)	(2,652,458)	(552,103)	(2,512,139)
Provisions	(9,646,205)	4,459,006	(4,798,643)	4,846,095
Pensions	3,613,006	(391,122)	2,091,100	(641,515)
Other non allocated and non applicable liabilities	0	0	467,628	0
TOTAL	(7,328,894)	1,415,426	(2,792,018)	1,692,441

Deferred tax coming from other items	31/12/18		31/12/19	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	370,287,097	(29,818,270)	316,637,606	(53,649,064)
less: impairments	*(151,791,784)*	*250,000*	*(130,558,907)*	*21,232,877*
TOTAL	218,495,313	(29,568,270)	186,078,699	(32,416,187)

Considering that :

- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts);
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years;
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future;
- Our analysis on future taxable profit over the next years will enable to use the unused tax losses over a medium term period (no time restriction applied in Luxembourg on tax losses generated before the fiscal reform).

Based on these considerations, BIL has recognised the full amount of unused tax losses.

9.3 Share-based payments

There is no stock option plan settled in BIL shares.

9.4 Related party transactions

A. RELATED PARTY TRANSACTIONS	Key management		Subsidiaries	
(in EUR thousands)	31/12/18	31/12/19	31/12/18	31/12/19
Loans[1]	5,064	7,470	424,560	258,215
Interest received	0	0	2,333	2,717
Deposits	4,805	11,338	280,083	160,404
Interest paid	0	0	(3,974)	(2,849)
Derivatives - Total to receive	0	0	173,543	185,724
Derivatives - Total to deliver	0	0	173,704	184,432
Commission paid	0	0	(30)	(319)
Commissions received	0	0	1,758	6,805
Guarantees and commitments given by the Bank	36	40	283,398	30,000
Guarantees and commitments given to the Bank	3	0	11,581	11,590
Assets entrusted from third parties	11,731	9,514	0	0

	Associates		Other related parties	
	31/12/18	31/12/19	31/12/18	31/12/19
Loans[1]	4	0	4,625	5,027
Interest received	7	2	71	0
Deposits	11,078	3,873	9,110	8,971
Interest paid	0	0	(9)	(4)
Derivatives - Total to receive	0	0	29,981	20,385
Derivatives - Total to deliver	0	0	31,413	7,750
Commissions received	0	0	2	2
Guarantees and commitments given by the Bank	0	0	7	7
Assets entrusted from third parties	0	0	107	199,545

Advisory fees paid to Precision Capital S.A. amount to EUR -0.1 million in 2018.

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.8 "Staff expenses")

9.5 Securitisation

BIL group has no securitisation vehicles included in its scope of consolidation.

The relevant accounting rules are described in point 1.3 of Note 1.

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.6 Subscribed and authorised capital

By share category	31/12/18	31/12/19
Number of shares authorised and not issued[1]	2,982,681	2,927,025
Number of shares issued and fully paid up[2]	2,017,319	2,087,261
Capital	141,212,330	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	970	0

9.7 Exchange rates

The main exchange rates used are the following:

		31/12/19		31/12/19	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.6228	1.5828	1.5977	1.6082
Canadian Dollar	CAD	1.5621	1.5320	1.4554	1.4811
Swiss Franc	CHF	1.1274	1.1505	1.0859	1.1117
Danish Krone	DKK	7.4681	7.4534	7.4718	7.4660
Pound Sterling	GBP	0.8929	0.8853	0.8489	0.8747
Hong Kong Dollar	HKD	8.9601	9.2398	8.7418	8.7671
Japanese Yen	JPY	125.7542	129.9485	121.8197	121.9665
Norwegian Krone	NOK	9.9419	9.6262	9.8434	9.8464
Polish Zloty	PLN	4.2996	4.2689	4.2541	4.2976
Swedish Krona	SEK	10.2323	10.2985	10.4658	10.5853
Singapore Dollar	SGD	1.5590	1.5894	1.5091	1.5251
US Dollar	USD	1.1440	1.1787	1.1224	1.1192

[1] Following the extraordinary general meeting of April 25, 2019, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 351 million, without prejudice to possible renewals, until April 24, 2024.

[2] On 16 December 2019, the Bank carried out a capital increase split into the following two operations:
- the issuance of 70,912 new shares for a total amount of EUR 58,000,343 allocated for an amount of EUR 4,963,840 to the share capital and for an amount of EUR 53,036,503 to the share premium;
- the cancellation of the existing 970 treasury shares held by the Bank, decreasing the share capital for EUR 67,900 and the share premium for EUR 725,482.

Note 10: Notes on the off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/18	31/12/19
Loans to be delivered	1,165,009,108	1,046,178,788
Borrowings to be received	1,459,913,785	1,339,808,385

10.2 Guarantees

	31/12/18	31/12/19
Guarantees given to credit institutions	199,949,953	191,905,909
Guarantees given to customers	707,061,800	782,108,292
Guarantees received from credit institutions	11,581,303	11,589,904
Guarantees received from customers	1,346,394,213	1,597,549,254

10.3 Loan commitments

	31/12/18	31/12/19
Unused credit lines granted to credit institutions	89,029,528	90,955,860
Unused credit lines granted to customers	2,431,827,737	2,928,776,148

10.4 Other commitments

	31/12/18	31/12/19
Banking activity - Other commitments given[1]	39,117,459,490	40,274,135,453
Banking activity - Other commitments received[2]	181,538,507,050	194,042,592,576

[1] Other commitments given are mainly composed of assets entrusted to third parties.

[2] Other commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 183.4 billion as at December 31, 2019 and EUR 171.2 billion as at December 31, 2018.

Note 11: Notes on the statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/18	31/12/19
INTEREST AND SIMILAR INCOME	591,783,518	654,875,484
a) Interest and similar income of assets not measured at fair value through profit or loss	**325,331,595**	**353,689,789**
Loans and advances to credit institutions	15,540,313	21,180,056
Loans and advances to customers	244,514,640	257,413,320
Financial investments measured at fair value	19,215,424	15,826,494
Financial investments measured at amortised cost	46,061,218	59,117,645
Other	0	152,274
b) Interest and similar income of assets measured at fair value through profit or loss	**250,967,943**	**281,931,052**
Financial assets held for trading	828,997	787,032
Derivatives held for trading	185,825,540	213,088,339
Derivatives used for hedging purposes	64,313,406	68,055,681
c) Interest income on liabilities	**15,483,980**	**19,254,643**
INTEREST AND SIMILAR EXPENSES	(290,811,243)	(350,130,592)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(66,393,090)**	**(89,972,675)**
Amounts due to credit institutions	(24,824,631)	(37,132,383)
Amounts due to customers	(24,421,584)	(30,424,654)
Debt securities	(11,913,752)	(16,270,031)
Subordinated debts	(5,142,858)	(5,737,470)
Lease liability		(318,796)
Other	(90,265)	(89,341)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(204,061,375)**	**(237,842,961)**
Financial liabilities held for trading	(3,222)	(3)
Financial liabilities designated at fair value through profit or loss	(12,676,301)	(14,026,939)
Derivatives held for trading	(122,323,844)	(140,302,823)
Derivatives used for hedging purposes	(69,058,008)	(83,513,196)
c) Interest expenses on assets	**(20,356,778)**	**(22,314,956)**
NET INTEREST INCOME	300,972,275	304,744,892

11.2 Dividend income

	31/12/18	31/12/19
Financial investments measured at fair value	514,441	17,252
Financial assets held for trading	10,172	2,144
Subsidiaries and associates	4,014,280	4,194,280
TOTAL	4,538,893	4,213,676

11.3 Net trading income

	31/12/18	31/12/19
Net income from trading transactions	2,789,056	5,890,588
of which income from trading securities	*2,143,880*	*5,544,722*
of which income from trading derivatives	*645,176*	*345,866*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	(36,244,567)	46,953,636
Net foreign exchange gain/(loss)	5,926,605	5,633,706
TOTAL	(27,528,906)	58,477,930

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see Note 11.4)

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11.4 Net income on financial instruments measured at fair value and net result of hedge accounting

	31/12/18	31/12/19
Net income on financial investments measured at fair value through other comprehensive income	17,773,591	69,971,562
Net income on financial investments at fair value through profit or loss	48,290	67,824
Net income on financial liabilities designated at fair value through profit or loss	35,247,772	(45,494,251)
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**53,069,653**	**24,545,135**
Fair value hedge	**72,274**	**(46,447)**
Change in the fair value of the hedged item attributable to the hedged risk	35,164,332	83,665,337
Fair value revaluation (+: gains/ -: losses) / Derivative Financial Instruments / Derivative Financial Instruments - Fair Value Hedge	(35,092,058)	(83,711,784)
Portfolio hedge against interest rate risk	**(55,311)**	**(19,643)**
Fair value revaluation - Portfolio hedge - Hedged items	8,655,760	9,986,728
Fair value revaluation - Derivatives - Portfolio hedge	(8,711,071)	(10,006,371)
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**(222,000)**	**0**
NET RESULT OF HEDGE ACCOUNTING	**(205,037)**	**(66,090)**
TOTAL	**52,864,616**	**24,479,045**

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

	31/12/18	31/12/19
Net income on loans and advances measured at amortised cost	2,920,882	4,351,581
Net income on financial investments measured at amortised cost	1,506,947	14,970,220
Net income on financial liabilities at amortised cost	(25,843)	(6,839,496)
TOTAL	**4,401,986**	**12,482,305**

As at December 31, 2018 gains and losses on derecognition on loans respectively amount to EUR 2,920,882 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 2,605,896 and EUR -1,098,949.

As at December 31, 2019 gains and losses on derecognition on loans respectively amount to EUR 4,351,581 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 15,069,378 and EUR - 99,158.

11.6 Fee and commission income and expenses

	31/12/18			31/12/19		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	13,398,785	(891,278)	12,507,507	18,736,679	(718,192)	18,018,487
Administration of unit trusts and mutual funds	93,768	0	93,768	106,292	0	106,292
Insurance activity	6,784,031	0	6,784,031	6,055,637	(10,707)	6,044,930
Credit activity	20,783,522	(767,299)	20,016,223	24,551,808	(998,977)	23,552,831
Purchase and sale on securities	18,886,930	(11,967,151)	6,919,779	18,250,487	(10,286,854)	7,963,633
Purchase and sale of unit trusts and mutual funds	6,613,700	(411,266)	6,202,434	6,082,516	(1,599,833)	4,482,683
Payment services	26,290,622	(880,390)	25,410,232	27,262,801	(837,870)	26,424,931
Commissions to non-exclusive brokers	0	(278,978)	(278,978)	0	(210,307)	(210,307)
Services on securities other than safe keeping	1,834,872	(32,850)	1,802,022	2,087,238	(147,516)	1,939,722
Custody	12,606,419	(2,827,949)	9,778,470	13,033,466	(3,126,133)	9,907,333
Issues and placements of securities	3,054,870	0	3,054,870	3,702,257	0	3,702,257
Private banking	53,593,985	(7,201,842)	46,392,143	56,945,853	(6,837,296)	50,108,557
Clearing and settlement	25,603,347	(2,225,978)	23,377,369	24,143,689	(2,245,063)	21,898,626
Securities lending	420,440	(33,107)	387,333	122,852	(34,997)	87,855
Other	3,967,812	(477,570)	3,490,242	4,104,507	(493,530)	3,610,977
TOTAL	**193,933,103**	**(27,995,658)**	**165,937,445**	**205,186,082**	**(27,547,275)**	**177,638,807**

11.7 Other net income

	31/12/18	31/12/19
Operating taxes	0	2,830,144
Rental income	13,302	11,806
Gains on tangible fixed assets	852,589	0
Fair value adjustments on investment property	40,000	0
Other income on other activities[1]	9,936,002	7,581,881
OTHER INCOME	**10,841,893**	**10,423,831**
Operating taxes	(2,894,763)	(2,932,470)
Maintenance and repair of investment property	(119,504)	(105,704)
Other bank charges[2]	(17,446,128)	(15,158,511)
Other expenses on other activities[3]	(3,325,613)	(7,801,095)
OTHER EXPENSES	**(23,786,008)**	**(25,997,780)**
TOTAL	**(12,944,115)**	**(15,573,949)**

[1] This consists primarily of write-backs of provisions and extraordinary operating income.
[2] This consists of contributions paid to the Fonds de garantie des dépôts Luxembourg, the Single Resolution Fund and the Fonds de résolution Luxembourg.
[3] This consists primarily of provisions for litigation and extraordinary loss.

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11.8 Staff expenses

A. STAFF EXPENSES

	31/12/18	31/12/19
Wages and salaries	(150,165,902)	(162,495,179)
Social security and insurance costs	(18,249,169)	(19,144,031)
Staff benefits	(9,422,245)	(9,826,848)
Restructuring expenses	(4,892,272)	(4,906,586)
Other expenses	(2,019,738)	(2,157,002)
TOTAL	**(184,749,326)**	**(198,529,646)**

B. WORKFORCE

(in average FTE)	2018	2019
Senior management	43	44
Employees	1,791	1,789
TOTAL	**1,834**	**1,833**

C. REMUNERATION OF BIL GROUP'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Group granted emoluments to current members of its administrative and financial bodies and has made contributions in respect of retirements pensions on their behalf as follows:

	31/12/18	31/12/19	31/12/18	31/12/19
	Remuneration		Retirement pensions	
Members of the administrative bodies	963,833	1,051,268	-	
Members of the managerial bodies[1]	14,993,073	14,455,058	2,178,430	2,721,002
TOTAL	**15,956,906**	**15,506,326**	**2,178,430**	**2,721,002**

[1] 2018 retirement pensions include EUR 1.2 million of defined benefit pension plan and EUR 1.0 million of defined contribution plan.
2019 retirement pensions include EUR 1.7 million of defined benefit pension plan and EUR 1.0 million of defined contribution plan.

D. DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/18	31/12/19
Defined contribution plan expenses	2,784,751	3,193,461
TOTAL	**2,784,751**	**3,193,461**

11.9 General and administrative expenses

	31/12/18	31/12/19
Occupancy	(6,909,119)	(7,155,544)
Operating leases	(5,201,804)	(376,282)
Professional fees	(21,801,140)	(12,670,998)
Marketing, advertising and public relations	(4,868,447)	(5,682,774)
Technology and system costs	(30,786,827)	(27,115,626)
Software costs and maintenance expenses	(13,195,471)	(13,205,714)
Operational taxes	1,364,938	1,038,955
Other general and administrative expenses[1]	(46,301,007)	(42,372,433)
TOTAL	**(127,698,877)**	**(107,540,416)**

11.10 Independent auditor's fees

The fees for the services rendered by the independent auditor for the years 2018 and 2019 are as follows (VAT excluded).

	2018	2019
Statutory audit and Long Form Report	706,265	1,069,314
Other assurance services[2]	672,105	160,084
Other services	3,165	38,325
TOTAL	**1,381,535**	**1,267,723**

11.11 Amortisation of tangible, intangible and right-of-use assets

	31/12/18	31/12/19
Depreciation on land and buildings	(7,053,406)	(8,075,461)
Depreciation on other tangible fixed assets	(591,753)	(678,646)
Depreciation on IT equipment	(6,950,152)	(1,115,109)
Depreciation on intangible fixed assets	(27,220,311)	(29,704,963)
Depreciation on right-of-use assets		(4,602,525)
TOTAL	**(41,815,622)**	**(44,176,704)**

[1] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.
[2] 2018 figures include EUR 0.4 million of fees in the context of the transaction with Legend Holdings Corporation.

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11.12 Impairment on loans and provisions for credit commitments

Stage 1	31/12/18		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(66,972)	84,567	17,595
Loans and advances to customers measured at amortised cost	(19,200,251)	20,725,594	1,525,343
Normal debt securities measured at amortised cost	(1,494,209)	2,031,616	537,407
Financial assets measured at amortised cost	**(20,761,432)**	**22,841,777**	**2,080,345**
Normal debt securities measured at fair value through other comprehensive income	(5,847)	69,165	63,318
Financial assets measured at fair value through other comprehensive income	**(5,847)**	**69,165**	**63,318**
Off-balance sheet commitments	**(8,010,857)**	**7,802,522**	**(208,335)**
TOTAL IMPAIRMENTS STAGE 1	**(28,778,136)**	**30,713,464**	**1,935,328**

Stage 2	31/12/18		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(2,879)	5,678	2,799
Loans and advances to customers measured at amortised cost	(25,520,433)	21,800,348	(3,720,085)
Normal debt securities measured at amortised cost	(2,475,722)	1,995,012	(480,710)
Financial assets measured at amortised cost	**(27,999,034)**	**23,801,038**	**(4,197,996)**
Normal debt securities measured at fair value through other comprehensive income	0	60,488	60,488
Financial assets measured at fair value through other comprehensive income	**0**	**60,488**	**60,488**
Off-balance sheet commitments	**(2,539,756)**	**2,609,008**	**69,252**
TOTAL IMPAIRMENTS STAGE 2	**(30,538,790)**	**26,470,534**	**(4,068,256)**

Stage 3	31/12/18				
	Allowances	Write-backs	Losses	Recoveries	Total
Impaired loans and advances to credit institutions measured at amortised cost	(42,421,423)	73,035,580	(39,715,928)	0	(9,101,771)
Impaired debt securities measured at amortised cost	(7,167,836)	0	0	0	(7,167,836)
Impaired financial assets measured at amortised cost	**(49,589,259)**	**73,035,580**	**(39,715,928)**	**0**	**(16,269,607)**
Off-balance sheet commitments	**(970,741)**	**1,447,981**	**0**	**0**	**477,240**
TOTAL IMPAIRMENTS STAGE 3	**(50,560,000)**	**74,483,561**	**(39,715,928)**	**0**	**(15,792,367)**

TOTAL IMPAIRMENTS STAGE 1 / 2 / 3	**(17,925,295)**

Stage 1	31/12/19		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(98,684)	104,624	5,940
Loans and advances to customers measured at amortised cost	(32,076,383)	19,710,926	(12,365,457)
Normal debt securities measured at amortised cost	(1,151,990)	1,082,520	(69,470)
Financial assets measured at amortised cost	**(33,327,057)**	**20,898,070**	**(12,428,987)**
Normal debt securities measured at fair value through other comprehensive income	(2,415)	18,654	16,239
Financial assets measured at fair value through other comprehensive income	**(2,415)**	**18,654**	**16,239**
Off-balance sheet commitments	**(9,725,686)**	**7,459,277**	**(2,266,409)**
TOTAL IMPAIRMENTS STAGE 1	**(43,055,158)**	**28,376,001**	**(14,679,157)**

Stage 2	31/12/19		
	Allowances	Write-backs	Total
Loans and advances to credit institutions measured at amortised cost	(139,239)	94,462	(44,777)
Loans and advances to customers measured at amortised cost	(22,049,526)	26,810,539	4,761,013
Normal debt securities measured at amortised cost	(1,412,988)	1,277,214	(135,774)
Financial assets measured at amortised cost	**(23,601,753)**	**28,182,215**	**4,580,462**
Normal debt securities measured at FVTOCI	(82,599)	15,134	(67,465)
Financial assets measured at FVTOCI	**(82,599)**	**15,134**	**(67,465)**
Off-balance sheet commitments	**(2,905,382)**	**2,386,131**	**(519,251)**
TOTAL IMPAIRMENTS STAGE 2	**(26,589,734)**	**30,583,480**	**3,993,746**

Stage 3	31/12/19				
	Allowances	Write-backs	Losses	Recoveries	Total
Impaired loans and advances to customers measured at amortised cost	(25,046,194)	33,406,298	(15,242,052)	0	(6,881,948)
Impaired debt securities measured at amortised cost	(5,249,485)	0	0	0	(5,249,485)
Impaired financial assets measured at amortised cost	**(30,295,679)**	**33,406,298**	**(15,242,052)**	**0**	**(12,131,433)**
Other assets	**(1,450,000)**	**9,603,662**	**0**	**0**	**8,153,662**
Off-balance sheet commitments	**(1,919,431)**	**1,658,075**	**0**	**0**	**(261,356)**
TOTAL IMPAIRMENTS STAGE 3	**(33,665,110)**	**44,668,035**	**(15,242,052)**	**0**	**(4,239,127)**

TOTAL IMPAIRMENTS STAGE 1 / 2 / 3					**(14,924,538)**

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11.13 Provisions for legal litigation

Charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of related provisions.

11.14 Tax expenses

	31/12/18	31/12/19
Income tax for current financial year	61,144	0
Deferred taxes	(28,923,291)	(28,355,396)
Tax on current financial year result (A)	**(28,862,147)**	**(28,355,396)**
Income tax for previous year	(91,321)	15,239
Deferred taxes for previous year	0	3,160
Other tax expenses (B)	**(91,321)**	**18,399**
TOTAL (A)+(B)	(28,953,468)	(28,336,997)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 26.01% as at December 31, 2018 and 24.94% as at December 31, 2019.
The effective BIL tax rate was 24.98% in 2018 and 14.12% in 2019.
The difference between both rates may be analysed as follows:

	31/12/18	31/12/19
NET INCOME BEFORE TAX	115,543,074	200,831,069
Tax base	**115,543,074**	**200,831,069**
Applicable tax rate at year-end	26.01%	24.94%
Theoretical corporate income tax at standard rate	**(30,052,754)**	**(50,087,269)**
Effect of different tax rates in other countries	(97,598)	(504,452)
Tax effect of non-deductible expenses	(958,890)	(1,307,527)
Tax effect of non-taxable income	1,934,403	20,201,102
Effect of change in tax rates[1]	0	(9,767,845)
Tax effect on the use of previous tax losses not recognised in the assets	250,000	12,800,000
Other	62,692	310,595
Tax on current financial year result	**(28,862,147)**	**(28,355,396)**
EFFECTIVE TAX RATE	24.98%	14.12%

[1] Review of the deferred tax assets due to the 2017 Luxembourg tax reform and the progressive reduction of the corporate income tax rate to 18.19% in 2019.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value

A. BREAKDOWN OF FAIR VALUE

A.1 Fair value of assets	31/12/18			31/12/19		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	3,083,169,677	3,083,169,677	0	3,041,956,502	3,041,956,502	0
Financial assets held for trading	126,889,819	126,889,819	0	63,537,620	63,537,620	0
Financial investments measured at fair value	1,406,244,768	1,406,244,768	0	1,107,436,338	1,107,436,338	0
Financial assets at fair value through other comprehensive income	*1,403,429,755*	*1,403,429,755*	*0*	*1,104,486,218*	*1,104,486,218*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*2,815,013*	*2,815,013*	*0*	*2,950,120*	*2,950,120*	*0*
Loans and advances to credit institutions	1,220,311,674	1,220,311,674	0	1,271,324,225	1,271,324,225	0
Loans and advances to customers	13,270,408,274	13,374,436,551	104,028,277	14,476,238,696	14,650,517,639	174,278,943
Financial investments measured at amortised cost	5,039,541,719	5,061,074,631	21,532,912	6,253,145,680	6,353,222,391	100,076,711
Derivatives	288,703,842	288,703,842	0	334,943,947	334,943,947	0
Fair value revaluation of portfolios hedged against interest rate risk	1,470,569	1,470,569	0	303,238	303,238	0
TOTAL	**24,436,740,342**	**24,562,301,531**	**125,561,189**	**26,548,886,246**	**26,823,241,900**	**274,355,654**

A.2 Fair value of liabilities	31/12/18			31/12/19		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	3,195,542,470	3,199,658,127	4,115,657	3,188,681,155	3,191,695,521	3,014,366
Amounts due to customers	16,796,602,776	16,803,441,587	6,838,811	18,240,205,520	18,251,133,703	10,928,183
Financial liabilities measured at fair value through profit or loss	832,445,114	832,445,114	0	923,354,039	923,354,039	0
Liabilities designated at fair value	832,445,114	832,445,114	0	923,354,039	923,354,039	0
Derivatives	502,275,615	502,275,615	0	599,538,078	599,538,078	0
Fair value revaluation of Portfolio hedged against interest rate risk	24,826,064	24,826,064	0	13,688,928	13,688,928	0
Debt securities	1,933,985,745	1,968,339,248	34,353,503	2,267,418,784	2,318,549,830	51,131,046
Subordinated debts	285,345,888	291,844,874	6,498,986	169,079,812	180,947,712	11,867,900
TOTAL	**23,571,023,672**	**23,622,830,629**	**51,806,957**	**25,401,966,316**	**25,478,907,811**	**76,941,495**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value.

With the exception of the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value", the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

B. ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as level 2.

B.1. Assets	31/12/18			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	62,286,498	60,877,274	3,726,047	126,889,819
Financial investments measured at fair value	1,177,864,420	184,721,201	43,659,147	1,406,244,768
Derivatives	0	276,933,967	11,769,875	288,703,842
TOTAL	**1,240,150,918**	**522,532,442**	**59,155,069**	**1,821,838,429**

	31/12/19			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	42,990,628	16,710,216	3,836,776	63,537,620
Financial investments measured at fair value	921,914,805	133,808,653	51,712,880	1,107,436,338
Derivatives	0	330,610,689	4,333,258	334,943,947
TOTAL	**964,905,433**	**481,129,558**	**59,882,914**	**1,505,917,905**

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

B.2. Liabilities	31/12/18			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	656,127,715	176,317,399	832,445,114
Derivatives	0	449,620,966	52,654,649	502,275,615
TOTAL	**0**	**1,105,748,681**	**228,972,048**	**1,334,720,729**

	31/12/19			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	728,044,065	195,309,974	923,354,039
Derivatives	0	595,944,919	3,593,159	599,538,078
TOTAL	**0**	**1,323,988,984**	**198,903,133**	**1,522,892,117**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2018 and 2019.

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2018 and 2019.

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D. LEVEL 3 RECONCILIATION

D.1 Assets	31/12/18				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income– Realised & Unrealised	Purchase	Sale
Financial assets designated held for trading	2,645,350	733,351	0	1,348,900	(1,001,554)
Financial assets measured at fair value	82,101,887	(122,270)	16,386,346	2,340,732	0
Derivatives	19,828,321	(14,602,353)	0	6,543,907	0
TOTAL	**104,575,558**	**(13,991,272)**	**16,386,346**	**10,233,539**	**(1,001,554)**

	31/12/18					
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	3,726,047
Financial assets measured at fair value	(57,047,548)	0	0	0	0	43,659,147
Derivatives	0	0	0	0	0	11,769,875
TOTAL	**(57,047,548)**	**0**	**0**	**0**	**0**	**59,155,069**

D.1 Assets	31/12/19				
	Opening	Total gains and losses in statement of income	Gains and Losses in other comprehensive income– Realised & Unrealised	Purchase	Sale
Financial assets designated held for trading	3,726,047	34,595	0	2,481,880	(2,405,746)
Financial assets measured at fair value	43,659,147	0	8,210,926	209,099	(366,292)
Derivatives	11,769,875	(9,765,120)	0	2,328,503	0
TOTAL	**59,155,069**	**(9,730,525)**	**8,210,926**	**5,019,482**	**(2,772,038)**

	31/12/19					
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	3,836,776
Financial assets measured at fair value	0	0	0	0	0	51,712,880
Derivatives	0	0	0	0	0	4,333,258
TOTAL	**0**	**0**	**0**	**0**	**0**	**59,882,914**

D.2 Liabilities

	31/12/18			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	199,524,925	(8,572,412)	140,062,162	(154,888,904)
Derivatives	41,422,793	(22,248,685)	33,480,541	0
TOTAL	**240,947,718**	**(30,821,097)**	**173,542,703**	**(154,888,904)**

	31/12/18				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	191,628	176,317,399
Derivatives	0	0	0	0	52,654,649
TOTAL	**0**	**0**	**0**	**191,628**	**228,972,048**

	31/12/19			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	176,317,399	(6,691,744)	148,802,615	(127,197,108)
Derivatives	52,654,649	(49,416,381)	354,891	0
TOTAL	**228,972,048**	**(56,108,125)**	**149,157,506**	**(127,197,108)**

	31/12/19				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	4,078,812	195,309,974
Derivatives	0	0	0	0	3,593,159
TOTAL	**0**	**0**	**0**	**4,078,812**	**198,903,133**

Refer to Note 12.1 of the consolidated financial statements for level 3 methodologies and sensitivities.

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12.2 Credit risk

Sensitivity analysis

31/12/19	Reported ECL[1]	Stressed ECL[1]
Stage 1	41,304,868	49,645,455
Stage 2	14,665,902	15,187,937
Stage 3	232,795,635	232,796,608
TOTAL	288,766,405	297,630,001

Please refer to Note 12.2 Credit Risk of the consolidated financial statements included in this annual report for the details of expected credit losses calculations supporting the sensitivity analysis.

A. ANALYSIS OF BIL EXPOSURES

Counterparty and geographical exposures are indicated in the consolidated management report. Geographical region is determined according to the country of residence of the counterparty.

Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographic region

(in EUR million)	31/12/18	31/12/19
Belgium	1,607	1,923
France	2,954	3,115
Germany	1,199	1,428
Ireland	434	450
Italy	29	16
Luxembourg	13,942	16,484
Spain	855	842
Other EU countries	1,627	1,698
Rest of Europe	644	574
Switzerland	2,717	2,200
United States and Canada	660	857
Middle East	698	672
Asia	297	386
Australia	260	241
Others	198	146
TOTAL	28,120	31,032

Geographic segment is updated as below to be aligned with other reports:

Exposures by counterparty category

(in EUR million)	31/12/18	31/12/19
Central Governments	8,051	8,596
Public Sector Entities	392	305
Corporate	5,720	6,398
Securitisation	140	68
Individuals, SME & Self Employed	9,586	10,706
Financial Institutions	4,229	4,958
Others	2	1
TOTAL	28,120	31,032

Credit risk exposure is shown as follows:

- balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of the specific provision);
- derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposure to credit risk is broken down by geographic region and counterparty category, bearing in mind guarantees received.

[1] Including ECL on loan commitments and guarantees. ECL are stressed using a baseline/down/up weighting of 50%/40%/10% instead of 60%/20%/20% in the central scenario for reported ECL.

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS[1]

Credit risk exposures and financial effect of collateral

	31/12/18		31/12/19	
(in EUR million)	Credit risk exposures[2]	Financial effect of the collateral	Credit risk exposures[2]	Financial effect of the collateral
Financial investments at FVOCI (excluding variable income securities)	1,359	0	1,053	0
Financial assets held-for-trading	62	0	42	0
Loans and advances measured at amortised cost	16,946	2,337	18,233	2,567
Financial investments measured at amortised cost	5,021	0	6,104	0
Derivatives	210	216	226	253
Other financial instruments measured at amortised cost	345	1,245	372	1,505
Commitments in respect of guarantees given	1,424	87	1,684	76
Commitments in respect of loans granted	2,753	831	3,318	869
TOTAL	**28,120**	**4,716**	**31,032**	**5,270**

Maximum Credit Risk Exposures[1]	31/12/18				
(in EUR million)	Stage 1	Stage 2	Stage 3	Not applicable	Total
Financial investments at FVOCI (excluding variable-income securities)	1,174	185	0		**1,359**
Held-for trading portfolio (excluding variable-income securities)				62	**62**
Loans and advances measured at amortised cost	14,596	2,105	245		**16,946**
Financial investments measured at amortised cost	4,906	98	17		**5,021**
Derivatives				210	**210**
Other financial instruments measured at amortised cost	1	0	0	344	**345**
Commitments in respect of loans granted	2,346	400	7		**2,753**
Commitments in respect of guarantees given	1,322	98	4		**1,424**
TOTAL	**24,345**	**2,886**	**273**	**616**	**28,120**

Maximum Credit Risk Exposures[1]	31/12/19				
(in EUR million)	Stage 1	Stage 2	Stage 3	Not applicable	Total
Financial investments at FVOCI (excluding variable-income securities)	999	54	0		**1,053**
Held-for trading portfolio (excluding variable-income securities)				42	**42**
Loans and advances measured at amortised cost	15,637	2,248	348		**18,233**
Financial investments measured at amortised cost	5,855	235	13		**6,103**
Derivatives				226	**226**
Other financial instruments measured at amortised cost	1	0	0	371	**372**
Commitments in respect of loans granted	2,962	333	23		**3,318**
Commitments in respect of guarantees given	1,589	89	7		**1,685**
TOTAL	**27,043**	**2,959**	**391**	**639**	**31,032**

[1] Data differs from those published in BIL's Annual Reports due to a reallocation of exposures from Commitments in respect of guarantees given towards Commitments in respect of loans granted.

[2] Credit risk exposures net of the financial effect of collateral. Collaterals here include financial collateral and netting agreements, however physical collaterals such as residential and commercial real estate are out of scope.

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS[1]

(in EUR million)	31/12/18 Credit quality of normal financial assets AAA+ to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Financial investments at FVOCI (excluding variable income securities)	919	441	0	0	**1,360**
Financial assets held-for-trading	37	9	0	16	**62**
Loans and advances measured at amortised cost	3,597	6,842	4,515	1,264	**16,218**
Financial investments measured at amortised cost	3,378	1,621	0	5	**5,004**
Derivatives	58	148	3	2	**210**
Other financial instruments measured at amortised cost	200	104	38	2	**345**
Commitments in respect of guarantees given	137	362	357	362	**1,218**
Commitments in respect of loans granted	357	1,363	709	271	**2,700**
TOTAL	**8,683**	**10,890**	**5,622**	**1,923**	**27,117**

(in EUR million)	31/12/19 Credit quality of normal financial assets AAA+ to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Financial investments at FVOCI (excluding variable income securities)	951	102	0	0	**1,053**
Financial assets held-for-trading	28	5	0	9	**42**
Loans and advances measured at amortised cost	3,618	7,158	4,895	2,180	**17,851**
Financial investments measured at amortised cost	4,187	1,898	0	5	**6,090**
Derivatives	74	147	2	3	**226**
Other financial instruments measured at amortised cost	250	80	25	17	**372**
Commitments in respect of guarantees given	141	398	332	806	**1,677**
Commitments in respect of loans granted	333	1,521	877	559	**3,290**
TOTAL	**9,582**	**11,309**	**6,131**	**3,579**	**30,601**

The quality of financial assets is determined using internal credit ratings, or external ratings in the event that internal ratings are not available.

Prior to being taken into account in the table, external ratings are converted into internal ratings by means of a correlation table based on default probabilities.

[1] Data differs from those published in BIL's Annual Reports due to a reallocation of exposures from Commitments in respect of guarantees given towards Commitments in respect of loans granted.

D. PAST DUE BUT NOT IMPAIRED FINANCIAL ASSETS

	31/12/18		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	113,406,489	36,931,257	19,648,231
TOTAL	**113,406,489**	**36,931,257**	**19,648,231**

	31/12/19		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	98,884,118	29,598,542	5,677,910
TOTAL	**98,884,118**	**29,598,542**	**5,677,910**

BIL has defined three types of past due loans:

- "technical" past due financial assets;
- "operational" past due financial assets;
- "credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

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E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS

	31/12/18			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	19,917,195	(7,235,140)	12,682,055	12,682,055
Loans and advances measured at amortised cost	590,785,818	(226,232,180)	364,553,638	340,157,102
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**610,703,013**	**(233,467,320)**	**377,235,693**	**352,839,157**

	31/12/19			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,759,703	(12,566,385)	9,193,318	9,193,318
Loans and advances measured at amortised cost	569,049,991	(219,338,456)	349,711,535	318,105,518
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**590,809,694**	**(231,904,841)**	**358,904,853**	**327,298,836**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/18	31/12/19
Cash	6,188,280	16,183,015
Debt instruments	117,991	3,864,047
TOTAL	**6,306,271**	**20,047,062**

In general, guarantees obtained are immediately converted into cash by BIL.

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/18	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/18	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(24,460,362)**	**(9,739,031)**	**2,771,806**	**9,110,888**	**0**	**0**	**0**	**(29,401)**	**(22,346,100)**	**n.a**	**n.a**
Debt securities at amortised cost	(1,612,468)	(964,573)	175,560	1,326,420	0	0	0	(341)	(1,075,402)	n.a	n.a
Debt securities at fair value through other comprehensive income	(85,838)	(3,183)	18,826	47,675	0	0	0	(57)	(22,577)	n.a	n.a
Loans and advances at amortised cost	(22,762,056)	(8,771,275)	2,577,420	7,736,793	0	0	0	(29,003)	(21,248,121)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(13,171,664)**	**0**	**1,916,421**	**(5,121,775)**	**(932,155)**	**0**	**0**	**(30,974)**	**(17,340,147)**	**n.a**	**n.a**
Debt securities at amortised cost	(22,079)	0	0	(480,710)	0	0	0	0	(502,789)	n.a	n.a
Debt securities at fair value through other comprehensive income	(60,510)	0	58,978	1,510	0	0	0	8	(14)	n.a	n.a
Loans and advances at amortised cost	(13,089,075)	0	1,857,443	(4,642,575)	(932,155)	0	0	(30,982)	(16,837,344)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(253,211,801)**	**(1,209,263)**	**2,439,294**	**(15,501,257)**	**(1,647,130)**	**0**	**39,364,677**	**(3,701,840)**	**(233,467,320)**	**0**	**(39,715,928)**
Debt securities at amortised cost	0	0	0	(7,167,836)	0	0	0	(67,304)	(7,235,140)	0	0
Loans and advances at amortised cost	(253,211,801)	(1,209,263)	2,439,294	(8,333,421)	(1,647,130)	0	39,364,677	(3,634,536)	(226,232,180)	0	(39,715,928)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(290,843,827)**	**(10,948,294)**	**7,127,521**	**(11,512,144)**	**(2,579,285)**	**0**	**39,364,677**	**(3,762,215)**	**(273,153,567)**	**0**	**(39,715,928)**
Commitments and financial guarantees given (Stage 1)	3,990,905	5,815,882	(1,889,797)	(3,717,749)	0	0	0	19,185	4,218,426	0	0
Commitments and financial guarantees given (Stage 2)	1,331,366	411,487	(457,772)	(22,967)	0	0	0	869	1,262,983	0	0
Commitments and financial guarantees given (Stage 3)	1,099,560	158,289	(719,916)	84,387	0	0	0	(120)	622,200	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**6,421,831**	**6,385,658**	**(3,067,485)**	**(3,656,329)**	**0**	**0**	**0**	**19,934**	**6,103,609**	**0**	**0**

	As at 01/01/19	Increases due to origination or acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Changes due to modification without derecognition (net)	Changes due to update in the institution's methodology for estimation (net)	Decreases in allowance account due to write-offs	Other adjustments	As at 31/12/19	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**(22,346,100)**	**(11,339,843)**	**5,213,356**	**(6,286,261)**	**0**	**0**	**0**	**(57,878)**	**(34,816,726)**	**n.a**	**n.a**
Debt securities at amortised cost	(1,075,402)	(336,527)	128,623	138,434	0	0	0	57	(1,144,815)	n.a	n.a
Debt securities at fair value through other comprehensive income	(22,577)	0	9,196	7,043	0	0	0	(17)	(6,355)	n.a	n.a
Loans and advances at amortised cost	(21,248,121)	(11,003,316)	5,075,537	(6,431,738)	0	0	0	(57,918)	(33,665,556)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(17,340,147)**	**0**	**2,837,985**	**1,675,072**	**(60)**	**0**	**0**	**(55,723)**	**(12,882,873)**	**n.a**	**n.a**
Debt securities at amortised cost	(502,789)	0	205	(135,979)	0	0	0	(375)	(638,938)	n.a	n.a
Debt securities at fair value through other comprehensive income	(14)	0	15	(67,480)	0	0	0	(1)	(67,480)	n.a	n.a
Loans and advances at amortised cost	(16,837,344)	0	2,837,765	1,878,531	(60)	0	0	(55,347)	(12,176,455)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(233,467,320)**	**(2,078,577)**	**2,710,940**	**(11,900,693)**	**(69,316)**	**0**	**14,448,265**	**(1,548,140)**	**(231,904,841)**	**0**	**(15,242,052)**
Debt securities at amortised cost	(7,235,140)	0	0	(5,249,485)	0	0	0	(81,760)	(12,566,385)	0	0
Loans and advances at amortised cost	(226,232,180)	(2,078,577)	2,710,940	(6,651,208)	(69,316)	0	14,448,265	(1,466,380)	(219,338,456)	0	(15,242,052)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(273,153,567)**	**(13,418,420)**	**10,762,281**	**(16,511,882)**	**(69,376)**	**0**	**14,448,265**	**(1,661,741)**	**(279,604,440)**	**0**	**(15,242,052)**
Commitments and financial guarantees given (Stage 1)	4,218,426	7,181,080	(2,709,627)	(2,205,044)	0	0	0	3,259	6,488,094	0	0
Commitments and financial guarantees given (Stage 2)	1,262,983	331,552	(415,969)	602,687	981	0	0	836	1,783,070	0	0
Commitments and financial guarantees given (Stage 3)	622,200	380,633	(561,498)	442,221	0	0	(435,192)	442,430	890,794	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**6,103,609**	**7,893,265**	**(3,687,094)**	**(1,160,136)**	**981**	**0**	**(435,192)**	**446,525**	**9,161,958**	**0**	**0**

G. CREDIT RISK LINKED TO FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31/12/18	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	832,445,114	56,427	(380,283)	(38,563,699)

As at 31/12/19	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	923,354,039	(3,113)	(383,396)	7,090,640

In 2018 and 2019, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposures towards its subsidiaries (BIL group) in the calculation of large exposures limits, in accordance with Part XVI, point 24 of the former Circular 06/273, as amended. The amount of exposures covered by this exemption is null as at December 31, 2019 (as on a consolidated basis, exposures on entities of BIL group are excluded from the large exposures reporting). This exemption was granted on November 22, 2012.

I. INFORMATION ON FORBORNE EXPOSURES

BIL monitors closely its forborne exposures, in line with the definition stated in the publication of the Official Journal of the European Union dated February 2015.

The previous CSSF definition of restructured credit is close to this definition; the latter provides institutions with more details regarding the way this notion should be addressed across different jurisdictions. Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). These measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

Once these criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the "Gestion Intensive et Particulière" (GIP) team.

In order to comply with the regulatory standards, BIL group has set up a dedicated project aimed at (1) identifying the criteria leading to the forborne classification, (2) classifying the Bank's existing exposures between forborne and non-forborne and (3) implementing these criteria across the systems.

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition. The granting of forbearance measure is likely to constitute an impairment trigger, meaning that the loan should be assessed for impairment either individually or as part of a collective assessment.

For credit files in forbearance and in case of early repayment, the costs related to these transactions are either borne by the debtor (in one shot or spread over the term of the new loan) or recognised directly in the Bank's profit and loss.

As at end 2019, BIL group's forborne exposures amounted to EUR 308.3 million (EUR 290.8 million in 2018) including EUR 10.9 million (EUR 3.1 million in 2018) as given banking guarantees.

J. INFORMATION ON SOVEREIGN DEBTS

For 2018 and 2019, this statement refers to bonds issued by central & local governments and governmental bodies.

As at 31/12/18	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
Country Maturity date	Carrying amount	*of which fair value in other comprehensive income*	*of which fair value related to hedging*	Carrying amount	*of which fair value related to hedging*	Carrying amount	*of which fair value in profit or loss*
United Arab Emirates							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	428,010	*(5,483)*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Austria							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	57,955,007	*2,216,669*	*209,012*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Belgium							
maturity < 1 year	0	*0*	*0*	61,107,163	*0*	0	*0*
maturity > 1 year and <= 5 years	118,104,531	*5,047,780*	*467,822*	56,208,926	*746,464*	0	*0*
maturity > 5 years	273,612,138	*6,767,109*	*2,219,066*	259,316,633	*788,877*	0	*0*
Canada							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	144,660,916	*1,134,696*	0	*0*
China							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	885,673	*7,851*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Czech Republic							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	39,241,235	*1,720,282*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Finland							
maturity < 1 year	0	*0*	*0*	20,508,910	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
France							
maturity < 1 year	0	*0*	*0*	17,467,798	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	129,037,104	*(6,954)*	0	*0*
maturity > 5 years	0	*0*	*0*	761,038,094	*507,938*	0	*0*
Germany							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	54,693,841	*2,421,864*	*255,866*	15,544,698	*484,014*	3,660,839	*(21,512)*
maturity > 5 years	0	*0*	*0*	50,836,333	*1,086,779*	9,440,910	*77,650*
Ireland							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	119,257,476	*2,375,775*	*619,413*	217,650,218	*1,053,142*	0	*0*
Japan							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	519,242	*155*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*

As at 31/12/18	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
Country Maturity date	**Carrying amount**	***of which fair value in other comprehensive income***	***of which fair value related to hedging***	**Carrying amount**	***of which fair value related to hedging***	**Carrying amount**	***of which fair value in profit or loss***
Lithuania							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	18,094,470	*72,887*	0	*0*
maturity > 5 years	7,045,501	*(112,611)*	*61,726*	0	*0*	0	*0*
Luxembourg							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	38,478,893	*966,349*	*2,718,511*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	4,983,847	*0*	3,344,377	*64,048*
Poland							
maturity < 1 year	0	*0*	*0*	10,129,546	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	15,155,947	*36,375*	0	*0*
maturity > 5 years	0	*0*	*0*	119,626,054	*801,082*	0	*0*
Qatar							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	18,337,414	*(155,672)*	*(310,799)*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Saudi Arabia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	4,238,479	*(57,520)*	*(92,642)*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Slovakia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	114,506,395	*399,471*	0	*0*
South Korea							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	25,860,797	*54,974*	0	*0*
Spain							
maturity < 1 year	0	*0*	*0*	30,206,681	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	170,606,255	*917,905*	0	*0*
maturity > 5 years	0	*0*	*0*	488,871,365	*4,224,043*	0	*0*
Supranational							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	131,689,491	*5,550,147*	*421,597*	0	*0*	4,395,137	*(118,144)*
maturity > 5 years	48,329,433	*1,367,499*	*400,619*	15,205,833	*0*	422,025	*5,172*
Norway							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	9,096,515	*0*	0	*0*
United States							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	353,083,013	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
TOTAL	**871,742,204**	***26,387,389***	***6,970,191***	**3,148,044,746**	***14,021,975***	**23,096,213**	***9,737***

Consolidated management report
Consolidated financial statements
Financial statements of the parent company

As at 31/12/19 Country Maturity date	Fair value through other comprehensive income Carrying amount	*of which fair value in other comprehensive income*	*of which fair value related to hedging*	Measured at amortised cost Carrying amount	*of which fair value related to hedging*	Held for trading Carrying amount	*of which fair value in profit or loss*
United Arab Emirates							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	0	0	452,749	9,729
maturity > 5 years	0	0	0	0	0	0	0
Austria							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	56,161,521	1,473,850	449,372	0	0	0	0
maturity > 5 years	0	0	0	0	0	0	0
Belgium							
maturity < 1 year	0	0	0	35,248,557	0	0	0
maturity > 1 year and <= 5 years	223,455,287	7,582,548	3,564,077	71,141,712	1,605,295	0	0
maturity > 5 years	171,422,488	3,148,962	8,841,186	390,830,700	6,791,632	0	0
Canada							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	77,045,826	1,330,993	0	0
maturity > 5 years	0	0	0	206,713,073	3,270,982	0	0
China							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	0	0	493,650	(4,626)
maturity > 5 years	0	0	0	9,890,318	(61,418)	885,362	(5,529)
Czech Republic							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	38,246,240	1,321,737	0	0
maturity > 5 years	0	0	0	0	0	0	0
France							
maturity < 1 year	0	0	0	30,491,856	0	0	0
maturity > 1 year and <= 5 years	0	0	0	208,954,981	954,447	181,323	158
maturity > 5 years	0	0	0	818,164,992	(19,631)	0	0
Germany							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	54,242,423	1,815,447	813,430	15,514,222	444,050	3,563,236	(28,241)
maturity > 5 years	0	0	0	70,586,930	2,874,748	3,441,846	86,676
Ireland							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	74,413,282	0	0	0
maturity > 5 years	26,929,606	657,967	1,199,758	236,533,100	9,577,946	0	0
Japan							
maturity < 1 year	0	0	0	0	0	179,360	2,993
maturity > 1 year and <= 5 years	0	0	0	0	0	0	0
maturity > 5 years	0	0	0	0	0	0	0
Latvia							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	9,276,933	0	0	0
maturity > 5 years	0	0	0	4,936,164	(72,297)	0	0
Lithuania							
maturity < 1 year	0	0	0	0	0	0	0
maturity > 1 year and <= 5 years	0	0	0	18,191,219	172,677	0	0
maturity > 5 years	0	0	0	5,276,656	97,379	0	0

As at 31/12/19	Fair value through other comprehensive income			Measured at amortised cost		Held for trading	
Country Maturity date	**Carrying amount**	***of which fair value in other comprehensive income***	***of which fair value related to hedging***	**Carrying amount**	***of which fair value related to hedging***	**Carrying amount**	***of which fair value in profit or loss***
Luxembourg							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	38,036,339	*683,105*	*2,548,116*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	4,989,385	*0*	5,333,854	*(30,140)*
Poland							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	44,470,949	*(56,694)*	0	*0*
maturity > 5 years	0	*0*	*0*	97,303,064	*4,953,985*	0	*0*
Qatar							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	19,022,588	*61,818*	*118,090*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Saudi Arabia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	4,572,833	*46,402*	*47,459*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Slovakia							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	10,326,021	*21,063*	0	*0*
maturity > 5 years	0	*0*	*0*	126,208,953	*2,396,811*	0	*0*
Slovenia							
maturity < 1 year	0	*0*	*0*	0	*0*		
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*		
maturity > 5 years	0	*0*	*0*	0	*0*	47,969	*(1,124)*
South Korea							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	25,858,828	*439,412*	0	*0*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
Spain							
maturity < 1 year	0	*0*	*0*	21,948,368	*11,631*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	238,093,079	*2,985,963*	0	*0*
maturity > 5 years	0	*0*	*0*	409,150,119	*16,955,056*	0	*0*
Supranational							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	157,398,606	*4,855,238*	*1,778,977*	0	*0*	0	*0*
maturity > 5 years	21,231,182	*69,264*	*1,172,105*	15,250,284	*0*	0	*0*
Norway							
maturity < 1 year	0	*0*	*0*	0	*0*	0	*0*
maturity > 1 year and <= 5 years	0	*0*	*0*	0	*0*	0	*0*
maturity > 5 years	0	*0*	*0*	9,067,949	*0*	0	*0*
United States							
maturity < 1 year	0	*0*	*0*	90,261,820	*0*	895,615	*470*
maturity > 1 year and <= 5 years	0	*0*	*0*	268,888,405	*476,493*	1,752,659	*50,668*
maturity > 5 years	0	*0*	*0*	0	*0*	0	*0*
TOTAL	**772,472,873**	***20,394,601***	***20,532,570***	**3,683,273,985**	***56,472,260***	**17,227,623**	***81,034***

12.3 Encumbered assets

A. COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	31/12/18			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	66,169,646	*66,169,646*	0	*0*
Debt securities	585,298,831	*0*	183,630,166	*183,630,166*
TOTAL	**651,468,477**	***66,169,646***	**183,630,166**	***183,630,166***

	31/12/19			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	117,691,507	*117,691,507*	0	*0*
Debt securities	697,454,545	*0*	249,590,276	*249,590,276*
TOTAL	**815,146,052**	***117,691,507***	**249,590,276**	***249,590,276***

B. ENCUMBERED ASSETS

	31/12/18			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Central Bank mandatory reserves	549,506,894	549,506,894	549,506,894	549,506,894
Debt securities held for trading	11,140,053	10,082,961	11,140,053	11,140,053
of which: issued by general governments	*728,522*	*728,522*	*728,522*	*728,522*
of which: issued by financial corporations	*9,417,070*	*8,359,978*	*9,417,070*	*9,417,070*
of which: issued by non-financial corporations	*994,461*	*994,461*	*994,461*	*994,461*
Debt securities at amortised cost	1,677,981,073	1,163,529,455	1,693,315,076	1,184,901,227
of which: issued by general governments	*1,087,602,751*	*727,439,709*	*1,109,556,578*	*754,440,243*
of which: issued by financial corporations	*481,344,798*	*328,557,572*	*475,984,779*	*324,193,555*
of which: issued by non-financial corporations	*109,033,524*	*107,532,174*	*107,773,719*	*106,267,429*
Debt securities at fair value through other comprehensive income	868,876,267	*795,145,498*	868,876,267	*794,088,406*
of which: issued by general governments	*541,651,513*	*541,651,513*	*541,651,513*	*541,651,513*
of which: issued by financial corporations	*314,603,394*	*242,495,985*	*314,603,394*	*241,438,893*
of which: issued by non-financial corporations	*12,621,360*	*10,998,000*	*12,621,360*	*10,998,000*
Loans and advances other than loans on demand	331,941,831	331,941,831	331,941,831	331,941,831
TOTAL	3,439,446,118	2,850,206,639	3,454,780,121	2,871,578,411

	31/12/19			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Central Bank mandatory reserves	179,209,891	179,209,891	179,209,891	179,209,891
Debt securities held for trading	5,617,989	2,978,524	5,617,989	2,978,524
of which: issued by general governments	*2,187,720*	*888,994*	*2,187,720*	*888,994*
of which: issued by financial corporations	*3,127,942*	*1,787,203*	*3,127,942*	*1,787,203*
of which: issued by non-financial corporations	*302,326*	*302,326*	*302,326*	*302,326*
Debt securities at amortised cost	1,588,865,220	1,178,965,030	1,637,999,009	1,225,757,700
of which: issued by general governments	*1,032,682,002*	*673,422,141*	*1,080,009,280*	*718,502,843*
of which: issued by financial corporations	*513,841,029*	*476,914,808*	*515,152,835*	*478,185,742*
of which: issued by non-financial corporations	*42,342,189*	*28,628,081*	*42,836,894*	*29,069,116*
Debt securities at fair value through other comprehensive income	442,445,811	*437,364,994*	442,445,811	*437,364,994*
of which: issued by general governments	*327,314,008*	*327,314,008*	*327,314,008*	*327,314,008*
of which: issued by financial corporations	*115,131,803*	*110,050,985*	*115,131,803*	*110,050,986*
Loans and advances other than loans on demand	450,619,610	450,619,610	450,619,610	450,619,610
TOTAL	2,666,758,520	2,249,138,049	2,715,892,310	2,295,930,719

C. SOURCES OF ENCUMBRANCE

	31/12/18		
	"Matching liabilities, contingent liabilities or securities lent"	Assets or collateral received encumbered	*of which : collateral received re-used*
Derivatives	502,275,615	331,941,831	*0*
Repurchase agreements	1,244,599,936	1,250,380,351	*183,630,166*
of which: central banks	*693,338,333*	*693,338,333*	*0*
Fair value of securities borrowed with non cash collateral	1,075,480,825	1,491,247,208	*0*
TOTAL	**2,822,356,376**	**3,073,569,390**	***183,630,166***

	31/12/19		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which : collateral received re-used*
Derivatives	599,538,078	450,619,610	*0*
Repurchase agreements	1,311,222,408	1,311,642,130	*249,590,276*
of which: central banks	*698,231,389*	*698,773,926*	*0*
Collateralised deposits other than repurchase agreements	6,653,696	6,653,696	*0*
of which: central banks	*6,653,696*	*6,653,696*	*0*
Fair value of securities borrowed with non cash collateral	947,044,821	968,223,469	*0*
TOTAL	**2,864,459,003**	**2,737,138,905**	***249,590,276***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in Note 1.5 of the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/18				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	290,313,542	0	290,313,542	66,169,646	224,143,896
TOTAL	**290,313,542**	**0**	**290,313,542**	**66,169,646**	**224,143,896**

Financial liabilities recognised at end of reporting period	31/12/18				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	503,183,727	0	503,183,727	334,514,235	168,669,492
Repurchase agreements	1,244,599,936	0	1,244,599,936	1,244,599,936	0
TOTAL	**1,747,783,663**	**0**	**1,747,783,663**	**1,579,114,171**	**168,669,492**

Financial assets recognised at end of reporting period	31/12/19				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	334,943,947	0	334,943,947	117,691,507	217,252,440
TOTAL	**334,943,947**	**0**	**334,943,947**	**117,691,507**	**217,252,440**

Financial liabilities recognised at end of reporting period	31/12/19				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	599,538,078	0	599,538,078	450,619,610	148,918,468
Repurchase agreements	1,311,222,408	0	1,311,222,408	1,311,222,408	0
TOTAL	**1,910,760,486**	**0**	**1,910,760,486**	**1,761,842,018**	**148,918,468**

12.4 Interest rate risk : breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/18			
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Cash and balances with central banks and demand deposits	3,083,169,677	0	0	0
Financial assets held for trading	66,338,223	117,621	2,847,258	27,289,393
Financial investments measured at fair value	150,026,782	5,963,353	26,314,789	712,650,472
Financial investments measured at fair value through other comprehensive income	*150,026,782*	*5,963,353*	*26,314,789*	*712,650,472*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	1,065,390,238	96,122,356	0	55,330,994
Loans and advances to customers	4,622,709,361	122,095,735	225,056,997	1,378,182,090
Financial investments measured at amortised cost	668,589,174	75,027,615	109,029,081	1,335,763,103
Derivatives	0	0	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**9,656,223,455**	**299,326,680**	**363,248,125**	**3,509,216,052**

	31/12/18		
	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	3,083,169,677
Financial assets held for trading	30,297,324	0	126,889,819
Financial investments measured at fair value	464,855,454	46,433,918	1,406,244,768
Financial investments measured at fair value through other comprehensive income	*464,855,454*	*43,618,905*	*1,403,429,755*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*2,815,013*	*2,815,013*
Loans and advances to credit institutions	3,468,086	0	1,220,311,674
Loans and advances to customers	6,922,364,091	0	13,270,408,274
Financial investments measured at amortised cost	2,851,132,746	0	5,039,541,719
Derivatives	0	288,703,842	288,703,842
Fair value revaluation of portfolios hedged against interest rate risk	0	1,470,569	1,470,569
TOTAL	**10,272,117,701**	**336,608,329**	**24,436,740,342**

[1] Excluding derivatives and off-balance sheet items.
[2] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

A. ASSETS	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Cash and balances with central banks and demand deposits	3,041,956,502	0	0	0
Financial assets held for trading	26,750,467	105,519	1,040,235	15,554,209
Financial investments measured at fair value	89,466,272	0	4,427,521	739,351,474
Financial investments measured at fair value through other comprehensive income	*89,466,272*	*0*	*4,427,521*	*739,351,474*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	1,212,674,209	18	499,998	58,150,000
Loans and advances to customers	4,742,518,066	150,116,008	367,339,449	1,690,526,472
Financial investments measured at amortised cost	639,868,598	49,116,920	148,334,305	2,216,557,442
Derivatives	0	0	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**9,753,234,114**	**199,338,465**	**521,641,508**	**4,720,139,597**

	31/12/19		
	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	3,041,956,502
Financial assets held for trading	19,984,592	102,598	63,537,620
Financial investments measured at fair value	219,583,276	54,607,795	1,107,436,338
Financial investments measured at fair value through other comprehensive income	*219,583,276*	*51,657,675*	*1,104,486,218*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*2,950,120*	*2,950,120*
Loans and advances to credit institutions	0	0	1,271,324,225
Loans and advances to customers	7,525,738,701	0	14,476,238,696
Financial investments measured at amortised cost	3,199,268,415	0	6,253,145,680
Derivatives	0	334,943,947	334,943,947
Fair value revaluation of portfolios hedged against interest rate risk	0	303,238	303,238
TOTAL	**10,964,574,984**	**389,957,578**	**26,548,886,246**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

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B. LIABILITIES	31/12/18			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Amounts due to credit institutions	1,491,724,248	587,234,018	97,850,527	961,530,913
Amounts due to customers	14,939,329,616	1,013,113,766	296,168,628	546,009,668
Other financial liabilities	0	0	0	0
Financial liabilities measured at fair value through profit or loss	323,386,532	10,585,123	66,162,734	188,564,958
Liabilities designated at fair value	*323,386,532*	*10,585,123*	*66,162,734*	*188,564,958*
Derivatives	0	0	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
Debt securities	656,366,004	20,796,996	183,799,463	946,334,419
Subordinated debts	47,842,774	0	0	0
TOTAL	**17,458,649,174**	**1,631,729,903**	**643,981,352**	**2,642,439,958**

	31/12/18		
	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	57,202,764	0	3,195,542,470
Amounts due to customers	1,981,098	0	16,796,602,776
Other financial liabilities	0	0	0
Financial liabilities measured at fair value through profit or loss	243,745,767	0	832,445,114
Liabilities designated at fair value	*243,745,767*	*0*	*832,445,114*
Derivatives	0	502,275,615	502,275,615
Fair value revaluation of portfolios hedged against interest rate risk	0	24,826,064	24,826,064
Debt securities	126,688,863	0	1,933,985,745
Subordinated debts	237,503,114	0	285,345,888
TOTAL	**667,121,606**	**527,101,679**	**23,571,023,672**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years
Amounts due to credit institutions	1,688,446,852	575,248,284	368,449,148	502,985,757
Amounts due to customers	15,535,119,974	1,321,288,134	795,199,340	588,020,985
Other financial liabilities	0	1,129,710	3,330,381	15,017,012
Financial liabilities measured at fair value through profit or loss	313,595,819	13,485,117	67,621,275	273,859,990
Liabilities designated at fair value	*313,595,819*	*13,485,117*	*67,621,275*	*273,859,990*
Derivatives	0	0	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
Debt securities	696,415,363	4,811,800	92,105,205	1,166,501,465
Subordinated debts	0	0	31,044,196	0
TOTAL	**18,233,578,008**	**1,915,963,045**	**1,357,749,545**	**2,546,385,209**

	31/12/19		
	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	53,551,114	0	3,188,681,155
Amounts due to customers	577,087	0	18,240,205,520
Other financial liabilities	3,929,214	0	23,406,317
Financial liabilities measured at fair value through profit or loss	254,791,838	0	923,354,039
Liabilities designated at fair value	*254,791,838*	*0*	*923,354,039*
Derivatives	0	599,538,078	599,538,078
Fair value revaluation of portfolios hedged against interest rate risk	0	13,688,928	13,688,928
Debt securities	307,584,951	0	2,267,418,784
Subordinated debts	138,035,616	0	169,079,812
TOTAL	**758,469,820**	**613,227,006**	**25,425,372,633**

C. NET POSITION	31/12/18					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,802,425,719)	(1,332,403,223)	(280,733,227)	866,776,094	9,604,996,095	(191,963,919)

	31/12/19					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(8,480,343,894)	(1,716,624,580)	(836,108,037)	2,173,754,388	10,206,105,164	(223,572,666)

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioural data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

A. TREASURY AND FINANCIAL MARKETS ACTIVITIES

BIL's treasury and financial markets activities support the Bank's commercial activities.
Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.
Treasury management is subject to interest-rate sensitivity limit.

a. Trading: Value at Risk – 99 %, 10 days (in EUR million)

In 2019, BIL calculated:
- a trading VaR (Fixed Income and Forex) based on a historical VaR (99 %, 10 days);
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are:

VaR (10 days, 99%) (in EUR million)		**31/12/18**							
		Fixed Income & FOREX (TRADING)				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.42	0.28	0.22	0.13	0.01	0.01	0.01	0.01
	Maximum	0.68	0.52	0.73	0.38	0.04	0.02	0.07	0.04
Global	Average	0.26							
	Maximum	0.73							
	End of period	0.09							
	Limit	8.00							

VaR (10 days, 99%) (in EUR million)		**31/12/19**							
		Fixed Income & FOREX (TRADING)				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.30	0.26	0.18	0.16	0.01	0.01	0.02	0.02
	Maximum	0.64	0.62	0.78	0.46	0.02	0.05	0.43	0.43
Global	Average	0.23							
	Maximum	0.78							
	End of period	0.09							
	Limit	2.00							

b. Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)	31/12/18				31/12/19			
	Treasury				Treasury			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	0.67	0.59	0.74	0.45	1.25	0.55	(1.20)	0.72
Limit	20.00				20.00			

c. Investment Treasury Portfolio (in EUR million)

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

(in EUR million)	31/12/18	31/12/19
Exposures	514	261
Interest-rate sensitivity (+1 bp)	(0.02)	(0.01)
Credit spread sensitivity (+1 bp)	(0.15)	(0.05)

B. ALM INTEREST-RATE RISK, EQUITY AND CREDIT SPREAD RISK

The interest rate risk is followed by an interest rate sensitivity limit.
For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1% change in the interest rate position of ALM activities.

(in EUR million)		2018							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(8)	4	7	5	(2)	(2)	(2)	(2)

(in EUR million)		2019							
		Interest rate [1 4]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(2)	11	(13)	(9)	(2)	(2)	(2)	(2)

b. Investment Portfolio HTC&S (in EUR million)

The portfolio's interest rate is managed by ALM.

(in EUR million)	2018	2019
Exposures	732	700
Interest rate sensitivity (+1bp)	(0.01)	(0.01)
Credit spread sensitivity (+1bp)	(0.42)	(0.33)

[1] Sensitivity (+1 %).
[2] On December 31, 2018, the interest rate sensitivity limit for BIL ALM reached EUR 81 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2019, the interest rate sensitivity limit for BIL ALM reached EUR 119 million per percent.

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the consolidated management report.

The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received.

A. ASSETS	31/12/18			
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Cash and balances with central banks and demand deposits	3,081,161,131	2,008,546	0	0
Financial assets held for trading	26,483,806	3,861,636	9,567,458	10,045,002
Financial investments measured at fair value	34,011	15,978,715	45,751,347	93,078,140
Financial investments measured at fair value through other comprehensive income	*34,011*	*15,978,715*	*45,751,347*	*93,078,140*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	319,859,662	432,940,923	94,121,018	231,107,875
Loans and advances to customers	2,371,911,888	1,736,872,913	627,507,853	729,402,365
Financial investments measured at amortised cost	0	75,027,615	143,207,767	240,377,486
Derivatives	0	194,979,453	35,442,384	1,112,030
Fair value revaluation of portfolios hedged against interest rate risk	0	0	1,037,195	0
TOTAL	**5,799,450,498**	**2,461,669,801**	**956,635,022**	**1,305,122,898**

	31/12/18			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	0	3,083,169,677
Financial assets held for trading	45,779,508	31,152,409	0	126,889,819
Financial investments measured at fair value	740,090,590	464,855,456	46,456,509	1,406,244,768
Financial investments measured at fair value through other comprehensive income	*740,090,590*	*464,855,456*	*43,641,496*	*1,403,429,755*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*2,815,013*	*2,815,013*
Loans and advances to credit institutions	138,814,110	3,468,086	0	1,220,311,674
Loans and advances to customers	644,560,593	7,160,152,662	0	13,270,408,274
Financial investments measured at amortised cost	1,448,096,496	3,132,832,355	0	5,039,541,719
Derivatives	34,070,422	23,099,553	0	288,703,842
Fair value revaluation of portfolios hedged against interest rate risk	433,374	0	0	1,470,569
TOTAL	**3,051,845,093**	**10,815,560,521**	**46,456,509**	**24,436,740,342**

[1] Residual maturity, excluding derivatives and off-balance sheet.
[2] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

A. ASSETS	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Cash and balances with central banks and demand deposits	3,041,956,502	0	0	0
Financial assets held for trading	3,872,331	716,516	7,304,894	5,153,524
Financial investments measured at fair value	0	0	23,484,477	107,508,109
Financial investments measured at fair value through other comprehensive income	*0*	*0*	*23,484,477*	*107,508,109*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	616,704,733	339,333,629	171,847,982	140,288,013
Loans and advances to customers	1,704,177,050	1,509,187,730	1,159,367,589	701,359,393
Financial investments measured at amortised cost	0	49,116,920	202,759,541	656,787,506
Derivatives	0	237,681,078	32,635,012	21,255,436
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**5,366,710,616**	**2,136,035,873**	**1,597,399,495**	**1,632,351,981**

	31/12/19			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	0	3,041,956,502
Financial assets held for trading	25,664,544	20,723,213	102,598	63,537,620
Financial investments measured at fair value	702,252,681	219,583,276	54,607,795	1,107,436,338
Financial investments measured at fair value through other comprehensive income	*702,252,681*	*219,583,276*	*51,657,675*	*1,104,486,218*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*2,950,120*	*2,950,120*
Loans and advances to credit institutions	0	3,149,868	0	1,271,324,225
Loans and advances to customers	1,587,192,703	7,814,954,231	0	14,476,238,696
Financial investments measured at amortised cost	1,938,692,634	3,405,789,079	0	6,253,145,680
Derivatives	9,859,543	33,512,878	0	334,943,947
Fair value revaluation of portfolios hedged against interest rate risk	303,238	0	0	303,238
TOTAL	**4,263,965,343**	**11,497,712,545**	**54,710,393**	**26,548,886,246**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/18			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Amounts due to credit institutions	1,039,747,636	1,024,087,721	118,973,951	751,462,070
Amounts due to customers	13,691,231,101	2,241,131,765	297,160,627	260,518,836
Financial liabilities measured at fair value through profit or loss	0	37,330,400	129,744,954	143,633,034
Liabilities designated at fair value	*0*	*37,330,400*	*129,744,954*	*143,633,034*
Derivatives	0	210,247,564	41,507,559	16,416,634
Fair value revaluation of portfolios hedged against interest rate risk	0	0	280,127	0
Debt securities	13,945,177	39,861,207	288,129,428	232,704,491
Subordinated debts	0	0	0	0
TOTAL	**14,744,923,914**	**3,552,658,657**	**875,796,646**	**1,404,735,065**

	31/12/18			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	203,837,443	57,433,649	0	3,195,542,470
Amounts due to customers	285,490,832	1,981,097	19,088,518	16,796,602,776
Financial liabilities measured at fair value through profit or loss	268,411,004	253,325,722	0	832,445,114
Liabilities designated at fair value	*268,411,004*	*253,325,722*	*0*	*832,445,114*
Derivatives	71,639,073	162,464,785	0	502,275,615
Fair value revaluation of portfolios hedged against interest rate risk	24,545,937	0	0	24,826,064
Debt securities	1,224,654,395	134,691,047	0	1,933,985,745
Subordinated debts	0	285,345,888	0	285,345,888
TOTAL	**2,078,578,684**	**895,242,188**	**19,088,518**	**23,571,023,672**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/19			
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years
Amounts due to credit institutions	878,848,593	1,204,673,263	539,303,677	179,016,042
Amounts due to customers	14,309,252,513	2,530,046,752	798,988,779	170,499,135
Other financial liabilities	0	1,129,710	3,330,380	4,052,246
Financial liabilities measured at fair value through profit or loss	0	23,681,866	129,290,556	196,142,643
Liabilities designated at fair value	*0*	*23,681,866*	*129,290,556*	*196,142,643*
Derivatives	0	247,827,612	30,067,943	11,741,392
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	13,489,191
Debt securities	12,969,322	66,752,822	173,117,894	370,662,876
Subordinated debts	0	0	31,044,196	0
TOTAL	**15,201,070,428**	**4,074,112,025**	**1,705,143,425**	**945,603,525**

	31/12/19			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	333,288,465	53,551,115	0	3,188,681,155
Amounts due to customers	430,841,254	577,087	0	18,240,205,520
Other financial liabilities	10,964,766	3,929,215	0	23,406,317
Financial liabilities measured at fair value through profit or loss	303,369,317	270,869,657	0	923,354,039
Liabilities designated at fair value	*303,369,317*	*270,869,657*	*0*	*923,354,039*
Derivatives	103,674,908	206,226,223	0	599,538,078
Fair value revaluation of portfolios hedged against interest rate risk	199,737	0	0	13,688,928
Debt securities	1,336,330,919	307,584,951	0	2,267,418,784
Subordinated debts	0	138,035,616	0	169,079,812
TOTAL	**2,518,669,366**	**980,773,864**	**0**	**25,425,372,633**

C. NET POSITION	31/12/18						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(8,945,473,416)	(1,090,988,856)	80,838,376	(99,612,167)	973,266,409	9,920,318,333	27,367,991

	31/12/19						
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,834,359,812)	(1,938,076,152)	(107,743,930)	686,748,456	1,745,295,977	10,516,938,681	54,710,393

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

12.7 Currency risk

	31/12/18				
	EUR	Other EU currencies	USD	Other	Total
Assets	19,649,368,017	692,045,099	2,156,358,363	2,650,027,850	**25,147,799,329**
Liabilities	19,912,291,805	840,383,059	3,674,395,036	720,729,429	**25,147,799,329**
NET ON-BALANCE SHEET POSITION	**(262,923,788)**	**(148,337,960)**	**(1,518,036,673)**	**1,929,298,421**	**0**
Off-balance sheet – receivable	6,135,094,866	1,528,505,669	7,387,467,661	3,495,441,497	**18,546,509,693**
Off-balance sheet – payable	5,826,692,398	1,384,951,610	5,869,695,070	5,463,643,591	**18,544,982,669**
NET OFF-BALANCE SHEET POSITION	**308,402,468**	**143,554,059**	**1,517,772,591**	**(1,968,202,094)**	**1,527,024**

	31/12/19				
	EUR	Other EU currencies	USD	Other	Total
Assets	21,975,926,011	813,480,048	2,191,955,799	2,380,910,171	**27,362,272,029**
Liabilities	21,588,761,598	848,180,572	4,067,553,731	857,776,128	**27,362,272,029**
NET ON-BALANCE SHEET POSITION	**387,164,413**	**(34,700,524)**	**(1,875,597,932)**	**1,523,134,043**	**0**
Off-balance sheet – receivable	3,837,904,687	3,254,440,802	8,301,858,736	5,300,949,089	**20,695,153,314**
Off-balance sheet – payable	4,185,894,566	3,221,678,317	6,416,396,772	6,876,977,127	**20,700,946,782**
NET OFF-BALANCE SHEET POSITION	**(347,989,879)**	**32,762,485**	**1,885,461,964**	**(1,576,028,038)**	**(5,793,468)**

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/18	31/12/19
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,171,431,946**	**1,322,047,408**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**884,019,359**	**1,007,948,642**
Capital, share premium and own shares	847,974,270	906,636,231
Reserves, retained earnings and eligible result	378,006,495	459,621,617
Regulatory and transitional adjustments[1]	(341,961,406)	(358,309,206)
ADDITIONAL TIER 1 CAPITAL (AT1)	**150,000,000**	**175,000,000**
Subordinated liabilities	150,000,000	0
Other equity instruments	0	175,000,000
TIER 2 CAPITAL (T2)	**137,412,587**	**139,098,766**
Subordinated liabilities	137,412,587	139,098,766
IRB excess	0	0
RISK WEIGHTED ASSETS	**8,187,747,857**	**8,801,574,008**
Credit Risk	7,356,361,254	7,874,063,391
Market Risk	61,199,155	51,390,108
Operational Risk	745,194,197	853,589,477
Credit Value Adjustments	24,993,251	22,531,032
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	10.80%	11.45%
Tier 1 ratio	12.63%	13.44%
Capital Adequacy ratio	14.31%	15.02%

[1]**REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1**	**31/12/18**	**31/12/19**
Goodwill and intangible assets	(139,284,824)	(177,035,587)
Deferred tax assets that rely on future probability	(198,619,395)	(171,688,825)
Fair value reserves related to gains or losses cash flow hedges	4,812,604	2,620,964
Gains or losses on liabilities at fair value resulting from own credit	(380,283)	(383,396)
Additional Value Adjustment	(3,103,497)	(2,929,427)
IRB shortfall	0	(4,111,934)
Defined benefit pension fund assets	(4,376,001)	(4,781,001)
AGDL reserves	(1,010,010)	0
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	**(341,961,406)**	**(358,309,206)**

The figures are computed according to Basel III rules (CRR 575/2013 as amended and CSSF Regulation 18-03).

The EU Parliament adopted, at the end of 2017, the amendment to the CRR allowing credit institutions to (partially) compensate the impact of the introduction of IFRS 9 on regulatory capital during the transitional period of 5 years (i.e. until 2022). The Bank decided not to apply such a phase-in alternative.

Proposed allocation of 2019 net income

The Board of Directors proposed to the General Meeting of Shareholders that the profit be used as follows:

EUR	
Net income for the year	172,494,072
Allocation to "Legal reserve"[1]	(488,418)
Allocation to "Retained earnings"	(172,005,654)
TOTAL	**0**

[1] Mandatory additional allocation to the legal reserve in order to reach 10 % of the subscribed capital.