Annual Report 2020

BIL

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BANQUE INTERNATIONALE À LUXEMBOURG

Executive foreword

Building a stronger, better and more sustainable Bank

2020 was a year like no other. In this historically challenging time for clients, BIL continued to provide support to help people and businesses through the social and economic impact of the COVID-19 pandemic. This remains a priority, alongside maintaining the financial strength of the Bank and keeping all our employees safe.

As many companies and businesses had to stop or adapt their activities, BIL strove to help them stay afloat throughout the crisis. From the beginning of the pandemic until early January 2021, the Bank granted over 2800 loan deferrals for a combined amount of 1 billion euros. We also worked with the Luxembourg Government and six other financial institutions to launch a State-guaranteed loan scheme in April 2020 thus giving additional support to entrepreneurs who are essential to the dynamism of our economy.

Throughout the pandemic, BIL strove to maintain all activities and remained at the side of clients to ensure their projects, personal or professional, could come to life. This was done ensuring that our clients and employees were safe at all times. The Bank introduced new ways of working, ramped up home office capabilities for most employees and kept branches open to appointments only with proper sanitary protection. We strongly encouraged clients to use digital channels whenever possible to continue to access our services. To support the Luxembourg medical community when the virus first hit, the Bank contributed to the sourcing and delivery of safety equipment, with the help of our majority shareholder Legend Holdings.

In these exceptional circumstances, we quickly adapted the organisation of the Bank. However, we stayed focused on our objectives, defined in our 5-year strategic plan, to position BIL as an innovative bank and a trusted advisor whilst developing our international wealth management and corporate banking offering. Focused and increased efficiency in all our business areas will continue to be key to our success. Many of 2020's achievements demonstrate this. In Luxembourg, our domestic market, the Bank concentrated its efforts on improving its distribution channels and growing its investment offering. Early 2020, Assets under Management in the in-house BIL Invest fund range passed the one-billion-euro mark. We also made significant progress in the implementation of our new core banking system, which will provide us with a tool to run more efficiently and to continue to expand our portfolio of digital services.

Outside of Luxembourg, BIL strengthened its Swiss entity with a new management team in place. Its team servicing Middle East and Chinese clients was expanded, while the closure of BIL branch in Dubai was initiated. BIL continued to expand its footprint in China by adding an external wealth management firm based in Hong Kong, named BIL Wealth Management Limited.

A satisfactory performance despite the adverse macroeconomic environment

The COVID-19 pandemic and the measures to contain it have triggered a deep global economic crisis, adding to the challenges of the banking sector: low interest rates, enhanced regulation, and increased competition from digital entrants.

Throughout 2020, BIL commercial activities delivered a satisfactory performance despite the adverse environment. The lockdown period, travel restrictions and curfews reduced business development and transactional activities for all business lines. In addition, the persistent negative interest rates environment in EUR and decreasing USD rates pushed down the Bank's margins. Nevertheless, thanks to its continued support to the projects of individual and business clients, BIL was able to increase its loan activity. Loans and advances to customers amounted to EUR 15.4 billion, up by +4.8% compared with year-end 2019. Customer deposits reached EUR 19.8 billion, up +4.1% and Assets under Management reached EUR 43.7 billion.

While the Bank was able to keep operating expenses under control thanks to efficient cost management measures, the adverse macroeconomic environment increased the cost of risk by EUR 37 million (excluding non-recurring items) compared with 2019. Net income after tax stood at EUR 101 million, down 10%, largely due the COVID-19 pandemic and economic downturn. Notwithstanding this difficult environment, the Bank's capital and liquidity positions remain solid with a CET1 ratio at 13.44%.

More than ever 2020 showed how closely we are connected to our clients, to our communities, to regulators and to one another. With our shareholders, with our management team, with all BIL employees, we share a common vision of contributing to a sound and sustainable financial system.

2021 will be a year of reconstruction. We are optimistic that there will be many opportunities on the road towards a bright, post-pandemic future. Everyone at BIL will be there to help clients seize these opportunities and to support the economy towards a swift recovery.

Marcel Leyers
Chief Executive Officer

Luc Frieden
Chairman of the
Board of Directors

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Corporate governance (as of December 31, 2020)

Board of Directors and Executive Committee

The Board of Directors has the overall responsibility for Banque Internationale à Luxembourg (BIL). 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.

The Board of Directors has delegated the daily management of BIL to the Management Board and the Chief Executive Officer (CEO).

The overall objective of the Management Board is to lead, direct and manage BIL in order to achieve the strategy and the business objectives set by the Board of Directors. The Management Board is composed of the Authorised Management members and is collegially responsible for the effective day-to-day management of BIL and typically decides on matters of strategic importance and significant impact in line with the regulatory framework. It meets on a weekly basis as an integral part of the Executive Committee and on an ad-hoc basis, as needed.

The Executive Committee consists of the CEO and the Management Board members and the heads of other support and business lines. It is in charge of running BIL and meets on a weekly basis with a majority of Management Board members.

The Management Board respectively the Executive Committee exercises its duties under the supervision of the Board of Directors.

Board of Directors

Chairman

Luc Frieden

Vice-Chairman

Peng Li

Members

Marcel Leyers	Director and Chief Executive Officer
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
Ashley Glover	Director, Staff Representative

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

Chris Van Aeken[1]

Vice-Chairman

Jing Li

Members

Luc Frieden
Vincent Thurmes
Christian Schaack

[1] Chris Van Aeken was appointed as chairman of the Board Risk Committee replacing Christian Schaack, who remains a member of the Board Risk Committee, as from September 1, 2020.

Board Remuneration and Nominations Committee

Chairman

Peng Li

Members

Jing Li
Vincent Thurmes
Serge Schimoff (Remuneration matters)

Executive Committee

Chairman

Marcel Leyers*	Chief Executive Officer

Members

Helmut Glemser*[1]	Chief Risk Officer (as from November 11, 2020)
Stéphane Albert*	Chief Risk Officer (up to November 11, 2020)
Yves Baguet*	Chief Operating Officer (up to December 31, 2020)
Hans-Peter Borgh	Group Head International
Olivier Debehogne*	Head of Retail, Private Banking Luxembourg and Digital[2]
Martin Freiermuth	Head of Products and Markets (up to May 31, 2020)
Jérôme Nèble	Head of Products and Markets (as from June 1, 2020)[3]
Emilie Hoël	Head of Wealth Management
Erwin Liebig	Head of Strategy, Marketing and Data (up to December 31, 2020)[4]
Jeffrey Dentzer	Head of Corporate and Institutional Banking[5]
Bernard Mommens*	Secretary General and General Counsel
Nico Picard*	Chief Financial Officer
Karin Scholtes*	Global Head of People, Culture and Communication

Permanent Invitees

Pia Haas	Chief Internal Auditor
Marie Bourlond	Chief Compliance Officer

* Member of the Management Board (Authorised Management).
1 Prudential approval as Authorised Manager was received on November 11, 2020. Helmut Glemser was appointed as a member of the Executive Committee as from August 24, 2020.
2 As from January 1, 2021 Olivier Debehogne becomes Chief Transformation Officer responsible for the definition, delivery and impact measurement of the key transformational initiatives of BIL, digital banking and data management.
3 As from February 10, 2021 Jérôme Nèble becomes Head of Financial Markets following the change of name of the Products and Markets business line.
4 As from January 1, 2021 Olivier Gorin becomes Head of Strategy and Marketing and joins the Executive Committee as permanent invitee.
5 As from January 1, 2021 Jeffrey Dentzer becomes Chief of the Luxembourg Market and Corporate and Institutional Banking (CIB) heading the Retail, Private Banking Luxembourg business line and CIB, including the international dimension of the CIB business line.

Business Review and Results

1. Highlights of 2020 and early 2021

The COVID-19 pandemic has induced a deep global economic crisis, adding to the challenges of the banking sector: persistently low interest rates, enhanced regulation, and increased competition from digital entrants. Nevertheless, the Bank's objectives remain unchanged: increasing efficiency, focus and consistency to better serve our clients.

As the country was facing an unprecedented challenge, some entrepreneurs were struggling to keep their businesses afloat. True to its origins, the Bank committed to support the national economy and its businesses and as a key player in Luxembourg, coordinated its efforts with other Luxembourgish banks.

During 2020, BIL adapted quickly to the new situation, benefitting from our 5-year strategic plan "Create Together 2025". To continue to serve clients in a context of limited physical interaction and to ensure employees safety, BIL accelerated the roll out of digital services both for clients and employees. The use of its digital banking platform BILnet was encouraged. In addition, new services were introduced, such as electronic signature for commercial documents giving additional flexibility and security to corporate clients.

Throughout 2020, BIL continued to invest and to strengthen its investment capabilities, growing its reputation as an asset manager and a trusted investment advisor. In February 2020, the Bank also expanded its Wealth Management services distribution footprint with the acquisition of Hong Kong based wealth management firm Sino Suisse Financial Group (Hong Kong) Limited, which was renamed BIL Wealth Management Limited. The new entity provides financial advice and manages clients' assets with an open architecture concept through BIL Luxembourg, BIL Suisse and other partner banks.

The Bank defended its strong market share in Luxembourg thanks to organic growth in all business areas in a difficult environment. As expected, it will take some time yet for the public health situation to return to normal. The Bank anticipates that the negative impact on revenues, with a higher cost of risk and operations, will persist throughout 2021. Nevertheless, the Bank's capital and liquidity positions remain solid, with significant buffers in excess of regulatory requirements.

THE RIGHT SERVICES IN THE RIGHT PLACES

The Create Together 2025 strategy emphasises the efficient use of the Bank's resources. BIL is focusing on customers and markets where the Bank has a strong right to win, with a strong view to preserving a high degree of efficiency of internal processes, containing operating costs and IT complexity.

In Luxembourg, BIL optimised the multi-channel nature of its "More digital - More human" distribution strategy to address shifting client behaviours and increasing use of digital services. In March 2020, the Bank introduced its new footprint concept with three specific types of branches: BIL Office, BIL Shop and BIL House. While BIL Offices provide dedicated spaces for advisory services throughout the Grand Duchy, BIL Shops offer daily after-sales support and advisory activities in areas with a high footfall. Selected flagship branches (BIL Houses) are covering the complete areas of expertise and service levels.

BIL parent company includes two branches: BIL Danmark and BIL Dubai.

In 2020 and early 2021, no significant event occurred for BIL Danmark.

In July, BIL decided to close its Dubai branch to further increase efficiency. The branch mainly served Middle Eastern, non-resident Indian and European expatriate clients. Middle Eastern clients remain a key client group for BIL and they are now primarily served out of the BIL Suisse Geneva office. BIL Luxembourg and BIL Suisse were already acting as booking centres

EXPANDING ASSET MANAGEMENT CAPABILITIES

Focusing on the strategic goal of asset transformation, the Bank invested and strengthened its capabilities to build its reputation as an asset manager and a trusted investment advisor through products which add value to clients' portfolios and partnerships.

Following the successful fundraising of BIL's first private equity fund BIL PE I, the Bank issued its real estate fund BIL RE I in November 2019. After several roadshows and presentations, the first closing was done at the end of December 2020. The final closing will probably occur during 2021. This offering is unique as private clients can participate in a high-end, value-add real estate investment strategy usually reserved for institutional clients, thanks to the low entry tickets (EUR 125,000). BIL RE I was setup in collaboration with Quilvest, a multi-family office based in Luxembourg with longstanding experience and a proven track record in real estate investments.

Following the launch over the past few years of BIL's own UCITS fund suite under the brand name BIL Invest, BIL Manage Invest also took over the fund and portfolio management for four BIL Invest Patrimonial funds and the brokerage function in January 2020. The takeover of the management company function of BIL Invest represents another important step in the continuous growth of BIL Manage Invest, following 2019's breakthrough with five billion euros in total assets.

In late June, BIL offered clients extensive investment opportunities in healthcare, a sector which delivered strong earnings even before the pandemic. Various investment themes backed by strong sales arguments were proposed and tailor-made structured products were offered, to allow clients to benefit from the positive trends relating to healthcare. The initiative was positively welcomed by clients and realised sales exceeded expectations.

In July, BIL and Leonteq initiated a partnership for the issuance and distribution of structured investment products, providing BIL with a broad range of services along the entire value chain. The Bank is responsible for distributing these structured investment products to clients, while Leonteq has an international distribution mandate. This will allow the Bank to access a broader base of qualified investors across Europe and Asia.

ROAD TO CHINA

Throughout 2020, BIL continued to pursue the development of international markets to drive future growth, especially the Chinese market which is key to diversifying our revenue sources.

Leveraging on our cross-border capacity in Luxembourg, Switzerland and Hong Kong, BIL serves Chinese entrepreneurs by offering them services from our Wealth Management and Corporate Banking teams.

With the establishment of a representative office in Beijing China, BIL has started to promote its branding in China, attracting Chinese clients with global investment and business needs.

Building on its increased presence in Hong Kong, BIL has started to reinforce its Group investment offerings by building expertise in Chinese capital markets, to meet the rising demands of European and Chinese investors looking for cross-border investment opportunities.

DIGITAL JOURNEYS AND INNOVATION TO SIMPLIFY CLIENT LIFE

In line with the Create Together 2025 strategy the Bank will continue to streamline its way of working by creating effective and efficient internal processes and client journeys. Thanks to the dedicated efforts of employees, and despite a challenging context, the Bank rolled out a series of new digital services to simplify client life.

In early 2020, the Bank added Apple Pay to its broad range of payment services. With this free service, clients can pay with their Apple device in shops and online without having to present their credit or debit card.

BIL also launched a fully digital car leasing service in cooperation with ALD Automotive Luxembourg which offers operating lease agreements for a wide selection of customisable vehicles.

In May, the lockdown accelerated the deployment of the electronic signature. It enabled both clients and employees to sign loan documents remotely. This was particularly welcomed by corporate clients in need of financial support due to the pandemic.

The Bank was the first in Luxembourg to offer instant payments allowing clients to transfer euros in less than 10 seconds. Initially, the service was only available for transfers from and to accounts held with BIL. In September 2020, the service was extended to transfers to and from banks in the SEPA (Single Euro Payment Area) using the ECB's TIPS network and in November to the EBA Clearing's RT1 network.

ORGANISATIONAL CHANGE TO PREPARE FOR THE FUTURE

2020 and the exceptional circumstances of the pandemic taught the Bank two important lessons. Lesson number one is very positive: BIL can act fast and be very efficient in supporting its clients. Many of 2020's achievements demonstrate this. Lesson number two is also positive: the Bank is able to adapt its structure in order to stay focused on its key projects and priorities.

With these two lessons and the Create Together 2025 strategy objectives in mind, the Bank has put in place a new -less complex- organisation to act with higher efficiency, responsibility and accountability. This will support a sound capital and liquidity base and, more globally, ensure that the business grows within the risk appetite framework as approved by the Board of Directors.

In June 2020, Jérôme Nèble was appointed Head of Products and Markets and a member of the Executive Committee. Amongst his responsibilities are the management of the Bank's balance sheet, namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management and the Products and Markets activities. In February 2021, the Products and Markets business line was renamed Financial Markets.

Helmut Glemser was appointed Chief Risk Officer in 2020. Efficient risk management is key to the sustainable development and protection of BIL earnings, through a solid risk management framework definition, as well as through permanent risk monitoring and reporting.

In January 2021, in order to further increase client support across channels and increase cross-selling in its domestic market, the Bank decided to bring all activities in the Luxembourg market under one leadership. Hence, Jeffrey Dentzer took over responsibility for all Retail and Private Banking Luxembourg activities in addition to Corporate and Institutional Banking (CIB) both national and international. The principle of "one market – one leadership" will deliver greater synergies and efficiencies.

Olivier Debehogne was appointed Chief Transformation Officer. He now leads a new unit, called the "Transformation Office", created to support all digital transformation projects and especially the replacement of the core banking system.

Olivier Gorin was appointed Head of Strategy and Marketing. As advisor to the CEO, he is responsible for major business-related projects and the strategic development of the Bank.

To lead the Bank's efforts to include Environmental, Social and Governance (ESG) principles (described in the ESG section) into the different business activities, BIL created a new role and appointed Alessandra Simonelli as Head of Sustainable Development.

OUR CORPORATE SOCIAL RESPONSIBILITY ENDEAVOURS

For BIL, it is important to play its role in the local communities. More than ever the Bank wanted to support its customers and frontline workers in the fight against the pandemic. With the help of our majority shareholder Legend Holdings, BIL organised a shipment of medical supplies from China which were donated to hospitals throughout the Grand Duchy of Luxembourg in April 2020. This shipment consisted of 10 000 surgical masks, 10 000 other medical grade masks, 5 000 protective suits and 5 000 goggles. This initiative was much appreciated by the "Hôpitaux Robert Schuman".

In a similar effort, BIL staff members donated 70 kg of medicine to "Médecins du Monde", an organisation providing healthcare to disadvantaged people in the Grand Duchy.

While the pandemic limited social and cultural activities, BIL strived to continue supporting artists throughout the year – notably by holding different art exhibitions in the Independence gallery at the Bank's headquarters : Iva Mràzkovà's exhibition "Who owns the rain?", "Art2Cure" exhibition and Armand Strainchamps' exhibition "Sightlines" which opened in November.

BREXIT

In March 2017, the British government invoked article 50 of the Treaty of the European Union, effectively launching the withdrawal process of the United Kingdom ("UK") from the European Union ("Brexit"). Brexit was initially planned for March 2019, but the EU Council accepted to postpone it until January 31, 2020. The Withdrawal Agreement published in October 2019 entered into force on February 1, 2020 with a transition period until the end of 2020 to agree new arrangements.

On December 24, 2020, London and Brussels agreed the terms and conditions of their new relationship to avoid a hard Brexit. This EU-UK Trade and Cooperation Agreement was signed by the President of the European Council and the President of the European Commission for the EU, and by the British Prime Minister for the UK.

This agreement, provisionally applicable since January 1, 2021, must still be adopted by the European Parliament. It sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes.

In the first quarter of 2021, BIL conducted the necessary analyses to identify the impacts of this agreement on its activities and customers. The objective was to review the products and services provided by BIL to customers in order to continue to provide top-notch services to its UK clients in line with the new Brexit regulations.

STRENGTHENING OUR COMPLIANCE FRAMEWORK

The Bank is committed to ensuring the highest level of compliance standards at all times when it comes to Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF). BIL is constantly updating its policies and processes to adapt to changing regulations.

During on-site inspections in 2017 and 2018, the Commission de Surveillance du Secteur Financier (CSSF) identified certain weaknesses in the processes that were in place at the time in the Bank. As a result, the CSSF decided to impose an administrative sanction of EUR 4.6 million in March 2020.

No money laundering or terrorism financing activities were identified during these on-site inspections.

Prior to this administrative sanction, BIL took appropriate measures to remediate the identified weaknesses. The Bank has since defined a new and strict AML Risk Appetite Statement and related Wealth Management Compliance Guiding Principles, recruited additional compliance specialists and increased AML/CTF training and awareness. Compliance tools, i.e. the AML scoring engine, were upgraded and implemented and the remediation plan is still ongoing.

CHANGE OF AUDITOR

On December 13, 2019, the Board of Directors of BIL decided to appoint PricewaterhouseCoopers, société coopérative (PwC) as the new external auditor of BIL Group for the financial years 2020-2022. A key element in this decision is the fact that it is good governance to have the same worldwide external audit firm across the Legend Holdings Group, including BIL. PwC replaces Ernst & Young (EY), covering the external audit of BIL and all BIL Group entities.

2. COVID-19

Like everywhere in Europe, 2020 was overshadowed by the coronavirus pandemic in Luxembourg and worldwide. Despite a nationwide lockdown from March 15 to May 11, 2020 and further protective measures applied since October 2020 to combat a second wave of the virus, banks were required to stay open as their services were considered essential.

BIL'S PROTECTIVE MEASURES: A NEW WAY OF WORKING

While BIL was the only bank in Luxembourg to keep all branches open throughout the pandemic, the Bank did its utmost to protect both clients and staff by restricting access to branches to appointments only and by strongly encouraging clients to use the Bank's digital channels (the BILnet website and mobile app) instead.

Generally speaking, all BIL Group entities took extensive measures to protect the safety and health of employees and clients whilst ensuring business continuity. This included restricting face-to-face meetings, splitting teams between different buildings, additional hygiene measures and remote working. The Bank rapidly put in place a remote working environment for all staff and at the height of the pandemic, around 85% of staff were working from home. Employees and managers were provided with e-learnings and other supporting materials throughout the pandemic to help them adapt to this new working environment.

From October, in light of a second wave of the virus, the Bank considerably reduced the percentage of employees at its headquarters to the strict minimum required by each business line. The Bank installed thermal cameras at every entrance to its headquarters, measuring the temperature of every employee entering the premises, and prohibiting entry to the building in the event of a high temperature. Signage regarding social distancing measures was stepped up throughout the building with constant reminders about essential safety measures. The canteen area was also adapted to comply with new COVID-19 regulations.

Thanks to these extensive protective measures, the number of infected employees was low and all departments and Group entities remained fully operational.

It should also be noted that there was no damaging cyber-security incident or data leak despite the heightened cybersecurity risk during the pandemic; the IT security teams managed to fend off five major phishing attempts in April and May. This was also possible thanks to new anti-phishing measures implemented on BILnet in early April. In late June, further steps were taken to reduce fraudulent online credit card use in line with the European Payment Services Directive (PSD2).

Each week, the Bank published a COVID-19 status report informing employees about the developments in Luxembourg and surrounding countries, new measures, working from home, cases of coronavirus at BIL and protective measures. Since the beginning of the pandemic, an Exit Strategy Committee was created to assess the situation on a weekly basis, applying measures in line with the instructions of the State of Luxembourg and the appropriate measures for the organisation of the Bank, and to prepare for the post COVID-19 setup.

LUXEMBOURG GOVERNMENT MEASURES

At the height of the pandemic in April 2020, the Luxembourgish Government rolled out extensive financing and support measures to counteract the economic impact of the lockdown: in particular, an unprecedented economic stabilisation package of EUR 8.8 billion to help Luxembourg businesses cope with the impact of the COVID-19 crisis. These measures were intended to support SMEs, larger companies, start-ups and the self-employed. The main objective was to help businesses meet their immediate liquidity needs, to provide urgent cash flow aid, facilitate bank financing and maintain employment. (For further information, please consult the following website: https://guichet.public.lu/en.html)

As part of this economic stabilisation package the Government introduced a EUR 2.5 billion state-backed loan scheme for businesses, under which the state guarantees 85% and the participating banks 15% of the credit line. BIL was a participating bank in the scheme with an envelope of EUR 470 million to be used in new business loans.

To further aid economic stability during the lockdown period, a partial unemployment programme was put in place. This short-time working scheme allowed companies to reduce the number of hours employees work each week with the government making up 80% of the shortfall in earnings.

In response to the continued economic turbulence caused by a resurgence of the pandemic in late 2020 including a shutdown of non-essential activities, the Luxembourgish Government extended several business and employment support measures until June 2021 and widened the scope of vulnerable businesses able to benefit.

As a continuation of the economic stabilisation programme, in May 2020, the Luxembourgish Government presented "Neistart Lëtzebuerg" a post COVID-19 economic recovery strategy. "Neistart Lëtzebuerg" aims to encourage employment and support businesses in the hardest hit sectors such as hospitality, the events and tourism industry and to promote sustainable economic recovery.

BIL'S CLIENT MEASURES

Moratorium credits

As one of the major banks in Luxembourg, BIL strongly supported Government and Central Bank actions by making financing facilities available to corporate clients to minimise the negative effect of the economic slowdown on their activities. The Bank proactively assisted clients affected by the crisis with financing solutions and constantly remained by their side to support them in any possible way.

The moratoria granted in response to the pandemic peaked at over EUR 1 billion at the end of June 2020. A large proportion of these have already matured, and the exposures under moratorium reduced to EUR 110 million (270 cases) as at December 2020. With regard to expired moratoria, it should be noted that in the overwhelming majority of cases (92% of outstanding), clients were able to resume the normal course of their contractual payments.

The moratorium credits are subject to frequent reviews on the basis of information collected by the relationship managers (RMs) and objective indicators selected by the risk management function in order to determine their correct classification. At this stage, these reviews have led the Bank to reclassify EUR 337 million in outstanding loans as forborne, of which EUR 105 million are forborne non-performing (Stage 3).

Loan guarantees

As part of the Luxembourgish Government stabilisation programme, State-backed guaranteed COVID-19 loans stood at EUR 38 million at the end of December 2020.

Major exposures

BIL is not massively exposed to sensitive sectors such as airlines, oil and gas or the hotel industry, with the exception of very limited files which are very well collateralised. Its main risk sectors are the automotive sector, which covers a great diversity of players (manufacturers, equipment manufacturers and automobile dealerships) and well-spread credit exposures.

The same applies to the Luxembourg "HORECA" (Hotels, Restaurants and Cafés) sector, where the Bank expects bankruptcies but where the spread of the outstanding loans, together with the guarantees held, largely limit the final risks.

BIL's main exposure is to the Luxembourg real estate market (mainly residential), which has not suffered from the crisis (the only exception being hotels and retail properties, where positions are limited). The Bank has EUR 6.1 billion in mortgages to private individuals and professionals and EUR 3.5 billion to real estate developers and income-producing real estate. More generally, these portfolios are well-diversified and largely collateralised. Consumer finance lending is not material.

MACROECONOMIC ENVIRONMENT

While a historic recession occurred during the financial crisis a decade ago, in 2020, the advanced economies have experienced their most severe business cycle contraction due to the COVID-19 pandemic and the major containment measures that were introduced to counter the spread of the virus (e.g. -6.6% for the euro area real GDP growth, compared to -4.5% in 2009).

Data for the first half of 2020 have notably shown the highly asymmetrical nature of the impact across countries and industries.

In Luxembourg, the lockdown measures particularly affected performance in several categories of non-financial services (trade, transport, hotel and catering and the temporary employment sector, among others) and construction activity. However, the strong decline in economic activity was mitigated by a strong response from the Government and also from the external sector which performed relatively well due to trade in financial services (helped by both a strong rebound in financial markets and a high level of teleworking). This is why one sees a business cycle contraction which is less deep in Luxembourg than for the euro area as a whole (-1.3% considering the initial 2020 growth estimates released by STATEC).

Following the disruptions in the first half of 2020, the initial phase of the economic recovery, helped by unprecedented policy support, was quick to materialise when containment measures were eased across Europe. Signs that economic activity had already bottomed out were visible in May as the phasing out of restrictions progressed. In June, business and household confidence indicators suggested that the economy was gaining further momentum, providing a favourable starting point for a further pick-up in the second half of the year. As depicted in the table below, initial growth estimates for 2020 have actually confirmed a stronger than expected recovery over the second half of the year:

2020 real GDP growth (in %)			
		Eurozone	Luxembourg
Baseline forecasts (June 2020)	ECB	-8.7	-7.8
	Moody's	-7.3	-3.2
Actual estimates (March 2021)		-6.6	-1.3

Source: ECB, Moody's

Unfortunately, the outlook for a global recovery has moderated in view of the resurgence of COVID-19 cases in Europe and the U.S., since the end of 2020, which threatens to disrupt the economic revival in the short-run.

The extent of the downturn induced by the new global wave will depend on (i) the effectiveness of current containment efforts and (ii) how policymakers will respond to the second wave. On the monetary front, significant shifts are unlikely, and the months ahead will see further consolidation through quantitative easing measures to maintain low borrowing costs.

Meanwhile, though the situation reinforces the need for additional fiscal stimulus, in several countries the scope will be constrained by the support provided during the first wave. Countries with years of prudent fiscal management will still be better positioned to accommodate. But for many others the risk is that incentives to delay or curtail spending may take precedence and weaken the domestic revival and the global rebound in 2021.

In light of the great uncertainty surrounding economic prospects, the Bank considers several macroeconomic scenarios when carrying out sensitivity analyses of its cost of risk and more specifically the IFRS 9 expected credit losses (please refer to Note 12.2 for further details).

2020 MAJOR FINANCIAL IMPACTS

Commercial activities

BIL Group commercial activities and financial results were significantly impacted by the COVID-19 crisis. The crisis, with lockdown periods, travel restrictions and social distancing, has significantly reduced business development (particularly relevant for Wealth Management and to a lesser extent for Corporate clients). In addition, the uncertain economic environment led to some delay in the realisation of Corporate & Institutional Banking loans' pipeline. Retail Banking has been particularly resilient, mortgage loans production remained strong while current accounts' increase can be explained by the decreasing level of clients' expenses during the crisis. As a result, transactional activities (payments and brokerage) have been impacted by the crisis for all business lines.

Expenses

During 2020, the Bank withstood the impact of COVID-19 with EUR 7 million invested in increased hygiene measures (such as masks and hand sanitisers) to protect all employees, in increased IT developments to ensure both a stable remote working environment for the Bank's employees and business continuity for our clients as well as in facility costs in the branch network.

Cost of Risk

As mentioned in the "analysis of the consolidated statement of income" section, BIL Group recorded net provisions of EUR 16.4 million compared with EUR 26.6 million in 2019 (excluding impairment on right-of-use assets), largely influenced by the effects of the pandemic offset by non-recurring items following the partial recovery on a legacy loan. The 2020 core cost of risk (excluding non-recurring items) amounted to EUR 63 million and can be broken down into expected credit losses (ECL) of EUR 19 million and specific provisions of EUR 44 million. As previously mentioned (please refer to moratorium credits), the Bank granted moratoria to clients in difficulty enabling them to postpone loan repayments. These moratoria have potentially led to temporary improvements in counterparties' situations and creditworthiness and therefore, better than expected ratings. In light of this and in a prudent and forward-looking manner, BIL has defined an IFRS 9 ECL management overlay to anticipate expected credit loss downgrades in the near future. As at the end of December 2020, the management overlay amounts to EUR 13.8 million based on a one-notch downgrade of all exposures benefitting from a moratorium (whether matured or ongoing) as well as all Mid-Corporate exposures not already benefitting from a moratorium.

Asset Quality

In the Risk Management section, the Bank has published an overview of the asset quality by stage focused on loans and advances to customers. The total impairment of gross customer loans remains stable at 1.86% compared with year-end 2019. BIL's Stage 3 asset quality ratio[1] totalled 4.69% versus 3.83% and BIL's Stage 2 coverage ratio[2] increased from 0.53% to 0.91% in 2020 due notably to the abovementioned management overlay. The cost of risk at the end of 2020 reached 7 bps or 37 bps excluding non-recurring items compared with 11 bps in 2019 following additional provisions in 2020.

Liquidity and Funding

Given the great uncertainties surrounding the potential macro-economic consequences of the pandemic, BIL decided to take a prudent approach by increasing its combined outstanding in TLTRO III to EUR 1.5 billion over the course of 2020 with the objective of continuing to provide intermediated financing to customers. The Bank participated in the first two tenders of the year in March and in June. In parallel all prior TLTRO II participations matured over the course of 2020.

Group Assets

Other than the impacts described above, there have been no specific impacts related to the valuation of the assets of the Group such as goodwill and deferred tax assets.

2020 REGULATORY RELIEF

In March 2020, the ECB recommended to institutions under its supervision that had not already done so to implement the transitional IFRS 9 arrangements foreseen in Article 473(a) of Regulation (EU) No 575/2013.

In June 2020, the Capital Requirements Regulation (CRR) was modified as part of the quick fix measures in response to the COVID-19 crisis. Amongst various changes, under Regulation (EU) 2017/2395 the so-called IFRS 9 transitional arrangements

[1] Asset quality ratio: total Stage 3 outstanding divided by total gross loans and advances to customers.
[2] Coverage ratio: ECL stage 2 divided by total Stage 2 outstanding amount.

were modified and extended until 2024 in the CRR transitional arrangements – for mitigating the impact on own funds from the introduction of the new accounting standard, the International Financial Reporting Standard – Financial Instruments (IFRS) 9 – and Regulation (EU) 2019/8765 (CRR II) brought forward the application date of the more favourable prudential treatment of certain software assets.

Following this recommendation, BIL made a request to reverse its initial decision made in January 2018 not to apply the IFRS 9 transitional arrangements. In September 2020, the ECB granted the Bank permission to fully apply transitional arrangements of IFRS 9 as set out in article 473a of Regulation (EU) No 575/2013, as amended. This positively impacts the Bank's 2020 CET1 (phased-in) ratio by 33 bps (see Note 12.8 Solvency ratios for further information).

The CRR (CRR II) modified article 36(1)(b) introducing, inter alia, an exemption from the deduction of intangible assets from Common Equity Tier 1 (CET1) items for "prudently valued software assets". The Regulatory Technical Standards (RTS) drafted by the EBA entered into force at the end of 2020. The amount to be deducted from CET1 is composed of the positive difference between the prudential accumulated amortisation (three years) and the accounting accumulated amortisation and the full amount of software assets recognised on balance sheet but not yet available for use. The difference between the prudential and accounting approaches is integrated in Risk Weighted Assets (RWA). The application of this new rule positively impacts the Bank's 2020 consolidated CET1 ratio by 50 bps.

3. ESG (Environmental, Social and Governance)

As a major player in Luxembourg's financial centre, BIL has an important role to play in contributing to balanced economic growth and building a circular and inclusive economy.

Since 2018, BIL has been publishing a non-financial information report on its website detailing the Bank's strategy and activities in the field of "Corporate Social Responsibility" (CSR). This is based on its 4 commitments "Education", "Health", "Innovation" and "Art and Culture". The report also details the efforts made as a responsible employer, particularly in terms of training and support for employees ("People Care"). In the current COVID-19 context, BIL has from the outset set itself the priority of caring for and protecting its clients and employees as much as possible.

Finally, the report describes the initiatives taken by the Bank to reduce its environmental impact in terms of energy and water consumption as well as waste production.

With respect to the Bank's Investment Portfolio, EUR 329 million has been invested in "social" and "sustainable" bonds. These investments have followed the market trend, which in the current context has seen a significant increase in these types of issues. The proportion of these bonds in the portfolio has therefore risen sharply to reach 7.1% at the end of 2020.

In terms of Sustainable Finance, the Bank has also set up a structure to effectively address ESG issues and develop its product offer. In 2021, BIL chose to partner with asset management firm Candriam to access ESG data. With the support of Candriam, a leading partner in this field, BIL is now able to understand and implement the integration of ESG factors in its investment choices and thus enrich the analysis of the risk/return ratio. Faced with the proliferation of ESG data and data providers, but above all with the lack of standards and norms for these very data, the Bank felt it was best to opt for a partnership with a company whose core business is based on data mining. In short, this approach allows BIL to focus on the quality and relevance of the data and not just the quantity of data.

2020 also marks the first full calendar year of a Socially Responsible Investment (SRI) approach within our BIL Invest Sicav and its Patrimonial sub-funds. With a selection of external funds that meet specific criteria related to SRI management, these 4 sub-funds have delivered remarkable performances, in an environment that is clearly conducive to responsible investment.

Finally, through its financing, BIL seeks to exert a positive influence on society's transition towards a more resilient and sustainable economy, with the priority of mitigating and adapting to the issue of global warming.

For 2021, the Bank has set itself the objective of refining its responsible development strategy and thus strengthening its efforts to contribute to a more sustainable world and to respond to the many societal challenges and regulatory changes to come. BIL's Executive Committee and its Board of Directors are fully aware of the strategic importance and challenges of sustainable development. It is for this reason that the Bank created, at the end of 2020, a transversal department to address and respond to Sustainable Development issues as well as an ESG steering committee.

- The Group Head of Sustainable Development is the head of the transversal department and ensures the proper application of the sustainability policy within BIL, the coordination of the steering committee, the dialogue with stakeholders and the non-financial reporting. The department also aims to ensure the dynamic and coherence of the "responsible" initiatives launched within the Bank's different areas of activity, thus contributing to the local and international objectives of a more sustainable world.
- The ESG Steering Committee is a cross-disciplinary committee that brings together representatives from all business lines and is responsible for implementing the ESG strategy. It reports to the Executive Committee and the Board of Directors.

Sustainability is thus an integral part of BIL's concerns, and in the months and years to come BIL is committed to reporting on its actions and progress in a consistent and transparent manner to all of its stakeholders, notably through the publication of its non-financial information report.

4. Key figures

COMMERCIAL FRANCHISES

The "Retail, Corporate and Wealth Management" business areas delivered a satisfactory performance during 2020 despite the adverse macroeconomic environment:

- Assets under Management (AuM) reached EUR 43.7 billion compared with EUR 43.5 billion at the end of 2019. This increase resulted from a positive market effect of EUR 0.17 billion and limited Net New Asset (NNA) outflows of EUR 0.05 billion. The negative NNAs stem from a few significant outflows of "non-strategic low profitability" clients along with outflows with regards to clients residing in non-strategic countries following BIL's increased focus on a selected number of countries largely offset by strong NNA inflows in Corporate and Retail Banking.
- Customer deposits increased by 4.1% to EUR 19.8 billion compared with EUR 19 billion at year-end 2019, nuanced by an increase in current accounts as pandemic restrictions led to contracted client spending and investing throughout 2020.
- Customer loans increased by 4.8% to EUR 15.4 billion mainly due to the commercial activities' contribution which grew by EUR 0.7 billion, proof of BIL's ongoing support of the local economy throughout the pandemic.

PROFITABILITY

BIL reported a net income after tax of EUR 101 million in 2020, compared with EUR 112 million (after restatement) in 2019, down by 10%.

Net income before tax amounted to EUR 121 million, down by EUR 21 million compared with 2019 (EUR 142 million), influenced by a negative contribution from revenues of EUR 9 million and expenses of EUR 18 million offset by a positive cost of risk evolution of EUR 8 million.

The non-recurring items before tax amounted to EUR 45 million in 2020, compared with EUR 6.8 million in 2019. In 2020, the non-recurring items were mainly composed of a USD 58.7 million partial recovery on a legacy loan (on the cost of risk side) and the capital gains from the Bank's Investment Portfolio of EUR 15 million, offset by costs related to COVID-19 (as described in the COVID-19 section) and restructuring costs in line with 2019.

Core gross operating income (excluding non-recurring items) amounted to EUR 137 million in 2020, a decrease of EUR 21 million compared with 2019. This 13% decrease was mainly influenced by core operating expenses (+3%) to support the strategic plan and to address regulatory requirements and a limited decrease in core operating revenues (1%) in the context of the health crisis and a decline of rental revenues following the sale of the building complex "Les Terres Rouges" at the end of 2019 (EUR 9.4 million).

Core operating net income before tax totalled EUR 75 million in 2020 compared with EUR 135 million in 2019, which represents a decrease of EUR 60 million (44%). This evolution was marked by the core cost of risk increasing by EUR 37 million compared to 2019, in the context of COVID-19, a negative evolution of the core gross operating income of EUR 21 million and of the net income from associates of EUR 2 million.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In 2020, BIL's ratings by both Moody's and Standard & Poor's remain unchanged compared with December 31, 2019, at A2/Stable/P-1 and A-/Stable/A-2 respectively.

BIL group	Dec 2019	Dec 2020	Outcome
Moody's	A2 Stable P-1	A2 Stable P-1	On October 21, 2020 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 23, 2020 S&P Global Ratings affirmed BIL's ratings and published a fully updated rating report in December.

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

5. Business line segmentation

In 2020, BIL kept the same segmentation of its business lines.

"Retail Banking, Corporate & Institutional Banking and Wealth Management" " is divided into three business lines: Retail, Private Banking Luxembourg & Digital; Corporate & Institutional Banking; and Wealth Management & International Corporate Development.

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

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

6. Consolidated statement of income and consolidated balance sheet[1]

PRELIMINARY CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements of BIL Group for 2020 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The main accounting principles are described in Note 1 to the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

In the financial statements as at December 31, 2020, BIL changed the expected credit losses methodology related to fixed rate rollover loans. The impacts of these changes have been applied retrospectively to the 2019 published results which are described in Note 1.2.4 of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

BIL group (in EUR million)	31/12/19 after restatement	31/12/20	Change versus 2019 after restatement	%
Revenues	**563**	**555**	**(9)**	**(2)%**
Interest and dividend income	318	310	(7)	(2)%
Fees income	209	215	6	3%
Other income	36	29	(7)	(20)%
Expenses	**(397)**	**(415)**	**(18)**	**4%**
Gross operating income	**166**	**140**	**(26)**	**(16)%**
Cost of risk and provisions for legal litigation	(28)	(21)	8	(27)%
Operating income	**138**	**119**	**(19)**	**(14)%**
Net income from associates	4	2	(2)	(54)%
Net income before tax	**142**	**121**	**(21)**	**(15)%**
Tax expenses	(30)	(19)	10	(35)%
Net income	**112**	**101**	**(11)**	**(10)%**

[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 2019	%
	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20		
Revenues	575	583	(12)	(28)	563	555	(9)	(2)%
of which core operating revenues	***565***	***568***	***(18)***	***(30)***	***547***	***539***	***(8)***	***(1)%***
Expenses	(377)	(387)	(20)	(28)	(397)	(415)	(18)	4%
of which core operating expenses	***(374)***	***(385)***	***(15)***	***(18)***	***(389)***	***(402)***	***(13)***	***3%***
Gross operating income	198	196	(32)	(56)	166	140	(26)	(16)%
of which core gross operating income	***191***	***184***	***(34)***	***(47)***	***157***	***137***	***(21)***	***(13)%***
Cost of risk and provisions for legal litigation	(27)	(67)	(1)	46	(28)	(21)	8	(27)%
of which core operating cost of risk	***(26)***	***(63)***	***(0)***	***(0)***	***(27)***	***(63)***	***(37)***	***139%***
Operating income	171	129	(33)	(10)	138	119	(19)	(14)%
of which core operating income	***165***	***121***	***(34)***	***(47)***	***131***	***73***	***(58)***	***(44)%***
Net income from associates	0	0	4	2	4	2	(2)	(54)%
Net income before tax	171	129	(29)	(8)	142	121	(21)	(15)%
of which core operating net income before tax	**165**	**121**	**(30)**	**(45)**	**135**	**75**	**(60)**	**(44)%**
Tax expenses					(30)	(19)	10	(35)%
Net income					**112**	**101**	**(11)**	**(10)%**

Income

In 2020, total income amounted to EUR 555 million, down by EUR 9 million (-2%) compared with 2019 (EUR 563 million). Excluding the aforementioned non-recurring items evolution, core operating income stood at EUR 539 million, down 1% compared with EUR 547 million at year-end 2019.

The contribution of commercial activities to the core operating income increased by EUR 3 million (+0.6%) compared with 2019. Throughout 2020, commercial activities were significantly impacted by the COVID-19 crisis. The lockdown period, travel restrictions and curfews reduced business development (particularly relevant at the level of Wealth Management) and transactional activities (payments and brokerage) for all business lines. In addition, the persistent negative rates environment in EUR and decreasing USD rates pushed down interest margins. The measures taken by the Bank in terms of "non-strategic low profitability" clients along with outflows with regards to clients residing in non-strategic countries following BIL's increased focus on a selected number of countries influenced Wealth Management revenues.

Net interest income decreased by EUR 2.8 million (-1%) compared with December 2019 mainly due to persistent negative interest rates compensated for by continued loan growth (EUR 15.9 billion versus EUR 15.3 in December 2019). Fee and commission income increased by EUR 3.9 million (2% versus 2019), largely due to continued loan growth and asset management fees. Other income rose by EUR 2 million primarily stemming from early loan repayment penalties.

Financial Markets core operating income remained stable at EUR 29.9 million compared with 2019.

The Investment Portfolio delivered an increasing contribution in 2020, driven by the evolution of the outstanding by +16.5% and foreign exchange trading benefitted from heightened exchange rate volatility partially offset by low interest margins from treasury.

Group Center activities generated a negative core operating income of EUR 30 million in 2020 compared with EUR 18 million in 2019. Group Center is notably composed of the Deposit Guarantee Scheme (DGS) & Resolution Funds' contributions, the funding costs related to the issuance of Tier 2 and senior non-preferred debts and other items not attributable to the commercial business lines. The negative evolution of EUR 11 million is due to the DGS & Resolution Funds' contributions which increased from EUR 15.2 million in 2019 to EUR 18.1 million in 2020, a decline in rental revenues following the sale of the building complex "Les Terres Rouges" at the end of 2019 (EUR 9.4 million) and the increased funding costs related mainly to the issuance of senior non-preferred debts pursued during 2019 and 2020 (EUR 3 million) offset by a positive impact from the Bank's branch footprint optimisation.

Expenses

Expenses amounted to EUR 415 million, up by 4% (EUR 18 million) compared with 2019, at EUR 397 million. Staff costs decreased by EUR 12 million, mainly at BIL S.A. level, following a slight reduction in headcount and cost containment measures initiated in 2019, partially offset by the opening of BIL Wealth Management Limited in February 2020. General expenses increased by EUR 22 million, mainly in Luxembourg, notably due to IT costs (e.g. cyber security, new core banking system, IT services provider), consultancy fees to support regulatory requirements and in Switzerland to support the launch of the new strategy. Depreciation & amortisation increased by EUR 8 million in line with the IT investment programme foreseen in the strategic plan of the Bank.

Core operating expenses (excluding non-recurring items such as COVID-19 impacts) stood at EUR 402 million compared with EUR 389 million in 2019 (+3%). The core cost income ratio reached 74.6% versus 71.2% at the end of 2019, mainly driven by increased costs and the negative contribution of revenues from the Group Center.

Gross operating income

Gross operating income amounted to EUR 140 million compared with EUR 166 million in 2019 (-16%). Excluding non-recurring items, core gross operating income decreased by EUR 21 million (13%), mainly influenced by lower core operating revenues (EUR 8 million) at Group Center level and higher core operating expenses (EUR 13 million).

Cost of risk

The adverse macroeconomic outlook impacted all market participants, businesses and the banking industry. BIL Group recorded net provisions on loans and advances and provisions for legal litigations of EUR 21 million compared with EUR 28 million in 2019.

Excluding the non-recurring items related to the partial recovery on a legacy loan and impairment on right-of-use assets, the core cost of risk totalled EUR 63 million in 2020 versus EUR 27 million in 2019, largely influenced by the effects of the health crisis. This impact reflects the change in macroeconomic factors based on several scenarios, in accordance with the setup existing prior to the health crisis. It also incorporates specific features of the dynamics of the crisis in terms of credit and counterparty risk and, in particular, the impact of lockdowns or curfew measures on economic activity, the effects of Government support measures and authorities' decisions. In accordance to the Risk Management and COVID-19 sections, the cost of risk can be broken down into expected credit losses (ECL) of EUR 19 million and specific provisions of EUR 44 million. On the asset quality side, the cost of risk (total impairment divided by gross loans and advances to customers) remained stable with year-end 2019 at 1.86%.

Net income before tax

Net income before tax stood at EUR 121 million, down by EUR 21 million (15%) compared to year-end 2019, largely influenced by the decrease in gross operating income.

Tax

In 2020, tax expenses stood at EUR 19 million. The evolution of tax expenses is explained by the change in net income before tax.

Net income

In 2020, the Bank reported a net income of EUR 101 million, showing considerable resilience when compared with December 2019 (EUR 112 million) despite the ongoing health crisis and the uncertain economic situation.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET [1]

(in EUR billion)	31/12/2019 after restatement	31/12/20	Change versus 2019 after restatement	%
ASSETS	**28.1**	**30.6**	**2.5**	**8.9%**
Cash at central banks and loans and advances to credit institutions	4.7	5.4	0.6	13.1%
Loans and advances to customers	14.7	15.4	0.7	4.8%
Financial investments	7.6	8.8	1.2	16.5%
Positive fair value of derivative products	0.3	0.2	(0.1)	(20.1)%
Other assets	0.8	0.7	0.0	(0.8)%
LIABILITIES	**28.1**	**30.6**	**2.5**	**8.9%**
Amounts due to credit institutions	3.1	4.2	1.1	34.8%
Amounts due to customers	19.0	19.8	0.8	4.1%
Negative fair value of derivative products	0.6	0.6	0.1	14.5%
Debt securities	3.2	3.7	0.5	16.5%
Subordinated debts	0.2	0.1	0.0	(22.7)%
Other liabilities	0.3	0.3	(0.1)	(15.2)%
Shareholders' equity	1.7	1.8	0.1	7.0%

ASSET MOVEMENTS

"Loans and advances to customers" amounted to EUR 15.4 billion compared with EUR 14.7, up by EUR 0.7 billion (+4.8%) compared with year-end 2019. Commercial activities' increase stems from positive contributions from Retail and Corporate Banking, mainly in mortgage loans by EUR 0.8 billion (+15.2%). The Bank continued to support the projects of individual and business clients despite the current environment being impacted by the COVID-19 crisis since March 2020. The Bank granted moratoria for total outstanding loans of EUR 1 billion at the end of June 2020, of which a large portion have since reached maturity and clients have resumed normal repayments. As at year-end 2020 EUR 110 million moratoria remain active. The Bank also granted State-backed loans for EUR 38 million.

"Financial investments" rose by EUR 1.2 billion to EUR 8.8 billion as a result of an increase in BIL's excess cash, stemming from the substantial rise in amounts due to credit institutions and amounts due to customers. The Investment Portfolio is made up mainly of assets eligible for refinancing by the European Central Bank (ECB) and qualifying as liquidity reserves under the current regulatory framework. These assets enable the Bank to fully comply with liquidity ratio requirements. As at December 31, 2020, the Liquidity Coverage Ratio (LCR) stood at 174% versus 139% at year-end 2019.

"Cash at central banks and loans and advances to credit institutions" amounted to EUR 5.4 billion, up by EUR 0.6 billion (+13.1%). The increase in the liquidity surplus was placed mainly in central banks; this positive trend is in correlation with growth on the liabilities side

LIABILITY MOVEMENTS

"Amounts due to credit institutions" reached EUR 4.2 billion, representing a growth of EUR 1.1 billion (+34.8%). This evolution stems from the participation in the TLTRO-III.4 of EUR 800 million and growth in interbank loans of EUR 300 million. TLTRO outstanding at year-end 2020 totalled EUR 1.5 billion.

"Amounts due to customers" totalled EUR 19.8 billion in December 2020, representing a growth of 4.1% versus the end of 2019. This substantial growth occurred mainly in current accounts (EUR 1.3 billion) offset by a decrease in term deposits (EUR 0.1 billion) and savings accounts (EUR 0.4 billion). A large part of this evolution is due to clients' propensity for spending being hampered by the uncertainty of the situation and lockdown measures, limited investments due to market turbulence and liquidity monitoring by Corporate clients.

"Debt securities" reached EUR 3.7 billion (+16.5% versus 2019). The 2020 funding plan was achieved through multiple private placements as well as a EUR 300 million two-year floating rate note (FRN) dedicated to money market investors and EUR 83 million in senior non-preferred notes. Following the inaugural senior non-preferred bond launched in September 2018, the Bank has issued a total of EUR 635 million in senior non-preferred notes up to year-end 2020.

"Subordinated debts" decreased by EUR 31 million following the call of the contingent convertible bond in June 2020 that had been issued in 2014.

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

"Shareholders' equity" increased by EUR 120 million (+7%). This increase was mainly due to the 2020 net profit of EUR 101 million, the positive evaluation of the investment property of EUR 6.3 million and the revaluation reserves of EUR 23.2 million offset by the coupon payments on AT1 instruments.

7. Movements in share capital

At year-end 2020, the Bank's share capital was fixed at EUR 146,108,270 and represented by 2,087,261 fully paid-up shares (no changes compared with 2019). In 2020, the Bank did not hold any of its own shares.

8. Research and development

The Group is developing its new core banking system at a systemic level, which will enable the Bank to integrate new digital capabilities. Total IT investments will amount to EUR 400 million between 2019 and 2025.

BIL is continuously improving its offering to meet customers' needs and market developments. After Apple Pay, instant payment, and Pay@Pump, the Bank will further develop its digital services to make daily life easier for customers and respond to the increasing demand for remote interaction triggered by the COVID-19 pandemic.

In 2020, BIL successfully deployed electronic signatures and increased video identification for customer's onboarding and specific contract signatures. Going forward, the Bank will continue to digitalise its processes to optimise distribution channels.

The Bank is also strengthening its asset management capabilities by investing in tools to better analyse and monitor customer portfolios and provide advanced ESG criteria for the funds' selection. BIL will use this to provide more transparency on the asset allocation of its range of funds whilst complying with the SFDR (Sustainable Finance Disclosure Regulation).

9. Post-balance sheet events

The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai branch is expected to close down by the end of the first semester of 2021.

On March 4, 2021, following the partial recovery of USD 58.7 million on a legacy loan, the Bank has, consistent with IAS 10, adjusted its 2020 figures accordingly in order to reflect this adjusting event.

In 2020, BIL decided to sell BIL Fund & Corporate Services S.A. (BFCS), its fully-owned subsidiary delivering fund and corporate services. These activities not being considered as strategic anymore at a Group level, BIL therefore, decided to transfer the related business to a renowned specialist on the market, in order to build a strong and long term partnership. Indeed, the services provided by BFCS will still be part of a packaged offering for BIL's clients in the future. For instance, alternative investment fund (AIF) clients will still benefit from a "one-stop-shop" experience, including Depositary banking and Management Company services still provided by BIL, while central administration services will be executed by the new partner. The Sale and Purchase Agreement (SPA) between BIL and the buyer was signed on March 23, 2021. The closing of the transaction is expected in the third quarter of 2021.

10. Strategic outlook

If 2020 was a year of unexpected challenges and economic downturn at a macroeconomic level, in 2021, the challenging situation is expected to continue with many uncertainties regarding the pandemic situation. As always, BIL will be prepared to support clients and the economy once the situation changes for the better, and ready to switch it up. The Bank will continue to execute its strategic five-year plan Create Together 2025, with the full support of the majority shareholder Legend Holdings and the Grand Duchy of Luxembourg.

Growing its brand domestically and internationally remains a top priority for BIL, together with the further development of its client offering. The Bank aims to create conditions for sustainable growth and to manage the cost of risk.

In Luxembourg, the Bank intends to consolidate its market share and strengthen its reputation as a trusted partner for entrepreneurs and investors. BIL will continue to enhance its asset management capabilities and implement new tools to enable more detailed monitoring of customer portfolios.

Improving its efficiency and focus remains central to the Bank's strategy. 2021 will be an instrumental year in the implementation of the new core banking system, scheduled to go live at the end of 2022.

At an international level, the Group will continue to strengthen its wealth management and asset management capabilities mainly led by BIL Luxembourg and BIL Suisse and by further developing BIL Wealth Management Limited. BIL Group aims to broaden its offering, with access to China's ever-growing capital markets.

With entrepreneurs as a key target group, BIL Suisse is extending its service offering to Corporate and Institutional Banking. In addition to Wealth Management services, BIL Suisse is now able to meet entrepreneurs' corporate and private banking requirements. Clients will benefit from the full suite of corporate and institutional banking services including corporate financing and advisory services, for example in the context of business transfers.

BIL Group recognises that the focus on the impact of businesses and performance on wider Environmental, Social and Governance (ESG) factors has increased in recent years, with growing interest from a range of stakeholders. While the Bank has been active in supporting local communities and reducing its impact on the environment for many years, it will increasingly focus on the impact of its financing and on developing its ESG product offering.

Risk Management

1. INTRODUCTION

1.1 Key events of 2020

Corporate structure and risk profile

Strategic initiatives are regularly undertaken at Group level. Each initiative is carefully monitored by the Bank's risk management department, whose main objective is to ensure that risks are continuously monitored and managed, and that they are consistent with the institution's risk appetite. The main evolutions are described in the "Business Review and Results" section of the management report.

1.2 Main works realised by the Risk teams in line with the different regulatory corpus

In 2020, BIL continued to invest time and resources to ensure continued compliance with regulatory standards. Several tasks were addressed to comply with regulations and the new definition of default. The new probability of default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF) for Retail and Wealth counterpart models were developed, as well as the new LGD for the Mid-Corporate (MidCorp) counterpart model. Moreover, in order to simplify the model landscape, the Corporate and Bank Internal Ratings-Based Approach (IRBA) models were transitioned to the Foundation approach (F-IRB) and the Sovereign Model to the Standard Approach (SA). The Bank has also submitted to the supervisor its new enhanced model for the haircuts applied on financial collaterals. In 2021, the Risk teams will develop the new SME, Mid-Corp and Corporate PD models. In addition, the IFRS 9 model which is based on a point-in-time framework will continue to evolve in line with the macroeconomic situation.

As part of its review of the Basel III framework (the "Basel IV framework") in the first half of 2020, the Bank analysed the various impacts of the regulatory corpus and submitted its findings to the ECB. The Bank is also participating in the Quantitative Impact Study (QIS) on Basel IV impacts regarding the exposures of 2020 year-end (results are expected to be submitted to the ECB in April 2021).

In July 2018, the European Banking Authority (EBA) published its final guidelines on managing interest rate risk arising from non-trading book activities (IRRBB). Since then, the Bank has continuously developed the related framework, in particular by enhancing its non-maturing deposit, prepayment and stress test models and risk follow-up tools (in cooperation with the ALM department).

In the context of the Bank Recovery and Resolution Directive, in 2020 the Bank upgraded its recovery plan, which was submitted to the supervisory authorities at the end of September 2020. Moreover, in 2021 the Bank will continue to enhance the operationality of the Recovery Plan, specifically through a dry-run exercise. Regarding the resolution portion, BIL took part in various workshops with the resolution authority (the Single Resolution Board or SRB). A detailed version of BIL's Resolution Plan was provided to the Bank by the SRB in December, highlighting the fact that BIL has met SRB expectations in terms of progress towards resolvability, and must continue to work on a range of resolution matters notably linked to the liquidity and funding capacity in case of resolution and operational continuity.

The Bank is also fully committed to the Basel Committee on Banking Supervision (BCBS) 239 principles, and has further structured its related initiative 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 Data Office (committees, governance).

The Bank is also taking part in the 2021 EU-wide stress test exercise expected to be finalised in July 2021.

The rising importance of Environmental, Social and Governance (ESG) issues is playing an increasing role in the banking world. As such, the Bank has set up a Sustainability Strategy, "Towards SustainaBILility", based on five key streams: responsible governance, responsible employer, responsible consumption, sustainable products & responsible services, and local impact. A cross-cutting stream will handle communication, data & reporting issues. Risk teams are part of this program and are working on the various ESG risk aspects, including: (i) ECB Climate Risk Guide Self-Assessment, (ii) Completing Risk Appetite, (iii) Quantification of BIL's ESG Profile, (iv) Review of the ICAAP/ILAAP Process, (v) ESG Economic Capital assessment and, (vi) Climate Risk Stress Testing.

Finally, in 2020 the Bank also improved its ICAAP/ILAAP framework through its Risk Mapping process and scenario capabilities. In 2021, the Risk teams will continue to enhance the Pillar II framework alongside other departments, in particular through (i) a dedicated project regarding the data universe and, (ii) improvements to the Economic Capital (ECAP) models and, (iii) increased use of ECAP for strategic decisions, as well as in day-to-day business follow-up.

2. RISK MANAGEMENT OBJECTIVES AND GOVERNANCE

2.1 Objectives

The risk management function primarily aims to:
- **Ensure that all risks are under control** by identifying, measuring, assessing, mitigating and monitoring them on an ongoing 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 participated in the review of BIL's strategy in 2020, which notably gave rise to an 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.

2.2 Risk Management Governance

General principles

According to Circular CSSF 12/552 (as amended) and the new circular CSSF 20/759 (hereinafter the "Circulars"), risk management is one of the internal control functions (together with internal audit and compliance).

The BIL Group risk management framework is based on a governance structure that enables prudent and sound management of risks. This governance structure comprises:
- The responsibilities of the Board of Directors (assisted by the Board Risk Committee) and the Management Board, and their roles in decision-making 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.

The governance is documented through, charters, policies, procedures and reporting explaining the:
- Activities,
- Definition of limits for risk-taking by operational units,
- Detection process,
- Assessment and measurement of the risks induced by the Bank's activities,
- Reporting to management.

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

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

According to the Circulars, 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 Bank's ability to manage these risks, and 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 or the summary reports of the internal control functions, in which case the Board of Directors is called upon to approve them.

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 regard to the level of global limits for the main risk exposures.

The Board Risk Committee supports the Board of Directors on risk-related matters. Amongst other duties, the Committee:

- Reviews and positively recommends changes to the BIL Group risk management framework, the global risk limits and capital allocation;
- 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 any significant risk or exposure and relevant risk assessments on an annual basis;
- Reviews large trades;
- Regularly reports 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 Authorised Management) is responsible for implementing strategies approved by the Board of Directors, and for establishing sound management in accordance with the principles and objectives established by the Board of Directors.

According to the Circulars, 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 Authorised Management shall be authorised to effectively determine the business orientation. Consequently, where management decisions are taken by larger management committees rather than solely by the Authorised Management, at least one member of 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 sound management of its activities. These processes include the establishment of a strong risk governance function.

Risk Committees

Risk Committees Members 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, membership 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 regarding the overall risk process based on a delegation of powers granted by the Management Board.

Risk Management organisation

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

The risk management function is 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 BIL's sustainable development 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.

Risk management roles can also be defined 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 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 (AS OF DECEMBER 31, 2020)

At Management Board level, the Chief Risk Officer (CRO) is responsible for 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 of a borrower defaulting on any type of debt if they fail to make the required payments. The risk includes lost principal and interest, disruption to cash flows and increased collection costs.[1]

Facilities can be analysed by the nature of the client/counterparty's obligations and by various characteristics such as:

- Type and purpose of the facility;
- Funded vs. unfunded;
- Committed vs. uncommitted;
- Secured vs. unsecured;
- Direct vs. contingent;
- Outstanding vs. undrawn;
- Classification in IFRS 9 staging (1, 2 or 3).

3.2 Credit Risk Framework

The BIL Group risk management department has established a 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 cases of default and related potential provisions.

3.3 Organisation and Governance

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

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

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

In addition to supervising the lending process, various committees 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 to approve any changes in the operational rating process in accordance with the rating methodology, approve the internal rating system reports performed by the Data Management and Quality team, and to review significant rating overrides and unrated counterparties.
- The Model Risk Committee monitors BIL's internal rating system performance over time (i.e. back testing, 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.

To manage the general credit risk profile and limit the concentration of risk, credit risk limits are set for each counterparty and economic groups, establishing the maximum acceptable level for each. The Risk Management department may also impose limits by economic sector and by product.

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

It actively monitors these limits, which it can reduce at any time, taking into account changes in the related risks. The Risk Management department may freeze specific limits at any time to take account of recent events.

Focus on forbearance measures

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

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

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

Forbearance solutions involve short-term and/or long-term measures which also take into account sustainable considerations.

Short-term measures (generally less than two years) mainly include:
- Interest-only payments;
- Reduced payment for a limited period;
- Grace period;
- Arrears / interest capitalisation.

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

These listed measures are not exhaustive.

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

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

Throughout 2020, BIL granted moratoria in compliance with the EBA Guidelines regarding the treatment of public and private moratoria in light of COVID-19 measures, and particularly with the private ABBL Memorandum (ABBL MoU) to assist some customers facing the impacts of the crisis. As a general principle, the Bank does not classify loans related to these moratoria as forborne taking into account the conditions set out in the EBA guidelines 2020/02 are fulfilled. Close monitoring and reporting of these forborne or non-forborne exposures was put in place. By year-end 2020 most of these moratoria had expired, with the overwhelming majority of clients resuming payments as normal.

3.5 Credit Risk Exposure

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

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

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

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

As at December 31, 2020, the Bank's total credit risk exposure amounted to EUR 34.63 billion. Compared to 2019 year-end (EUR 31.89 billion), the exposure increase is observed among Individual, Small and Medium Enterprises (SME) and Self-Employed (EUR +1.08 billion), Public Sector Entities (EUR +0.29 billion), and Central Governments (EUR +2.03 billion) portfolios while exposures to Financial Institutions (EUR -0.24 billion), Corporate (EUR -0.13 billion) and Securitisation (EUR -0.32 billion) decreased.

Exposure by type of counterparty

In 2020, and in line with BIL Group's business model and strategy, the Individuals, SME and Self- Employed segment remained the Bank's largest portfolio, representing around 35% of the overall exposure.

The Central Governments exposure weighting increased from 28.7% to 32.3% of the overall exposure compared with the previous year and remained the second largest segment of the Bank's portfolio.

Finally, it is also worth noting that exposures to Financial Institutions decreased compared to 2019 year-end, representing 13.3% of the overall exposures, while the weight of Corporate decreased slightly from 20.1% to 18.1%.

Exposures by counterparty category (in EUR million)	**31/12/19**	**31/12/20**	Variation
Central Governments	9,158	11,183	2,025
Public Sector Entities	305	334	29
Corporate	6,409	6,282	(127)
Securitisation	68	36	(32)
Individuals, SME & Self Employed	11,084	12,163	1,079
Financial Institutions	4,858	4,617	(241)
Others	3	18	15
TOTAL	**31,885**	**34,633**	**2,748**

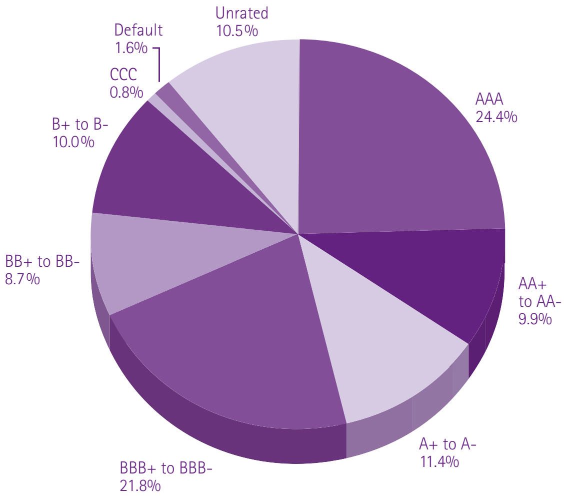
Exposure by geographic region

As at December 31, 2020, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (50.7%), France (10.5%), Switzerland (10.2%), Belgium (6.9%) and Germany (5.7%).

Exposures by geographic region (in EUR million)	**31/12/19**	**31/12/20**	Variation
Belgium	1,996	2,393	397
France	3,161	3,639	478
Germany	1,433	1,987	554
Ireland	450	271	(179)
Italy	16	26	10
Luxembourg	16,496	17,564	1,068
Spain	842	780	(62)
Other EU countries	1,698	1,749	51
Rest of Europe	575	585	10
Switzerland	2,884	3,534	650
United States and Canada	893	882	(11)
Middle East	672	371	(301)
Asia	386	448	62
Australia	241	207	(34)
Others	142	197	55
TOTAL	**31,885**	**34,633**	**2,748**

Exposure by rating

The Bank's credit risk profile has remained stable and is of good quality. Indeed, the Investment Grade (IG) exposures represent 68.5% of the total credit risk exposure, of which 25.4% lies within the AAA range.



Losses on Immovable Property

The following table displays the losses recorded in 2020 on exposures collateralised by residential and commercial immovable property regarding retail counterparties. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of euros.

	31/12/19		**31/12/20**	
Collateralised by:	**Sum of overall losses**	**Sum of the exposures**	**Sum of overall losses**	**Sum of the exposures**
Residential property	1	6,632	0	7,582
Commercial immovable property	0	491	1	442

3.6 ECL Methodology

The IFRS 9 accounting standard requires financial institutions to implement forward-looking provisioning practices. This basically comprises using a set of representative macroeconomic scenarios for assessing the so-called expected credit losses (ECLs) over time. ECLs are measured by means of three credit risk parameters that are intended – to the extent possible – to be scenario-conditional: (1) probability of default (PD), (2) loss given default (LGD) and (3) exposure at default (EAD):

1. Probability of Default

As regards the BIL IFRS 9 modelling methodology (and in line with common practices in the banking industry), PD is the main forward-looking credit risk parameter as it relies heavily on macroeconomic factors over time. The latter largely depend on the type of credit risk exposures:

- For High Default Portfolios (HDPs), which concentrate both retail exposures and small- and medium-sized companies, PD parameters can be explained by:
  - (i) labour market indicators; and
  - (ii) opinion survey-based data gathered from businesses and households (both of them being measured for the Luxembourg economy).
- For Low Default Portfolios (LDPs), which concentrate banking institutions and large-sized corporates, PD parameters can be explained by equity prices as well as by monetary and financial market-based risk indicators that are measured for the Eurozone as a whole (IFRS 9 PDs for sovereign exposures do not rely on macroeconomic indicators).

2. Loss Given Default

All LGDs are unsecured parameters (eligible collaterals are deducted from EAD parameters) and they are constant over time since it has been statistically demonstrated (at portfolio-level) that they are not correlated with macro-financial factors.

3. Exposure at Default

EAD is only scenario-conditional in the particular case of mortgage loans and for which the underlying collateral values are evolving over time with residential property prices. The latter are collected for five different regions: Luxembourg, France, Germany, Belgium and the Eurozone.

For forecasting purposes, BIL uses external macroeconomic scenarios provided by Moody's Analytics. These scenarios are built according to a combination of statistical and econometric methods that are highly dependent on theoretical economic foundations. To ensure compliance with IFRS 9, both a central (or baseline) scenario – generally depicting a normal economic outlook – and alternative scenarios describing different business cycle dynamics (e.g. an economic boom or, conversely, a recession period), must be considered. Practically, three distinct scenarios are designed, as set out in the table below:

Scenario (i)	Description	Probability of occurrence (ω_i)
Baseline	Normal economic outlook	0.6
Upside	Economic boom	0.2
Downside	Moderate recession	0.2

For a given scenario i, ECLs are measured according to the following formula:

$$ECL_i = \sum_{t=1}^{T} PD_{i,t} LGD_{i,t}\, \delta_t$$

where,

- $PD_{i,t}$ is a scenario-conditional marginal PD at time t which depends on the type of exposure and its rating grade at the reporting date t = 0;
- LGD is a constant parameter which depends on both the considered portfolio and the product type (consumer loans, mortgage loans ...);
- $EAD_{i,t}$ is a net exposure amount – deducted from all eligible collateral values – which also incorporates the amortisation profile of the various loans; and
- δ_t is a discounting factor that directly relies on the contractual interest rate assigned to a given exposure.

Please note that the horizon T is dependent on the creditworthiness of the exposure; in other words, the ECL measurement is conditional to the IFRS 9 Staging process:

- **Stage 1 exposures**: in the case the exposure has not undergone a significant increase in credit risk since its initial recognition, the horizon T is equal to the minimum between:
  (i) a 12-month period; and
  (ii) the lifetime horizon of the contractual credit risk exposure.
- **Stage 2 exposures**: if a significant increase in credit risk (SICR) has occurred, T is equal to the lifetime horizon of the exposure (SICR encompasses all qualitative and quantitative criteria triggering a Stage 2 transfer).
- **Stage 3 exposures**: if an exposure has a credit-impaired (default or non-performing) status, T is equal to the lifetime horizon of the exposure and the PD parameter is equal to 100%.

For a given exposure, ECL is finally calculated as a probability-weighted amount as follows:

$$ECL = \sum_{t=1}^{3} \omega_i ECL_i$$

where, ω_i denotes the probability of occurrence of a given macroeconomic scenario (see also the table above).

Additional Management Overlays

Regarding the COVID-19 situation, the Bank has decided to apply two Credit Risk management overlays for the ECL based on the following rationale:

During 2020 and the COVID-19 outbreak, a number of the Bank's counterparties requested a moratorium to postpone the reimbursements of their loans. These moratoria potentially led to temporary improvements of the aforementioned counterparties' situation and credit worthiness, resulting in better than expected ratings, notably for Retail and some SME counterparties for which behavioural models are applied. In a prudent and forward-looking manner, the Bank opted for defining a first IFRS 9 ECL management overlay to anticipate expected rating downgrades in the near-term. All the exposures that benefit or have benefitted from a moratorium in 2020 were identified, and a one notch downgrade was applied to their rating. As of the end of December 2020, the IFRS 9 ECL management overlay amounted to EUR 12.4 million.

It should be noted that most of these moratoria (88% of outstanding loans) have expired, some a few months ago, and that, for these expired moratoria, contractual repayments have resumed normally in 91/92% of cases. In each case, behavioural models already integrate the "outflows" linked to these reimbursements.

The Bank's models for Large Corporates and MidCorp rely on their respective financial statements to estimate a rating. With the COVID-19 outbreak, the year 2020 was difficult and poor financial statements are expected for these types of counterparties. During 2020, the Credit Risk Management teams performed overrides of Large Corporates' ratings, for which a future downgrade in 2021 is expected. In order to anticipate possible future downgrades of MidCorp counterparties and to replicate the Credit Risk Management overrides process used for Large Corporates, a second IFRS 9 ECL management overlay has been estimated. Similarly to moratoria exposures, a one notch downgrade has been applied to the ratings of MidCorp exposures. The MidCorp exposures which benefitted from moratoria are excluded from this second management overlay to avoid a double counting. As of the end of December 2020, this second IFRS 9 ECL management overlay amounts to EUR 1.3 million, in addition to the first.

3.7 Asset Quality

ASSET QUALITY – LOANS AND ADVANCES TO CUSTOMERS

			31/12/19	31/12/20
Net loans and advances to customers	7.4	a	14,708	15,412
ECL stage 1,2,3	7.4	b	279	292
Gross loans and advances to customers		**c=a+b**	**14,987**	**15,704**
ECL stage 1,2,3 / Gross loans and advances to customers		b/c	1.86%	1.86%
FOCUS ON STAGE 3				
Total stage 3 outstanding amount	7.4	d	574	736
ECL stage 3	7.4	e	224	224
Coverage ratio stage 3		**e/d**	**39.07%**	**30.50%**
Total collateral and guarantees	12.2.5	g	318	430
Coverage ratio stage 3 including collateral		**(e+g)/d**	**94.49%**	**88.84%**
Asset quality ratio (stage 3 / Gross loans and advances to customers)		**d/c**	**3.83%**	**4.69%**
ECL stage 3 / total ECL (stage 1,2,3)		**e/b**	**80.40%**	**76.94%**
FOCUS ON STAGE 1 AND STAGE 2				
Total stage 1 outstanding amount	7.15		11,944	12,211
ECL stage 1	7.15	i	42	42
Coverage ratio stage 1			**0.35%**	**0.34%**
Total stage 2 outstanding amount	7.15		2,469	2,757
ECL stage 2	7.15	k	13	25
Coverage ratio stage 2		k/j	**0.53%**	**0.91%**
ECL (stage 1,2) / total ECL (stage 1,2,3)		(i+j)/b	**19.60%**	**23.06%**
FOCUS ON COST OF RISK (ALL STAGES)				
Net impairment on loans and advances to customers	11.12	k	17	11
Cost of Risk (in bps – annualised)		k/c	**11**	**7**
Net impairment on loans and advances to customers excl. non-recurring items		i	17	59
Cost of risk excluding non-recurring items (in bps – annualised)		(i)/c	**11**	**37**

4. FINANCIAL MARKET RISK

4.1 Background

Financial market risks at BIL encompass market risk, liquidity risk and counterparty risks.

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 monitoring the interest rate risk, foreign exchange risk, price risk and spread risk.

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

Interest rate risk is the risk of an investment's value changing due to a movement in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. The 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 currency exchange rate movements;

Price risk represents the risk arising from the reduction in value of an equity or bond;

Finally, spread risk is the risk of a reduction in market value of an instrument due to changes in the credit quality of the debtor or the counterparty.

[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 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.

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

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

4.2 Risk Framework

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

4.3 Organisation and Governance

Financial Risk Management (FRM) is part of Enterprise & Financial Risk Management (EFRM), 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, the mission of FRM is to independently organise the identification, measurement, monitoring, mitigation, supervision and reporting of the financial and liquidity risks undertaken by BIL and its subsidiaries.

This mission falls within:
- TThe principles and framework included in the FRM charter;
- The framework of BIL's risk appetite;
- Compliance with the standards and procedures promulgated by the Regulator.

Charters, policies and procedures documenting and governing each of the activities are defined by BIL and apply to all the Bank's entities:
- The Head Office 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 monitor day-to-day operations, implement policies and directives, monitor risks (e.g. calculation of risk indicators, control limits and triggers, frame new activities/new products etc.) and report to their own Management Board, as well as to local supervisory and regulatory bodies;
- The ALM Committee (ALCO) decides on the structural balance sheet positioning regarding rates, foreign exchange and liquidity and grants a mandate to the Banking Book department to achieve them. The ALCO also validates the financial market risk limits first before final agreement by the Board;
- Finally, FRM is supported by two operational committees in its day-to-day activities: the MOC (Monthly Operational Committee) and the NPC (New Products Committee).

4.4 Risk Measurement and Exposures

Market Risk

Risk measurement

Depending on the activities and book classifications, the following methods are applied to the financial risks:
- For trading books, BIL has implemented a **historical Value-at-Risk (VaR)**. The VaR is the estimation of the maximum loss which may have incurred on a portfolio in x days at a certain confidence level[1]. The VaR is a Risk Appetite Statement's metric.
- The VaR is supplemented by **back-testing (BT)**. BT[2] gauges the accuracy of the VaR's model by comparing the predicted losses from calculated VaR with the actual losses incurred at the end of the specified time horizon;
- Both for banking and trading books, BIL has implemented **stress-testing**. Stress testing (also extreme scenario) simulates exceptionally unfavourable market conditions, such as crisis or stock market crashes. The study makes it possible to determine potential losses in extreme conditions that VaR or sensitivities cannot capture;

[1] BIL currently uses a historical VaR (99%, 10 days).
[2] BIL currently uses a hypothetical back-testing.

- **Sensitivities** measure the movement of an instrument or portfolio resulting from a variation in a risk factor (1% or 1 bp). This is used for interest rate risk and spread risk. For the spread risk, the variation of the risk factor is 1 bp. The method is applied on both trading and banking books; the IRRBB EVE and NII are part of the Risk Appetite Statement;
- The **nominal** measure is a simple method of limiting exposure to market risk. In general, it represents a maximum position of assets in currency;
- **Risk sensitivities (Greeks)** are used mainly for FOREX and structured products positions;
- In order to limit the market risk of an activity, maturity is a complementary measure to certain others;
- **Holding periods** are implemented for some trading books activities. Even the CRR does not impose a specific detention period for trading activities, however Article 103(a) states that: "the institution shall have, for position/instrument or a portfolio, a trading strategy clearly documented and validated by the Board, which indicates the estimated holding period";
- Specific **KPIs** regarding fraud risk make it possible to detect inappropriate prices, time dealing or movement at the dealing room level.

Risk exposure

Treasury and financial market activities

The VaR used for financial market activities (trading book) is presented in the table below. The average Value at Risk was EUR 0.17 million in 2020, compared with EUR 0.23 million in 2019. Due to the uncertain economic context (Brexit, COVID-19 pandemic, US elections), exposures remain low.

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**							

VaR (10 days, 99%) (in EUR million)		**2020**							
		Fixed Income & FOREX (Trading)				**Equity (Trading)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.14	0.16	0.16	0.01	0.00	0.00	0.00
	Maximum	0.29	0.21	0.65	0.52	0.07	0.01	0.00	0.02
Global Trading	Average	0.17							
	Maximum	0.65							
	End of period	0.03							
	Limit	**2.00**							

Regarding Fixed Income as at December 31, 2020:
- the directional spread sensitivity (+1bp) is EUR -11,882 for a limit set at EUR 30,000 (EUR -9,573 in 2019);
- the absolute spread sensitivity (+1bp) is EUR 15,772 for a limit set at EUR 60,000 (EUR 22,050 in 2019).

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

As at December 31, 2020, the Treasury sensitivity was EUR 3.39 million compared with EUR 0.68 million in 2019. In a low rate environment, the Bank maintains a low sensitivity.

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**			

Sensitivity +1% (in EUR million)	2020			
	Treasury			
	Q1	Q2	Q3	Q4
End of period	0.48	2.64	5.14	3.39
Limit	**20.00**			

Asset and Liability Management

Banking Book Management (ALM, Treasury, Investment Portfolio and Long Term Funding departments) has a delegated mandate from the Asset & Liabilities Management Committee (ALCO) for managing the balance sheet. It focuses on assuring funding sustainability, minimising immediate and future P&L volatility, preserving economic value and maximising risk mitigation stemming from the material interest rate and liquidity imbalances inherent to its commercial balance sheet.

The sensitivity of the net present value of Banking Book Management (BBM) positions to a change in interest rates is currently used as the main indicator for setting limits and monitoring risks.

As at December 31, 2020 BBM sensitivity amounted to EUR -1.6 million (vs. EUR -7.0 million at 2019 year-end) for a +100bp parallel shock.

The limit of interest rate sensitivity for a 100 bp parallel shift was EUR 119 million[1] as at December 31, 2020 (same as 2019 year-end).

Throughout 2020, the BBM department managed its rate position so that it was as neutral as possible regarding parallel shocks.

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

EVE	SCENARIO	31/12/19	31/12/20
OUTLIER	+200bp	-16	1
	-200bp	6	-34
	Internal limit	**238**	**238**
	Regulatory limit	**297**	**297**

The outlier is maintained at low level. There were no breaches of trigger or limit in 2020.

EVE	SCENARIO	31/12/19	31/12/20
BCBS	Parallel Up	-21	-3
	Parallel Down	-6	-34
	Steepener	-71	-95
	Flattener	41	24
	Short Rate Negative	-38	-41
	Short Rate Positive	35	53
	Internal Trigger	**201**	**201**
	Internal Limit	**238**	**238**

The low interest rate environment continues to influence the production of fixed rate loans (mortgage loans in particular) rather than adjustable rate loans. This is likely to increase sensitivity over the long term. In parallel, in response to the COVID-19 pandemic which caused sudden market movements in spring 2020, the Bank decided to hedge a part of its Investment Bond Portfolio to preserve the results. Finally, participation in the new TLTRO (EUR 400 million) in the same period is another main cause of the EVE variations.

There were no trigger or limit breaches in 2020.

It should be noted that, for the BCBS scenario, the net positive impacts are reduced by 50% in accordance with the IRRBB EBA guidelines.[1]

Net Interest Income (NII)
The Bank applies the earning risk method to measure the impact of a parallel shock rate of +/- 200.

NII	SCENARIO	31/12/19	31/12/20
OUTLIER	+200bp	53	98
	-200bp	-30	-26
	Internal limit	**-40**	**-40**
	Regulatory limit	**-60**	**-60**

[1] The +100bp parallel shift limit is set in relation with the total capital.
[2] EBA/GL/2018/02 art.(17)(m).

On the one hand, the 2020 NII sensitivity of the NII to the -200bp scenario is very close to 2019 (EUR -26 million vs EUR -30 million). On the other hand, the 2020 NII sensitivity of the NII to the +200bp has increased significantly compared to 2019 (EUR 98 million vs EUR 53 million). The asymmetry observed is the result of (i) the combination of regulatory (no more than -1% in the case of a negative rate), contractual (loans) and discretionary floors (some current account or savings accounts) and (ii) the structure balance sheet evolution.

Investment Portfolio

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

The Investment Portfolio had a total nominal exposure of EUR 7.9 billion as at December 31, 2020 (compared with EUR 6.7 billion as at December 31, 2019).

The majority of the bonds are classified in the "Hold-to-Collect" (HTC) portfolio measured at amortised cost: EUR 7 billion as at December 31, 2020 (EUR 5.7 billion as at December 31, 2019). The remaining portion is classified in the "Hold-to-Collect and Sell" (HTC&S) portfolio measured at fair value through OCI: EUR 0.9 billion as at December 31, 2020 (EUR 1 billion as at December 31, 2019).

The fair value sensitivity of the HTC&S portfolio to a one basis point widening of the spread (booked in the OCI reserve), was 0.3 EUR million as at December 31, 2020 (EUR 0.4 million per basis point as at December 31, 2019).

The Investment Portfolio size increased in 2020 following the heavy supply in Supra Sovereign and Agencies triggered by the COVID-19 pandemic. Even though the portfolio has increased in size, the credit profile has improved.

Investment portfolio HTC&S (in EUR million)

	Notional amount		Rate bpv		Spread bpv	
	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20
Treasury	261	229	(0.01)	(0.00)	(0.05)	(0.07)
ALM	740	720	(0.01)	(0.01)	(0.33)	(0.25)

Liquidity Risk

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

Risk Measurement and Exposure

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

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

Liquidity Coverage Ratio (LCR)

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

(In EUR billion)	31/12/19	31/12/20
Stock of HQLA	6.34	7.28
Net Cash Outflows	4.55	4.19
LCR ratio	139%	174%
Limit	100%	100%

BIL's liquidity situation remained solid throughout 2020, notwithstanding the momentaneous stress observed on the financial markets due to the COVID-19 pandemic. Thanks to a prudent and proactive approach in managing its liquidity position, the BIL Group succeeded in steadily increasing its LCR (on a consolidated basis) from 139% to 174% between the end of December 2019 and December 2020, despite the difficult and uncertain environment.

HQLA stock grew more than the net cash outflows, as new sources of stable funding were successfully set up and as investment portfolio purchases were highly concentrated on HQLA eligible securities. The sources of stable funding mainly consisted of (i) sight deposits from retail and non-financial counterparties with a residual maturity greater than 30 days, and (ii) long-term debt issued by the Bank. Given the new eligibility criteria defined by the ECB in spring in response to the COVID-19 crisis, the Bank managed to optimise the utilisation of the available collateral, positively impacting its liquidity ratio. Furthermore, the Bank managed to reuse a significant part of its non-HQLA portfolio in repo operations, thereby increasing the LCR excess liquidity. BIL's overall excess liquidity held at central banks increased from EUR 2.7 billion on average in 2019 to EUR 3.7 billion in 2020.

BIL also participated in the first two TLTRO III operations conducted in 2020 (in March and June). All prior TLTRO II participations were called (or matured) over the course of 2020, and BIL's combined outstanding in TLTRO III was prudently increased from EUR 700 million to EUR 1.5 billion, amid a very uncertain macroeconomic environment, with the objective of continuing to provide intermediated financing to our customers. The Bank has currently used around 50% of its theoretical allowance, in line with global market price.

Net Stable Funding Ratio (NSFR)

The NSFR, reflecting an institution's long-term liquidity position, 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)	31/12/19	31/12/20
Available Stable Funding (ASF)	17.76	19.28
Required Stable Funding (RSF)	16.01	16.11
NSFR ratio	111%	120%
Limit	100%	100%

The NSFR amounts to 120% (up from 111% in December 2019): Beyond the active management of medium- to long-term liquidity needs, the increase is also due to the reclassifications of (i) residential mortgage exposures and, (ii) other performing loans with a maturity greater than one year. These two kinds of exposures after reclassification require less stable funding, which improves the ratio[1].

Liquidity Stress Test

The Bank conducts a liquidity stress test on a weekly basis. The aim of this stress test is to quantify and anticipate BIL's potential vulnerability to liquidity and refinancing risk, taking into account the Bank's specificities. In 2020, the three-month horizon of stress was extended to 12 months. The scenarios were adapted and revised accordingly, in particular so that the stresses could be used not only as an early warning sign for the LCR over the next three months, but also for the NSFR over the next 12 months.

[1] Without these reclassifications, the NSFR stands to 112% as of end of December 2020.

The stress report is sent to the Chief Executive Officer, the Chief Risk Officer, the ALM Committee members, risk management, the ALM and Treasury teams and, as mentioned above, to the JST; Liquidity risk is captured through three scenarios:
- Market-wide, which focuses on a depreciation of the Bank's assets and additional margin calls due to general adverse market conditions;
- Idiosyncratic, which is specific to BIL's access to market funding;
- Combined, which is not a strict merge of the two previous scenarios: risk factors have been mixed in such a way that each scenario has an added value and complements the other.

The tables below show the results of the liquidity stress test as at December 31, 2020

31/12/2020 In EUR million		Market-Wide		Idiosyncratic		Combined	
		Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer	Cumulated funding gap	Cumulated buffer
HORIZON	3-month	2,614	5,883	3,182	5,954	3,103	5,704
	6-month	3,812	6,015	5,093	6,135	4,787	5,856
	12-month	4,069	5,883	5,081	5,954	4,503	5,704

The cumulative buffer column shows a high level for all of the scenarios and all observation points. Although the cumulative gap naturally increases in varying proportions, levels remain comfortably below the cumulated buffer. This is the result of prudential liquidity management, especially by BIL's choice to seek medium and long-term funding.

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

Since the last quarter of 2020, a reverse stress test completes the stress liquidity framework. The aim of this additional stress is to explore and identify circumstances that might cause a pre-defined outcome under which BIL Group could be considered to fail or likely to fail. The result of this stress is included in the liquidity package presented to the ALCO.

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

Asset Encumbrance

The Bank reports on key metrics and asset encumbrance limits, which are based on data collected for regulatory reporting. The following metrics have been selected to provide key information:
- Level of asset encumbrance;
- Credit quality of unencumbered debt securities;
- Sources of encumbrance;
- Contingent encumbrance.

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.

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

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] (27.5% in June 2020) is an available benchmark. By comparison, BIL's ratio was around 12% (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	31/12/19	31/12/20
Encumbered assets	2,671	3,625
Collateral received re-used	250	212
Total amount	2,921	3,837
Ratio	**10%**	**12%**
Limit	**25%**	**25%**

As of December 31, 2020, EUR 3.8 billion of BIL Group's balance sheet assets are encumbered and the asset encumbrance ratio is 12%. The annual variation of the ratio is mainly explained by the increase of the TLTRO (from EUR 0.7 billion as at end of 2019 vs EUR 1.5 billion as at end of 2020). Indeed, to hedge the TLTRO, the Bank had to encumber more securities.

[1] EBA Report on Asset Encumbrance, January 2021.

5. OPERATIONAL RISK AND INFORMATION SECURITY

5.1. Definition

Operational risk is the risk of direct or indirect losses resulting from the unsuitability or failure of internal processes, staff or systems, or due to external events. This definition includes legal risk but excludes strategic and reputational risk. It also excludes financial impacts resulting from commercial decisions.

Information and Communication Technology (ICT) and security risk includes **risk of loss due to**:
- **Breach of confidentiality, failure of integrity** of systems and data;
- **Inappropriateness or unavailability** of systems and data;
- **Inability to change** information technology within a reasonable time and with reasonable costs when the environment or business requirements change;
- **Security risks** resulting from **inadequate or failed internal processes**;
- External events including **cyber-attacks**;
- Inadequate **physical security**.

5.2 Operational Risk Policy, ICT & Security risks policy & BCP policy

5.2.1 Operational Risk Policy

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

The Operational Risk Management policy was reviewed in 2020 (approved at the Internal Control Committee meeting held in August 2020) and additional information on specific topics was completed (e.g. management of border risks, new key risk indicator monitoring). Moreover, the section dedicated to the governance framework was also improved following the creation of an Operational Risk Committee (ORC).

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

5.2.2 ICT & Security policy

In July 2020, a new charter was validated (replacing the existing Information Security Charter) in response to the EBA guidelines to **frame the management of ICT risks, and in particular define**:
- The objective and scope of ICT & Security risk management;
- The high level operating model as well as roles and responsibilities across multiple lines of defence;
- The requirements for an ICT & Security risk management process for identifying, evaluating and handling these risks;
- The extension of the responsibilities of the Security Committee and rename it as ICT & Security Risks management Committee;
- The requirements for ICT & Security risk reporting that includes **an annual report to the Board Risk Committee and the Board of Directors**.

Following this approval, the ICT & Security Governance Policy was reviewed in line with the new organisation described in the Charter, and in particular to list the governance bodies required to meet the objectives set out in the Charter.

Moreover, the following main changes were also made:
- The concept of **ICT & Security risk domain representatives** (i.e. first line of defence) was derived from the Charter, the responsibilities associated with the role were described (mainly controls implementation monitoring and reporting, and the definition and implementation of the treatment plan);
- The existing **risk model and associated methodology** were reused, with adjustments to cover specificities of ICT Risks;
- The concept of a **controls baseline (i.e. minimum set of measures to be implemented to mitigate risks)** was created.

5.2.3 Business Continuity Planning policy

The Business Continuity Management and Crisis Management charter has been reviewed, taking into account the lessons learned during the COVID-19 crisis. Having a predefined disruption time for all our Business Continuity scenarios is not sufficient, and therefore the following major updates were approved for each scenario:
- The period of disruption will be considered based on a risk analysis.
- The activities that have a maximum tolerated outage within the period of disruption to be covered will be considered.

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 taking decisions on cross-cutting issues related to Internal Control. The main topics discussed include: Internal audit matters (mainly audit reports, follow-up of recommendations, activity reports, audit plan), Compliance matters (mainly compliance activity reports, compliance action plan, compliance visit reports), ORM matters (mainly reporting on major risks, information security, business continuity plan and disaster recovery plan), and any other matters relating to Internal control (at BIL and its entities).
- The **Operational Risk Committee (ORC)** is a multidisciplinary business committee comprising members of the Bank's main business lines, and is responsible for creating a reliable framework to ensure efficient monitoring of the Bank's operational risk exposures. This committee also manages all matters in relation to operational risks, such as incident management. Finally, the ORC acts as an forum for discussion (on operational risk matters) between the Bank's business lines and Operational Risk department.
- The **New Product Committee** (NPC) is a multidisciplinary management committee with delegated powers from the Management Board, and is responsible for new products, services and markets based on suggestions from all of the Bank's business areas, including the Innovation and Digital Forum. The Committee also checks the relevancy of the underlying business case against the Bank's strategy. The Head of BIL's 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 **Compliance, Audit and Risk Committee** (CARco) meets quarterly to cover aspects of compliance, audit and risk between BIL and its main IT provider. It comprises the BIL Data Protection Officer, BIL Head of Audit, BIL Head of Operational Risk Management and BIL Chief Information Security Officer and their equivalents from the Bank's main IT provider.

It should be noted that all topics related to ICT & Security Risks are handled by the following committees:

The ICT & Security Risks Committee (ISRC), the Crisis Committee (CC) and the CARco (see above).

- The ISRC is mandated by the Management Board to:
  - Oversee the ICT & Security risks (as defined in the ICT & Security Risk Management charter) linked to BIL's use of information technologies and that of its subsidiaries;
  - Oversee the ICT & Security controls in place to mitigate the ICT & Security risks;
  - Take a position on the risks its members have identified and analysed in order to provide adequate protection for BIL's Information and IT assets;
  - Monitor ICT and Security incidents;
  - Ensure that the implementation and the support of a global Business Continuity Plan respects the strategy defined by the BIL Management Board.
- 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 required to manage the crisis. Depending on the nature of the crisis, this OCC is complemented by the heads of the entities concerned.

5.4 Risk Measurement and Management

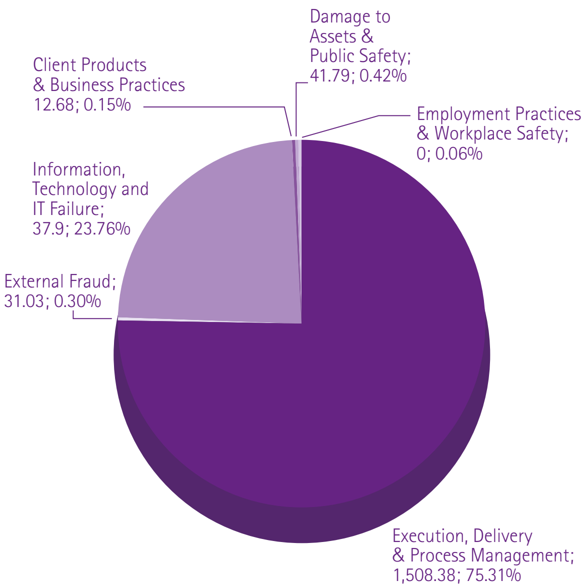
The operational risk framework relies on the following elements.

Operational Risk Event Data Collection:

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

The breakdown of BIL Group's gross losses (KEUR and proportion of occurrence) for 2020 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 losses.

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 error and the main operational risk lies in the incorrect execution of instructions.

These amounts do not include recoveries (EUR 0.39 million).

In 2020, the Bank recorded 14 operational incidents related to External Fraud of which only three were not stopped, with an actual loss of EUR 31,031. A recovery (business or insurance) of EUR 334,050 was received for a fraud event in 2019. It should be noted that no internal fraud case was detected in 2020.

In the Information, Technology and Infrastructures category (24% of all incidents but 2.3% of losses), operational incidents were linked to disruptions in the IT systems. For most of these IT incidents. 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 having occurred in their business over the previous month and declared to the ORM team. Recipients analyse the report and verify that all incidents brought to their attention have been dealt with and reported.

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

In December 2020, the Chief Information Security Officer presented the first annual update on ICT & Security Risks to the BRC.

Self-assessment of risks and associated controls

A pre-defined Risk Control Self-Assessment (RCSA) exercise is performed each year to identify the Bank's most significant operational risk areas. As part of a two-year plan, all of the Bank's departments performed an 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 on a yearly basis.

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 method, which no longer gives 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 2020. All Operational Risk correspondents (COR) have 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.

Training & Awareness

During 2020, a training module on Operational Risk matters was launched on the BIL-E-learning platform for all employees. A completion rate of 96% was obtained.

Calculation of regulatory capital requirements

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

6. REGULATORY CAPITAL ADEQUACY-PILLAR 1

6.1 Weighted risks

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

For credit risk, BIL Group uses the Advanced-Internal Rating Based (A-IRB) approach for the so-called high-default portfolio (Retail, Wealth and small corporate counterparties), Foundation approach for Corporate and Financial Institution counterparts and Standard approach for Sovereign counterparts. For market risk, the Bank has adopted the standardised method in light of a moderate trading activity, the sole purpose of which is to assist BIL's customers by providing the best possible service for the purchase or sale of bonds, foreign currencies, equities and structured products. The standardised method is also used to calculate the Bank's operational risks.

At the end of 2020, the Bank's total RWAs amounted to EUR 9,220 million, compared with EUR 8,543 million at the end of 2019.

RWA growth of EUR 677 million (8%) is mainly driven by credit risk (EUR 684 million), changes in the credit risk models and commercial loans' portfolio growth.

Meanwhile, the market risk RWAs decreased by EUR 18 million, including RWAs for Credit Valuation Adjustment (CVA RWA) and the operational risk RWAs increased by EUR 11 million in 2020.

6.2 Capital adequacy ratios

(in EUR million)	31/12/19	31/12/20	Variation (%)
Risk Weighted Assets	**8,543**	**9,220**	**8%**
Credit risk	7,520	8,204	9%
Market risk	49	31	-37%
Operational risk	952	963	1%
Credit Value Adjustment risk	22	22	-2%

Capital	**31/12/19**	**31/12/20**	**Variation (%)**
Common Equity Tier 1 (CET 1)	1,065	1,239	16%
+ Additional Tier 1	*175*	*175*	*0%*
Tier 1 equity	1,240	1,414	14%
Tier 2 equity	139	132	-5%
Total regulatory capital	1,379	1,545	12%

Solvency ratios	**31/12/19**	**31/12/20**	**Variation (%)**
Common Equity Tier 1 ratio (CET 1)*	12.47%	13.44%	7.76%
Tier 1 ratio	14.52%	15.33%	5.63%
Capital Adequacy Ratio	16.15%	16.76%	3.79%

(*) partial 2019 profit allocation (EUR 40.9 million) and 2020 profit allocation (EUR 36.2 million)

The solvency ratios are calculated in accordance with the transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873) applied starting September 30, 2020.

7. INTERNAL CAPITAL ADEQUACY- PILLAR 2

ICAAP is the formal internal process through which a bank identifies, measures, aggregates and monitors material risk, to ultimately build a risk profile that becomes the basis for allocating capital.

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

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 (i.e. risk identification and mapping). 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 mapping;
- 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;
- Finally, BIL Group 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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Audit report

To the Board of Directors of
Banque Internationale à Luxembourg S.A.

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Banque Internationale à Luxembourg S.A. (the "Bank") and its subsidiaries (the "Group") as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Group's consolidated financial statements comprise:
- The consolidated balance sheet as at 31 December 2020;
- The consolidated statement of income for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated cash flow statement for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements.

We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Group and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 11.10 to the consolidated financial statements.

KEY AUDIT MATTERS

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

Key audit matter: Impairment of loans and advances to customers

At 31 December 2020, the gross loans and advances to customers of the Group amount to EUR 15,704.1 million against which an impairment of EUR 291.8 million is recorded (see Note 7.4 to the consolidated financial statements).

Due to the specific situation of the Covid-19 crisis, ECL management overlays have been considered to anticipate expected credit loss downgrades in the near future so as to adapt the model to the current changes in economic conditions for an amount of EUR 13.8 million. Two ECL Management overlays have been accounted for based on a one-notch downgrade for all exposures benefiting from a moratorium (whether matured or ongoing) as well for MidCorp exposures not already benefiting from a moratorium (see Note 12.2 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 Group 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:

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

Refer to the Accounting policy Note 1.6.5, Notes 7.4 and 12.2 to the consolidated financial statements as well as sections 2 and 6 of the Business Review and Results and section 3 of the Risk Management parts of the Consolidated Management Report.

How our audit addressed the Key audit matter

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

This included testing of:

- Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level;
- Controls over the incorporation of multiple economic scenarios related to ECL models by the Group's Credit and Executive Committees;
- Controls over quarterly ECL variation analysis;
- Controls over the loan origination and monitoring processes;
- Controls of the valuation of collateral received (Lombard loans exposure);
- Controls over the computation of ECL Management overlays by the Group's Credit and Executive Committees.

We also performed the following substantive audit procedures:

- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios especially considering the Covid-19 situation;
- We verified some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Group.

We tested a sample of loans and advances (including but not only an extended sample of loans included into the Group Credit Watchlist and/or classified on stage 3) to:

- Form our own assessment as to whether they are classified in the appropriate bucket. We examined in a critical manner the assumptions used by the Group to determine estimated recovery from any underlying collateral;
- Perform testing over the accuracy of a sample of key input data linked to the credit activity (nominal, interest rates, beneficiaries);
- Perform testing on the valuation and validity of guarantees and collateral received by the Group to secure its exposures;
- Perform testing over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances.

In light of the credit events linked to the pandemic and in addition to the above, we also performed specific procedures as follow:

- Testing of a sample of credit files under moratorium to ensure that forbearance consideration have been applied by the Group in accordance with European Central Bank guidances;
- Assessing the ECL Management overlays methodology used by the Group and of the reasonableness of their levels.

Key audit matter: Impairment assessment of goodwill

As at 31 December 2020, the gross amount of goodwill (arising in a business combination) amounts to EUR 59.7 million against which an impairment allowance of EUR 5.4 million is recorded.

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

Recoverable values are primarily measured from a Dividend Discount Model ("DDM") valuation method or/and an asset under management multiples valuation method. They represent in practice, an estimation of fair value less costs of disposal.

Refer to the Accounting policy Note 1.18 and to Note 7.11 to the consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We assessed whether the CGUs, including changes therein, identified by the Group that should be subject to impairment testing are aligned with our understanding of the Group's activities;
- We obtained the goodwill valuation methodology applied by the Group;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Group is reasonable in the circumstances, giving consideration to the:
  (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 through the use of our valuation experts significant assumptions used by the Group for each CGU 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;
- We ensured that the valuation of the goodwill is higher than the value it is accounted for.

Key audit matter: Deferred tax assets recognition and impairment

As at 31 December 2020, the deferred tax assets on tax losses carried forward recognized in the balance sheet amounts to EUR 164 million, of which EUR 60 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a foreign country.

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

Refer to the Accounting policy Note 1.22 and to the Note 9.2 to the consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the Bank's budget for the year 2021, approved by the Board of Directors, and the business plan prepared by the Group for the period 2022-2028 as well as the assumptions made by the Group to extrapolate the net income before tax beyond the horizon of the business plan;
- We reviewed the consistency and reasonableness of these assumptions including back-testing of the assumptions made at prior year end;
- We evaluated whether updates in the Luxembourg tax laws and regulations may have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former foreign country's branch, we reviewed the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward;
- We verified the arithmetical accuracy of the computations, including the corporate income tax rate used.

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

As at 31 December 2020, the fair value of level 3 equity investment amounts to EUR 76.5 million (recognised in "Financial investments measured at fair value").

We consider the valuation of such investments as inherently complex due to the unavailability of prices on an active market, the limited or unavailability of observable data and the impact of Covid-19 which increased uncertainty in some industries (including the airline industry).

Refer to the Accounting policy Notes 1.6.3.2/1.6.3.3 and to Note 7.6 to the consolidated financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the fair valuation methodology applied by the Group, specifically for an investment which operates in the airline industry. The latter valuation was mainly based on a "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Group was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Group to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Group in the model which included, interalia, benchmarking key metrics;
- We verified the arithmetical accuracy of the calculation performed by the Group.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Corporate Governance Statement is included in the Consolidated management report. The information required by Article 70bis Paragraph (1) Letters c) and d) of the amended Law of 17 June 1992 on the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 13 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

PricewaterhouseCoopers, Société coopérative
Represented by

Electronically signed by:
Rima Adas

Electronically signed by:
Julie Batsch

Rima Adas

Julie Batsch

Luxembourg, 29 March 2021

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

Consolidated balance sheet

ASSETS (in EUR)		Notes	01/01/19[1]	31/12/19[1]	31/12/20
I.	Cash, balances with central banks and demand deposits	7.2	3,281,434,826	3,541,542,203	4,245,324,853
II.	Financial assets held for trading	7.5	126,889,819	63,537,620	55,716,122
III.	Financial investments measured at fair value	7.6	1,498,024,806	1,175,992,672	1,129,363,614
	Financial assets at fair value through other comprehensive income	*7.6.2*	*1,476,561,341*	*1,151,919,379*	*1,108,358,280*
	Non-trading financial assets mandatorily at fair value through profit or loss	*7.6.1*	*21,463,465*	*24,073,293*	*21,005,334*
IV.	Loans and advances to credit institutions	7.3	1,075,240,880	1,190,400,685	1,105,696,451
V.	Loans and advances to customers	7.4	13,378,732,725	14,707,833,103	15,412,310,898
VI.	Financial investments measured at amortised cost	7.7	5,039,541,719	6,392,840,867	7,685,128,526
VII.	Derivatives	9.1	208,152,177	294,432,449	235,263,017
VIII.	Fair value revaluation of portfolios hedged against interest rate risk		1,470,569	303,238	191,221
IX.	Investments in associates	7.8	24,580,236	28,171,467	28,635,871
X.	Investment property	7.10	800,000	800,000	23,405,067
XI.	Property, plant and equipment	7.9	106,587,651	143,421,250	113,840,658
XII.	Intangible fixed assets and goodwill	7.11	194,083,757	230,867,591	255,721,393
XIII.	Current tax assets	7.12	201,980	896,629	1,524,745
XIV.	Deferred tax assets	7.12/9.2	227,280,876	202,390,549	183,982,345
XV.	Other assets	7.13	62,015,329	79,995,974	81,161,194
XVI.	Non-current assets and disposal groups held for sale		171,859,785	0	0
TOTAL ASSETS			**25,396,897,135**	**28,053,426,297**	**30,557,265,975**

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

[1] Refer to note 1.2.4 for details of restatements made on opening and closing balances for the year 2019.

LIABILITIES (in EUR)		**Notes**	**01/01/19[1]**	**31/12/19[1]**	**31/12/20**
I.	Amounts due to credit institutions	8.1	2,945,818,913	3,095,841,613	4,172,955,910
II.	Amounts due to customers	8.2	17,267,224,127	18,987,047,358	19,773,966,458
III.	Other financial liabilities	8.3	0	42,300,007	27,932,339
IV.	Financial liabilities measured at fair value through profit or loss	8.4	832,445,114	923,354,039	934,551,568
	Liabilities designated at fair value		*832,445,114*	*923,354,039*	*934,551,568*
V.	Derivatives	9.1	421,022,362	561,237,162	642,789,763
VI.	Fair value revaluation of portfolios hedged against interest rate risk		24,826,064	13,688,928	2,433,523
VII.	Debt securities	8.5	1,933,985,745	2,267,418,784	2,783,103,377
VIII.	Subordinated debts	8.6	285,345,888	169,079,812	130,620,187
IX.	Provisions and other obligations	8.7	53,116,313	50,098,880	42,892,641
X.	Current tax liabilities	8.8	1,878,972	2,220,890	2,190,023
XI.	Deferred tax liabilities	8.8/9.2	4,876,126	6,160,610	7,311,883
XII.	Other liabilities	8.9	245,969,508	214,905,319	196,595,562
XIII.	Liabilities included in disposal groups held for sale		1,335,413	0	0
TOTAL LIABILITIES			**24,017,844,545**	**26,333,353,402**	**28,717,343,234**

SHAREHOLDERS' EQUITY (in EUR)		**Notes**	**01/01/19[1]**	**31/12/19[1]**	**31/12/20**
XIV.	Subscribed capital	9.4	141,212,330	146,108,270	146,108,270
XV.	Share premium		708,216,940	760,527,961	760,527,961
XVI.	Treasury shares		(1,455,000)	0	0
XVII.	Other equity instruments		0	173,592,617	173,592,617
XVIII.	Reserves and retained earnings		525,992,856	516,327,625	617,488,137
XIX.	Net income		0	112,150,341	101,361,017
SHAREHOLDERS' EQUITY			**1,373,967,126**	**1,708,706,814**	**1,799,078,002**
XX.	Gains and losses not recognised in the consolidated statement of income		5,085,464	11,366,081	40,844,739
	Financial instruments at fair value through other comprehensive income		*37,378,103*	*43,971,017*	*64,168,148*
	Other reserves		*(32,292,639)*	*(32,604,936)*	*(23,323,409)*
GROUP EQUITY			**1,379,052,590**	**1,720,072,895**	**1,839,922,741**
XXI.	Non-controlling interests		0	0	0
TOTAL SHAREHOLDERS' EQUITY			**1,379,052,590**	**1,720,072,895**	**1,839,922,741**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**25,396,897,135**	**28,053,426,297**	**30,557,265,975**

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

[1] Refer to note 1.2.4 for details of restatements made on opening and closing balances for the year 2019.

Consolidated statement of income

(in EUR)		Notes	31/12/19[1]	31/12/20
I.	Interest and similar income	11.1	665,761,340	526,243,033
	of which : Interest revenue calculated using the effective interest method		*432,508,518*	*405,859,055*
II.	Interest and similar expenses	11.1	(347,939,798)	(215,822,894)
III.	Dividend income	11.2	87,832	46,523
IV.	Net trading income	11.3	63,468,783	10,820,563
V.	Net income on financial instruments measured at fair value and net result of hedge accounting	11.4	(30,167,312)	4,821,554
VI.	Net income on derecognition of financial instruments at amortised cost	11.5	9,907,263	21,747,659
VII.	Fee and commission income	11.6	247,897,135	260,582,861
VIII.	Fee and commission expenses	11.6	(38,750,060)	(45,338,965)
IX.	Other net income	11.7	(6,843,701)	(8,279,962)
REVENUES			**563,421,482**	**554,820,372**
X.	Staff expenses	11.8	(231,275,598)	(219,749,851)
XI.	General and administrative expenses	11.9	(115,987,780)	(137,795,332)
XII.	Amortisation of tangible, intangible and right-of-use assets	11.11	(50,122,021)	(57,719,134)
EXPENSES			**(397,385,399)**	**(415,264,317)**
GROSS OPERATING INCOME			**166,036,083**	**139,556,055**
XIII.	Impairments	11.12	(28,468,268)	(20,951,628)
	Net impairment on financial instruments and provisions for credit commitments		*(26,639,413)*	*(16,350,172)*
	Net impairment of tangible, intangible and right-of-use assets		*(1,828,855)*	*(4,601,456)*
XIV.	Provisions for legal litigations	11.13	109,185	160,000
OPERATING INCOME			**137,677,000**	**118,764,427**
XV.	Net income from associates	11.15	4,127,377	1,878,523
NET INCOME BEFORE TAX			**141,804,377**	**120,642,950**
XVI.	Tax expenses	11.14	(29,654,036)	(19,281,933)
NET INCOME[2]			**112,150,341**	**101,361,017**
	Net income - Group share		112,150,341	101,361,017
	Non-controlling interests		0	0

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

[1] Refer to note 1.2.4 for details of restatements for the year 2019.
[2] In accordance with the article 38-4 of the law of the financial sector, the return on assets for the Group for the year ended December 31, 2020 is 0.33% (0.40% for the year ended December 31, 2019).

Consolidated statement of comprehensive income

(in EUR)	31/12/19[1]	31/12/20
NET INCOME RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**112,150,341**	**101,361,017**
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**6,280,618**	**29,478,658**
Items that will not be reclassified to profit or loss	**8,229,743**	**30,363,881**
Actuarial gains (losses) on defined benefit pension plans	1,331,138	(174,259)
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	3,113	(141,604)
Fair value changes of equity instruments measured at fair value through other comprehensive income	8,293,300	24,437,966
Fair value changes of land and buildings - transfer to investment property	0	8,429,830
Tax on items that will not be reclassified to profit or loss	(1,397,808)	(2,188,052)
Items that may be reclassified to profit or loss	**(1,949,125)**	**(885,223)**
Gains (losses) on net investment hedge	(119,002)	(16,458)
Translation adjustments	(2,503,386)	332,638
Gains (losses) on cash flow hedge	3,012,573	3,655,251
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(2,411,065)	(5,258,582)
Tax on items that may be reclassified to profit or loss	71,755	401,928
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**118,430,959**	**130,839,675**
Attributable to equity holders of the parent company	118,430,959	130,839,675
Attributable to non-controlling interests	0	0

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

[1] Refer to note 1.2.4 for details of restatements for the year 2019.

Consolidated statement of changes in equity

SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Share Premium	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
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**
Impact of restatement[3]					(5,498,996)		(5,498,996)
As at 01/01/19	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**395,178,240**	**130,814,616**	**1,373,967,126**
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					130,814,616	(130,814,616)	0
Coupon on Additional Tier One Instrument					(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						112,150,341	112,150,341
As at 31/12/19	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**516,327,625**	**112,150,341**	**1,708,706,814**

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[4]	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)**	**(12,873,628)**	**5,085,464**
Net change in fair value through equity - fair value through other comprehensive income	7,180,159					7,180,159
Net change in fair value through equity - cash flow hedges		2,088,276				2,088,276
Revaluation of investment properties upon reclassification from property, plant and equipment						0
Translation adjustments	(3,764)			(322,529)	(2,513,718)	(2,840,011)
Cancellation of fair value following fair value through other comprehensive income disposals	(583,481)					(583,481)
Net change in other reserves	0			425,343		425,343
Changes in scope of consolidation	0	0			10,330	10,330
As at 31/12/19	**43,971,017**	**(3,695,248)**	**0**	**(13,532,673)**	**(15,377,016)**	**11,366,080**

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
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 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] Refer to note 1.2.4 for details of restatements for the year 2019.
[4] 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.

SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Share Premium	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/20	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**516,327,625**	**112,150,341**	**1,708,706,814**
Issuance of equity instruments							0
Cancellation of treasury shares							0
Classification of income					112,150,341	(112,150,341)	0
Coupon on Additional Tier One Instrument					(10,734,018)		(10,734,018)
Changes in scope of consolidation					4,223		4,223
Realised performance on equities at fair value through other comprehensive income					(260,034)		(260,034)
Net income						101,361,017	101,361,017
As at 31/12/20	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**617,488,137**	**101,361,017**	**1,799,078,002**

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 01/01/20	**43,971,017**	**(3,695,248)**	**0**	**(13,532,673)**	**(15,377,016)**	**11,366,080**
Net change in fair value through equity - fair value through other comprehensive income	20,201,554				0	20,201,554
Net change in fair value through equity - cash flow hedges		2,731,278				2,731,278
Revaluation of investment properties upon reclassification from property, plant and equipment				6,327,430		6,327,430
Translation adjustments	5			(64,236)	332,639	268,408
Cancellation of fair value following fair value through other comprehensive income disposals	(4,428)					(4,428)
Net change in other reserves				(45,583)		(45,583)
Changes in scope of consolidation					0	0
As at 31/12/20	**64,168,148**	**(963,970)**	**0**	**(7,315,062)**	**(15,044,377)**	**40,844,739**

NON-CONTROLLING INTERESTS (in EUR)	Shareholders' equity	Gains/Losses not recognised in the consolidated statement of income	Non-controlling interests
As at 01/01/20	**0**	**0**	**0**
Other transfers	0	0	0
As at 31/12/20	**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 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 14.6 million.

[3] As at December 31, 2020, translation adjustments comprise an amount of EUR -42,684,907 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	Notes	31/12/19[1]	31/12/20
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		112,150,341	101,361,017
Adjustment for :			
- Depreciation and amortisation	7.9 / 7.11	50,122,021	57,719,134
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		1,828,855	4,601,456
- Impairment on bonds, equities and other assets	11.12	(2,566,775)	8,501,143
- Net gains / (losses) on investments	11.4 / 11.5	(10,779,661)	(2,480,178)
- Provisions (including ECL)	8.7 / 11.12	11,699,258	3,635,235
- Change in unrealised gains / (losses)	11.3	472,218	247,830
- Income / (expense) from associates	7.8 / 11.15	(4,127,377)	(1,878,523)
- Dividends from associates	7.8	1,214,280	1,418,342
- Deferred taxes	11.14	28,525,938	18,392,720
- Other adjustments		(35,619)	89,403
- Changes in operating assets and liabilities		(89,361,935)	614,239,563
Transactions related to interbank and customers transactions		*360,158,514*	*1,213,531,195*
Transactions related to other financial assets and liabilities		*(486,540,050)*	*(566,176,001)*
Transactions related to other non-financial assets and liabilities		*37,019,601*	*(33,115,631)*
NET CASH FLOW FROM OPERATING ACTIVITIES		**99,141,544**	**805,847,142**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.9 / 7.11	(75,848,001)	(77,359,176)
Sale of fixed assets	7.9 / 7.11	13,044	5,020,377
Purchase of non-consolidated shares		(120,000)	0
Sale of non-consolidated shares		334,230	96,690
Acquisition of /capital increase on consolidated subsidiaries		0	(2,741,993)
Sale of subsidiaries		89,237,947	0
NET CASH FLOW FROM INVESTING ACTIVITIES		**13,617,220**	**(74,984,102)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares		58,000,343	0
Issuance of other equity instruments		173,592,617	0
Reimbursement of subordinated debts		(118,900,000)	(31,100,000)
Payments on lease liabilities		(6,367,589)	(8,019,936)
NET CASH FLOW FROM FINANCING ACTIVITIES		**106,325,371**	**(39,119,936)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**219,084,135**	**691,743,104**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**3,552,363,665**	**3,785,288,673**
Net cash flow from operating activities		99,141,544	805,847,142
Net cash flow from investing activities		13,617,220	(74,984,102)
Net cash flow from financing activities		106,325,371	(39,119,936)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		13,840,873	1,090,174
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**7.1**	**3,785,288,673**	**4,478,121,951**
ADDITIONAL INFORMATION			
Taxes paid		(1,484,806)	(1,478,031)
Dividends received	11.2	87,832	46,523
Interest received		654,751,004	579,625,934
Interest paid		(336,173,942)	(249,062,696)

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 integral part of these consolidated financial statements.

[1] Refer to note 1.2.4 for details of restatements for the year 2019.

CFS – Changes in liabilities arising from financing activities

(in EUR)	As at 01/01/19[1]	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/19[1]
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**
Share premium	**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**

(in EUR)	As at 01/01/20	Acquisition / Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/20
Subordinated debts	**170,198,766**	(31,100,000)	0	(7,502,748)	0	**131,596,018**
Subscribed capital	**146,108,270**	0	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	0	**760,527,961**
Treasury shares	**0**	0	0	0	0	**0**
Other equity instruments	**173,592,617**	0	0	0	0	**173,592,617**

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

[1] Refer to note 1.2.4 for details of restatements for the year 2019.

Notes to the consolidated financial statements

Presentation of the consolidated financial statements

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

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Accounting principles and rules of the consolidated financial statements

Note 2
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Note 6
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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 fixed assets
11.12 Impairment on loans and provisions for credit commitments
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Note 12

Notes on risk exposures (in EUR)

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12.6 Liquidity risk: breakdown by residual maturity
12.7 Currency risk
12.8 Solvency ratios

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 Suite 06, 70/F Two International Finance Centre, No.8 Finance Street, 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 17, 2021, and signed by Marcel Leyers, Chief Executive Officer of BIL Group.

These financial statements cover the period beginning January 1, 2020 and ending December 31, 2020.

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, 2020.

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);
- 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 and note 12.1);
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets and determination of the lease term of lease contracts (see 1.16, 1.17 and 7.9 and 11.11); and
- Existence of a present obligation with probable outflows in the context of litigation (see 1.25 and 8.7)

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

Estimates are principally made in the following areas:

- Measurement of the expected credit loss allowance (see 1.7.5, 7.15, 11.12 and 12.2);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques and determination of the market value correction to adjust for market value and model uncertainty (see 1.8 and 12.1);
- The measurement of hedge effectiveness in hedging relations (see 1.13 and 9.1);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see 1.19 and 7.11);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see 1.23 and 11.14); and
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.24 and 8.7).

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the 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, 2020.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2020

- 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 IFRS 3 "Business Combinations" (issued on October 22, 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;
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7 issued on September 26, 2019). These amendments are applicable as from January 1, 2020. BIL has 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.
- Amendments to IFRS 16 "Leases" COVID-19-related Rent Concessions (issued on May 28, 2020): These amendments are applicable as from June 1, 2020. No impact for BIL.

1.2.2 IASB and IFRIC texts issued during previous periods and neither endorsed by the European Commission nor applicable as at January 1, 2020

- IFRS 17, "Insurance contracts" (issued on May 18, 2017). The standard is applicable as from January 1, 2023 and may impact BIL.

1.2.3 IASB and IFRIC texts issued during the current period and neither endorsed by the European Commission nor applicable as at January 1, 2020

- Amendments to IAS 1 "Presentation of Financial Statements" Classification of liabilities as current or non-current. These amendments are applicable as from January 1, 2023. No impact for BIL;
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued on May 14, 2020). These amendments are applicable as from January 1, 2022. No impact for BIL;
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Onerous Contracts – Cost of Fulfilling a Contract. These amendments are applicable as from January 1, 2022. No impact for BIL;
- Amendments to IFRS 3 "Business Combinations" Reference to the Conceptual Framework. These amendments are applicable as from January 1, 2022. No impact for BIL;
- Amendments to IAS 16 "Property, Plant and Equipment" Proceeds before intended use. These amendments are applicable as from January 1, 2022. No impact for BIL;
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7 issued on August 27, 2020). These amendments will impact BIL in the context of the Benchmark Regulation.

1.2.4 Reclassifications and Restatement made in accordance with IAS 8

Compared to the previous consolidated financial statements, in the consolidated financial statements as at December 31, 2020, BIL has corrected the rollover assumption for credits usable in the form of fixed rate advances using the maturity of the rollover line instead of the maturity of the drawn amount impacting the amount of expected credit losses (ECL). In accordance with IAS 8, the correction made has been applied retrospectively and impacts the financial position of BIL as disclosed in the table hereunder.

In addition, BIL has corrected the presentation of derivative instruments in the consolidated financial statements as at December 31, 2019 where the fair value of each derivative is presented net of upfront payments. The impact of the reclassification is disclosed in the table hereunder (corresponding notes are restated accordingly).

(in EUR)		01/01/19	01/01/19 restated	Impact of restatement on ECL	Impact of reclassification of derivatives
IMPACT ON BALANCE SHEET					
IV.	Loans and advances to credit institutions	1,075,243,576	1,075,240,880	(2,696)	
V.	Loans and advances to customers	13,386,056,162	13,378,732,725	(7,323,437)	
VII.	Derivatives	290,313,542	208,152,177		(82,161,365)
XIV.	Deferred tax assets	225,453,739	227,280,876	1,827,137	
TOTAL ASSETS		**25,484,557,496**	**25,396,897,135**	**(5,498,996)**	**(82,161,365)**
III.	Derivatives	503,183,727	421,022,362		(82,161,365)
XVI.	Reserves and retained earnings	531,491,852	525,992,856	(5,498,996)	
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**25,484,557,496**	**25,396,897,135**	**(5,498,996)**	**(82,161,365)**

(in EUR)		31/12/19	31/12/19 restated	Impact of restatement on ECL	Impact of reclassification of derivatives
IMPACT ON BALANCE SHEET					
IV.	Loans and advances to credit institutions	1,190,634,588	1,190,400,685	(233,903)	
V.	Loans and advances to customers	14,716,149,186	14,707,833,103	(8,316,083)	
VII.	Derivatives	334,980,807	294,432,450		(40,548,357)
XIV.	Deferred tax assets	200,258,183	202,390,549	2,132,366	
TOTAL ASSETS		**28,100,392,275**	**28,053,426,297**	**(6,417,620)**	**(40,548,357)**
III.	Derivatives	601,785,519	561,237,162		(40,548,357)
XVI.	Reserves and retained earnings	521,826,621	516,327,625	(5,498,996)	
XXI.	Net income	113,068,966	112,150,341	(918,625)	
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**28,100,392,275**	**28,053,426,297**	**(6,417,621)**	**(40,548,357)**

IMPACT ON STATEMENT OF INCOME					
XIII.	Impairments on financial instruments and provisions for credit commitments	(27,244,415)	(28,468,268)	(1,223,853)	
NET INCOME BEFORE TAX		**143,028,231**	**141,804,377**	**(1,223,853)**	
XVI.	Tax expenses	(29,959,265)	(29,654,036)	305,229	
NET INCOME		**113,068,966**	**112,150,341**	**(918,624)**	

1.3 Consolidation

1.3.1 Subsidiaries

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

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

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

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

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

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

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

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

1.3.2 Associates

Associates are consolidated by the equity method. Associates are participating interests in which the parent company exerts a significant influence without having control. In general, participating interests in which the parent company owns between 20% and 50% of the voting rights are classified in this category. Nevertheless, the IFRS 10 and IAS 28 principles are used to determine whether BIL has control over the entity or only exerts a significant influence.

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

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

1.3.3 Business combinations

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

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

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

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

1.4 Offsetting financial assets and financial liabilities

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

Tax assets and liabilities that meet the two criteria set out in the accounting standard are offset in the balance sheet.

1.5 Foreign currency translation and transactions

1.5.1 Foreign currency translation

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

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

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

1.5.2 Foreign currency transactions

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

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

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

1.6 Financial instruments

1.6.1 Measurement methods

AMORTISED COST AND EFFECTIVE INTEREST RATE

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

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

INITIAL MEASUREMENT

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

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

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

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

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

1.6.2 Recognition and derecognition of financial instruments

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

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

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

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

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

1.6.3 Classification and subsequent measurement of financial assets

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

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

1.6.3.1 Debt instruments

1.6.3.1.1 Business models

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

HOLD-TO-COLLECT (HTC)

Financial assets that are within the "Hold-to-collect" (HTC) business model are managed to realise cash flows by collecting contractual payments over the life of the instrument. Sales are not an integral part of the business model but may be consistent with the HTC cash flows business model when they are insignificant even if frequent, infrequent even if significant in value, realised close to the maturity of the instrument or due to an increase in credit risk.

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

HOLD-TO-COLLECT-AND-SELL (HTC&S)

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

OTHER BUSINESS MODELS

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

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

- **Held-for-trading**
  Held-for-trading financial instruments are securities acquired for generating a profit from short-term fluctuations in price or dealer margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists;
- **Designated at fair value through profit or loss (also called Fair Value Option/ "FVO")**
  These are financial assets designated at fair value through profit or loss. Financial assets may be irrevocably designated by the entity at FVTPL at initial recognition in case of accounting mismatch;
- **Mandatorily at fair value through profit or loss**
  Financial assets mandatorily at fair-value through profit or loss include non-trading financial assets which failed the "solely payments of principal and interest" ("SPPI") test, and non-trading financial assets managed on a fair-value basis.

1.6.3.1.2 Contractual cash flow characteristics of a financial asset

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

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

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

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

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

1.6.3.1.3 Changes in business model and reclassification of financial assets

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

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

1.6.3.2 Equity instruments

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

1.6.3.3 Subsequent measurement

(a) Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

1.6.4 Classification and subsequent measurement of financial liabilities

All financial liabilities are classified as financial liabilities at amortised cost and subsequently measured as such, unless they fall into the following categories:

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

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

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

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

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

BORROWINGS

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

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

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

1.6.5 Impairment of financial instruments

IMPAIRMENT ASSESSMENT

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

Note 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.

1.6.6 Derivatives

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

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

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

For derivatives in a hedge relationship, please refer to note 1.12.

1.7 Fair value of financial instruments

1.7.1 Valuation principles as per IFRS 13

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

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

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

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

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

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

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

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

1.7.2 Valuation techniques used by the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL PRINCIPLES

- 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.

1.8 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.

1.9 Interest and similar income and expense

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

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

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

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

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

Once an interest-bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets or based on the effective interest rate for subsequently credit-impaired financial asset that are not purchased or originated credit-impaired financial assets.

1.10. Fee and commission income and expenses

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

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

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

1.11 Insurance and reinsurance activities

1.11.1 Insurance

BIL's main activity is banking products.

1.11.2 Reinsurance

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

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

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

1.12 Hedging derivatives

As permitted, BIL chose to continue to apply the hedge accounting requirements of IAS 39 for all its hedging relationships on first application of IFRS 9 as of January 1, 2018 and until a new standard on macro hedging is introduced.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Day one profit or loss

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

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

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

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

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

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

1.15 Tangible fixed assets

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

All property, plant & equipment are stated at their cost less 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".

1.16 Intangible assets

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

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

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

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

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

1.17 Non-current assets held for sale and discontinued operations

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 (OCI) 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 elements, this OCI part is recycled in the consolidated statement of income at the sale of the disposal group. It may therefore happen that the result of the sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and the carrying amount includes negative OCI that will be recorded in the following accounting period, when the disposal is realised.

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

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

1.18 Goodwill

Measurement of goodwill

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

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

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

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

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

Impairment of goodwill

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

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

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

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

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

1.19 Other assets

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

1.20 Leases

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

1.20.1 BIL is the lessee

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value

BIL applies the short-term lease recognition exemption to its short-term leases.

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

Judgment in determining the lease term of contracts with renewal/termination options

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

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

1.20.2 BIL is the lessor

BIL grants both operating and finance leases.

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

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

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

1.21 Sale and repurchase agreements and lending of securities

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

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

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

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

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

1.22 Deferred tax

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

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

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

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

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

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

1.23 Employee benefits

1.23.1 Short-term benefits

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

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

1.23.2 Post-employment benefits

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

1.23.2.1 Defined benefit plans

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

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

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

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

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

1.23.2.2 Defined contribution pension plans

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

1.23.2.3 Post-employment medical care

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

1.23.3 Other long-term benefits

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

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

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

1.23.4 Termination benefits

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

1.24 Provisions

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

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

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

1.25 Share capital, treasury shares and other equity instruments

1.25.1 Share and other equity instruments issue costs

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

1.25.2 Dividends on BIL's ordinary shares

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

1.25.3 Preferred shares

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

1.25.4 Treasury shares

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

1.26 Fiduciary activities

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

1.27 Cash and cash equivalents

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

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

2.1 Changes compared with 2019

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

Companies fully consolidated for the first time
BIL Wealth Management Limited (since February 5, 2020)

Companies no longer fully consolidated
None

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 Wealth Management Limited (formerly Sino Suisse Financial Group (Hong Kong) Limited, until February 26, 2020)

D. Changes in Branches

Opening
None

Closing
None[1]

[1] The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai branch is expected to close down by end of the first semester of 2021.

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 S.A.	10, rue Henri Schnadt L-2530 Luxembourg	100
BIL Fund & Corporate Services S.A.	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
BIL Wealth Management Limited	8707A, 87/F International Commerce Centre 1 Austin Road West Kowloon, Hong Kong	100
IB Finance S.A.	69, route d'Esch L-2953 Luxembourg	100
Société du 25 juillet 2013 S.A. (in liquidation)	54-56 avenue Hoche F-75008 Paris	100
Société Luxembourgeoise de Leasing - BIL-LEASE S.A.	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 S.à r.l.	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 S.A.	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 exert control over the entity according to governance rules that apply to the shareholders of the entity.

Note 3: Information by business segment

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

In 2020, BIL kept the same reporting segmentation of its business lines.

- **"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.
- **"Financial Markets"** is divided into the Banking Book Management (namely the Investment Portfolio, Treasury, Long-Term Funding, Asset Liability Management) and Products and Markets activities (Investment Management and Market Access).
- **"Group Center"** mainly includes dividends from unconsolidated shareholdings and the results of non-operating entities as well as certain types of costs not attributable to the other business lines mentioned above such as DGS, Resolution Funds' contributions and funding costs (such as senior non-preferred debts).

INCOME (in EUR thousands)	31/12/19				
	Revenues	***of which interest and dividend income***	***of which fees income***	***of which other income***	**Net income before tax**
Retail, Corporate and Wealth Management	534,522	*311,237*	*210,386*	*12,899*	149,438
Financial Markets	40,882	*23,250*	*(16)*	*17,649*	21,670
Group Center	(11,983)	*(16,578)*	*(1,223)*	*5,817*	(29,304)
TOTAL	**563,421**	***317,909***	***209,147***	***36,365***	**141,804**
Net income before tax					141,804
Tax expenses					(29,654)
NET INCOME					**112,150**

INCOME (in EUR thousands)	31/12/20				
	Revenues	***of which interest and dividend income***	***of which fees income***	***of which other income***	**Net income before tax**
Retail, Corporate and Wealth Management	537,920	*308,292*	*214,318*	*15,310*	104,094
Financial Markets	44,977	*20,846*	*502*	*23,629*	24,631
Group Center	(28,077)	*(18,671)*	*424*	*(9,829)*	(8,082)
TOTAL	**554,820**	***310,467***	***215,244***	***29,110***	**120,643**
Net income before tax					120,643
Tax expenses					(19,282)
NET INCOME					**101,361**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/19		31/12/20	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	14,707,833	20,376,578	15,412,311	21,110,250
Financial Markets	12,583,213	4,810,403	14,359,259	6,435,220
Group Center	762,380	1,146,372	785,696	1,171,873
TOTAL	**28,053,426**	**26,333,353**	**30,557,266**	**28,717,343**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/19				
	Capital expenditures [1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs and recoveries	
Retail, Corporate and Wealth Management		(40,883)	(123,783)	97,195	0
Financial Markets	84,541	(2,505)	(86)	34	0
Group Center		(6,734)	(1,829)	0	(14,999)
TOTAL	**84,541**	**(50,122)**	**(125,698)**	**97,229**	**(14,999)**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/19				
	Capital expenditures [1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs and recoveries	
Retail, Corporate and Wealth Management		(45,122)	(204,598)	137,536	0
Financial Markets	77,829	(1,934)	(81)	94	0
Group Center		(10,664)	(1,100)	47,196	(8,224)
TOTAL	**77,829**	**(57,720)**	**(205,779)**	**184,826**	**(8,224)**

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.

[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: Information by geographic area

GEOGRAPHIC BREAKDOWN (in EUR thousands)	Hong Kong	Denmark	France	Luxembourg	Switzerland	United Arab Emirates	Total
Staff (in average FTE)	0	48	0	1,847	115	12	2,022
Revenues	0	10,656	0	518,907	31,523	2,335	563,421
Net income before tax	0	(1,023)	(14)	151,453	(6,710)	(1,902)	141,804
Tax expenses	0	200	0	(29,472)	(382)	0	(29,654)
NET INCOME AS AT 31/12/19	**0**	**(823)**	**(14)**	**121,981**	**(7,092)**	**(1,902)**	**112,150**
Staff (in average FTE)	11	47	0	1,814	111	2	1,985
Revenues	1	8,913	1	509,354	33,726	2,826	554,820
Net income before tax	(2,867)	(1,865)	(12)	137,668	(11,165)	(1,117)	120,643
Tax expenses	0	0	0	(18,536)	(746)	0	(19,282)
NET INCOME AS AT 31/12/20	**(2,867)**	**(1,865)**	**(12)**	**119,132**	**(11,910)**	**(1,117)**	**101,361**

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

BANKING ACTIVITIES

Banque Internationale à Luxembourg S.A.

BIL is an authorised credit institution with its headquarter Luxembourg, identified as an "Other Systemically Important Institution" in accordance with the law of 5 April 1993 on the financial sector, as amended. BIL is also classified as a significant supervised entity and as such, it falls under the direct prudential supervision of the European Central Bank ("ECB") in the framework of the Single Supervisory Mechanism (jointly supervised by the ECB and the Commission de Surveillance du Secteur Financier ("CSSF").

BIL has been serving retail and business customers since 1856. It is a key player in the Luxembourg market. Recognised as a cornerstone of the Luxembourg financial centre, BIL plays an active role in developing the local economy. Through its retail banking (with a network of 38 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 majority-owned by Legend Holdings Corporation – a leading diversified investment group that is, headquartered in Beijing, China and listed on the Hong Kong Stock Exchange.

Banque Internationale à Luxembourg (Suisse) S.A. ("BIL Suisse")

BIL Suisse incorporated in 1985 is a licenced credit institution with its headquarters in Zurich, Switzerland, supervised by the Swiss Financial Market Supervisory Authority (FINMA). BIL Suisse is a wholly owned subsidiary of BIL, which offers a full range of private banking services for individuals consisting of integrated financial and non-financial solutions such as asset structuring, life insurances, credit solutions, wealth, estate and succession planning as well as client management services and business development support for professional clients including administration, reporting and custody services, investment advisory tools, direct access to the trading floor and financial products such as open architecture solutions and investment vehicles.

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

BIL Danmark is a private banking centre specialised in Scandinavian wealth and asset management services. BIL Danmark, which became a branch of BIL in 2013, offers wealth management services, including investment management, asset structuring and financial planning services covering inheritance, estate and retirement planning.

BIL Dubai branch

The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai branch is expected to close down by the end of the first semester of 2021.

Banque Internationale à Luxembourg S.A. Beijing Representative Office (the "Representative Office")

The Representative Office was opened by BIL in Beijing, in the People's Republic of China (PRC) in September 2019. Regulated by the China Banking and Insurance Regulatory Commission, the Representative Office mainly conducts market research and promotes the BIL brand in identified market segments in the PRC.

BIL GROUP'S SPECIALISED SUBSIDIARIES

BIL Wealth Management Limited
BIL Wealth Management Limited, incorporated in March 2017, is a duly licenced asset manager specialised in securities dealing, advisory and discretionary services, based in Hong-Kong, PRC and regulated by the Securities and Futures Commission in Hong Kong. BIL Wealth Management Limited is a wholly owned subsidiary of BIL, which was acquired by BIL in February 2020. BIL Wealth Management Limited provides financial services to ultra-high net worth individuals and entrepreneurs including investment advisory, portfolio management and inter-generational wealth planning solutions such as trusts and family office setups.

BIL Manage Invest S.A. ("BMI")
BMI, a wholly owned subsidiary of BIL, established in Luxembourg in June 2013, is a duly authorised independent third-party management company, which is regulated and supervised by the CSSF. BMI's wide range of open architecture services includes fund structuring and portfolio and risk management of regulated investment vehicles (UCITS and AIF) targeting financial, real estate and private equity asset classes.

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

BIL Fund & Corporate Services S.A. ("BFCS")
BFCS, a wholly owned subsidiary of BIL, is a specialised professional of the financial sector (PSF) regulated and supervised by the CSSF which offers global fund and corporate services including accounting and reporting services, investment fund domiciliation and management as well as wealth structuring services for private, corporate and institutional investors. BFCS was established in Luxembourg in September 2002, following the decision of BIL to spin off BIL's corporate engineering business line.

In 2020, BIL decided to sell BIL Fund & Corporate Services S.A. (BFCS), its fully-owned subsidiary delivering fund and corporate services. These activities not being considered as strategic anymore at a Group level, BIL therefore, decided to transfer the related business to a renowned specialist on the market, in order to build a strong and long term partnership. Indeed, the services provided by BFCS will still be part of a packaged offering for BIL's clients in the future. For instance, alternative investment fund (AIF) clients will still benefit from a "one-stop-shop" experience, including Depositary banking and Management Company services still provided by BIL, while central administration services will be executed by the new partner. The Sale and Purchase Agreement (SPA) between BIL and the buyer was signed on March 23, 2021. The closing of the transaction is expected in the third quarter of 2021.

Société Luxembourgeoise de Leasing BIL- LEASE S.A. ("BIL Lease")
BIL Lease, incorporated in 1991 in Luxembourg, is a wholly owned subsidiary of BIL, dedicated to the management of leasing services. BIL Lease offers financial leasing solutions to corporate customers, for all professionally used moveable capital equipment including IT systems, vehicles and various types of machinery

Note 5: Post-balance sheet events

The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai branch is expected to close down by the end of the first semester of 2021.

On March 4, 2021, following the partial recovery of USD 58.7 million on a legacy loan, the Bank has, consistent with IAS 10, adjusted its 2020 figures accordingly in order to reflect this adjusting event.

In 2020, BIL decided to sell BIL Fund & Corporate Services S.A. (BFCS), its fully-owned subsidiary delivering fund and corporate services. These activities not being considered as strategic anymore at a Group level, BIL therefore, decided to transfer the related business to a renowned specialist on the market, in order to build a strong and long term partnership. Indeed, the services provided by BFCS will still be part of a packaged offering for BIL's clients in the future. For instance, alternative investment fund (AIF) clients will still benefit from a "one-stop-shop" experience, including Depositary banking and Management Company services still provided by BIL, while central administration services will be executed by the new partner. The Sale and Purchase Agreement (SPA) between BIL and the buyer was signed on March 23, 2021. The closing of the transaction is expected in the third quarter of 2021.

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 setup put in place by BLMIS that culminated in its collapse. Some of these clawback actions were brought against Banque Internationale à Luxembourg S.A. and its subsidiary Banque Internationale à Luxembourg (Suisse) S.A., the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 72 million, most of which corresponds to investments made by Banque Internationale à Luxembourg S.A. on behalf of third parties.

With regards to the legal proceedings initiated by the liquidators of certain feeder funds, the Bankruptcy Court dismissed the Common Law Claims and the Contract Claims, but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The Bankruptcy Court also declined to dismiss claims for constructive trust against so-called Knowledge Defendants, i.e., specific defendants alleged to have had knowledge of the Madoff fraud. BIL is alleged to be Knowledge Defendant in two cases because, it is alleged, the knowledge of a specific intermediary should be attributed to BIL (among many other defendants). The decision to dismiss the Common Law Claims and the Contract Claims is on appeal to the District Court (Judge Broderick). Briefing on this appeal was completed in April 2020, but no decision has been issued yet. In the meantime, the defendants filed a second motion to dismiss directed at the BVI Insolvency Claims and the Bankruptcy Court has decided to dismiss those claims as well. This decision is expected to be appealed to the District Court. The only claim remaining against BIL is a claim for constructive trust (based on the allegation that BIL is a Knowledge Defendant). This claim is expected to be addressed in a cross-appeal to the District Court, and there may also be another motion to dismiss in the Bankruptcy Court as to this claim.

With regards to the Madoff subsequent transferee action: this action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality but the Second Circuit Court of Appeals reversed the decision in February 2019. Following an unsuccessful petition for certiorari (permission to appeal) to the US Supreme Court, this action has now been returned to the Bankruptcy Court for further proceedings. Although no formal stay has been entered, there has been no activity in the case because the Bankruptcy Court appears to be waiting for the outcome of appeals in two other cases dealing with the "good faith" defence. These appeals are likely to be decided in 2021.

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, 2020, no material provision for clawback actions has been made. One client is remaining from those who invested in products linked to Mr Madoff and who also have 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	31/12/19	31/12/20
Cash and balances with central banks[1]	3,400,490,314	4,131,778,740
Other demand deposits	143,023,361	116,691,189
Loans and advances to credit institutions	241,774,998	229,652,022
TOTAL	**3,785,288,673**	**4,478,121,951**

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

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

[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 16, 2020 to January 26, 2021 amounts to EUR 200,979,028.

7.2 Cash and balances with central banks and demand deposits

ANALYSIS BY NATURE	31/12/19	31/12/20
Cash in hand	64,042,543	52,290,744
Balances with central banks other than mandatory reserve deposits	2,390,680,548	2,994,120,656
Mandatory reserve deposits	943,795,751	1,082,222,263
Other demand deposits	143,023,361	116,691,190
TOTAL	**3,541,542,203**	**4,245,324,853**
of which included in cash and cash equivalents	*3,543,513,675*	*4,248,469,929*

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	31/12/19	31/12/20
Cash collateral	445,789,122	618,480,487
Reverse repurchase agreements	0	19,119,824
Loans and other advances	744,931,027	468,480,000
Less:		
Impairment stage 1	(31,143)	(266,911)
Impairment stage 2	(288,321)	(116,949)
Impairment stage 3	0	0
TOTAL	**1,190,400,685**	**1,105,696,451**
of which included in cash and cash equivalents	*241,774,998*	*229,652,022*

B. QUALITATIVE ANALYSIS

see Note 7.15 and 12.3

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	**31/12/19**	**31/12/20**
Public sector	97,033,312	33,391,669
Other	14,315,733,437	14,934,765,231
Stage 3 impaired loans	573,920,973	735,931,551
Less:		
impairment stage 1	(41,569,970)	(42,110,586)
impairment stage 2	(13,075,211)	(25,176,550)
impairment stage 3	(224,209,438)	(224,490,417)
TOTAL	**14,707,833,103**	**15,412,310,898**

B. ANALYSIS BY NATURE	**31/12/19**	**31/12/20**
On demand and short notice	347,815,569	100,174,351
Finance leases	176,088,839	183,870,922
Other term loans	14,183,928,695	15,128,265,625
of which: loans collateralised by immovable property	*9,504,454,316*	*10,745,932,192*
of which: consumer credits	*490,546,930*	*483,996,663*
TOTAL	**14,707,833,103**	**15,412,310,898**

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	31/12/19	31/12/20
Public sector	17,227,623	17,495,905
Credit institutions	34,137,238	32,568,941
Other	12,172,759	5,651,276
TOTAL	63,537,620	55,716,122

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	17,227,623	17,495,905
Other bonds and fixed-income instruments	46,207,399	38,217,956
Equities and other variable income instruments	102,598	2,261
TOTAL	63,537,620	55,716,122

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

	31/12/19	31/12/20
Non-trading financial investments mandatorily at fair value through profit or loss	24,073,293	21,005,334
Financial investments at fair value through other comprehensive income	1,151,919,379	1,108,358,280
TOTAL	1,175,992,672	1,129,363,614

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

A. ANALYSIS BY COUNTERPART	31/12/19	31/12/20
Public sector	0	0
Credit institutions	0	0
Other	24,073,293	21,005,334
TOTAL	24,073,293	21,005,334

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	24,073,293	21,005,334
TOTAL	24,073,293	21,005,334

C. QUALITATIVE ANALYSIS

see Note 7.15 and 12.1

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

7.6.2 Financial investments at fair value through other comprehensive income

A. ANALYSIS BY COUNTERPART	31/12/19	31/12/20
Public sector	809,943,123	758,414,648
Debt securities	*809,943,123*	*758,414,648*
Credit institutions	241,288,693	180,169,345
Debt securities	*241,288,693*	*180,169,345*
Other	100,778,182	169,850,284
Debt securities	*48,923,755*	*93,354,622*
Equity instruments	51,854,427	76,495,662
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENTS	**1,152,009,998**	**1,108,434,277**
Less :		
impairments	(90,619)	(75,997)
TOTAL FINANCIAL INVESTMENTS	**1,151,919,379**	**1,108,358,280**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	809,943,123	758,414,648
Other bonds and fixed-income instruments	290,212,448	273,523,967
Equity and variable-income instruments	51,854,427	76,495,662
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENTS	**1,152,009,998**	**1,108,434,277**
Impairments	(90,619)	(75,997)
TOTAL FINANCIAL INVESTMENTS	**1,151,919,379**	**1,108,358,280**

C. QUALITATIVE ANALYSIS

see Note 7.15 and 12.1

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	31/12/19	31/12/20
Public sector	3,713,232,081	4,919,348,337
Credit institutions	1,638,623,537	1,397,598,742
Other	1,055,750,753	1,387,369,679
Less :		
impairment stage 1	(1,560,181)	(2,763,547)
impairment stage 2	(638,938)	(1,074,350)
impairment stage 3	(12,566,385)	(15,350,335)
TOTAL	**6,392,840,867**	**7,685,128,526**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	3,712,440,511	4,917,449,671
Other bonds and fixed-income instruments	2,680,400,356	2,767,678,855
TOTAL	**6,392,840,867**	**7,685,128,526**

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	2019	2020
CARRYING VALUE AS AT JANUARY 1	**24,580,236**	**28,171,467**
Change in consolidation scope (in)	678,134	4,224
Share of result before tax	5,467,412	2,577,446
Share of tax	(1,340,035)	(698,924)
Dividend paid	(1,214,280)	(1,418,342)
CARRYING VALUE AS AT DECEMBER 31	**28,171,467**	**28,635,871**

B. LIST OF ASSOCIATES as at 31/12/20

	Acquisition cost	Equity method valuation
Europay Luxembourg, société coopérative	592,993	663,494
Société de la Bourse de Luxembourg, société anonyme	319,805	27,972,377
TOTAL	**912,798**	**28,635,871**

Financial Statements of Europay Luxembourg, société coopérative

(in EUR)	31/12/19	31/12/20
Assets	8,187,032	4,559,896
Liabilities	6,580,042	3,288,835
Equity	1,606,990	1,271,061
Revenue	9,497,531	4,527,858
Net income	74,871	64,072

2020 figures have been estimated based on Lux GAAP Annual Accounts and are unaudited.

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

(in EUR)	31/12/19	31/12/20
Assets	216,513,338	224,287,322
Liabilities	98,198,410	98,881,325
Equity	118,314,928	125,405,997
Revenue	49,043,860	51,573,032
Net income	18,282,793	12,702,119

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 01/01/19	**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	950,099
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
- Written-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**

	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 01/01/20	**333,909,451**	**49,973,546**	**134,224,102**	**412,659**	**518,519,758**
- Acquisitions	3,815,835	1,671,865	6,799,352	0	12,287,052
- Disposals	(8,352,788)	(4,194,528)	(108,031)	0	(12,655,347)
- Change in consolidation scope (in)	55,446	330,697	42,066	0	428,209
- Transfers and cancellations	(11,936,924)	(3,855,644)	(155,341)	(27,964)	(15,975,873)
- Translation adjustments	(35,218)	(17,192)	44,568	2,356	(5,486)
ACQUISITION COST AS AT 31/12/20 (A)	**317,455,802**	**43,908,744**	**140,846,716**	**387,051**	**502,598,313**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(240,690,280)**	**(11,004,335)**	**(123,279,120)**	**(124,773)**	**(375,098,508)**
- Booked	(6,656,335)	(12,882,411)	(4,449,518)	(122,776)	(24,111,040)
- Recognised	0	241,441	0	0	241,441
- Written-off	5,905,226	0	0	0	5,905,226
- Change in consolidation scope (in)	(46,162)	(295,905)	(34,363)	0	(376,430)
- Transfers and cancellations	3,980,176	319,019	266,971	27,964	4,594,130
- Translation adjustments	32,366	92,717	(37,787)	230	87,526
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(237,475,009)**	**(23,529,474)**	**(127,533,817)**	**(219,355)**	**(388,757,655)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**79,980,793**	**20,379,270**	**13,312,899**	**167,696**	**113,840,658**

7.10 Investment property

A. NET CARRYING VALUE	2019	2020
ACQUISITION COST AS AT JANUARY 1	**88,828**	**88,828**
- Acquisitions[1]	0	6,095,067
- Transfers and cancellations[2]	0	16,510,000
ACQUISITION COST AS AT DECEMBER 31 (A)	**88,828**	**22,693,895**
FAIR VALUE ADJUSTMENTS AS AT JANUARY 1	**711,172**	**711,172**
- Revaluation Investment Property	0	0
FAIR VALUE ADJUSTMENTS AS AT DECEMBER 31 (B)	**711,172**	**711,172**
NET CARRYING VALUE AS AT DECEMBER 31 (A) + (B)	**800,000**	**23,405,067**

[1] Acquisitions made in 2020 are initially recognised at their fair value. No fair value adjustment was made in 2020 as the acquisition cost represents the best estimate of fair value as at December 31, 2020.

[2] During the second semester of 2020, BIL reclassified a portion of its own-occupied property classified under property, plant and equipment to investment property for an amount of EUR 16,510,000. This amount comprises a net book value of EUR 8,080,170 under cost method before transfer and a revaluation of EUR 8,429,830 recognised in other comprehensive income. The fair value revaluation was estimated based on an independent expert valuation and is classified under Level 3 in accordance with IFRS 13.

7.11 Intangible fixed assets and goodwill

	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
Change in the consolidation scope (out)	(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)
Change 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**

	Goodwill[1]	Software / internally developped	Other intangible fixed assets[2]	Total
ACQUISITION COST AS AT 01/01/20	**57,070,415**	**269,135,267**	**116,827,369**	**443,033,051**
Acquisitions	0	52,883,045	7,765,878	60,648,923
Disposals	0	0	15,394	15,394
Change in the scope of consolidation	2,515,485	0	0	2,515,485
Transfers and cancellations	0	789,785	(789,785)	0
Translation adjustments	106,972	0	41,215	148,187
ACQUISITION COST AS AT 31/12/20 (A)	**59,692,872**	**322,808,097**	**123,860,071**	**506,361,040**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(5,408,693)**	**(157,316,631)**	**(49,440,136)**	**(212,165,460)**
Booked	0	(22,848,239)	(15,602,751)	(38,450,990)
Transfers and cancellations	0	(552,437)	552,437	0
Translation adjustments	0	0	(23,197)	(23,197)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(5,408,693)**	**(180,717,307)**	**(64,513,647)**	**(250,639,647)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**54,284,179**	**142,090,790**	**59,346,424**	**255,721,393**

[1] Origin of goodwill :

(i) EUR 30.7 million goodwill allocated to the cash-generating unit "Wealth Management Luxembourg"
Until March 31, 2020, the impairment test on the goodwill from the acquisition of Bikuben Girobank International S.A. Luxembourg was performed on the cash generating unit (CGU) "Nordic Market" allocated to Wealth Management activities. Starting April 1, 2020, this goodwill is allocated to the CGU "Wealth Management Luxembourg" due to internal reorganisation.
The impairment test is based on two valuation methodologies: (i) observation of transactions related to comparable businesses and (ii) dividend discount model methodology with indefinite lifetime assumption where cash flows are assumed to be stable. They have been computed as revenue of the generating unit less direct and indirect costs, and after taxes. No further impairment is required as at the end of 2020 based on both methodologies.
Sensitivity test : +0.5% increase of the discount rate generates EUR -10.8 million goodwill value whereas -0.5% decrease of this rate generates EUR +12.0 million goodwill value. A decrease or an increase of 10bps on the Asset under Management multiple generates EUR -9.1 million decrease (EUR +9.1 million increase respectively).

(ii) EUR 21.1 million goodwill from the acquisition of KBL (Switzerland) Ltd in 2015 and allocated to the CGU "KBLS" represented by ex-KBL (Switzerland) assets under management (AuMs).
The impairment test is based on the valuation of the related AuMs through multiples observed from transactions related to comparable business. No impairment is deemed necessary as at the end of 2020.
Sensitivity test: +/- 10bps on multiples of AuMs generates EUR +/-1.8 million increase/decrease of goodwill valuation.

(iii) EUR 2.5 million goodwill from the acquisition of BIL Wealth Management Ltd in February, 2020 allocated to the CGU "BIL Wealth Management Ltd"
As of December 31, 2020, no impairment test is required based on transaction price considered as best estimate of the fair value. No indicator of impairment identified as of December 31, 2020.

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

7.12 Tax assets

	31/12/19	31/12/20
Current tax assets	896,629	1,524,745
Deferred tax assets (see Note 9.2)	202,390,549	183,982,345
TOTAL	**203,287,178**	**185,507,090**

7.13 Other assets

	31/12/19	31/12/20
Other assets*	79,330,915	77,962,533
Other assets specific to insurance activities	665,059	3,198,661
TOTAL	**79,995,974**	**81,161,194**

*ANALYSIS BY NATURE	31/12/19	31/12/20
Receivables	4,572,692	4,052,811
Prepaid fees	2,170,289	3,415,083
Other receivables[1]	48,177,412	34,519,337
Pension plan assets	4,861,001	8,730,001
Precious metals	353	0
Operating taxes	4,316,673	6,128,381
Other assets[1]	15,232,495	21,116,920
TOTAL	**79,330,915**	**77,962,533**

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

7.14 Leasing

1. BIL as lessor

A. FINANCE LEASE

Gross investment in finance lease	31/12/19	31/12/20
Less than 1 year	114,406,239	114,399,240
More than 1 year and less than 5 years	186,661,345	194,787,894
SUBTOTAL (A)	**301,067,584**	**309,187,134**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	**(124,978,745)**	**(125,031,256)**
NET INVESTMENT IN FINANCE LEASE (A)-(B)	**176,088,839**	**184,155,878**

Net investment in finance lease may be analysed as follows:	31/12/19	31/12/20
Less than 1 year	66,914,085	68,137,675
More than 1 year and less than 5 years	109,174,754	116,018,203
TOTAL	**176,088,839**	**184,155,878**

	31/12/19	31/12/20
Amount of doubtful debts on finance leases included in the loan loss provision at the end of the financial year	2,290,412	2,767,417
Estimated fair value of finance leases	176,088,839	184,155,878
Accumulated provision for irrecoverable minimum lease payments	1,917,499	2,099,306

Overview of the significant provisions of leasing contracts

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

- 72.49 % of the assets are composed of vehicles, mainly passenger cars but also commercial vehicles.
- 8.52 % of the assets are composed of IT equipment.
- 18.44 % of the assets are composed of industrial equipment: machinery, medical equipment, etc.
- 0.55 % of the assets are composed primarily of office furniture.

B. OPERATING LEASE

BIL was the operating lessor of certain lands and buildings related to its former subsidiary Red Sky S.A. sold in December 2019. The Group did not act as lessor for financial or operational leases as at December 31, 2019 and as at December 31, 2020.

2. BIL as lessee

A. FINANCE LEASE

The Group is not involved in any financial lease as at December 31, 2019 and as at December 31, 2020.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease	31/12/19	31/12/20
Less than 1 year	362,959	248,360
More than 1 year and less than 5 years	0	0
More than 5 years	223,559	208,679
TOTAL	**586,518**	**457,039**

Lease and sublease payments recognised as an expense during the financial year:		
- minimum lease payments	528,822	321,060
TOTAL	**528,822**	**321,060**

7.15 Quality of financial assets

7.15.1 Loans and securities by stages

	31/12/19		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Loans and advances to credit institutions	1,189,002,529	(31,143)	1,188,971,386
Loans and advances to customers	11,943,631,507	(41,569,970)	11,902,061,537
Debt securities	7,243,754,534	(1,583,320)	7,242,171,214
Stage 1	**20,376,388,570**	**(43,184,433)**	**20,333,204,137**
Loans and advances to credit institutions	1,717,620	(288,321)	1,429,299
Loans and advances to customers	2,469,135,242	(13,075,211)	2,456,060,031
Debt securities	242,247,705	(706,418)	241,541,287
Stage 2	**2,713,100,567**	**(14,069,950)**	**2,699,030,617**
Loans and advances to credit institutions	0	0	0
Loans and advances to customers	573,920,973	(224,209,438)	349,711,535
Debt securities	21,759,703	(12,566,385)	9,193,318
STAGE 3	**595,680,676**	**(236,775,823)**	**358,904,853**
TOTAL	**23,685,169,813**	**(294,030,206)**	**23,391,139,607**

	31/12/20		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Loans and advances to credit institutions	1,081,871,134	(266,911)	1,081,604,223
Loans and advances to customers	12,210,773,551	(42,110,586)	12,168,662,965
Debt securities	8,302,367,503	(2,839,544)	8,299,527,959
Stage 1	**21,595,012,188**	**(45,217,041)**	**21,549,795,147**
Loans and advances to credit institutions	24,209,177	(116,949)	24,092,228
Loans and advances to customers	2,757,383,349	(25,176,550)	2,732,206,799
Debt securities	411,902,573	(1,074,350)	410,828,223
Stage 2	**3,193,495,099**	**(26,367,849)**	**3,167,127,250**
Loans and advances to credit institutions	0	0	0
Loans and advances to customers	735,931,551	(224,490,417)	511,441,134
Debt securities	21,985,297	(15,350,335)	6,634,962
STAGE 3	**757,916,848**	**(239,840,752)**	**518,076,096**
TOTAL	**25,546,424,135**	**(311,425,642)**	**25,234,998,493**

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

	31/12/19			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**6,177,867,640**	**283,293,650**	**19,917,195**	**6,481,078,485**
From Stage 1 to Stage 2	(120,592,378)	120,592,378		0
From Stage 2 to Stage 1	232,516,210	(232,516,210)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	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 (fair value hedge and FVOCI)	80,316,326	(3,155,522)	0	77,160,804
Write-offs	(604,045)	0	0	(604,045)
Conversion difference (FX change)	16,668,988	287,893	200,414	17,157,295
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	**11,844,252,514**	**2,282,351,773**	**595,720,394**	**14,722,324,681**
From Stage 1 to Stage 2	(796,149,576)	796,149,576		0
From Stage 2 to Stage 1	518,487,534	(518,487,534)		0
From Stage 2 to Stage 3		(44,133,524)	44,133,524	0
From Stage 3 to Stage 2		5,732,563	(5,732,563)	0
From Stage 1 to Stage 3	(45,991,505)		45,991,505	0
From Stage 3 to Stage 1	18,185,273		(18,185,273)	0
Origination / Increase	4,231,943,437	491,004,016	52,701,829	4,775,649,282
Derecognition during the period other than write-offs	(2,682,870,602)	(550,515,993)	(133,995,719)	(3,367,382,314)
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 (fair value hedge)	4,295,040	0	0	4,295,040
Write-offs	0	0	(14,885,313)	(14,885,313)
Conversion difference (FX change)	40,458,930	10,056,601	2,058,941	52,574,472
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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	31/12/20			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**7,243,754,534**	**242,247,705**	**21,759,703**	**7,507,761,942**
From Stage 1 to Stage 2	(308,493,284)	308,493,284		0
From Stage 2 to Stage 1	144,263,405	(144,263,405)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Purchase	2,879,391,518	37,562,910	0	2,916,954,428
Derecognition during the period other than write-offs	(1,679,217,891)	(30,060,000)	0	(1,709,277,891)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	(5,964,180)	946,009	0	(5,018,171)
Changes in premium / discount	12,779,913	(4,712,134)	0	8,067,779
Changes in fair value (fair value hedge and FVOCI)	67,849,229	6,138,984	0	73,988,213
Write-offs	0	0	0	0
Conversion difference (FX change)	(51,995,741)	(4,450,780)	225,594	(56,220,927)
DEBT SECURITIES AS AT DECEMBER 31	**8,302,367,503**	**411,902,573**	**21,985,297**	**8,736,255,373**

	31/12/20			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,132,634,036**	**2,470,852,862**	**573,920,973**	**16,177,407,871**
From Stage 1 to Stage 2	(941,407,840)	941,407,840		0
From Stage 2 to Stage 1	550,065,666	(550,065,666)		0
From Stage 2 to Stage 3		(111,137,982)	111,137,982	0
From Stage 3 to Stage 2		18,028,632	(18,028,632)	0
From Stage 1 to Stage 3	(194,354,395)		194,354,395	0
From Stage 3 to Stage 1	29,860,291		(29,860,291)	0
Origination / Increase	4,222,777,178	444,666,485	32,447,576	4,699,891,239
Derecognition during the period other than write-offs	(3,469,334,204)	(431,476,640)	(112,027,463)	(4,012,838,307)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	(2,815,152)	(161,001)	0	(2,976,153)
Changes in premium / discount	114,063	0	0	114,063
Changes in fair value (fair value hedge)	(2,287,961)	6,505,541	0	4,217,580
Write-offs	(20,960,195)	0	(13,976,772)	(34,936,967)
Conversion difference (FX change)	(11,646,802)	(7,027,545)	(2,036,217)	(20,710,564)
LOANS AND ADVANCES AS AT DECEMBER 31	**13,292,644,685**	**2,781,592,526**	**735,931,551**	**16,810,168,762**

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

8.1 Amounts due to credit institutions

A, ANALYSIS BY NATURE	31/12/19	31/12/20
On demand	410,628,827	436,341,167
Term	549,672,938	160,176,120
Cash collateral	65,225,159	62,238,444
Repurchase agreements	612,991,019	662,579,521
Central banks[1]	708,718,466	1,500,269,752
Other borrowings[2]	748,605,204	1,351,350,906
TOTAL	**3,095,841,613**	**4,172,955,910**

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

D. QUALITATIVE ANALYSIS

see Note 12.3

8.2 Amounts due to customers

A, ANALYSIS BY NATURE	31/12/19	31/12/20
Demand deposits	11,043,124,737	12,307,577,006
Saving deposits	3,473,283,255	3,370,500,170
Term deposits	4,418,173,018	4,063,348,909
Cash collateral	52,466,348	32,540,373
TOTAL	**18,987,047,358**	**19,773,966,458**

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	31/12/19	31/12/20
Other financial liabilities	42,300,007	27,932,339
of which lease liabilities	*42,300,007*	*27,932,339*
TOTAL	**42,300,007**	**27,932,339**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

[1] The Management Board decided to participate in the different tranches of the TLTRO III (Targeted Longer-Term Refinancing Operations) for a total amount of EUR 1,500 million as at December 31, 2020. BIL decided to apply IFRS 9 with an effective interest rate of -0.50% for the TLTRO III operations corresponding to the most probable scenario as at December 31, 2020. EUR 5.3 million of interest income was recognised for the year ended December 31, 2020.

[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	31/12/19	31/12/20
Non-subordinated liabilities	923,354,039	934,551,568
TOTAL	**923,354,039**	**934,551,568**

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	31/12/19	31/12/20
Certificates of deposit	20,828,172	17,155,810
Non-convertible bonds	2,246,590,612	2,765,947,567
TOTAL	**2,267,418,784**	**2,783,103,377**

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	31/12/19	31/12/20
Non-convertible subordinated debts[1]	138,035,616	130,620,187
Contingent convertible bond (compound instrument)[2]	31,044,196	0
TOTAL	**169,079,812**	**130,620,187**

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. On June 26, 2020, the Bank bought back and cancelled the remaining portion of the contingent convertible bond for an amount of EUR 31.1 million.

8.7 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/19	31/12/20
Litigation[1]	6,215,819	5,718,424
Restructuring (including garden leave)	6,140,978	5,067,436
Defined benefit plans	9,426,433	4,375,252
Other long-term employee benefits (including jubilee and time saving account)	16,583,022	16,307,401
Provision for off-balance sheet credit commitments	9,207,776	9,534,888
Onerous contracts	0	562,225
Other provisions	2,524,852	1,327,015
TOTAL	**50,098,880**	**42,892,641**

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
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**
AS AT 01/01/20	**6,215,819**	**6,140,978**	**26,009,455**	**9,207,776**	**2,524,852**
Exchange differences	21,813	5,699	92,383	(38,377)	12,339
Additional provisions	550,944	4,090,327	2,042,079	0	2,165,854
Changes due to change in credit risk	0	0	0	(3,535,917)	0
Changes due to modifications without derecognition	0	0	0	(1,351)	0
Increases due to origination or acquisition	0	0	0	7,881,853	0
Decreases due to derecognition	0	0	0	(3,979,096)	0
Revaluation through reserves[2]	0	0	39,372	0	0
Unused amounts reversed	(510,000)	(155,247)	(5,750,735)	0	(78,593)
Used during the year	(560,152)	(5,014,321)	(1,749,901)	0	(2,735,212)
Transfers	0	0	0	0	0
Other movements	0	0	0	0	0
AS AT 31/12/20	**5,718,424**	**5,067,436**	**20,682,653**	**9,534,888**	**1,889,240**

[1] Provisions for legal litigation, including those for staff and tax-related litigation.
[2] See point 1.23 of Note 1.

C. PROVISIONS FOR PENSIONS

a. Reconciliation of defined benefit obligations	31/12/19	31/12/20
Defined benefit obligations at the beginning of the year	258,563,097	263,936,999
Current service cost	10,353,022	6,391,080
Interest cost	2,441,724	745,134
Past service cost and gains and losses arising from settlements	(2,544,924)	(7,884,467)
Actuarial gains/losses	10,678,364	1,832,994
Stemming from changes in demographic assumptions	*(3,412,804)*	*0*
Stemming from changes in financial assumptions	*7,241,757*	*4,052,532*
Stemming from experience adjustments	*6,849,411*	*(2,219,538)*
Benefits paid	(16,646,440)	(50,726,841)
Out of which: amounts paid in respect of settlements	*0*	*(27,274,000)*
Pension plan participant contributions	1,245,844	1,311,542
Currency adjustment	1,842,589	355,600
Other	(1,996,277)	(1,158,535)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**263,936,999**	**214,803,507**

b. Reconciliation of fair value of pension plan assets	31/12/19	31/12/20
Fair value of pension plan assets at the beginning of the year	248,119,377	259,371,564
Actual return on pension plan assets	14,796,363	2,468,537
Interest income	*2,381,847*	*731,464*
Return on pension plan assets (excluding interest income)	*12,414,516*	*1,737,073*
Employer contributions	12,415,928	7,701,247
Pension plan participant contributions	1,245,844	1,311,542
Benefits paid	(16,646,440)	(50,726,841)
Out of which: amounts paid in respect of settlements	*(1,000)*	*(27,274,000)*
Currency adjustment	1,496,137	264,538
Other	(2,055,646)	(1,232,332)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**259,371,564**	**219,158,255**

c. Reconciliation of the effect of the asset ceiling	31/12/19	31/12/20
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
NET (LIABILITY) / ASSET	**(4,565,435)**	**4,354,748**

d. Funded status	31/12/19	31/12/20
Pension plan assets in excess of benefit obligation	(4,861,001)	(8,730,001)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/19	31/12/20
Net (liability) / asset at the beginning of the year	(10,443,720)	(4,565,435)
Net periodic pension cost recognised in the income statement	(7,927,344)	1,405,919
Remeasurements recognised in OCI	1,736,152	(95,921)
Employer contributions	12,415,928	7,701,247
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	(346,451)	(91,062)
Other	0	0
NET (LIABILITY) / ASSET AT THE END OF THE YEAR	**(4,565,435)**	**4,354,748**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/19	31/12/20
Recognised reserve at the beginning of the year	(18,585,482)	(17,254,345)
Remeasurements recognised in OCI	1,331,137	(174,257)
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(17,254,345)**	**(17,428,602)**

g. Amounts recognised in the income statement	31/12/19	31/12/20
Current service cost	10,353,022	6,391,080
Net interest on the defined benefit liability/asset	59,877	13,670
Past service cost	(2,544,924)	(3,003,467)
Gains and losses arising from settlements	0	(4,881,000)
Other	59,369	73,798
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**7,927,344**	**(1,405,919)**

h. Amounts recognised in other comprehensive income	31/12/19	31/12/20
Actuarial gains/losses on the defined benefit obligation	10,678,364	1,832,994
Actual return on plan assets (excluding amounts included in interest income)	(12,414,516)	(1,737,073)
Other	0	0
Currency adjustments	405,014	78,336
TOTAL OTHER COMPREHENSIVE INCOME	**(1,331,137)**	**174,257**

Actual return on pension plan assets (%)	31/12/19	31/12/20
	5.83%	1.03%

Breakdown of pension plan assets	31/12/19	31/12/20
Fixed income		
Quoted market price on an active market	59.27%	66.80%
Equities		
Quoted market price on an active market	10.96%	12.73%
Alternatives		
Quoted market price on an active market	2.15%	3.99%
Cash	1.17%	1.04%
Other	26.45%	15.44%
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%	9.62%
	Scenario DR +1%	-7.92%

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR -1%	-1.87%
	Scenario SR +1%	3.93%

The Duration of the DBO of the pension plans in EUR as of December 31, 2020 is 7.54 (6.86 in 2019)
The Duration of the DBO of the Swiss pension plan as of December 31, 2020 is 15.1 (15.6 in 2019)

Expected contributions for next year	6,857,057

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures

In Luxembourg, on June 1, 2020, BIL Group transferred the pension, disability and death coverage of a part of its employees to a Luxembourg-based insurer). These employees were covered by the IORP BIL Pension Fund until May 31, 2020 and related obligations were accounted for in accordance with IAS 19 "Employee Benefits" in the consolidated financial statements of BIL Group. The transfer qualifies as a settlement under IAS 19. A settlement gain of EUR 4,881 million has been accounted for in relation to this transfer, representing the positive difference between the value of the defined benefit obligations settled and the premium paid to the insurer. Following this transfer, two closed hybrid pension plans for active people remain valued as DB pension plans under IAS19 and are reported under the current note. The two DC plans transferred are not reported under the current note any more. For retirees, the pension plan is a DB plan (closed) for which no specific event occurred during the year 2020.
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, until December 31, 2020, the pension plan is a DC pension plan with guaranteed return. A plan amendment has been decided in 2020 splitting the benefits provided between a DC pension plan with guaranteed return, that remains valued under IAS 19, and a full DC pension plan which is not reported under the current note any more (effective January 1, 2021). This led to a plan amendment gain of CHF 3.2 million (EUR 3 million). This gain is a past service income and has been recorded in the statement of income in the financial year 2020.

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	
	31/12/19	**31/12/20**	**31/12/19**	**31/12/20**
Discount rate	0.25%	-0.035%	0.20%	0.15%
Salary increase	0.50% - 5.50%	0.50% - 2.50%	1.00%	1.00%
Inflation[1]	1.50%	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, part of the closed pension plans are funded through pension fund arrangements.

In the pension plans for "active people" hired before November 1, 2007 (and having decided not to move to a DC plan in 2007), employer contributions are calculated according to an Aggregate Cost method.

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

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

Asset ceiling under IAS 19 does not apply.

For employees hired since November 1, 2007, and for employees hired prior to this date and who decided to move to a DC plan, all the pension arrangements are DC plans funded through an external insurance company.

These are reported under defined contributions expenses.

The Swiss pension plan (DC formula with a guaranteed return) 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	31/12/19	31/12/20
Current tax liabilities	2,220,890	2,190,023
Deferred tax liabilities (see Note 9.2)	6,160,610	7,311,883
TOTAL	**8,381,500**	**9,501,906**

8.9 Other liabilities

	31/12/19	31/12/20
Other liabilities*	211,974,343	191,343,731
Other liabilities specific to insurance activities	2,930,976	5,251,831
TOTAL	**214,905,319**	**196,595,562**

*ANALYSIS BY NATURE	31/12/19	31/12/20
Accrued costs	12,484,329	16,642,401
Deferred income	15,784,957	16,506,786
Other payables[1]	108,020,669	90,971,449
Other granted amounts received	691,341	613,783
Salaries and social security costs (payable)	32,476,788	28,565,844
Other operating taxes	33,863,590	29,776,385
Other liabilities	8,652,669	8,267,083
TOTAL	**211,974,343**	**191,343,731**

[1] The heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company of BIL Group, 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

A. ANALYSIS BY NATURE	31/12/19		31/12/20	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	262,251,968	264,438,936	216,725,286	233,348,551
Derivatives designated as fair value hedge	14,063,651	290,338,307	12,177,170	399,387,793
Derivatives designated as cash flow hedge	2,775,326	5,641,701	2,171,964	9,239,069
Derivatives designated as portfolio hedge against interest rate	15,341,504	818,218	4,188,597	814,350
TOTAL	294,432,449	561,237,162	235,263,017	642,789,763

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**19,495,188,230**	**19,501,828,021**	**236,912,150**	**249,127,398**
FX forward	19,294,684,319	19,299,799,312	233,670,318	244,544,508
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**	**13,556,305**	**9,684,122**
Option/Cap/Floor/Collar/Swaption (OM)	137,598,738	137,598,737	2,132,530	2,132,529
IRS	710,786,570	712,186,570	11,423,775	7,551,593
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 (OM)	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	262,251,968	264,438,936

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**18,952,472,272**	**18,969,999,585**	**195,870,192**	**216,237,545**
FX forward	18,780,189,125	18,797,445,387	192,945,662	213,563,427
Cross currency swap	130,698,027	132,819,703	2,584,663	2,589,168
FX options	41,585,120	39,734,495	339,867	84,950
Interest rate derivatives	**892,410,472**	**884,810,471**	**12,792,873**	**11,663,468**
Option/Cap/Floor/Collar/Swaption (OM)	174,313,976	174,313,976	2,497,742	2,497,742
IRS	702,832,655	702,832,655	10,295,131	9,165,726
Equity derivatives	**365,974,019**	**363,301,163**	**8,062,221**	**5,447,538**
Equity futures	6,656,709	1,026,300	0	0
Equity options	35,104,100	0	1,933,890	0
Equity option (OM)	180,098,859	180,098,859	0	0
Other equity derivatives	144,114,351	182,176,004	6,128,331	5,447,538
TOTAL	20,210,856,763	20,218,111,219	216,725,286	233,348,551

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**4,473,784,877**	**4,473,784,877**	**14,063,651**	**290,338,307**
IRS	4,473,784,877	4,473,784,877	14,063,651	290,338,307
TOTAL	**4,473,784,877**	**4,473,784,877**	**14,063,651**	**290,338,307**

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**6,624,643,343**	**6,624,643,343**	**12,177,170**	**399,387,793**
Option/Cap/Floor/Collar/Swaption (OTC)	66,582	66,582	0	0
IRS	6,624,576,761	6,624,576,761	12,177,170	399,387,793
TOTAL	**6,624,643,343**	**6,624,643,343**	**12,177,170**	**399,387,793**

D1. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	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 swap	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**

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**301,995,942**	**312,219,666**	**1,290,086**	**7,031,661**
Cross currency swap	81,596,018	89,581,654	828,948	6,983,957
Other currency derivatives	220,399,924	222,638,012	461,138	47,704
Interest rate derivatives	**40,146,061**	**40,146,061**	**881,878**	**2,207,408**
IRS	40,146,061	40,146,061	881,878	2,207,408
TOTAL	**342,142,003**	**352,365,727**	**2,171,964**	**9,239,069**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 1.2 million in 2020 (EUR 1.2 million in 2019) 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	31/12/19				
	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**

	31/12/20				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	461,138	881,878	828,948	0	**2,171,964**
Liabilities	47,704	2,207,408	6,983,957	0	**9,239,069**

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	4,104,427	4,690,432	0	386,354
Interest rate derivatives	325,700,000	325,700,000	15,341,504	431,864
TOTAL	**329,804,427**	**330,390,432**	**15,341,504**	**818,218**

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,958,858	4,690,432	0	634,248
Interest rate derivatives	130,200,000	130,200,000	4,188,597	180,102
TOTAL	**134,158,858**	**134,890,432**	**4,188,597**	**814,350**

F. MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO FAIR VALUE HEDGE (FVH) RELATIONSHIPS	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 FVTOCI 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**

	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
Micro FVH for fixed rate corporate loans (notional amount)	12,305,985	154,607,356	0	166,913,341
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	39,238,979	559,000,000	279,900,000	878,138,979
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	135,457,611	1,734,897,814	3,697,235,598	5,567,591,023
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	12,000,000	12,000,000
TOTAL	**187,002,575**	**2,448,505,170**	**3,989,135,598**	**6,624,643,343**

G. MATURITY PROFILE OF HEDGING INTRUMENTS USED IN MICRO CASH FLOW HEDGE RELATIONSHIP

	31/12/19			
	Less than 1 year	Between 1 year and 5 years	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**

	31/12/20			
	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*	*89,581,654*	*0*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate	*0*	*5.01%*	*0*	
Other currency derivatives	*2,978,816*	*0*	*0*	*2,978,816*
2. Non-derivative instruments				
Non-derivative instruments	0	0	0	0
TOTAL	**2,978,816**	**89,581,654**	**0**	**92,560,470**

H. HEDGED ITEMS IN A FAIR VALUE HEDGE RELATIONSHIP

	31/12/19	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	*189,758,180*	*3,038,508*
Debt securities measured at FVTOCI	*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)**

	31/12/20	
	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	*170,410,951*	*7,256,088*
Debt securities measured at FVTOCI	*958,121,801*	*25,176,521*
Debt securities measured at amortised cost	*5,882,234,593*	*166,667,293*
TOTAL ASSETS	**7,010,767,345**	**199,099,901**
Debt instruments issued	12,346,188	(237,278)
TOTAL LIABILITIES	**12,346,188**	**(237,278)**

I. HEDGED ITEMS IN A CASH FLOW HEDGE RELATIONSHIP	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)**

	31/12/20		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	84,524,217	(85,179,054)	(654,837)
Portfolio fair value hedge	11,138,665	(10,998,919)	139,746
TOTAL	**95,662,882**	**(96,177,973)**	**(515,091)**

J. HEDGE EFFECTIVENESS FOR CASH FLOW HEDGE RELATIONSHIPS	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	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-derivatives instruments						
Macro cash flow hedge	0	10,268,453	0	223,842	223,842	0
TOTAL	**309,845,769**	**13,043,779**	**5,641,701**	**3,012,573**	**3,012,573**	**0**

	31/12/20					
	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	259,805,257	1,343,016	2,236,464	524,960	524,960	0
Micro cash flow hedge	92,560,470	828,948	7,002,605	3,557,479	3,557,479	0
2. Non-derivatives instruments						
Macro cash flow hedge	0	0	0	(427,188)	0	(427,188)
TOTAL	**352,365,727**	**2,171,964**	**9,239,069**	**3,655,251**	**4,082,439**	**(427,188)**

K. DETAIL OF HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS AGAINST FOREIGN EXCHANGE MOVEMENTS

HEDGING INSTRUMENTS	31/12/19			
	Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement 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 MICRO NET INVESTMENT HEDGES	**236,914,303**	**(6,501,355)**	**0**	**0**

HEDGE OF NET INVESTMENT	31/12/19
	Change in a 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**

HEDGING INSTRUMENTS	31/12/20			
	Carrying amount of hedging instruments	Change in fair value of hedging instruments used for measurement hedge ineffectiveness		
		Effective portion recognised in OCI	Hedge inneffectiveness recognised in the income statement	Reclassified into income statement
Deposits in DKK	4,783,090	(20,495)	0	0
Deposits in CHF	178,192,508	11,567,201	0	0
Deposits in HKD	6,092,896	685,059	0	0
Deposits in USD	1,398,817	143,039	0	0
TOTAL MICRO NET INVESTMENT HEDGES	**190,467,311**	**12,374,804**	**0**	**0**

HEDGE OF NET INVESTMENT	31/12/20
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	20,495
Investments in CHF subsidiaries	(11,567,201)
Investments in USD subsidiaries	(685,059)
Investments in HKD subsidiaries	(143,039)
TOTAL	**(12,374,804)**

L. HEDGING ACTIVITIES IMPACT ON EQUITY

EQUITY RECONCILIATION	31/12/19		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(4,812,604)**	**(12,873,633)**	**(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		(6,382,351)	(119,002)
Net amount reclassified to profit or loss			
Following hedge discontinuation		*0*	*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)**	**(15,377,016)**	**(1,074,284)**

EQUITY RECONCILIATION	31/12/20		
	Cash flow hedging reserve	Translation reserve	Net Investment Hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(2,620,964)**	**(15,377,016)**	**(1,074,284)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*3,557,479*		
Interest rate swaps	*524,960*		
Loans and deposits	*0*		
Net amount reclassified to profit or loss			
Following hedge discontinuation	*(427,188)*		
Following utilisation	*0*		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		122,542	(16,458)
Net amount reclassified to profit or loss			
Following hedge discontinuation		*0*	*0*
Foreign currency reevaluation on the unhedged net foreign operations		159,989	
Tax impact on the above	(911,619)		4,104
CLOSING BALANCE AS AT DECEMBER 31	**122,668**	**(15,094,485)**	**(1,086,638)**

9.2 Deferred tax

A. ANALYSIS	31/12/19	31/12/20
Net deferred tax assets	202,390,549	183,982,345
Deferred tax liabilities	(6,160,610)	(7,311,883)
DEFERRED TAX	**196,229,939**	**176,670,462**

B. MOVEMENTS	2019	2020
AS AT JANUARY 1	**222,404,750**	**196,229,939**
Movements during the financial year:		
- Amounts recognised in the statement of income	(18,916,778)	(18,392,722)
- Items directly computed by equity	(1,369,708)	(1,187,458)
- Effect of change in tax rates - statement of income	(9,605,817)	0
- Effect of change in tax rates - equity	(95,957)	0
- Exchange differences	77,435	20,703
- Other movements	3,736,014	0
AS AT DECEMBER 31	**196,229,939**	**176,670,462**

Deferred tax coming from balance sheet assets	31/12/19		31/12/20	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	17,571,064	4,327,024	20,748,329	4,413,629
Securities	(5,343,683)	(207,250)	(2,682,416)	603,699
Derivatives	870,861	0	-40,758	(2,300)
Tangible and intangible fixed assets	4,131,759	(341,391)	2,722,756	217,944
TOTAL	**17,230,001**	**3,778,383**	**20,747,911**	**5,232,972**

Deferred tax coming from balance sheet liabilities	31/12/19		31/12/20	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(2,042,547)	(2,511,226)	(2,451,504)	(968,350)
Provisions	(4,760,587)	4,811,183	(407,654)	4,309,662
Pensions	3,738,178	(1,003,269)	1,705,043	(2,202,800)
Other liabilities specific to insurance companies	(5,895,382)	(755,621)	(6,950,115)	(1,317,237)
Other non allocated and non applicable liabilities	467,629	0	0	0
TOTAL	**(8,492,709)**	**541,067**	**(8,104,230)**	**(178,725)**

Deferred tax coming from other items	31/12/19		31/12/20	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward[1]	318,678,436	(54,136,636)	295,773,551	(22,904,885)
less: impairments	*(131,185,789)*	*21,294,163*	*(131,746,770)*	*(542,084)*
TOTAL	**187,492,647**	**(32,842,473)**	**164,026,781**	**(23,446,969)**

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.

[1] 1 Of which EUR 60 million of tax losses carried forward related to the liquidation of a former foreign branch.

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9.3 Related party transactions

A. RELATED PARTY TRANSACTIONS	Key management		Subsidiaries	
(in EUR thousands)	31/12/19	31/12/20	31/12/19	31/12/20
Loans[1]	12,497	10,397	84	94
Interest received	0	0	1	0
Deposits	14,330	13,955	10,027	204
Interest paid	0	0	(38)	(5)
Derivatives - Total to receive	92	0	0	0
Derivatives - Total to deliver	91	0	0	0
Guarantees and commitments given by the Group	47	41	0	0
Guarantees and commitments given to the Group	0	0	0	0
Assets entrusted from third parties	9,700	8,738	0	0

	Associates		Other related parties	
	31/12/19	31/12/20	31/12/19	31/12/20
Loans[1]	0	0	0	0
Interest received	2	1	0	5
Deposits	3,873	3,603	5,979	3,319
Interest paid	0	0	(4)	(1)
Derivatives - Total to receive	0	0	20,293	18,900
Derivatives - Total to deliver	0	0	7,659	7,835
Commissions received	0	0	2	0
Assets entrusted from third parties	0	0	199,359	181,053

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.8 "Staff expenses")

9.4 Subscribed and authorised capital

By share category	31/12/19	31/12/20
Number of shares authorised and not issued	2,927,025	2,927,025
Number of shares issued and fully paid up	2,087,261	2,087,261
Capital	146,108,270	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	0	0

Following the extraordinary general meeting of 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.

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.

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.5 Exchange rates

The main exchange rates used are the following:

		31/12/19		31/12/20	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.5977	1.6082	1.5847	1.6575
Canadian Dollar	CAD	1.4554	1.4811	1.5591	1.5381
Swiss Franc	CHF	1.0859	1.1117	1.0804	1.0705
Danish Krone	DKK	7.4718	7.4660	7.4408	7.4530
Pound Sterling	GBP	0.8489	0.8747	0.8977	0.8880
Hong Kong Dollar	HKD	8.7418	8.7671	9.5025	8.8988
Japanese Yen	JPY	121.8197	121.9665	126.2991	121.9215
Norwegian Krone	NOK	9.8434	9.8464	10.4588	10.7764
Polish Zloty	PLN	4.2541	4.2976	4.5681	4.4652
Swedish Krona	SEK	10.4658	10.5853	10.0230	10.4744
Singapore Dollar	SGD	1.5091	1.5251	1.6197	1.5790
US Dollar	USD	1.1224	1.1192	1.2256	1.1473

9.6 Acquisitions and disposals of consolidated companies

A. MAIN ACQUISITIONS

Year 2019

None.

Year 2020

BIL Wealth Management Limited

On February 5, 2020, BIL acquired 100% of BIL Wealth Management Limited (formerly Sino Suisse Financial Group (Hong Kong) Limited.

The acquisition price including costs amounts to EUR 3,151,016.

The transaction led to a goodwill recognition which amounts to EUR 2,515,485.

The assets and liabilities acquired were as follows :	HKD	EUR
Loans and advances to credit institutions	5,094,739	593,214
Property, plant and equipment	444,702	51,780
Other assets	509,316	59,303
Borrowings	(299,440)	(34,866)
Other liabilities	(291,140)	(33,899)
NET ASSETS	**5,458,177**	**635,531**
Acquisition price	26,700,826	3,151,016
GOODWILL	**(21,242,649)**	**(2,515,485)**

B. MAIN DISPOSALS

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 :	EUR
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 costs	(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**

Year 2020

None.

Note 10: Notes on the consolidated off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/19	31/12/20
Loans to be delivered	1,030,326,102	512,217,122
Borrowings to be received	1,323,976,692	531,944,586

10.2 Guarantees

	31/12/19	31/12/20
Guarantees given to credit institutions	194,240,631	150,554,506
Guarantees given to customers	757,842,531	1,000,728,337
Guarantees received from credit institutions	80,263,869	80,253,277
Guarantees received from customers	1,597,549,254	1,567,626,154

10.3 Loan commitments

	31/12/19	31/12/20
Unused credit lines granted to credit institutions	90,955,860	39,076,563
Unused credit lines granted to customers	3,050,667,116	3,158,244,132

10.4 Other commitments

	31/12/19	31/12/20
Banking activity - Other commitments given[1]	40,274,135,453	42,165,193,251
Banking activity - Other commitments received[2]	196,436,196,581	196,243,099,884

[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 181.2 billion as at December 31, 2020 and EUR 185.9 billion as at December 31, 2019.

Note 11: Notes on the consolidated statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/19	31/12/20
INTEREST AND SIMILAR INCOME	665,761,340	526,243,033
a) Interest and similar income of assets not measured at fair value through profit or loss	**362,083,664**	**341,511,083**
Loans and advances to credit institutions	20,069,199	10,492,096
Loans and advances to customers	265,309,296	262,770,733
Financial investments measured at fair value	17,179,529	16,884,017
Financial investments measured at amortised cost	59,372,745	51,131,778
Other	152,895	232,459
b) Interest and similar income of assets measured at fair value through profit or loss	**284,423,033**	**156,623,471**
Financial assets held for trading	787,032	470,628
Derivatives held for trading	213,058,254	91,572,412
Derivatives used for hedging purposes	70,577,747	64,580,431
c) Interest income on liabilities	**19,254,643**	**28,108,479**
INTEREST AND SIMILAR EXPENSES	(347,939,798)	(215,822,894)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(87,932,645)**	**(49,466,027)**
Amounts due to credit institutions	(34,999,916)	(14,199,590)
Amounts due to customers	(30,312,964)	(11,571,847)
Debt securities	(16,270,031)	(17,425,381)
Subordinated debts	(5,737,470)	(5,656,862)
Lease liability	(497,593)	(535,727)
Other	(114,671)	(76,620)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(237,692,197)**	**(142,343,433)**
Financial liabilities held for trading	(3)	(510)
Financial liabilities designated at fair value through profit or loss	(14,026,939)	(12,918,583)
Derivatives held for trading	(140,152,059)	(42,021,445)
Derivatives used for hedging purposes	(83,513,196)	(87,402,895)
c) Interest expenses on assets	**(22,314,956)**	**(24,013,434)**
NET INTEREST INCOME	317,821,542	310,420,139

11.2 Dividend income

	31/12/19	31/12/20
Financial investments measured at fair value	85,688	43,927
Financial assets held for trading	2,144	2,596
TOTAL	87,832	46,523

11.3 Net trading income

	31/12/19	31/12/20
Net income from trading transactions	5,890,588	2,399,713
of which income from trading securities	*5,544,722*	*2,713,287*
of which income from trading derivatives	*345,866*	*(313,574)*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	46,953,636	(3,190,818)
Net foreign exchange gain/(loss)	10,624,559	11,611,668
TOTAL	**63,468,783**	**10,820,563**

11.4 Net income on financial instruments measured at fair value and net result of hedge accounting

	31/12/19	31/12/20
Net income on financial investments measured at fair value through other comprehensive income	12,111,888	(300,506)
Net income on financial investments at fair value through profit or loss	3,281,141	273,048
of which financial investments mandatorily fair value through profit or loss	*3,281,141*	*273,048*
Net income on financial liabilities designated at fair value through profit or loss	(45,494,251)	5,096,842
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**(30,101,222)**	**5,069,384**
Fair value hedge	**(46,447)**	**(387,576)**
Change in the fair value of the hedged item attributable to the hedged risk	83,665,337	84,791,478
Fair value revaluation (+: gains/ -: losses) - Fair Value Hedge - Hedging instruments	(83,711,784)	(85,179,054)
Portfolio hedge against interest rate risk	**(19,643)**	**139,746**
Fair value revaluation - Portfolio hedge - Hedged items	9,986,728	11,138,665
Fair value revaluation - Derivatives - Portfolio hedge	(10,006,371)	(10,998,919)
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**0**	**0**
NET RESULT OF HEDGE ACCOUNTING	**(66,090)**	**(247,830)**
TOTAL	**(30,167,312)**	**4,821,554**

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

	31/12/19	31/12/20
Net income on loans and advances measured at amortised cost	4,351,581	6,358,601
Net income on financial investments measured at amortised cost	9,984,768	15,389,058
Net income on financial liabilities at amortised cost	(4,429,086)	0
TOTAL	**9,907,263**	**21,747,659**

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.

As at December 31, 2020 gains and losses on derecognition on loans respectively amount to EUR 6,358,601 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 18 092 671 and EUR -2,703,613.

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see note 11.4).

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11.6 Fee and commission income and expenses

	31/12/19			31/12/20		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	31,916,324	(6,098,052)	25,818,272	35,542,228	(12,875,498)	22,666,730
Administration of unit trusts and mutual funds	106,292	0	106,292	55,699	0	55,699
Insurance activity	6,122,942	(10,707)	6,112,235	6,400,302	(312,457)	6,087,845
Credit activity	24,747,717	(998,977)	23,748,740	26,363,970	(978,196)	25,385,774
Purchase and sale on securities	24,003,952	(12,483,298)	11,520,654	23,588,927	(13,173,076)	10,415,851
Purchase and sale of unit trusts and mutual funds	6,770,973	(1,599,833)	5,171,140	5,937,242	(638,856)	5,298,386
Payment services	27,574,564	(838,144)	26,736,420	24,916,421	(872,639)	24,043,782
Commissions to non-exclusive brokers	0	(210,307)	(210,307)	0	(219,038)	(219,038)
Financial engineering	4,774,395	(110,508)	4,663,887	12,012,821	(2,728,749)	9,284,072
Services on securities other than safe keeping	2,170,546	(147,516)	2,023,030	2,542,179	(89,008)	2,453,171
Custody	22,957,541	(5,888,455)	17,069,086	24,583,944	(4,311,241)	20,272,703
Issues and placements of securities	3,702,257	0	3,702,257	4,442,437	0	4,442,437
Private banking	63,789,358	(7,170,617)	56,618,741	60,631,025	(4,300,627)	56,330,398
Clearing and settlement	23,617,915	(2,572,816)	21,045,099	28,391,032	(2,971,849)	25,419,183
Securities lending	122,852	(34,997)	87,855	51,470	(33,900)	17,570
Other	5,519,507	(585,833)	4,933,674	5,123,164	(1,833,831)	3,289,333
TOTAL	**247,897,135**	**(38,750,060)**	**209,147,075**	**260,582,861**	**(45,338,965)**	**215,243,896**

11.7 Other net income

	31/12/19	31/12/20
Operating taxes	2,922,735	228,506
Rental income	12,888,526	13,149
Other rental income	153,549	94,382
Gains on tangible fixed assets	8,096	2,649,744
Technical margins insurance companies (income)	3,760,408	4,185,361
Fair value adjustments on investment property	43,581	0
Other income on other activities[1]	7,760,200	15,340,392
OTHER INCOME	**27,537,095**	**22,511,534**
Operating taxes	(4,034,766)	(2,698,334)
Maintenance and repair of investment property	(1,546,585)	0
Other bank charges2	(15,158,511)	(18,062,882)
Losses on tangible fixed assets	0	(169,566)
Losses on other assets	0	(15,218)
Technical margins insurance companies (expenses)	(5,338,437)	(3,039,948)
Fair value adjustments on investment property	(449,709)	0
Other expenses on other activities[3]	(7,852,788)	(6,805,548)
OTHER EXPENSES	**(34,380,796)**	**(30,791,496)**
TOTAL	**(6,843,701)**	**(8,279,962)**

[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.

11.8 Staff expenses

A. STAFF EXPENSES

	31/12/19	31/12/20
Wages and salaries	(188,181,351)	(183,699,330)
Social security and insurance costs	(21,818,500)	(23,250,056)
Staff benefits	(10,093,402)	(4,289,641)
Restructuring expenses	(4,906,586)	(3,935,080)
Other expenses	(6,275,759)	(4,575,744)
TOTAL	**(231,275,598)**	**(219,749,851)**

B. WORKFORCE

(in average FTE)	2019	2020
Senior management	53	52
Employees	1,969	1,933
TOTAL	**2,022**	**1,985**

(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**

(in average FTE) [1] **as at 31/12/20**	Luxembourg	Other Europe	Other (Non-Europe)	Total BIL group
Senior management	45	6	1	52
Employees	1,769	152	12	1,933
TOTAL	**1,814**	**158**	**13**	**1,985**

C. REMUNERATION OF BIL GROUP'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Group granted emoluments to the current Board members of senior management and has made contributions in respect of retirement pensions on their behalf as follows:

	31/12/19	31/12/20	31/12/19	31/12/20
	Remuneration		Retirement pensions	
Board members	1,026,891	1,087,857	0	0
Senior Management	17,590,428	17,929,525	3,112,518	2,642,868
TOTAL	**18,617,319**	**19,017,382**	**3,112,518**	**2,642,868**

D. DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/19	31/12/20
Defined contribution plan expenses	3,385,693	5,236,370
TOTAL	**3,385,693**	**5,236,370**

11.9 General and administrative expenses

	31/12/19	31/12/20
Occupancy	(7,958,100)	(8,107,590)
Operating leases	(643,061)	(460,101)
Professional fees	(14,715,972)	(25,550,838)
Marketing, advertising and public relations	(6,881,550)	(5,426,811)
Technology and system costs	(31,574,612)	(34,503,902)
Software costs and maintenance expenses	(13,912,025)	(18,558,073)
Repair and maintenance expenses	(56,900)	(31,856)
Operational taxes	71,482	515,790
Other general and administrative expenses[1]	(40,317,042)	(45,671,951)
TOTAL	**(115,987,780)**	**(137,795,332)**

11.10 Independent auditor's fees

The fees for the services rendered by the independent auditor (including network firms) for the years 2019 and 2020 are as follows (VAT excluded).

	2019	2020
Statutory audit and Long Form Report	1,558,220	1,253,744
Other assurance services	283,950	37,366
Other services	38,325	208,867
TOTAL	**1,880,495**	**1,499,977**

On December 13, 2019, the Board of Directors of BIL decided to appoint PricewaterhouseCoopers, société coopérative (PwC) as the new external auditor of BIL Group for the financial years 2020-2022. PwC replaces Ernst & Young (EY), covering the external audit of BIL and all BIL Group entities.

11.11 Amortisation of tangible, intangible and right-of-use fixed assets

	31/12/19	31/12/20
Depreciation on land and buildings	(8,075,461)	(6,656,335)
Depreciation on other tangible fixed assets	(970,575)	(965,909)
Depreciation on IT equipment	(1,380,156)	(3,483,609)
Depreciation on intangible fixed assets	(31,722,272)	(38,450,991)
Depreciation on right-of-use	(7,973,557)	(8,162,290)
TOTAL	**(50,122,021)**	**(57,719,134)**

[1] This heading primarily comprises the cost of financial information, of payment cards issued, profesionnal contributions, insurance covers and the transport of valuables.

11.12 Impairment on loans and provisions for credit commitments

	31/12/19			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**(16,278,033)**	**5,635,730**	**(12,332,702)**	**(22,975,005)**
Loans and advances to credit institutions measured at amortised cost	6,737	(264,828)	0	(258,091)
Loans and advances to customers measured at amortised cost	(15,809,591)	6,036,332	(7,083,217)	(16,856,476)
Debt securities measured at amortised cost	(475,179)	(135,774)	(5,249,485)	(5,860,438)
Financial assets measured at fair value through other comprehensive income	**15,837**	**(67,465)**	**0**	**(51,628)**
Debt securities measured at fair value through other comprehensive income	15,837	(67,465)	0	(51,628)
Other receivables	**0**	**0**	**(585,740)**	**(585,740)**
Off-balance sheet commitments	(2,246,433)	(519,251)	(261,356)	(3,027,040)
TOTAL IMPAIRMENTS	**(18,508,629)**	**5,049,014**	**(13,179,798)**	**(26,639,413)**

	31/12/20			
	Stage 1[1]	**Stage 2**[2]	**Stage 3**[3]	**Total**
Financial assets measured at amortised cost	**(2,117,093)**	**(12,276,746)**	**(1,425,878)**	**(15,819,717)**
Loans and advances to credit institutions measured at amortised cost	(247,217)	166,447	0	(80,770)
Loans and advances to customers measured at amortised cost	(661,521)	(12,003,434)	1,274,122	(11,390,833)
Debt securities measured at amortised cost	(1,208,355)	(439,759)	(2,700,000)	(4,348,114)
Financial assets measured at fair value through other comprehensive income	**(53,634)**	**67,480**	**0**	**13,846**
Debt securities measured at fair value through other comprehensive income	(53,634)	67,480	0	13,846
Other receivables	**0**	**0**	**(178,812)**	**(178,812)**
Off-balance sheet commitments	1,477,796	(829,558)	(1,013,727)	(365,489)
TOTAL IMPAIRMENTS	**(692,931)**	**(13,038,824)**	**(2,618,417)**	**(16,350,172)**

[1] Including (i) the "moratory" overlay for a total amount of EUR -10,760,000 composed of EUR -9,880,000 on corporates exposures and EUR -880,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -1,200,000 on corporate exposures. Refer to the section "ECL Management Overlays of note 12.2.1 of the consolidated financial statements.

[2] Including (i) the "moratory" overlay for a total amount of EUR -1,670,000 composed of EUR -1,160,000 on corporates exposures and EUR -510,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -150,000 on corporate exposures. Refer to the section "ECL Management Overlays of note 12.2.1 of the consolidated financial statements.

[3] The amount of EUR 1,274,122 comprises an impairment gain of EUR 47,196,110 corresponding to the partial recovery of a legacy loan. The partial recovery is booked under Group Center as per IFRS 8 segments. (Refer to note 3).

Refer to note 12.2.1 for measurement methods of impairment on loans and provisions for credit commitments.

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

	31/12/19	31/12/20
Income tax for current financial year	(1,186,893)	(935,714)
Deferred taxes	(28,529,098)	(18,159,716)
Tax on current financial year result (A)	**(29,715,991)**	**(19,095,430)**
Income tax for previous year	58,795	46,501
Deferred taxes for previous year	3,160	(233,004)
Other tax expenses (B)	**61,955**	**(186,503)**
TOTAL (A)+(B)	**(29,654,036)**	**(19,281,933)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2019 and 2020.
The effective BIL tax rate was 21.58% in 2019 and 16.08% in 2020.
The difference between both rates may be analysed as follows:

	31/12/19	31/12/20
NET INCOME BEFORE TAX	**141,804,377**	**120,642,950**
Tax base	**137,677,000**	**118,764,427**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(34,336,644)**	**(29,619,848)**
Effect of different tax rates in other countries	(468,953)	(1,621,802)
Tax effect of non-deductible expenses	(1,341,447)	(1,101,626)
Tax effect of non-taxable income	2,876,418	14,384,318
Effect of change in tax rates[1]	(9,605,817)	0
Tax effect on the use of previous tax losses not recognised in the assets	12,800,000	0
Other	360,452	(1,136,472)
Tax on current financial year result	**(29,715,991)**	**(19,095,430)**
EFFECTIVE TAX RATE	**21.58%**	**16.08%**

11.15 Net income from associates

	31/12/19	31/12/20
Income from associates before tax	5,467,412	2,577,446
Share of tax	(1,340,035)	(698,923)
TOTAL	**4,127,377**	**1,878,523**

[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	31/12/19			31/12/20		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	3,541,542,203	3,541,542,203	0	4,245,324,853	4,245,324,853	0
Financial assets held for trading	63,537,620	63,537,620	0	55,716,122	55,716,122	0
Financial investments measured at fair value	1,175,992,672	1,175,992,672	0	1,129,363,614	1,129,363,614	0
Financial assets at fair value through other comprehensive income	*1,151,919,379*	*1,151,919,379*	*0*	*1,108,358,280*	*1,108,358,280*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*24,073,293*	*24,073,293*	*0*	*21,005,334*	*21,005,334*	*0*
Loans and advances to credit institutions	1,190,400,685	1,190,638,992	238,307	1,105,696,451	1,105,697,301	850
Loans and advances to customers	14,707,833,103	14,890,428,129	182,595,026	15,412,310,898	15,679,870,690	267,559,792
Financial investments measured at amortised cost	6,392,840,867	6,492,917,578	100,076,711	7,685,128,526	7,804,223,624	119,095,098
Derivatives	294,432,449	294,432,449	0	235,263,017	235,263,017	0
Fair value revaluation of portfolios hedged against interest rate risk	303,238	303,238	0	191,221	191,221	0
TOTAL	**27,366,882,837**	**27,649,792,881**	**282,910,044**	**29,868,994,702**	**30,255,650,442**	**386,655,740**

A.2 Fair value of liabilities	31/12/19			31/12/20		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	3,095,841,613	3,099,337,370	3,495,757	4,172,955,910	4,180,174,073	7,218,163
Amounts due to customers	18,987,047,358	18,997,975,541	10,928,183	19,773,966,458	19,775,067,685	1,101,227
Financial liabilities measured at fair value through profit or loss	923,354,039	923,354,039	0	934,551,568	934,551,568	0
Derivatives	561,237,162	561,237,162	0	642,789,763	642,789,763	0
Fair value revaluation of Portfolio hedged against interest rate risk	13,688,928	13,688,928	0	2,433,523	2,433,523	0
Debt securities	2,267,418,784	2,318,549,830	51,131,046	2,783,103,377	2,812,246,428	29,143,051
Subordinated debts	169,079,812	180,947,712	11,867,900	130,620,187	164,926,220	34,306,033
TOTAL	**26,017,667,696**	**26,095,090,582**	**77,422,886**	**28,440,420,786**	**28,512,189,260**	**71,768,474**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value.

With the exception of the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value", the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

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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	31/12/19			
	Level 1	**Level 2**	**Level 3**[1]	**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
Financial assets at fair value through other comprehensive income	*962,989,649*	*137,213,602*	*51,716,128*	*1,151,919,379*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*23,984,094*	*89,199*	*24,073,293*
Derivatives	0	290,099,191	4,333,258	294,432,449
TOTAL	**1,005,980,277**	**468,007,103**	**59,975,361**	**1,533,962,741**

	31/12/20			
	Level 1	**Level 2**	**Level 3**[1]	**Total**
Financial assets held for trading	25,911,562	24,532,590	5,271,970	55,716,122
Financial investments measured at fair value	978,821,492	74,069,693	76,472,429	1,129,363,614
Financial assets at fair value through other comprehensive income	*978,821,492*	*53,227,651*	*76,309,137*	*1,108,358,280*
Non-trading financial assets mandatorily at fair value through profit or loss	*0*	*20,842,042*	*163,292*	*21,005,334*
Derivatives	0	231,164,276	4,098,741	235,263,017
TOTAL	**1,004,733,054**	**329,766,559**	**85,843,140**	**1,420,342,753**

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

[1] Level 3 financial assets measured at fair value are only composed of equity instruments.

B.2. Liabilities	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	557,644,003	3,593,159	561,237,162
TOTAL	**0**	**1,285,688,068**	**198,903,133**	**1,484,591,201**

	31/12/20			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	727,359,649	207,191,919	934,551,568
Derivatives	8,138,311	629,508,370	5,143,082	642,789,763
TOTAL	**8,138,311**	**1,356,868,019**	**212,335,001**	**1,577,341,331**

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 in 2019 and 2020.

C.2 Liabilities
No transfer was made between Level 1 and Level 2 on assets in 2019 and 2020.

D. LEVEL 3 RECONCILIATION

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**

	31/12/20				
	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	3,836,776	897,851	0	2,613,886	(2,076,543)
Financial assets measured at fair value	51,805,327	(7,503)	24,024,029	692,808	(9,226)
Derivatives	4,333,258	(1,702,372)	0	1,467,855	0
TOTAL	**59,975,361**	**(812,024)**	**24,024,029**	**4,774,549**	**(2,085,769)**

	31/12/20					
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Other	Closing
Financial assets designated held for trading	0	0	0	0	0	5,271,970
Financial assets measured at fair value	(33,006)	0	0	0	0	76,472,429
Derivatives	0	0	0	0	0	4,098,741
TOTAL	**(33,006)**	**0**	**0**	**0**	**0**	**85,843,140**

D.2 Liabilities

	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**

	31/12/20			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	195,309,974	(43,580,660)	156,776,018	(116,772,755)
Derivatives	3,593,159	(695,319)	2,245,242	0
TOTAL	**198,903,133**	**(44,275,979)**	**159,021,260**	**(116,772,755)**

	31/12/20				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	15,459,342	207,191,919
Derivatives	0	0	0	0	5,143,082
TOTAL	**0**	**0**	**0**	**15,459,342**	**212,335,001**

E. VALUATION TECHNIQUES USED FOR LEVEL 2 AND LEVEL 3 INSTRUMENTS

Description	Valuation techniques (Level 2 and Level 3 instruments)
Unlisted equity securities	- net equity method - discounted cash-flow analysis - multiple of comparable companies
Derivatives and Structured Bonds	- use of quoted market prices or dealer quotes for similar instruments - discounted cash-flow models - for interest rate swaps, present value of the estimated future cash flows based on observable yield curves - for foreign currency forwards, present value of future cash flows based on the forward exchange rates at the balance sheet date - for foreign currency options, options pricing models (Black-Scholes, Garman-Kohlhagen and others models).

F. VALUATION TECHNIQUES, VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Description	Unobservable inputs (Level 3 instruments)	Impact on valuation and sensitivty of level (Level 3 instruments)
Unlisted equity securities	- discount rate used for discounting cash-flows - expected cash inflows	The most significant stand-alone level 3 equity instrument is BIL's participation into Luxair group whose valuation is determined based on observable and unobservable inputs. In 2020, BIL has reviewed its valuation methodology from a full market method based on a multiple of comparable companies to a combination of market and income approaches considering the impact of the COVID-19 crisis on the participation. A sensitivity analysis on unobservable inputs may lead to variations mainly explained by the COVID-19 context.
Derivatives and Structured Bonds[1 2]	- credit spreads - liquidity premiums - illiquidity adjustment	The effects of sensitivity mostly impact structured issuances recognised at fair value through profit or loss (Fair-value option). These effects are however offset by a reverse sensitivity at the level of the economic hedge measured at fair value through profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

[1] Level 3 financial assets measured at fair value are only composed of equity instruments.
[2] Level 3 financial assets held for trading are the result of buy backs of the bank's structured bonds issued.

12.2 Credit risk

12.2.1 Expected credit loss measurement

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:
- EUR 100 for retail exposures;
- EUR 500 for exposures other than retail exposures

The relative component is a limit in terms of the amount of the credit obligation past due in relation to the total amount of all on-balance sheet exposures to that obligor for BIL, its parent undertaking or any of its subsidiaries excluding equity exposures and is set at 1 %.

Write-off policy

Problem loans are written-off, in full or in part, as soon as the Bank considers that there is no reasonable expectation of recovery of the balance outstanding (or part thereof) whether the legal claim against the borrower remains or not. Write-off will ordinarily be accommodated via utilisation of loan loss provisions raised previously. Approval for write-offs is granted by the Default Committee.

Low credit risk exemption

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

IFRS 9 Staging Assessment

The transition to the 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.

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.

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

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

Modelled ECL (Stage 1, Stage 2 and certain Stage 3 credit risk exposures)
In addition to Pillar I models which focus on the unexpected credit loss, IFRS 9 also defines principles to estimate the expected credit loss (ECL). Under IFRS 9, the ECL is a probability-weighted average of credit losses, considering the respective weight of several representative macroeconomic scenarios. Moreover, two types of ECL are proposed:
- 12-month ECL: representing the ECL resulting from default events within 12 months on a financial instrument – only applicable to Stage 1 exposures;
- Lifetime ECL: representing the ECL resulting from all possible default events over the expected lifetime of a financial instrument – applicable to both Stage 2 and Stage 3 exposures.

The Expected Credit Loss (ECL) is computed as follows:

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

Where:
- ω_i is the weight (or probability of occurrence) assigned to the macroeconomic scenario i (three distinct scenarios are calibrated: baseline, upside and downside);
- $CPD_{i,t}$ represents the cumulative probability of default at the date t in the scenario i;
- $EAD_{i,t}$ (Exposure at Default) represents the amount of a credit that the Bank is exposed to at the date t in the scenario i;
- LGD (Loss Given Default) is defined as the loss rate in the event of default;
- D_t represents the discount factor at the date t, and;
- M represents the residual maturity of the financial instrument (M is capped at a 12-month horizon for Stage 1 exposures).

Every key parameter has been estimated based on BIL'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 the one hand, forward-looking information is incorporated by relying on both econometric models and the calibration of three distinct macroeconomic scenarios. On the other hand, the historical observation of average default rates is used as an essential component in forecasting PDs.

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

And finally, like PD parameters, Exposure At Default (EAD) is also satisfying the two requirements. More specifically, forward-looking information is tackled through two components:
(i) The amortisation scheme of a given loan over time and;
(ii) The inclusion of eligible collaterals – in case of mortgage exposures notably, collateral values are evolving over time by considering forecasts of residential property prices.

BIL's overview of active models for IFRS 9 impairment.

The Bank has 6 active PD models:
- 2 for Retail (private and professional);
- 3 for Corporates (small, medium[1] 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).

Expert-judgment ECL (Stage 3 credit exposures only)

BIL Group estimates provisions for individually some credit impaired exposures within Stage 3 which are not measured through models. These exposures are assessed within the dedicated committees and related provisions are calculated using expert-judgment input to take into account the specificities of each exposure and associated collateral and other credit enhancements.

The provisions are calculated using the discounted expected future cash flow method. Cash flows from collateral and other credit enhancements are included in the measurement of ECL of the related financial asset when it is a part or integral to the contractual terms of the financial asset. Due to individual assessment, specific factors are taken into consideration and have a larger impact than macroeconomic factors.

Forward-Looking parameters

BIL Group considers forward-looking information both when assessing significant increase in credit risk and when measuring Expected Credit Losses (ECL).

BIL has mainly identified strong dependencies between certain macroeconomic factors and historical default rates (or PD models) by distinguishing high- and low-default risk portfolios.

High Default Portfolios (HDP) consider retail counterparts and small and mid-size enterprises exposure using internal default data. The main macroeconomic indicators for forecasting the occurrence of default for the HDP segment being (i) labour market indicators (unemployment) and (ii) consumer opinion surveys data from Luxembourgish private economic agents (households and manufacturing sector).

Low Default Portfolios (LDP) consider two distinct types of exposures (large corporates and banking institutions) using external default data (source: Moody's). In this regard, the cyclical dynamics of corporate and banking default rates can be apprehended by means of equity prices measured at both the Eurozone and US levels, as well as by using monetary aggregates and market-based risk measures reflecting the build-up or the materialisation of financial vulnerabilities in the euro area notably.

Additional forward-looking components are considered in the ECL modelling process, especially for addressing some credit risk mitigation effects in the case of 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.

Regarding the measurement of expected credit losses, BIL uses 3 distinct macroeconomic scenarios covering a wide range of potential future economic conditions:
- a baseline scenario (central), consistent with the scenario used for budgeting and realised figures at the end of December 2020,
- a downside scenario (adverse), corresponding to a less favourable economic environment,
- an upside scenario (optimistic), allowing to capture situations where the economy performs better than anticipated.

The link between the macroeconomic scenarios and the ECL measurement is mainly achieved through a modelling of the probabilities of default and deformation of rating migration matrices based on internal rating practices and applied to each exposure. Each stage migration is determined based on the rating at origination and the rating after migration, similarly to the Bank's SICR definition.

The probabilities of default determined according to these scenarios are used to measure expected credit losses in each of these situations.

The weighting of the expected credit losses under each scenario is performed as follows:
- Baseline : 60% baseline, 20% upside and 20% downside,
- Upside 100%,
- Downside 100%.

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

Macroeconomic scenarios:

BIL uses external macroeconomic scenarios. These scenarios are built according to a combination of statistical and econometric methods and compared with other external sources (e.g. IMF, ECB, EC, STATEC).

In accordance with IFRS 9, the following different scenarios are considered:
- a baseline (central) scenario which describes the most likely path of the economy over the projection horizon. Projections are provided for key markets of BIL Group, through main macroeconomic indicators (e.g. GDP, unemployment rate, consumer prices, residential property prices etc.) which are drivers for risk parameter models,
- a downside (adverse) scenario which describes the impact of the materialisation of some of the risks weighing on the baseline scenario, resulting in a much less favourable economic path. More precisely, this downside scenario corresponds to a recession period which is materialised by the following sequence of events: financial asset prices plummet, real GDP growth becomes negative and labour market conditions strongly deteriorate with a surge in unemployment.
- the upside (optimistic) scenario reflects the impact of the materialisation of some of the upside risks for the economy, resulting in a much more favourable economic path.

Given the exceptional nature of the shock in the first half of 2020, BIL's assumptions were updated for 2020 and 2021. The choice of scenario weights being guided by comparisons of the Bank's internal forecasts with the ECB's and the progressive normalisation of the global economy. BIL has increased the frequency at which its macroeconomic forecasts are updated and these latter have also been regularly challenged with respect to publicly available macroeconomic projections made e.g. by the ECB or the European Commission.

The baseline scenario considers that the first steps towards economic recovery will begin in the third quarter of 2020 with a gradual normalisation over 2021. Full recovery is not expected before 2023 in the Eurozone.

The risk of an extended crisis for sanitary or economic reasons is addressed in the downside scenario. New waves of pandemic alert occur all over the world, causing a stop of the economy in 2021 and 2022 before a vaccine is found to solve the problem. This causes the economy to show a downturn in the 2020-2022 period.

In %		LUXEMBOURG						EUROZONE					
		December 2019			December 2020			December 2019			December 2020		
		Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside	Baseline	Upside	Downside
Real GDP	2019	2.6	2.6	2.6	2.3	2.3	2.3	1.2	1.2	1.2	1.2	1.2	1.2
	2020	3.1	5.6	-1.1	-5.3	-5.3	-5.3	1.3	2.6	-1.8	-7.4	-7.4	-7.4
	2021	3.5	4.2	-0.2	2	4.7	-2.3	1.6	2.6	-1.2	4.1	6.7	-0.1
	2022	2.9	2.9	3.4	5.7	6.1	5.9	1.3	1.4	1.3	3.8	3.9	3.6
	2023	2.9	2.9	4.4	1.8	1.2	2.6	1.3	1.3	2.1	2.6	2.3	2.8
	2024	2.9	2.9	4.1	2.9	2.5	3.2	1.3	1.4	2.1	2.1	2	2.5
	2025	2.9	2.9	3.7	3.9	3.8	4.2	1.3	1.3	1.9	1.7	1.7	2.4
Unemployment	2019	5.4	5.4	5.4	5.4	5.4	5.4	7.6	7.6	7.6	7.6	7.6	7.6
	2020	5.4	5.3	5.6	6.4	6.4	6.4	7.7	7.4	8.6	8.1	8.1	8.1
	2021	5.5	5.2	6.3	7.2	7.1	7.5	7.7	7.2	10.1	9.7	9.2	11.2
	2022	5.6	5.1	6.7	7.2	6.9	8.2	7.7	7.2	10.2	9.1	8.5	11.5
	2023	5.6	5.2	6.9	6.6	6.2	7.7	7.8	7.4	9.9	8.5	8	10.7
	2024	5.7	5.3	6.8	5.9	5.6	6.8	7.8	7.5	9.5	8	7.8	9.7
	2025	5.7	5.4	6.6	5.7	5.5	6.4	7.9	7.5	9.2	7.8	7.7	8.9
Consumer Prices	2019	1.7	1.7	1.7	1.7	1.7	1.7	1.2	1.2	1.2	1.2	1.2	1.2
	2020	1.6	2.3	0.6	0	0	0	1.5	2.4	0.2	0.3	0.3	0.3
	2021	1.7	2.4	0.4	0.4	1.4	-1	1.7	2.7	-0.3	0.6	1.8	-1.2
	2022	1.9	2.0	1.1	1.1	1.6	-0.1	1.9	2.1	1.0	1.1	1.8	-0.8
	2023	1.9	2.0	1.6	1.3	1.5	0.7	2.0	2.0	1.6	1.1	1.2	0.5
	2024	2.0	2.0	1.8	1.4	1.4	1.1	2.0	2.0	1.9	1.2	1.2	0.9
	2025	2.0	2.0	1.9	1.7	1.7	1.6	2.0	2.0	2.0	1.5	1.2	1.5
Stock Prices	2019	-15.1	-15.1	-15.1	-15.1	-15.1	-15.1	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
	2020	4.7	18.2	-23.3	-22.7	-22.7	-22.7	9.0	17.0	-15.9	-6	-6	-6
	2021	-7.4	7.3	-13.3	7.6	28.6	-27.9	-4.6	4.5	-5.7	6.8	19.1	-22.4
	2022	-3.5	-9.6	2.3	1.9	11.1	7	-1.4	-6.6	6.9	2.4	4.6	9.8
	2023	3.0	-4.0	3.8	-6.3	-13.6	-2.2	5.2	0.2	12.7	-4	-7.7	5.9
	2024	1.0	-1.0	3.1	3	-3.1	7.1	3.5	2.0	6.5	2.3	-1.9	7.9
	2025	0.9	1.0	2.6	8.9	7.8	11.9	1.4	1.4	2.5	7.3	5.6	10
Residential Property Prices	2019	10.2	10.2	10.2	11.5	11.5	11.5	4.3	4.3	4.3	4.2	4.2	4.2
	2020	4.8	7.4	1.7	18	18	18	4.7	6.4	0.3	4.8	4.8	4.8
	2021	3.5	7.1	-0.2	0.4	4.1	-3.8	3.9	6.7	-2.8	-1.2	0.7	-5.2
	2022	2.0	1.0	1.3	0.5	2.7	-2.2	3.0	3.3	0.9	2.3	4.2	-3.8
	2023	1.2	-0.2	2.2	2.7	1.3	2.4	2.2	1.5	2.9	3.9	4.4	1.4
	2024	1.0	0.2	2.1	2.9	1.7	4.2	1.6	1.2	3.3	4.2	4.1	4.1
	2025	1.8	1.5	2.5	3	2.3	3.9	1.8	1.5	3.4	4.3	4.4	5.2

Source: Moody's DataBuffet

In the current context, the dominant risk is that the sanitary crisis does not vanish as rapidly as expected in the baseline scenario (due to less favourable sanitary developments than assumed) or that its economic consequences exceed those currently anticipated (i.e. more severe impacts or lasting effects), in the end triggering adverse developments beyond those directly due to containment, in particular:

- Extended crisis, due to weaker demand: the sanitary crisis could trigger a more "classic" and therefore longer crisis, if it provokes significant damages in the economy (e.g. higher unemployment rate, a higher number of bankruptcies, etc.) which affect domestic demand.
- Accompanying loans measures not initially provided for under the contract with a potential reclassification under forborne loans with a transfer to Stage 2.
- Pressure on financial institutions rentability: the sanitary crisis increases difficulties to repay debt for a number of borrowers, creates volatility in financial markets and induces downward pressures on interest rates. All these developments are susceptible to weigh on banking sector profitability.
- Further market corrections: the sanitary crisis has already had a major impact on some valuations in financial markets. Depending on sanitary developments, additional corrections could affect some markets.
- Continued impact of hard-hit sectors (e.g. HORECA, travel and leisure sector, oil & gas)

Other risks include: The UK's negotiations for departure from the EU, increasing populism in Europe, ongoing international trade conflicts and sovereign debt crisis.

ECL Sensitivity

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

(in EUR million)	Scenarios weights			31/12/2019			31/12/2020		
	Baseline	**Upside**	**Downside**	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Reported ECL[1]	60%	20%	20%	42	15	**57**	38	27	**65**
Stressed ECL	100%	0%	0%	35	14	**49**	33	26	**59**
	0%	100%	0%	29	14	**43**	21	25	**46**
	0%	0%	100%	74	17	**91**	72	32	**104**
	80%	0%	20%	43	15	**58**	41	27	**68**
	60%	0%	40%	51	15	**66**	49	29	**78**

[1] Reported ECL excluding impact of restatement as at December 31, 2019 (refer to note 1.2.4).
Reported ECL excluding impact of management overlays as at December 31, 2020 (refer to section Management Overlay of note 12.2.1).

ECL Management Overlays

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

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

The Bank has implemented two management overlays to modelled ECL as of December 31, 2020 affecting Stage 1 and Stage 2 exposure classified under Loans and Advances to Customers:

- A "Moratory" overlay that results in a one-notch downgrade for exposures that have benefitted in 2020 from moratoria;
- A "MidCorp" overlay that results in a one-notch downgrade for exposures under the Medium Corporate model of probability of default.

The Moratory overlay is explained by model limitations to capture the effect of moratoria on credit worthiness of concerned exposures.

The MidCorp overlay is extended to all exposures under the MidCorp model given that related exposures are globally affected by the crisis but the effect of crisis is not yet fully reflected in ratings mostly based on last financial statements of exposures.

The overlays are not cumulative for MidCorp exposures that benefitted or are benefitting from moratoria.

Other models are not concerned by management overlays. In particular, the Large Corporate model, which includes the most affected sectors, is deemed as appropriate given the strong monitoring and dynamic review of ratings performed by the Bank throughout 2020.

Management overlays made in estimating the reported ECL as at December 31, 2020 are set out in the following table:

(in EUR million)	31/12/2020					
	Model	**Stage**	**Modelled ECL**	**"Moratory" overlay**	**"MidCorp" overlay**	**Reported ECL**
Loans and advances to customers	Corporate	Stage 1	21,885,035	9,880,000	1,200,000	32,965,035
		Stage 2	14,865,867	1,160,000	150,000	16,175,867
	Retail	Stage 1	8,265,551	880,000	0	9,145,551
		Stage 2	8,490,683	510,000	0	9,000,683
Loans and advances to credit institutions	Banks	Stage 1	266,911	0	0	266,911
		Stage 2	116,949	0	0	116,949

Other information about credit risk is included in the following sections:

- Asset quality limited to loans and advances to customers (Risk Management section of the Management Report),
- Loans and advances to customers (note 7.4) by counterpart and by nature,
- Quality of financial assets (note 7.15) by stage with movements by stage,
- Impairment on loans and provisions for credit commitments (note 11.12) by stage.

12.2.2 Credit Risk Exposures

Geographic region is determined according to the risk country of the counterparty,

Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographic region

(in EUR million)	31/12/19	31/12/20
Belgium	1,996	2,393
France	3,161	3,639
Germany	1,433	1,987
Ireland	450	271
Italy	16	26
Luxembourg	16,496	17,563
Spain	842	780
Other EU countries	1,698	1,749
Switzerland	2,884	3,534
Rest of Europe	575	585
United States and Canada	893	882
Asia	386	448
Middle East	672	371
Australia	241	207
Others	142	198
TOTAL	**31,885**	**34,633**

Exposures by counterparty category

(in EUR million)	31/12/19	31/12/20
Central Governments	9,158	11,183
Public Sector Entities	305	334
Corporate	6,409	6,282
Securitisation	68	36
Individuals, SME & Self Employed	11,084	12,163
Financial Institutions	4,858	4,617
Others	3	18
TOTAL	**31,885**	**34,633**

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 any provision);
- derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

EXPOSURES BY STAGE AND RATINGS

	31/12/19						31/12/20					
Stage 1 Credit Risk Exposure *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	141	360	268	800	0	1,569	134	383	311	804	0	1,632
Commitments in respect of loans granted	332	1,435	695	522	0	2,984	333	1,543	599	478	0	2,953
Financial investments at FVOCI (excluding variable income securities)	897	102	0	0	0	999	809	57	0	0	0	866
Financial investments at amortised cost	4,042	2,019	0	5	0	6,066	5,397	1,490	6	288	0	7,181
Loans and advances at amortised cost	4,109	6,541	3,411	2,165	0	16,226	4,611	7,035	3,363	2,219	0	17,228
Other financial instruments at amortised cost	272	52	32	17	0	373	321	54	85	6	0	466
TOTAL STAGE 1 EXPOSURES	**9,793**	**10,509**	**4,406**	**3,509**	**0**	**28,217**	**11,605**	**10,562**	**4,364**	**3,795**	**0**	**30,326**

	31/12/19						31/12/20					
Stage 2 Credit Risk Exposure *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	8	74	7	0	89	0	15	59	5	0	79
Commitments in respect of loans granted	1	36	254	42	0	333	2	50	284	26	0	362
Financial investments at FVOCI (excluding variable income securities)	54	0	0	0	0	54	143	0	0	0	0	143
Financial investments at amortised cost	185	0	0	0	0	185	200	43	20	0	0	263
Loans and advances (at amortised cost	10	496	1787	60	0	2,353	14	609	1,931	62	0	2,616
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 2 EXPOSURES	**250**	**540**	**2,115**	**109**	**0**	**3,014**	**359**	**717**	**2,294**	**93**	**0**	**3,463**

	31/12/19						31/12/20					
Stage 3 Credit Risk Exposure *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	0	0	0	7	7	4	0	0	0	10	14
Commitments in respect of loans granted	0	0	0	0	21	21	0	0	9	0	35	44
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	18	18	0	0	0	0	7	7
Loans and advances (at amortised cost	4	1	3	0	333	341	8	0	1	0	512	521
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 3 EXPOSURES	**4**	**1**	**3**	**0**	**379**	**387**	**12**	**0**	**10**	**0**	**564**	**586**

[1] Loans and advances at amortised cost classified under the "non-investment grade" category are mainly linked to financing facilities granted to Luxembourg SMEs, private individuals and corporates. The non-investment grade ratings related to these exposures are not provided by external credit assessment institutions but derive from the Bank's quantitative models to estimate a counterparty's probability of default. In some cases, the output of these models has been modified by the competent decision-making authority ("rating overrides") to include downgrades linked to the pandemic. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

	31/12/19						31/12/20					
Credit Risk Exposure without staging *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Derivatives	74	145	3	3	0	225	102	128	1	2	0	233
Financial assets held-for-trading	28	5	0	9	0	42	22	1	0	2	0	25
TOTAL EXPOSURES WITHOUT STAGING	**102**	**150**	**3**	**12**	**0**	**267**	**124**	**129**	**1**	**4**	**0**	**258**
TOTAL ALL STAGES	**10,149**	**11,200**	**6,527**	**3,630**	**379**	**31,885**	**12,100**	**11,408**	**6,669**	**3,892**	**564**	**34,633**

12.2.3 Collateral and Other Credit Enhancements

31/12/19 *(in EUR million)*	Gross exposure[1]	Credit Risk Mitigation (CRM)[2]				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements[3]	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	1,053	0	0	0	0	0	1,053	0
Financial assets held-for-trading	42	5	0	0	0	5	37	0
Loans and advances (at amortised cost	20,690	249	330	2,324	7,227	10,130	10,560	272
Financial investments at amortised cost	6,273	638	0	0	0	638	5,635	6
Derivatives	477	0	170	82	0	252	225	0
Other financial instruments at amortised cost	1,878	0	334	1,171	0	1,505	373	0
Commitments in respect of guarantees given	1,737	3	0	89	16	108	1,629	2
Commitments in respect of loans granted	3,697	59	28	898	515	1,500	2,197	8
TOTAL	**35,847**	**954**	**862**	**4,564**	**7,758**	**14,138**	**21,709**	**288**

31/12/20 *(in EUR million)*	Gross exposure[1]	Credit Risk Mitigation (CRM)[2]				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements[3]	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	1,010	0	0	0	0	0	1,010	0
Financial assets held-for-trading	26	0	0	0	0	0	26	0
Loans and advances (at amortised cost	21,927	241	713	1,728	8,072	10,754	11,173	279
Financial investments at amortised cost	7,466	977	0	0	0	977	6,489	19
Derivatives	497	0	208	55	0	263	234	0
Other financial instruments at amortised cost	1,934	0	1,360	107	0	1,467	467	0
Commitments in respect of guarantees given	1,796	11	0	84	19	114	1,682	2
Commitments in respect of loans granted	3,708	75	108	808	537	1,528	2,180	10
TOTAL	**38,364**	**1,304**	**2,389**	**2,782**	**8,628**	**15,103**	**23,261**	**310**

1 Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.
2 Credit risk mitigation eligible as per internal policies.
3 Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

12.2.4 Past due but not impaired financial assets

	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**

	31/12/20		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	33,473,471	28,455,787	5,697,347
TOTAL	**33,473,471**	**28,455,787**	**5,697,347**

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.

12.2.5 Credit risk mitigation for credit-impaired assets

	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**

	31/12/20			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(15,350,335)	6,634,962	6,634,962
Loans and advances measured at amortised cost	735,931,551	(224,490,417)	511,441,134	429,635,862
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**757,916,848**	**(239,840,752)**	**518,076,096**	**436,270,824**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/19	31/12/20
Cash	16,183,015	24,701,438
Debt instruments	3,864,047	1,797,889
Other assets	0	9,505,798
TOTAL	**20,047,062**	**36,005,125**

In general, guarantees obtained are immediately converted into cash by BIL.

12.2.6 Movements in allowances for credit losses

	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)	**(26,843,211)**	**(11,339,843)**	**5,213,356**	**(10,135,709)**	**0**	**0**	**0**	**(79,026)**	**(43,184,433)**	**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	(25,728,941)	(11,003,316)	5,075,537	(9,875,075)	0	0	0	(69,318)	(41,601,113)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(19,580,151)**	**0**	**2,837,985**	**2,730,340**	**(60)**	**0**	**0**	**(58,064)**	**(14,069,950)**	**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	(19,077,348)	0	2,837,765	2,933,799	(60)	0	0	(57,688)	(13,363,532)	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	**(284,524,031)**	**(13,418,420)**	**10,762,281**	**(19,507,332)**	**(69,376)**	**0**	**14,499,955**	**(1,773,282)**	**(294,030,206)**	**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	(602,687)	(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	**(6,166,807)**	**(7,893,265)**	**3,687,094**	**1,180,112**	**(981)**	**0**	**435,192**	**(449,122)**	**(9,207,777)**	**0**	**0**

	As at 01/01/20	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 31/12/20	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)	**(43,184,433)**	**(11,633,109)**	**6,061,897**	**3,400,485**	**0**	**0**	**0**	**138,119**	**(45,217,041)**	**n.a**	**n.a**
Debt securities at amortised cost	(1,560,181)	(724,109)	187,290	(671,535)	0	0	0	4,988	(2,763,547)	n.a	n.a
Debt securities at fair value through other comprehensive income	(23,139)	(19,527)	8,163	(42,270)	0	0	0	777	(75,996)	n.a	n.a
Loans and advances at amortised cost	(41,601,113)	(10,889,473)	5,866,444	4,114,290	0	0	0	132,355	(42,377,498)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(14,069,950)**	**0**	**3,403,633**	**(15,612,899)**	**0**	**0**	**0**	**(88,633)**	**(26,367,849)**	**n.a**	**n.a**
Debt securities at amortised cost	(638,938)	0	132,574	(572,333)	0	0	0	4,346	(1,074,350)	n.a	n.a
Debt securities at fair value through other comprehensive income	(67,480)	0	0	67,480	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(13,363,532)	0	3,271,059	(15,108,046)	0	0	0	(92,979)	(25,293,499)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(236,775,823)**	**(2,978,148)**	**4,586,209**	**(25,218,134)**	**0**	**742,911**	**14,260,082**	**5,542,151**	**(239,840,752)**	**21,770,986**	**(14,585,423)**
Debt securities at amortised cost	(12,566,385)	0	0	(2,700,000)	0	0	0	(83,950)	(15,350,335)	0	0
Loans and advances at amortised cost	(224,209,438)	(2,978,148)	4,586,209	(22,518,134)	0	742,911	14,260,082	5,626,101	(224,490,417)	21,770,986	(14,585,423)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(294,030,206)**	**(14,611,257)**	**14,051,739**	**(37,430,548)**	**0**	**742,911**	**14,260,082**	**5,591,637**	**(311,425,642)**	**21,770,986**	**(14,585,423)**
Commitments and financial guarantees given (Stage 1)	(6,533,913)	(6,728,526)	2,809,431	5,396,891	0	0	0	27,986	(5,028,130)	0	0
Commitments and financial guarantees given (Stage 2)	(1,783,070)	(1,091,815)	965,868	(704,962)	1,351	0	0	10,391	(2,602,237)	0	0
Commitments and financial guarantees given (Stage 3)	(890,794)	(61,512)	203,797	(1,156,012)	0	0	0	0	(1,904,521)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,207,777)**	**(7,881,853)**	**3,979,096**	**3,535,917**	**1,351**	**0**	**0**	**38,377**	**(9,534,888)**	**0**	**0**

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

	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

	As at 31/12/20			
	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	934,551,568	141,604	(241,792)	1,838,104

In 2019 and 2020, 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 through 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.

12.2.8 Information on forborne exposures

BIL monitors closely its forborne exposures in respect of the regulatory requirements

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). These measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

In case these criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the "Gestion Intensive et Particulière" (GIP) team.

In order to comply with the regulatory requirements, BIL Group has setup procedures (1) to identify the criteria leading to the forborne classification, (2) to classify the Bank's existing exposures between forborne and non-forborne and (3) implementing these criteria across the systems.

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition. The granting of forbearance measures is likely to constitute an impairment trigger aligned with IFRS 9 requirements.

For credit files in forbearance and in case of early repayment, the costs related to these transactions are 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 the end of 2020, BIL Group's forborne exposures amounted to EUR 1,059.3 million (EUR 308.3 million in 2019) including EUR 62.6 million (EUR 10.9 million in 2019) as given banking guarantees.

12.3 Encumbered assets

A. COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	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[1]	697,454,545	*0*	249,590,276	*249,590,276*
TOTAL	**815,146,052**	***117,691,507***	**249,590,276**	***249,590,276***

	31/12/20			
	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	94,778,817	*94,778,817*	0	*0*
Debt securities[1]	668,926,749	*668,926,749*	211,998,447	*211,998,447*
TOTAL	**763,705,566**	***763,705,566***	**211,998,447**	***211,998,447***

[1] Of which EUR 19,611,722 million relates to reverse repurchase agreements.

B. ENCUMBERED ASSETS

	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*
of which: issued by non-financial corporations	*()*	*()*	*0*	*0*
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*

	31/12/20			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Central Bank mandatory reserves	200,979,028	*200,979,028*	200,979,028	*200,979,028*
Debt securities held for trading	883,789	*883,789*	883,789	*883,789*
of which: issued by general governments	*28,996*	*28,996*	*28,996*	*28,996*
of which: issued by financial corporations	*803,103*	*803,103*	*803,103*	*803,103*
of which: issued by non-financial corporations	*51,690*	*51,690*	*51,690*	*51,690*
Debt securities at amortised cost	2,338,492,999	*1,993,188,368*	2,398,497,958	*2,048,087,667*
of which: issued by general governments	*1,334,854,471*	*1,116,556,610*	*1,392,094,454*	*1,169,272,060*
of which: issued by financial corporations	*886,008,373*	*775,810,236*	*888,843,571*	*778,097,714*
of which: issued by non-financial corporations	*117,630,155*	*100,821,522*	*117,559,933*	*100,717,893*
Debt securities at fair value through other comprehensive income	454,639,864	*408,367,375*	454,639,863	*408,367,375*
of which: issued by general governments	*242,684,161*	*242,684,161*	*242,684,161*	*242,684,161*
of which: issued by financial corporations	*201,268,178*	*154,995,689*	*201,268,178*	*154,995,689*
of which: issued by non-financial corporations	*10,687,525*	*10,687,525*	*10,687,524*	*10,687,525*
Loans and advances other than loans on demand	629,765,369	*629,765,369*	629,765,369	*629,765,369*
TOTAL	3,624,761,049	*3,233,183,929*	3,684,766,007	*3,288,083,228*

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C. SOURCES OF ENCUMBRANCE

	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	612,991,019	612,868,204	*0*
of which: central banks	*0*	*0*	*0*
Collateralised deposits other than repurchase agreements	704,885,085	705,427,622	*249,590,276*
of which: central banks	*704,885,085*	*705,427,622*	*249,590,276*
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***

	31/12/20		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	642,789,763	629,765,369	*0*
Repurchase agreements	662,579,520	657,014,039	*0*
of which: central banks	*0*	*0*	*0*
Collateralised deposits other than repurchase agreements	1,498,072,597	1,498,072,597	*211,998,447*
of which: central banks	*1,498,072,597*	*1,498,072,597*	*211,998,447*
Fair value of securities borrowed with non cash collateral	861,313,473	850,928,463	*0*
TOTAL	**3,664,755,353**	**3,635,780,468**	***211,998,447***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/19				
	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	606,337,323	0	606,337,323	606,337,323	0
Collateralised deposits other than repurchase agreements	704,885,085	0	704,885,085	704,885,085	0
TOTAL	**1,913,007,927**	**0**	**1,913,007,927**	**1,766,308,565**	**146,699,362**

Financial assets recognised at end of reporting period	31/12/20				
	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	235,263,017	0	235,263,017	94,778,817	140,484,200
Repurchase agreements	19,119,824	0	19,119,824	19,119,824	0
TOTAL	**254,382,841**	**0**	**254,382,841**	**113,898,641**	**140,484,200**

Financial liabilities recognised at end of reporting period	31/12/20				
	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	642,789,763	0	642,789,763	629,765,369	13,024,394
Repurchase agreements	662,579,521	0	662,579,521	657,014,039	5,565,482
Collateralised deposits other than repurchase agreements	1,498,072,597	0	1,498,072,597	1,498,072,597	0
TOTAL	**2,803,441,881**	**0**	**2,803,441,881**	**2,784,852,005**	**18,589,876**

12.4 Interest rate risk : breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/19			
	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	3,541,542,203	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	1,183,987,874	2,762,813	499,998	3,150,000
Loans and advances to customers	4,751,834,725	269,131,726	416,459,614	1,744,668,337
Financial investments measured at cost	639,868,598	73,930,430	149,320,678	2,330,452,746
Derivatives	644,351	809,123	159,845	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**10,234,198,794**	**364,903,308**	**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	1,190,400,685
Loans and advances to customers	7,525,738,701	0	14,707,833,103
Financial investments measured at cost	3,199,268,415	0	6,392,840,867
Derivatives	0	292,819,130	294,432,449
Fair value revaluation of portfolios hedged against interest rate risk	0	303,238	303,238
TOTAL	**10,966,388,561**	**369,048,381**	**27,366,882,837**

[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	31/12/20			
	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	4,245,324,853	0	0	0
Financial assets held for trading	33,847,984	102,212	982,045	12,720,177
Financial investments measured at fair value	46,091,077	23,384,446	33,749,499	614,110,207
Financial investments measured at fair value through other comprehensive income	*46,091,077*	*23,384,446*	*33,749,499*	*614,110,207*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	1,102,883,944	7	0	2,812,500
Loans and advances to customers	4,570,702,174	271,708,940	527,871,683	1,820,217,578
Financial investments measured at cost	516,484,193	117,349,739	399,297,871	2,527,410,723
Derivatives	0	1,723,479	130,656	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**10,515,334,225**	**414,268,823**	**962,031,754**	**4,977,271,185**

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	4,245,324,853
Financial assets held for trading	8,061,443	2,261	55,716,122
Financial investments measured at fair value	314,713,914	97,314,471	1,129,363,614
Financial investments measured at fair value through other comprehensive income	*314,713,914*	*76,309,137*	*1,108,358,280*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*21,005,334*	*21,005,334*
Loans and advances to credit institutions	0	0	1,105,696,451
Loans and advances to customers	8,221,810,523	0	15,412,310,898
Financial investments measured at cost	4,124,586,000	0	7,685,128,526
Derivatives	0	233,408,882	235,263,017
Fair value revaluation of portfolios hedged against interest rate risk	0	191,221	191,221
TOTAL	**12,669,171,880**	**330,916,835**	**29,868,994,702**

[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	558,667,918	561,237,162
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**	**572,356,846**	**26,059,967,703**

[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	31/12/20			
	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	1,313,952,704	864,974,559	425,649,418	1,518,428,915
Amounts due to customers	17,574,385,125	1,272,373,328	262,011,938	657,504,548
Other financial liabilities	9,222,212	1,339,925	2,618,370	11,279,072
Financial liabilities measured at fair value through profit or loss	277,241,596	14,159,379	95,021,320	242,322,541
Liabilities designated at fair value	*277,241,596*	*14,159,379*	*95,021,320*	*242,322,541*
Derivatives	0	3,363,229	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
Debt securities	1,025,138,257	3,004,211	82,413,774	1,442,308,930
Subordinated debts	48,542,881	0	0	0
TOTAL	**20,248,482,775**	**2,159,214,631**	**867,714,820**	**3,871,844,006**

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	49,950,314	0	4,172,955,910
Amounts due to customers	7,691,519	0	19,773,966,458
Other financial liabilities	3,472,760	0	27,932,339
Financial liabilities measured at fair value through profit or loss	305,806,732	0	934,551,568
Liabilities designated at fair value	*305,806,732*	*0*	*934,551,568*
Derivatives	0	639,426,534	642,789,763
Fair value revaluation of portfolios hedged against interest rate risk	0	2,433,523	2,433,523
Debt securities	230,238,205	0	2,783,103,377
Subordinated debts	82,077,306	0	130,620,187
TOTAL	**679,236,836**	**641,860,057**	**28,468,353,125**

C. NET POSITION	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	(8,620,561,076)	(1,613,755,343)	(769,038,521)	2,313,520,487	10,200,058,052	(203,308,465)

	31/12/20					
	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	(9,733,148,550)	(1,744,945,808)	94,316,934	1,105,427,179	11,989,935,044	(310,943,222)

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).

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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%)		**31/12/19**							
(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							

VaR (10 days, 99%)		**31/12/20**							
(in EUR million)		**Fixed Income & FOREX (TRADING)**				**Equity (TRADING)**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.17	0.14	0.16	0.16	0.01	0.00	0.00	0.00
	Maximum	0.29	0.21	0.65	0.52	0.07	0.01	0.00	0.02
Global Trading	Average	0.17							
	Maximum	0.65							
	End of period	0.03							
	Limit	2.00							

b. Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)	31/12/19				31/12/20			
	Treasury				Treasury			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	1.25	0.57	(1.20)	0.68	0.48	2.64	5.14	3.39
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)	31/12/19	13/12/20
Exposures	261	229
Interest rate sensitivity (+1 bp)	(0.01)	(0.00)
Credit spread sensitivity (+1 bp)	(0.05)	(0.07)

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).
For information, the investment portfolio is measured by a credit spread sensitivity measure.

(in EUR million)		2019							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(1)	12	(13)	(2)	(2)	(2)	(2)	(2)

(in EUR million)		2020							
		Interest rate [1 2]				Credit spread [4]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	18	49	7	(0)	(2)	(2)	(3)	(3)

b. Investment Portfolio HTC&S (in EUR million)

The portfolio's interest-rate is managed by the ALM.

(in EUR million)	2019	2020
Exposures	740	765
Interest rate sensitivity (+1 bp)	(0,01)	(0,02)
Credit spread sensitivity (+1 bp)	(0,33)	(0,37)

[1] Sensitivity (+1 %).
[2] On December 31, 2019, the interest rate sensitivity limit for BIL ALM reached EUR 119 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2020, the interest rate sensitivity limit for BIL ALM reached EUR 119 million per percent.

12.6 Liquidity risk : breakdown by residual maturity

BIL's approach to liquidity risk management is described under point 4. "Financial Market Risk" of the consolidated management report.

The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received. Presented by residual maturity, excluding derivatives and off-balance sheet.

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[2]	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[2]	588,373,168	341,862,539	171,847,982	85,167,128
Loans and advances to customers[2]	1,720,197,091	1,623,200,060	1,220,122,152	800,926,271
Financial investments measured at amortised cost[2]	0	78,660,782	203,745,914	656,787,506
Derivatives	644,351	236,913,741	32,794,857	21,255,436
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**5,854,733,448**	**2,299,517,335**	**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[2]	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[2]	0	3,149,868	0	1,190,400,685
Loans and advances to customers[2]	1,526,384,212	7,817,003,317	0	14,707,833,103
Financial investments measured at amortised cost[2]	1,987,261,652	3,466,385,013	0	6,392,840,867
Derivatives	9,859,543	(7,035,479)	0	294,432,449
Fair value revaluation of portfolios hedged against interest rate risk	303,238	0	0	303,238
TOTAL	**4,255,423,524**	**11,521,622,785**	**75,926,013**	**27,366,882,837**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

A. ASSETS	31/12/20			
	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[2]	4,245,324,853	0	0	0
Financial assets held for trading	6,980,984	709,898	7,973,741	12,304,484
Financial investments measured at fair value	0	23,384,446	36,208,751	388,967,361
Financial investments measured at fair value through other comprehensive income	*0*	*23,384,446*	*36,208,751*	*388,967,361*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions[2]	653,682,200	167,414,201	281,784,850	0
Loans and advances to customers[2]	2,463,617,521	2,100,578,993	849,279,891	371,578,950
Financial investments measured at amortised cost[2]	0	114,637,086	469,246,642	683,642,025
Derivatives	4,460,242	188,772,884	15,359,939	2,914,676
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**7,374,065,800**	**2,595,497,508**	**1,659,853,814**	**1,459,407,496**

	31/12/20			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits[2]	0	0	0	4,245,324,853
Financial assets held for trading	16,104,477	11,640,277	2,261	55,716,122
Financial investments measured at fair value	268,774,671	314,713,914	97,314,471	1,129,363,614
Financial investments measured at fair value through other comprehensive income	*268,774,671*	*314,713,914*	*76,309,137*	*1,108,358,280*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*21,005,334*	*21,005,334*
Loans and advances to credit institutions[2]	2,815,200	0	0	1,105,696,451
Loans and advances to customers[2]	1,405,445,020	8,221,810,523	0	15,412,310,898
Financial investments measured at amortised cost[2]	2,177,061,483	4,240,541,290	0	7,685,128,526
Derivatives	6,340,465	17,414,811	0	235,263,017
Fair value revaluation of portfolios hedged against interest rate risk	191,221	0	0	191,221
TOTAL	**3,876,732,537**	**12,806,120,815**	**97,316,732**	**29,868,994,702**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

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[2]	840,659,658	1,176,866,305	536,404,403	155,071,667
Amounts due to customers[2]	14,968,646,343	2,618,494,760	798,988,779	169,499,135
Other financial liabilities[2]	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[2]	12,969,322	66,752,822	173,117,894	370,662,876
Subordinated debts[2]	0	0	31,044,196	0
TOTAL	**15,822,275,323**	**4,137,588,293**	**1,704,313,265**	**923,269,598**

	31/12/19			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions[2]	333,288,465	53,551,115	0	3,095,841,613
Amounts due to customers[2]	430,841,254	577,087	0	18,987,047,358
Other financial liabilities[2]	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	165,677,866	0	561,237,162
Fair value revaluation of portfolios hedged against interest rate risk	199,737	0	0	13,688,928
Debt securities[2]	1,336,330,919	307,584,951	0	2,267,418,784
Subordinated debts[2]	0	138,035,616	0	169,079,812
TOTAL	**2,524,435,028**	**948,086,196**	**0**	**26,059,967,703**

1 Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
2 Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

B. LIABILITIES	31/12/20			
	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[2]	635,077,084	1,245,530,586	716,327,274	326,067,873
Amounts due to customers[2]	15,778,249,999	2,418,404,983	912,109,445	262,986,127
Other financial liabilities[2]	9,222,212	977,171	2,981,124	4,099,659
Financial liabilities measured at fair value through profit or loss	0	69,150,520	116,815,065	112,556,395
Liabilities designated at fair value	*0*	*69,150,520*	*116,815,065*	*112,556,395*
Derivatives	4,859,484	206,000,994	14,443,381	30,229,986
Fair value revaluation of portfolios hedged against interest rate risk	0	0	2,336,282	97,241
Debt securities[2]	12,426,231	47,069,164	309,484,476	764,311,891
Subordinated debts[2]	0	0	0	0
TOTAL	**16,439,835,010**	**3,987,133,418**	**2,074,497,047**	**1,500,349,172**

	31/12/20			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions[2]	1,200,002,779	49,950,314	0	4,172,955,910
Amounts due to customers[2]	394,518,421	7,697,483	0	19,773,966,458
Other financial liabilities[2]	7,179,413	3,472,760	0	27,932,339
Financial liabilities measured at fair value through profit or loss	316,183,211	319,846,377	0	934,551,568
Liabilities designated at fair value	*316,183,211*	*319,846,377*	*0*	*934,551,568*
Derivatives	94,202,660	293,053,258	0	642,789,763
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	2,433,523
Debt securities[2]	1,419,573,410	230,238,205	0	2,783,103,377
Subordinated debts[2]	0	130,620,187	0	130,620,187
TOTAL	**3,431,659,894**	**1,034,878,584**	**0**	**28,468,353,125**

C. NET POSITION	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	(9,967,541,875)	(1,838,070,958)	(39,988,802)	772,065,671	1,730,988,496	10,573,536,589	75,926,013

	31/12/20						
	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	(9,065,769,210)	(1,391,635,910)	(414,643,233)	(40,941,676)	445,072,643	11,771,242,231	97,316,732

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

D. CONTINGENT LIABILITIES AND COMMITMENTS	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 year and 5 years
Regular way trade	0	2.317.215.433	37.087.361	0	0
Guarantees	273.098	194.304.994	145.993.335	142.758.878	707.144.946
Loan commitments	145.937.736	62.980.825	211.597.889	164.060.914	336.590.032
Other commitments	1.281.457.087	212.047.976	320.366.748	597.734.617	1.328.149.824
TOTAL	**1.427.667.921**	**2.786.549.228**	**715.045.333**	**904.554.409**	**2.371.884.802**

	31/12/19		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	2,354,302,794
Guarantees	599,625,257	839,795,777	2,629,896,285
Loan commitments	875,813,420	1,344,642,160	3,141,622,976
Other commitments	8,122,015,176	224,848,560,606	236,710,332,034
TOTAL	**9,597,453,853**	**227,032,998,543**	**244,836,154,089**

	31/12/20				
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 year and 5 years
Regular way trade	0	1,032,323,778	11,837,930	0	0
Guarantees	718,055	181,021,110	282,501,100	280,403,091	570,988,624
Loan commitments	175,860,885	59,246,701	368,596,226	264,789,691	264,219,952
Other commitments	2,388,582,554	207,837,944	408,665,552	547,558,989	1,133,016,302
TOTAL	**2,565,161,494**	**1,480,429,533**	**1,071,600,808**	**1,092,751,771**	**1,968,224,878**

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	1,044,161,708
Guarantees	514,307,388	969,222,906	2,799,162,274
Loan commitments	747,816,091	1,316,791,149	3,197,320,695
Other commitments	8,263,452,261	225,459,179,533	238,408,293,135
TOTAL	**9,525,575,740**	**227,745,193,588**	**245,448,937,812**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

12.7 Currency risk

	31/12/19				
	EUR	Other EU currencies	USD	Other	Total
Assets	22,171,438,021	816,050,453	2,327,753,192	2,738,184,631	28,053,426,297
Liabilities	21,851,661,077	865,976,236	4,377,646,772	958,142,212	28,053,426,297
NET ON-BALANCE SHEET POSITION	**319,776,944**	**(49,925,783)**	**(2,049,893,580)**	**1,780,042,419**	**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)**

	31/12/20				
	EUR	Other EU currencies	USD	Other	Total
Assets	24,573,495,512	781,521,741	1,823,696,676	3,378,552,046	30,557,265,975
Liabilities	24,722,362,879	954,889,504	3,952,257,668	927,755,924	30,557,265,975
NET ON-BALANCE SHEET POSITION	**(148,867,367)**	**(173,367,763)**	**(2,128,560,992)**	**2,450,796,122**	**0**
Off-balance sheet – receivable	2,375,959,004	4,087,651,769	9,254,774,968	3,929,768,954	19,648,154,695
Off-balance sheet – payable	2,173,866,895	3,882,455,221	7,136,425,162	6,483,774,964	19,676,522,242
NET OFF-BALANCE SHEET POSITION	**202,092,109**	**205,196,548**	**2,118,349,806**	**(2,554,006,010)**	**(28,367,547)**

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12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/19	31/12/20
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,379,456,784**	**1,545,334,665**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,065,358,018**	**1,238,738,647**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result[1]	574,092,700	694,532,875
Regulatory and transitional adjustments	(415,370,913)	(362,430,459)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**139,098,766**	**131,596,018**
Subordinated liabilities	139,098,766	131,596,018
RISK WEIGHTED ASSETS	**8,542,978,422**	**9,219,579,108**
Credit Risk	7,520,015,896	8,204,306,871
Market Risk	48,879,950	31,005,559
Operational Risk	951,701,480	962,695,041
Credit Value Adjustments	22,381,096	21,571,637
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	12.47%	13.44%
Tier 1 ratio	14.52%	15.33%
Capital Adequacy ratio	16.15%	16.76%

[1] **REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1**	**31/12/19**	**31/12/20**
Goodwill and intangible assets	(230,867,591)	(202,932,961)
Deferred tax assets that rely on future probability	(172,223,392)	(153,657,377)
Fair value reserves related to gains or losses cash flow hedges	2,620,964	(122,668)
Gains or losses on liabilities at fair value resulting from own credit risk	(383,396)	(181,489)
Other regulatory adjustments	0	(27,066,175)
Additional Value Adjustment	(2,785,398)	(2,600,966)
Transitional provisions related to introduction of IFRS9[2]		32,861,178
IRB shortfall	(6,871,099)	
Defined benefit pension fund assets	(4,861,001)	(8,730,001)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	**(415,370,913)**	**(362,430,459)**

The figures are computed in accordance with the Basel III rules, the Capital Requirements Regulation (CRR) 575/2013 as amended and the CSSF Regulation 18-03.

[1] Eligible result is represented by partial inclusion of half-year 2020 result of EUR 36.2 million. Final binding solvency ratios including full-year 2020 result may differ.

[2] The solvency ratios are calculated in accordance with the transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873) applied starting September 30, 2020.

Financial statements of the parent company

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Audit report

To the Board of Directors of
Banque Internationale à Luxembourg S.A.

Report on the audit of the financial statements

OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg S.A. (the "Bank") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Bank's financial statements comprise:
- The balance sheet as at 31 December 2020;
- The statement of income for the year then ended;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The cash flow statement for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF).

Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 11.10 to the financial statements.

KEY AUDIT MATTERS

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

Key audit matter: Impairment of loans and advances to customers

At 31 December 2020, the gross loans and advances to customers of the Bank amount to EUR 15,425.5 million against which an impairment of EUR 285.7 million is recorded (see Note 7.4 to the financial statements).

Due to the specific situation of the Covid-19 crisis, ECL management overlays have been considered to anticipate expected credit loss downgrades in the near future so as to adapt the model to the current changes in economic conditions for an amount of EUR 13.8 million. Two ECL management overlays have been accounted for based on a one-notch downgrade for all exposures benefiting from a moratorium (whether matured or ongoing) as well as MidCorp exposures not already for benefiting from a moratorium (see Note 12.2 to the consolidated financial statements).

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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:

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

Refer to the Accounting policy Note 1.6.5 to the consolidated financial statements and to the Notes 7.4 and 12.2 to the financial statements as well as sections 2 and 6 of the Business Review and Results and section 3 of the Risk Management parts of the Consolidated Management Report.

How our audit addressed the Key audit matter

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

This included testing of:

- Entity level controls (including IT controls) and governance process over the ECL modelling process, including model review as well as the review of back-testing ECL model components (Probability of Default, macro-economic projection, loss rates) and ECL level;
- Controls over the incorporation of multiple economic scenarios related to ECL models by the Bank's Credit and Executive Committees;
- Controls over quarterly ECL variation analysis;
- Controls over the loan origination and monitoring processes;
- Controls of the valuation of collateral received (Lombard loans exposure);
- Controls over the computation of ECL Management overlays by the Bank's Credit and Executive Committees.

We also performed the following substantive audit procedures:

- With the support of our internal modelling specialists, we tested the assumptions, inputs and formulas used in ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models, as well as challenging the forward looking macro-economic scenarios especially considering the Covid-19 situation;
- We verified some key parameters to ensure accuracy of data inputs supporting the ECL models used by the Bank.

We tested a sample of loans and advances (including but not only an extended sample of loans included into the Bank Credit Watchlist and/or classified on stage 3) to:

- Form our own assessment as to whether they are classified in the appropriate bucket. We examined in a critical manner the assumptions used by the Bank to determine estimated recovery from any underlying collateral;
- Perform testing over the accuracy of a sample of key input data linked to the credit activity (nominal, interest rates, beneficiaries);
- Perform testing on the valuation and validity of guarantees and collateral received by the Bank to secure its exposures;
- Perform testing over the allocation of loans and advances into stages, including quarterly movements between stages, and the identification of defaulted loans and advances.

In light of the credit events linked to the pandemic and in addition to the above, we also performed specific procedures as follow:

- Testing of a sample of credit files under moratorium to ensure that forbearance consideration have been applied by the Bank in accordance with European Central Bank guidances;
- Assessing the ECL Management overlays methodology used by the Group and of the reasonableness of their levels.

Key audit matter: Deferred tax assets recognition and impairment

As at 31 December 2020, the deferred tax assets on tax losses carried forward recognised in the balance sheet amounts to EUR 162.8 million, of which EUR 60 million resulting from the loss incurred in 2011 by one of the former branches of the Bank in a foreign 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 1.22 to the consolidated financial statements and to Note 9.2 to the financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the Bank budget for the year 2021, approved by the Board of Directors, and the business plan prepared by the Bank for the period 2022-2028 as well as the assumptions made by the Bank to extrapolate the net income before tax beyond the horizon of the business plan;
- We reviewed the consistency and reasonableness of these assumptions including back-testing of the assumptions made at prior year end;
- We evaluated whether updates in the Luxembourg tax laws and regulations may have an impact on the assumptions made by the Management;
- For the deferred tax assets arising from tax losses carried forward from the former foreign country's branch, we reviewed the documentation supporting the conditions for such tax losses to be incorporated to the basis of the tax losses carried forward;
- We verified the arithmetical accuracy of the computations, including the corporate income tax rate used.

Key audit matter: Impairment of participation in Banque Internationale à Luxembourg (Suisse) SA

As at 31 December 2020, the Bank holds investment in its subsidiary Banque Internationale à Luxembourg (Suisse) SA for EUR 228.2 million which is impaired for an amount of EUR 53.3 million and thus presenting a carrying amount of EUR 174.9 million.

We considered the impairment of this subsidiary as a key audit matter as the Bank makes complex and subjective judgements in the determination of the recoverable amount of the investment.

The Bank uses the "Residual Income to Equity" approach to determine the recoverable amount. The assumptions are made by the Bank considering a five year period forecast with a terminal value on the net income after tax.

Refer to the Accounting policy Note 1.2 to the financial statements and to Note 7.8.1 to the financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the impairment valuation methodology applied by the Bank;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the nature of the activities of the investment;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model;
- We verified the arithmetical accuracy of the calculation performed by the Bank;
- We benchmarked the Bank's valuation results against other methodologies commonly used.

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

As at 31 December 2020, the fair value of level 3 equity investment amounts to EUR 76.4 million (recognised in "Financial investments measured at fair value") and EUR 53.9 million (recognised in "Investments in subsidaries and associates").

We consider the valuation of such investments as inherently complex due to the unavailability of prices on an active market, the limited or unavailability of observable data and the impact of Covid-19 which increased uncertainty in some industries (including the airline industry).

Refer to the Accounting policy Note 1.2 to the financial statements and to Notes 1.6.3.2/1.6.3.3 to the consolidated financial statements and to Notes 7.6 and 7.8.2 to the financial statements.

How our audit addressed the Key audit matter

We performed the following procedures:

- We obtained the fair valuation methodology applied by the Bank, specifically for an investment which operates in the airline industry. The latter valuation was mainly based on a "Sum Of The Parts" approach;
- We assessed through the use of our valuation experts whether or not the valuation methodology used by the Bank was in line with industry practice given the industry and structure of the investments;
- We reconciled the inputs used in the model of the Bank to supporting documentation;
- We assessed through the use of our valuation experts the reasonableness of the assumptions used by the Bank in the model which included, interalia, benchmarking key metrics;
- We verified the arithmetical accuracy of the calculation performed by the Bank.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the Consolidated management report and the Corporate Governance Statement but does not include the financial statements and our audit report thereon.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Corporate Governance Statement is included in the Consolidated management report. The information required by Article 70bis Paragraph (1) Letters c) and d) of the amended Law of 17 June 1992 on the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 13 December 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

PricewaterhouseCoopers, Société coopérative
Represented by

Electronically signed by:
Rima Adas

Electronically signed by:
Julie Batsch

Rima Adas   Julie Batsch

Luxembourg, 29 March 2021

Balance sheet

ASSETS (in EUR)		**Notes**	**01/01/19[1]**	**31/12/19[1]**	**31/12/20**
I.	Cash, balances with central banks and demand deposits	7.2	3,083,169,677	3,041,956,502	3,633,908,019
II.	Financial assets held for trading	7.5	126,889,819	63,537,620	55,716,122
III.	Financial investments measured at fair value	7.6	1,406,244,768	1,107,436,338	1,088,559,137
	Financial assets at fair value through other comprehensive income	*7.6.2*	*1,403,429,755*	*1,104,486,218*	*1,085,514,644*
	Non-trading financial assets mandatorily at fair value through profit or loss	*7.6.1*	*2,815,013*	*2,950,120*	*3,044,493*
IV.	Loans and advances to credit institutions	7.3	1,220,308,978	1,271,090,322	1,152,846,917
V.	Loans and advances to customers	7.4	13,263,084,837	14,467,922,613	15,139,778,610
VI.	Financial investments measured at amortised cost	7.7	5,039,541,719	6,253,145,680	7,526,364,479
VII.	Derivatives	9.1	206,542,477	294,395,590	239,604,794
VIII.	Fair value revaluation of portfolios hedged against interest rate risk		1,470,569	303,238	191,221
IX.	Investments in subsidiaries and associates	7.8	218,773,308	295,802,855	249,308,881
X.	Investment property	7.10	800,000	800,000	18,172,400
XI.	Property, plant and equipment	7.9	105,444,869	124,850,143	107,006,488
XII.	Intangible fixed assets	7.11	139,284,824	177,035,588	200,407,236
XIII.	Current tax assets	7.12	29,054	2,006	2,006
XIV.	Deferred tax assets	7.12/9.2	224,522,057	199,392,938	182,108,679
XV.	Other assets	7.13	56,578,857	71,040,870	72,229,607
XVI.	Non-current assets and disposal groups held for sale		14,541,000	0	0
TOTAL ASSETS			**25,107,226,813**	**27,368,712,303**	**29,666,204,596**

The notes are an integral part of these financial statements.

[1] Refer to note 1.3 for details of restatements made on opening and closing balances for the year 2019.

LIABILITIES (in EUR)		**Notes**	**01/01/19**[1]	**31/12/19**[1]	**31/12/20**
I.	Amounts due to credit institutions	8.1	3,195,542,470	3,188,681,155	4,230,514,492
II.	Amounts due to customers	8.2	16,796,602,776	18,240,205,520	18,897,292,282
III.	Other financial liabilities	8.3	0	23,406,317	16,135,709
IV.	Financial liabilities measured at fair value through profit or loss	8.4	832,445,114	923,354,039	934,551,568
	Liabilities designated at fair value		*832,445,114*	*923,354,039*	*934,551,568*
V.	Derivatives	9.1	420,114,250	558,989,721	639,814,933
VI.	Fair value revaluation of portfolios hedged against interest rate risk		24,826,064	13,688,928	2,433,523
VII.	Debt securities	8.5	1,933,985,745	2,267,418,784	2,783,103,377
VIII.	Subordinated debts	8.6	285,345,888	169,079,812	130,620,187
IX.	Provisions and other obligations	8.7	37,866,840	34,029,719	32,082,697
X.	Current tax liabilities	8.8	52,536	0	0
XI.	Other liabilities	8.9	226,285,909	190,525,141	165,773,452
TOTAL LIABILITIES			**23,753,067,592**	**25,609,379,136**	**27,832,322,220**

SHAREHOLDERS' EQUITY (in EUR)		**Notes**	**01/01/19**[1]	**31/12/19**[1]	**31/12/20**
XII.	Subscribed capital	9.4	141,212,330	146,108,270	146,108,270
XIII.	Share premium		708,216,940	760,527,961	760,527,961
XIV.	Treasury shares		(1,455,000)	0	0
XV.	Other equity instruments		0	173,592,617	173,592,617
XVI.	Reserves and retained earnings		428,827,858	418,484,497	579,065,892
XVII.	Net income		0	171,575,447	57,773,573
SHAREHOLDERS' EQUITY			**1,276,802,128**	**1,670,288,792**	**1,717,068,313**
XVIII.	Gains and losses not recognised in the consolidated statement of income		77,357,093	89,044,375	116,814,063
	Financial instruments at fair value through other comprehensive income		*89,268,216*	*96,619,308*	*117,022,504*
	Other reserves		*(11,911,123)*	*(7,574,933)*	*(208,441)*
GROUP EQUITY			**1,354,159,221**	**1,759,333,167**	**1,833,882,376**
TOTAL SHAREHOLDERS' EQUITY			**1,354,159,221**	**1,759,333,167**	**1,833,882,376**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**25,107,226,813**	**27,368,712,303**	**29,666,204,596**

The notes are an integral part of these financial statements.

[1] Refer to note 1.3 for details of restatements made on opening and closing balances for the year 2019.

Statement of income

(in EUR)		Notes	31/12/19[1]	31/12/20
I.	Interest and similar income	11.1	654,875,483	513,619,459
	of which : Interest revenue calculated using the effective interest method		*421,593,195*	*393,230,767*
II.	Interest and similar expenses	11.1	(350,130,592)	(215,505,964)
III.	Dividend income	11.2	4,213,676	4,521,467
IV.	Net trading income	11.3	58,477,930	7,548,272
V.	Net income on financial instruments measured at fair value and net result of hedge accounting	11.4	24,479,045	4,917,558
VI.	Net income on derecognition of financial instruments at amortised cost	11.5	12,482,305	21,747,659
VII.	Fee and commission income	11.6	205,186,082	205,976,534
VIII.	Fee and commission expenses	11.6	(27,547,275)	(26,430,359)
IX.	Other net income	11.7	(15,573,949)	(10,900,149)
REVENUES			**566,462,705**	**505,494,477**
X.	Staff expenses	11.8	(198,529,646)	(183,403,381)
XI.	General and administrative expenses	11.9	(107,540,416)	(125,167,776)
XII.	Amortisation of tangible, intangible and right-of-use assets	11.11	(44,176,704)	(51,436,151)
EXPENSES			**(350,246,766)**	**(360,007,308)**
GROSS OPERATING INCOME			**216,215,939**	**145,487,169**
XIII.	Impairments		(16,717,909)	(71,389,017)
	Net impairment on financial instruments and provisions for credit commitments	*11.12*	*(14,698,391)*	*(15,526,128)*
	Net impairment on participations in consolidated companies	*11.12*	*(1,450,000)*	*(55,721,321)*
	Net impairment of tangible, intangible and right-of-use assets		*(569,518)*	*(141,568)*
XIV.	Provisions for legal litigations	11.13	109,185	160,000
NET INCOME BEFORE TAX[2]			**199,607,215**	**74,258,152**
XV.	Tax expenses	11.14	(28,031,768)	(16,484,579)
NET INCOME			**171,575,447**	**57,773,573**

The notes are an integral part of these financial statements.

[1] Refer to note 1.3 for details of restatements for the year ended December 31, 2019.
[2] In accordance with the article 38-4 of the law of the financial sector, the return on assets for the Bank for the year ended December 31, 2020 is 0.19% (0.63% for the year ended December 31, 2019).

Statement of comprehensive income

(in EUR)	31/12/19[1]	31/12/20
NET INCOME RECOGNISED IN THE STATEMENT OF INCOME	171,575,447	57,773,573
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	58,775,128	27,769,687
Items that will not be reclassified to profit or loss	**11,814,989**	**28,876,071**
Actuarial gains (losses) on defined benefit pension plans	3,160,834	(2,180,712)
Fair value changes of financial liabilities at fair value through profit or loss attribuable to changes in their credit risk	3,113	(141,604)
Fair value changes of equity instruments measured at fair value through other comprehensive income	9,696,747	24,568,731
Fair value changes of land and buildings - transfer to investment property	0	8,429,830
Tax on items that will not be reclassified to profit or loss	(1,045,705)	(1,800,174)
Items that may be reclassified to profit or loss	**46,960,139**	**(1,106,384)**
Gains (losses) on net investment hedge	(119,002)	(16,458)
Translation adjustments	47,048,915	50,914
Gains (losses) on cash flow hedge	3,012,573	3,655,251
Fair value changes of debt instruments and loans and advances at fair value through other comprehensive income	(3,264,177)	(5,180,623)
Tax on items that may be reclassified to profit or loss	281,830	384,532
TOTAL COMPREHENSIVE INCOME, NET OF TAX	230,350,575	85,543,260

The notes are an integral part of these financial statements.

[1] Refer to note 1.3 for details of restatements for the year ended December 31, 2019.

Statement of changes in equity

SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Share Premium	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
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**
Impact of restatement[3]					(5,498,996)		(5,498,996)
As at 01/01/19	**141,212,330**	**708,216,940**	**(1,455,000)**	**0**	**342,238,252**	**86,589,606**	**1,276,802,128**
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					86,589,606	(86,589,606)	0
Coupon on Additional Tier One Instrument					(9,618,357)		(9,618,357)
Realised performance on equities at fair value through other comprehensive income					(63,386)		(63,386)
Net income						171,575,447	171,575,447
As at 31/12/19	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**418,484,497**	**171,575,447**	**1,670,288,792**

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[4]	Gains and losses not recognised in the statement of income
As at 31/12/18	**89,268,216**	**(5,783,524)**	**(6,086,054)**	**(47,129,391)**	**30,269,247**
Impact of restatement[1]				47,037,846	47,037,846
As at 01/01/19	**89,268,216**	**(5,783,524)**	**(6,086,054)**	**(91,545)**	**77,307,093**
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
Revaluation of investment properties upon reclassification from property, plant and equipment					0
Translation adjustments	(2)			11,069	11,067
Cancellation of fair value following fair value through other comprehensive income disposals	(583,481)				(583,481)
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)**	**(80,476)**	**89,044,375**

The notes are an 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 Refer to note 1.3 for details of restatements for the year 2019.
4 As at December 31, 2019, translation adjustments comprise an amount of EUR -222,228 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Share Premium	Treasury shares	Other equity instruments[1]	Reserves and retained earnings[2]	Net income	Shareholders' equity
As at 01/01/20	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**418,484,497**	**171,575,447**	**1,670,288,792**
Issuance of equity instruments							0
Cancellation of treasury shares							0
Classification of income					171,575,447	(171,575,447)	(0)
Coupon on Additional Tier One Instrument					(10,734,018)		(10,734,018)
Realised performance on equities at fair value through other comprehensive income					(260,034)		(260,034)
Net income						57,773,573	57,773,573
As at 31/12/20	**146,108,270**	**760,527,961**	**0**	**173,592,617**	**579,065,892**	**57,773,573**	**1,717,068,313**

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 01/01/20	**96,619,308**	**(3,695,248)**	**(3,799,209)**	**(80,476)**	**89,044,375**
Net change in fair value through equity - fair value through other comprehensive income	20,407,613				20,407,613
Net change in fair value through equity - cash flow hedges		2,731,278			2,731,278
Revaluation of investment properties upon reclassification from property, plant and equipment			6,327,430		6,327,430
Translation adjustments	11			50,915	50,926
Cancellation of fair value following fair value through other comprehensive income disposals	(4,428)				(4,428)
Net change in other reserves			(1,743,131)		(1,743,131)
As at 31/12/20	**117,022,504**	**(963,970)**	**785,090**	**(29,561)**	**116,814,063**

The notes are an 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.1

[2] Of which legal reserve for EUR 14.6 million.

[3] As at December 31, 2020, translation adjustments comprise an amount of EUR -99 686 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Cash flow statement

(in EUR)	Notes	31/12/19[1]	31/12/20
CASH FLOW FROM OPERATING ACTIVITIES			
Net income		171,575,447	57,773,573
Adjustment for :			
- Depreciation and amortisation	7.9 / 7.11	44,176,704	51,436,151
- Impairment on tangible assets, intangible assets, right-of-use assets and goodwill		569,518	141,568
- Impairment on bonds, equities and other assets	11.12	(11,264,281)	63,527,768
- Net gains / (losses) on investments	11.4 / 11.5	(68,615,660)	(2,442,341)
- Provisions (including ECL)	8.7 / 11.13	8,831,743	6,616,264
- Change in unrealised gains / (losses)	11.3	66,090	247,830
- Deferred taxes	11.14	28,047,007	16,484,579
- Other adjustments		(60,364)	0
- Changes in operating assets and liabilities		(363,409,705)	464,271,362
Transactions related to interbank and customers transactions		*59,353,187*	*1,085,021,694*
Transactions related to other financial assets and liabilities		*(378,333,199)*	*(579,164,085)*
Transactions related to other non-financial assets and liabilities		*(44,429,693)*	*(41,586,247)*
NET CASH FLOW FROM OPERATING ACTIVITIES		**(190,083,501)**	**658,056,754**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.9 / 7.11	(75,197,075)	(71,033,208)
Sale of fixed assets	7.9 / 7.11	4,948	4,959,043
Purchase of shares		(120,000)	0
Sale of shares		334,230	96,690
Acquisition of /capital increase on consolidated subsidiaries		(77,388,818)	(8,552,954)
Liquidation subsidiaries		89,237,947	0
NET CASH FLOW FROM INVESTING ACTIVITIES		**(63,128,768)**	**(74,530,429)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of new shares		58,000,343	0
Issuance of other equity instruments		173,592,617	0
Reimbursement of subordinated debts		(118,900,000)	(31,100,000)
Payments on lease liabilities		(3,128,794)	(4,241,196)
NET CASH FLOW FROM FINANCING ACTIVITIES		**109,564,166**	**(35,341,196)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**(143,648,103)**	**548,185,129**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**3,459,894,374**	**3,316,244,279**
Net cash flow from operating activities		(190,083,501)	658,056,754
Net cash flow from investing activities		(63,128,768)	(74,530,429)
Net cash flow from financing activities		109,564,166	(35,341,196)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		(1,992)	20,734
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**7.1**	**3,316,244,279**	**3,864,450,142**
ADDITIONAL INFORMATION			
Taxes paid		(10,241)	0
Dividends received	11.2	4,213,676	4,521,467
Interest received		645,572,987	566,297,940
Interest paid		(338,844,121)	(248,741,764)

The notes are an integral part of these financial statements.

[1] Refer to note 1.3 for details of restatements for the year ended December 31, 2019.

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.

CFS – Changes in liabilities arising from financing activities

(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**
Share premium	**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**

(in EUR)	As at 01/01/20	Acquisition – Reimbursement	Changes resulting from the acquisition or loss of subsidiary control	Foreign exchange movement	Other changes	As at 31/12/20
Subordinated debts	**170,198,766**	(31,100,000)	0	(7,502,748)	0	**131,596,018**
Subscribed capital	**146,108,270**	0	0	0	0	**146,108,270**
Share premium	**760,527,961**	0	0	0	0	**760,527,961**
Treasury shares	**0**	0	0	0	0	**0**
Other equity instruments	**173,592,617**	0	0	0	0	**173,592,617**

The notes are an integral part of these financial statements.

[1] Refer to note 1.3 for details of restatements made on opening and closing balances for the year 2019.

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 1
Accounting principles and rules of the financial statements

Note 2
Changes in branches and list of main subsidiaries and associates

2.1 Changes in branches
2.2 List of subsidiaries and associates

Note 3
Information by business segment

Note 4
Information by geographic area

Note 5
Post-balance sheet events

Note 6
Litigation

Note 7
Notes on the assets of the balance sheet (in EUR)

7.1 Cash and cash equivalents
7.2 Cash and balances with central banks
7.3 Loans and advances to credit institutions
7.4 Loans and advances to customers
7.5 Financial assets held for trading
7.6 Financial investments measured at fair value
7.7 Financial investments measured at amortised cost
7.8 Investments in subsidiaries and associates
7.9 Property, plant and equipment
7.10 Investment property
7.11 Intangible fixed assets
7.12 Tax assets
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7.14 Leasing
7.15 Quality of financial assets

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

8.1 Amounts due to credit institutions
8.2 Amounts due to customers
8.3 Other financial liabilities
8.4 Financial liabilities measured at fair value through profit or loss
8.5 Debt securities
8.6 Subordinated debts
8.7 Provisions and other obligations
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Note 9
Other notes on the balance sheet (in EUR)

9.1 Derivatives and hedging activities
9.2 Deferred tax
9.3 Related party transactions
9.4 Subscribed and authorised capital
9.5 Exchange rates

Note 10
Notes on the off-balance sheet items (in EUR)

10.1 Regular way trade
10.2 Guarantees
10.3 Loan commitments
10.4 Other commitments

Note 11

Notes on the statement of income (in EUR)

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 (in EUR)

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

Note 1: Accounting principles and rules of the financial statements

The accounting principles and rules applying to the parent company's financial statements are explained in detail in the note 1 to the consolidated financial statements herein except for specific information hereunder that applies solely to the parent's financial statements.

SPECIFIC INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY:

1.1 Statement of compliance

BIL's financial statements (parent company) have been prepared in accordance with all IFRS as adopted by the European Union (UE) and endorsed by the European Commission (EC) up to December 31, 2020 in accordance with the regulation applicable in Luxembourg and in particular the modified law of June 17, 1992 on the annual accounts of credit institutions.

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

1.2 Investment in subsidiaries and associates

Measurement of investments in subsidiairies and associates

Investments in subsidiaries fully consolidated are measured at cost and investments in associates are measured at fair value through other comprehensive income in accordance with IAS 27. The requirements of IAS 36 Impairment of assets apply to investments in subsidiaries measured at cost.

Hedging of consolidated participations denominated in foreign currency measured at cost

For its consolidated participations denominated in foreign currency and measured at cost, the Bank applied the fair value hedge in accordance with IAS 39 to hedge against the currency risk.

The carrying values of consolidated participations that are measured at cost and that are hedged items in fair valued hedges are adjusted to record changes in fair value attributable to the currency risks that are hedged.

1.3. Reclassifications and Restatements made in accordance with IAS 8

Compared to previous financial statements, in the financial statements as at December 31, 2020, BIL has:

(i) corrected the hedge accounting treatment of the foreign exchange risk from fully consolidated subsidiaries denominated in foreign currencies;

(ii) corrected the rollover assumption for credit usable in the form of fixed rate advances using the maturity of the rollover line instead of the maturity of the drawn amount impacting the amount of expected credit losses (ECL).

In addition, BIL has corrected the presentation of derivative instruments in the consolidated financial statements as at December 31, 2019 where the fair value of each derivative is presented net of upfront payments. The impact of the reclassification is disclosed in the table hereunder (corresponding notes are restated accordingly).

In accordance with IAS 8, the corrections made have been applied retrospectively and impact the financial position of BIL as disclosed in the table hereunder.

(in EUR)		01/01/19	01/01/19 restated	Impact of restatement on hedge accounting	Impact of restatement on ECL	Impact of reclassification of derivatives
IMPACT ON BALANCE SHEET						
IV.	Loans and advances to credit institutions	1,220,311,674	1,220,308,978		(2,696)	
V.	Loans and advances to customers	13,270,408,274	13,263,084,837		(7,323,437)	
VII.	Derivatives	288,703,842	206,542,477			(82,161,365)
IX.	Investments in subsidaries and associates	171,685,462	218,773,308	47,087,846		
XIV.	Deferred tax assets	222,694,920	224,522,057		1,827,137	
TOTAL ASSETS		**25,147,799,329**	**25,060,138,967**	**47,087,846**	**(5,498,996)**	**(82,161,365)**
III.	Derivatives	502,275,615	420,114,250			(82,161,365)
XVI.	Reserves and retained earnings	433,326,854	427,827,858		(5,498,996)	
XVIII.	Gains and losses not recognised in the consolidated statement of income	30,269,247	77,357,093	47,087,846		
	Other reserves	*(58,998,969)*	*(11,911,123)*	*47,087,846*		
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**25,147,799,329**	**25,060,138,967**	**47,087,846**	**(5,498,996)**	**(82,161,365)**

(in EUR)		31/12/19	31/12/19 restated	Impact of restatement on hedge accounting	Impact of restatement on ECL	Impact of reclassification of derivatives
IMPACT ON BALANCE SHEET						
IV.	Loans and advances to credit institutions	1,271,324,225	1,271,090,322		(233,903)	
V.	Loans and advances to customers	14,476,238,696	14,467,922,613		(8,316,083)	
VII.	Derivatives	334,943,947	294,395,590			(40,548,357)
IX.	Investments in subsidaries and associates	242,396,603	295,802,855	53,406,252		
XIV.	Deferred tax assets	197,260,572	199,392,938		2,132,366	
TOTAL ASSETS		**27,362,272,029**	**27,315,306,051**	**53,406,252**	**(6,417,620)**	**(40,548,357)**
III.	Derivatives	599,538,078	558,989,721			(40,548,357)
XVI.	Reserves and retained earnings	423,983,493	418,484,497		(5,498,996)	
XVIII.	Gains and losses not recognised in the consolidated statement of income	35,638,123	89,044,375	53,406,252		
	Other reserves	*(60,981,185)*	*(7,574,933)*	*53,406,252*		
XXI.	Net income	172,494,072	171,575,447		(918,625)	
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**27,362,272,029**	**27,315,306,051**	**53,406,252**	**(6,417,621)**	**(40,548,357)**
IMPACT ON STATEMENT OF INCOME						
XIII.	Impairments on financial instruments and provisions for credit commitments	(15,494,056)	(16,717,909)		(1,223,853)	
NET INCOME BEFORE TAX		**200,831,069**	**199,607,215**	**0**	**(1,223,853)**	**0**
XVI.	Tax expenses	(28,336,997)	(28,031,768)		305,229	
NET INCOME		**172,494,072**	**171,575,447**	**0**	**305,229**	**0**

Note 2: Changes in branches and list of main subsidiaries and associates

2.1 Changes in branches

Opening
None

Closing
None[1]

[1] The Board of Directors of BIL decided on July 23, 2020 to close the Dubai branch. The Dubai Financial Services Authority approved the withdrawal of the financial services licence of the branch with effective date February 22, 2021. The Dubai branch is expected to close down by end of the first semester of 2021.

2.2 List of subsidiaries and associates

Subsidiaries and associates

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 S.A.	10, rue Henri Schnadt L-2530 Luxembourg	100
BIL Fund & Corporate Services S.A.	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
BIL Wealth Management Limited (formerly Sino Suisse Financial Group (Hong Kong) Limited until February 26, 2020)	8707A, 87/F International Commerce Centre 1 Austin Road West Kowloon, Hong Kong	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 S.A.	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 S.à r.l.	42, rue de la Vallée L-2661 Luxembourg	100
Société de la Bourse de Luxembourg S.A.	35A, boulevard Joseph II L-1840 Luxembourg	21.41
Société du 25 juillet 2013 S.A. (in liquidation)	54-56 avenue Hoche F-75008 Paris	100
Société Luxembourgeoise de Leasing - BIL-LEASE S.A.	42, rue de la Vallée L-2661 Luxembourg	100
Valon S.A.	42, rue de la Vallée L-2661 Luxembourg	100

Branches

Name	Head office	% of capital held
BIL Danmark, filial af Banque Internationale à Luxembourg S.A.	Grønningen 17, 2. 1270 København K.	100
BIL Dubai Branch	Gate Village Building 2 PO Box 50 68 81	100

Note 3: Information by business segment

Please refer to Note 3 of the consolidated financial statements.

INCOME (in EUR thousands)	31/12/19				
	Revenues	***of which interest and dividend income***	***of which fee income***	***of which other net income***	**Net income before tax**
Retail, Corporate and Wealth Management	488,362	*297,603*	*182,165*	*8,594*	153,185
Financial Markets	40,791	*23,159*	*(16)*	*17,649*	21,580
Group Center	37,310	*(11,803)*	*(4,510)*	*53,622*	24,842
TOTAL	**566,463**	***308,959***	***177,639***	***79,865***	**199,607**
Net income before tax					199,607
Tax expenses					(28,032)
NET INCOME					**171,575**

	31/12/20				
	Revenues	***of which interest and dividend income***	***of which fee income***	***of which other net income***	**Net income before tax**
Retail, Corporate and Wealth Management	488,347	*297,119*	*181,192*	*10,037*	114,151
Financial Markets	44,619	*20,487*	*502*	*23,629*	24,010
Group Center	(27,472)	*(14,971)*	*(2,148)*	*(10,353)*	(63,903)
TOTAL	**505,494**	***302,635***	***179,546***	***23,313***	**74,258**
Net income before tax					74,258
Tax expenses					(16,485)
NET INCOME					**57,773**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/19		31/12/20	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	14,467,923	19,629,736	15,139,779	20,233,576
Financial Markets	11,977,331	4,900,995	13,617,988	6,489,804
Group Center	923,458	1,078,648	908,438	1,108,942
TOTAL	**27,368,712**	**25,609,379**	**29,666,205**	**27,832,322**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/19				
	Capital expenditures[1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(34,930)	(123,379)	107,282	0
Financial Markets	76,622	(2,505)	(85)	34	0
Group Center		(6,742)	(570)	0	(14,733)
TOTAL	**76,622**	**(44,177)**	**(124,034)**	**107,316**	**(14,733)**

	31/12/20				
	Capital expenditures[1]	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management		(38,839)	(198,902)	136,153	0
Financial Markets	75,908	(1,934)	(79)	85	0
Group Center		(10,663)	(55,842)	47,196	(8,482)
TOTAL	**75,908**	**(51,436)**	**(254,823)**	**183,434**	**(8,482)**

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.

[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.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

Note 4: Information by geographic area

GEOGRAPHIC BREAKDOWN (in EUR thousands)	**Denmark**	**Luxembourg**	**United Arab Emirates**	**TOTAL**
Staff (in average FTE)	48	1,773	12	1,833
Revenues	10,656	553,472	2,335	566,463
Net income before tax	(1,023)	202,532	(1,902)	199,607
Tax expenses	200	(28,232)	0	(28,032)
NET INCOME AS AT 31/12/19	**(823)**	**174,300**	**(1,902)**	**171,575**
Staff (in average FTE)	47	1,735	2	1,784
Revenues	8,913	493,756	2,826	505,495
Net income before tax	(1,865)	77,240	(1,117)	74,258
Tax expenses	0	(16,485)	0	(16,485)
NET INCOME AS AT 31/12/20	**(1,865)**	**60,755**	**(1,117)**	**57,773**

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

Note 5: Post-balance sheet events

Please refer to Note 5 of the Consolidated Financial Statements 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 setup put in place by BLMIS that culminated in its collapse. Some of these clawback actions were brought against Banque Internationale à Luxembourg S.A. and its subsidiary Banque Internationale à Luxembourg (Suisse) S.A., the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 72 million, most of which corresponds to investments made by Banque Internationale à Luxembourg S.A. on behalf of third parties.

With regards to the legal proceedings initiated by the liquidators of certain feeder funds, the Bankruptcy Court dismissed the Common Law Claims and the Contract Claims, but declined to dismiss the BVI Insolvency Claims based on the grounds raised by the defendants. The Bankruptcy Court also declined to dismiss claims for constructive trust against so-called Knowledge Defendants, i.e., specific defendants alleged to have had knowledge of the Madoff fraud. BIL is alleged to be Knowledge Defendant in two cases because, it is alleged, the knowledge of a specific intermediary should be attributed to BIL (among many other defendants). The decision to dismiss the Common Law Claims and the Contract Claims is on appeal to the District Court (Judge Broderick). Briefing on this appeal was completed in April 2020, but no decision has been issued yet. In the meantime, the defendants filed a second motion to dismiss directed at the BVI Insolvency Claims and the Bankruptcy Court has decided to dismiss those claims as well. This decision is expected to be appealed to the District Court. The only claim remaining against BIL is a claim for constructive trust (based on the allegation that BIL is a Knowledge Defendant). This claim is expected to be addressed in a cross-appeal to the District Court, and there may also be another motion to dismiss in the Bankruptcy Court as to this claim.

With regards to the Madoff subsequent transferee action: this action had been dismissed by the Bankruptcy Court on the grounds of comity/extraterritoriality but the Second Circuit Court of Appeals reversed the decision in February 2019. Following an unsuccessful petition for certiorari (permission to appeal) to the US Supreme Court, this action has now been returned to the Bankruptcy Court for further proceedings. Although no formal stay has been entered, there has been no activity in the case because the Bankruptcy Court appears to be waiting for the outcome of appeals in two other cases dealing with the "good faith" defence. These appeals are likely to be decided in 2021.

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, 2020, no material provision for clawback actions has been made. One client is remaining from those who invested in products linked to Mr Madoff and who also have 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	31/12/19	31/12/20
Cash and balances with central banks[1]	2,933,092,347	3,525,177,698
Other demand deposits	110,835,627	111,875,397
Loans and advances to credit institutions	272,316,305	227,397,047
TOTAL	**3,316,244,279**	**3,864,450,142**

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

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

[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 16, 2020 to January 26, 2021 amounts to EUR 200,979,028.

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7.2 Cash and balances with central banks and demand deposits

ANALYSIS BY NATURE	31/12/19	31/12/20
Cash in hand	61,511,972	52,290,745
Balances with central banks other than mandatory reserve deposits	1,925,813,152	2,387,519,615
Mandatory reserve deposits	943,795,751	1,082,222,263
Other demand deposits	110,835,627	111,875,396
TOTAL	**3,041,956,502**	**3,633,908,019**
of which included in cash and cash equivalents	*3,043,927,974*	*3,637,053,095*

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	31/12/19	31/12/20
Cash collateral	441,322,575	613,315,494
Reverse repurchase agreements	0	19,119,824
Loans and other advances	830,089,785	520,826,926
Less:		
Impairment stage 1	(33,717)	(298,378)
Impairment stage 2	(288,321)	(116,949)
Impairment stage 3	0	0
TOTAL	**1,271,090,322**	**1,152,846,917**
of which included in cash and cash equivalents	*272,316,305*	*227,397,047*

B. QUALITATIVE ANALYSIS

see Note 7.15 and 12.3

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	31/12/19	31/12/20
Public sector	97,033,312	33,391,669
Other	14,075,247,725	14,661,831,920
Stage 3 impaired loans	569,049,991	730,266,429
Less:		
impairment stage 1	(41,182,750)	(41,830,466)
impairment stage 2	(12,887,209)	(25,055,647)
impairment stage 3	(219,338,456)	(218,825,295)
TOTAL	**14,467,922,613**	**15,139,778,610**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
On demand and short notice	347,815,569	100,174,456
Other term loans	14,120,107,044	15,039,604,154
of which: loans collateralised by immovable property	*9,497,308,244*	*10,713,987,965*
of which: consumer credits	*263,721,438*	*251,820,629*
TOTAL	**14,467,922,613**	**15,139,778,610**

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	31/12/19	31/12/20
Public sector	17,227,623	17,495,905
Credit institutions	34,137,238	32,568,941
Other	12,172,759	5,651,276
TOTAL	63,537,620	55,716,122

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	17,227,623	17,495,905
Other bonds and fixed-income instruments	46,207,399	38,217,956
Equities and other variable income instruments	102,598	2,261
TOTAL	63,537,620	55,716,122

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

	31/12/19	31/12/20
Non-trading financial investments mandatorily at air value through profit or loss	2,950,120	3,044,493
Financial investments at fair value through other comprehensive income	1,104,486,218	1,085,514,644
TOTAL	1,107,436,338	1,088,559,137

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

A. ANALYSIS BY COUNTERPART	31/12/19	31/12/20
Public sector	0	0
Credit institutions	0	0
Other	2,950,120	3,044,493
TOTAL	2,950,120	3,044,493

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	0	0
Other bonds and fixed-income instruments	0	0
Equity and variable-income instruments	2,950,120	3,044,493
TOTAL	2,950,120	3,044,493

C. QUALITATIVE ANALYSIS

see Note 7.15 and 12.1

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	31/12/19	31/12/20
Public sector	772,542,327	739,665,714
Debt securities	*772,542,327*	*739,665,714*
Credit institutions	239,863,777	179,285,937
Debt securities	*239,863,777*	*179,285,937*
Other	92,153,949	166,630,364
Debt securities	*40,496,274*	*90,404,448*
Equity instruments	*51,657,675*	*76,225,916*
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENTS	**1,104,560,053**	**1,085,582,015**
Less :		
impairments	(73,835)	(67,371)
TOTAL FINANCIAL INVESTMENTS	**1,104,486,218**	**1,085,514,644**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	772,542,327	739,665,714
Other bonds and fixed-income instruments	280,360,051	269,690,385
Equity and variable-income instruments	51,657,675	76,225,916
TOTAL FINANCIAL INVESTMENTS BEFORE IMPAIRMENTS	**1,104,560,053**	**1,085,582,015**
Impairments	(73,835)	(67,371)
TOTAL FINANCIAL INVESTMENTS	**1,104,486,218**	**1,085,514,644**

C. QUALITATIVE ANALYSIS

see Note 7.15 and 12.1

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	31/12/19	31/12/20
Public sector	3,684,065,396	4,885,303,542
Credit institutions	1,638,623,537	1,383,430,802
Other	944,806,885	1,276,460,115
Less :		
impairment stage 1	(1,144,815)	(2,594,787)
impairment stage 2	(638,938)	(884,858)
impairment stage 3	(12,566,385)	(15,350,335)
TOTAL	**6,253,145,680**	**7,526,364,479**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Bonds issued by public bodies	3,683,273,985	4,883,414,346
Other bonds and fixed-income instruments	2,569,871,695	2,642,950,133
TOTAL	**6,253,145,680**	**7,526,364,479**

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

	31/12/19	31/12/20
NET CARRYING VALUE	**295,802,855**	**249,308,881**

7.8.1 Investment in subsidiaries (measured at cost)

A. ANALYSIS BY COUNTERPART	31/12/19	31/12/20
Banks[1]	227,077,245	174,943,306
Other	15,026,141	20,462,691
TOTAL	**242,103,386**	**195,405,997**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Unlisted equities and other variable-income instruments	242,103,386	195,405,997
TOTAL	**242,103,386**	**195,405,997**

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

A. ANALYSIS BY COUNTERPART	31/12/19	31/12/20
Other	53,699,469	53,902,884
TOTAL	**53,699,469**	**53,902,884**

B. ANALYSIS BY NATURE	31/12/19	31/12/20
Unlisted equities and other variable-income instruments	53,699,469	53,902,884
TOTAL	**53,699,469**	**53,902,884**

[1] Corresponds to the participation into BIL Suisse S.A. for a gross carrying amount of EUR 228,233,285 (including a fair value hedge adjustment of EUR 54,562,292) before impairment and a net carrying amount to EUR 174,943,306 after impairment.
In December 2020, the Bank booked an impairment on its participation into BIL Suisse for an amount of EUR 53,289,979 (CHF 57,571,829) (including a fair value hedge effect of EUR 12,739,701). The value of the participation is adjusted from EUR 173, 670, 993 (CHF 246, 571, 826) to EUR 133,120, 715 (CHF 188,999,997) based on historical foreign exchange rate. The fair value hedge relation has been adjusted accordingly (impact of EUR 53, 406, 252 as at December 31, 2019 and EUR 41, 822, 591 as at December 31, 2020 on the value of the participation).
The impairment was determined based on the fair value less costs of disposal as the recoverable amount is calculated using the "residual income to equity" valuation methodology. The fair value is estimated to CHF 189 million.

7.9 Property, plant and equipment

	Land and buildings		Office furniture and other equipment	Total
	Own use owner	Right-of-use	Own use owner	
ACQUISITION COST AS AT 01/01/19	**328,484,711**	**25,506,049**	**120,065,241**	**474,056,001**
- Acquisitions	5,460,145	1,424,991	2,281,184	9,166,320
- Disposals	0	0	(66,301)	(66,301)
- Transfers and cancellations	(41,097)	1,234,800	(5,550)	1,188,153
- Translation adjustments	5,691	10,385	2,089	18,165
ACQUISITION COST AS AT 31/12/19 (A)	**333,909,450**	**28,176,225**	**122,276,663**	**484,362,338**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/19	**(232,417,177)**	**0**	**(110,687,906)**	**(343,105,083)**
- Booked	(8,075,461)	(5,878,050)	(1,793,755)	(15,747,266)
- Recognised	0	706,007	0	706,007
- Written-off	0	0	61,353	61,353
- Transfers and cancellations	(192,247)	(1,234,800)	5,550	(1,421,497)
- Translation adjustments	(5,394)	891	(1,206)	(5,709)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/19 (B)	**(240,690,279)**	**(6,405,952)**	**(112,415,964)**	**(359,512,195)**
NET CARRYING VALUE AS AT 31/12/19 (A) + (B)	**93,219,171**	**21,770,273**	**9,860,699**	**124,850,143**

	Land and buildings		Office furniture and other equipment	Total
	Own use owner	Right-of-use	Own use owner	
ACQUISITION COST AS AT 01/01/20	**333,909,450**	**28,176,225**	**122,276,663**	**484,362,338**
- Acquisitions	3,771,152	843,610	6,406,709	11,021,471
- Disposals	(8,352,788)	0	(69,140)	(8,421,928)
- Transfers and cancellations	(11,936,924)	(3,542,305)	(48,365)	(15,527,594)
- Translation adjustments	(27,044)	(34,869)	(6,105)	(68,018)
ACQUISITION COST AS AT 31/12/20 (A)	**317,363,846**	**25,442,661**	**128,559,762**	**471,366,269**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	**(240,690,279)**	**(6,405,952)**	**(112,415,964)**	**(359,512,195)**
- Booked	(6,634,478)	(4,436,604)	(3,885,126)	(14,956,208)
- Recognised	0	0	0	0
- Written-off	5,905,226	0	0	5,905,226
- Transfers and cancellations	3,980,176	0	159,995	4,140,171
- Translation adjustments	26,536	30,673	6,016	63,225
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	**(237,412,819)**	**(10,811,883)**	**(116,135,079)**	**(364,359,781)**
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	**79,951,027**	**14,630,778**	**12,424,683**	**107,006,488**

7.10 Investment property

A. NET CARRYING VALUE	2019	2020
ACQUISITION COST AS AT JANUARY 1	88,828	88,828
- Acquisitions[1]	0	862,400
- Transfers and cancellations[2]	0	16,510,000
ACQUISITION COST AS AT DECEMBER 31 (A)	88,828	17,461,228
FAIR VALUE ADJUSTMENTS AS AT JANUARY 1	711,172	711,172
- Revaluation Investment Property	0	0
FAIR VALUE ADJUSTMENTS AS AT DECEMBER 31 (B)	711,172	711,172
NET CARRYING VALUE AS AT 31/12 (A) + (B)	800,000	18,172,400

7.11 Intangible fixed assets

	Software / internally developped	Other intangible fixed assets[3]	Total
ACQUISITION COST AS AT 01/01/19	210,612,878	97,297,208	307,910,086
Acquisitions	58,522,389	8,933,355	67,455,744
Transfers and cancellations	0	0	0
Translation adjustments	0	(139)	(139)
ACQUISITION COST AS AT 31/12/19 (A)	269,135,267	106,230,424	375,365,691
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	121	121
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/19 (B)	(157,316,631)	(41,013,472)	(198,330,103)
NET CARRYING VALUE AS AT 31/12/19 (A) + (B)	111,818,636	65,216,952	177,035,588

	Software / internally developped	Other intangible fixed assets[3]	Total
ACQUISITION COST AS AT 01/01/20	269,135,267	106,230,424	375,365,691
Acquisitions	52,804,942	7,188,005	59,992,947
Transfers and cancellations	0	0	0
Translation adjustments	0	1,092	1,092
ACQUISITION COST AS AT 31/12/20 (A)	321,940,209	113,419,521	435,359,730
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/20	(157,316,631)	(41,013,472)	(198,330,103)
Booked	(22,718,164)	(13,903,347)	(36,621,511)
Transfers and cancellations	0	0	0
Translation adjustments	0	(880)	(880)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/20 (B)	(180,034,795)	(54,917,699)	(234,952,494)
NET CARRYING VALUE AS AT 31/12/20 (A) + (B)	141,905,414	58,501,822	200,407,236

[1] Acquisitions made in 2020 are initially recognised at their fair value. No fair value adjustment was made in 2020 as the acquisition cost represents the best estimate of fair value as at December 31, 2020.

[2] During the second semester of 2020, BIL reclassified a portion of its own-occupied property classified under property, plant and equipment to investment property for an amount of EUR 16,510,000. This amount comprises a net book value of EUR 8,080,170 under cost method before transfer and a revaluation of EUR 8,429,830 recognised in other comprehensive income. The fair value revaluation was estimated based on an independent expert valuation.

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

7.12 Tax assets

	31/12/19	31/12/20
Current tax assets	2,006	2,006
Deferred tax assets (see Note 9.2)	199,392,938	182,108,679
TOTAL	**199,394,944**	**182,110,685**

7.13 Other assets

	31/12/19	31/12/20
Other assets*	71,040,870	72,229,607
TOTAL	**71,040,870**	**72,229,607**

*ANALYSIS BY NATURE	31/12/19	31/12/20
Receivables	4,369,076	3,922,908
Prepaid fees	1,350,542	2,585,252
Other receivables[1]	41,785,598	30,634,725
Pension plan assets	4,781,001	8,730,001
Precious metals	353	0
Operating taxes	2,921,224	6,021,928
Other assets[1]	15,833,076	20,334,793
TOTAL	**71,040,870**	**72,229,607**

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

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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, 2020.

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, 2020.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease	31/12/19	31/12/20
Less than 1 year	328,700	199,959
More than 1 year and less than 5 years	0	0
More than 5 years	223,559	208,679
TOTAL	**552,259**	**408,638**

Lease and sublease payments recognised as an expense during the financial year:	376,282	272,213
TOTAL	**376,282**	**272,213**

As at December 31, 2020, 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 2020, the lease expenses related to low-value assets amounts to EUR 460,201.

7.15 Quality of financial assets

7.15.1 Loans and securities by stage

	31/12/19		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Loans and advances to credit institutions	1,269,694,740	(33,717)	1,269,661,023
Loans and advances to customers	11,808,049,735	(41,182,750)	11,766,866,985
Debt securities	7,056,390,788	(1,151,170)	7,055,239,618
Stage 1	**20,134,135,263**	**(42,367,637)**	**20,091,767,626**
Loans and advances to credit institutions	1,717,620	(288,321)	1,429,299
Loans and advances to customers	2,364,231,302	(12,887,209)	2,351,344,093
Debt securities	242,247,705	(706,418)	241,541,287
Stage 2	**2,608,196,627**	**(13,881,948)**	**2,594,314,679**
Loans and advances to credit institutions	0	0	0
Loans and advances to customers	569,049,991	(219,338,456)	349,711,535
Debt securities	21,759,703	(12,566,385)	9,193,318
Stage 3	**590,809,694**	**(231,904,841)**	**358,904,853**
TOTAL	**23,333,141,584**	**(288,154,426)**	**23,044,987,158**

	31/12/20		
	Gross carrying amount	Accumulated impairment	Net carrying amount
Loans and advances to credit institutions	1,129,053,067	(298,378)	1,128,754,689
Loans and advances to customers	12,070,854,541	(41,830,466)	12,029,024,075
Debt securities	8,151,453,909	(2,662,158)	8,148,791,751
Stage 1	**21,351,361,517**	**(44,791,002)**	**21,306,570,515**
Loans and advances to credit institutions	24,209,177	(116,949)	24,092,228
Loans and advances to customers	2,624,369,048	(25,055,647)	2,599,313,401
Debt securities	381,111,352	(884,858)	380,226,494
Stage 2	**3,029,689,577**	**(26,057,454)**	**3,003,632,123**
Loans and advances to credit institutions	0	0	0
Loans and advances to customers	730,266,429	(218,825,295)	511,441,134
Debt securities	21,985,297	(15,350,335)	6,634,962
Stage 3	**752,251,726**	**(234,175,630)**	**518,076,096**
TOTAL	**25,133,302,820**	**(305,024,086)**	**24,828,278,734**

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

	2019			
	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**
From Stage 1 to Stage 2	(120,592,378)	120,592,378		0
From Stage 2 to Stage 1	232,516,210	(232,516,210)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination	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 (fair value hedge and FVOCI)	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**

	2019			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**11,892,731,176**	**2,264,197,161**	**590,785,818**	**14,747,714,155**
From Stage 1 to Stage 2	(717,722,386)	717,722,386		0
From Stage 2 to Stage 1	518,487,534	(518,487,534)		0
From Stage 2 to Stage 3		(44,133,524)	44,133,524	0
From Stage 3 to Stage 2		5,732,563	(5,732,563)	0
From Stage 1 to Stage 3	(45,991,505)		45,991,505	0
From Stage 3 to Stage 1	18,185,273		(18,185,273)	0
Origination / Increase	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	(2,845,095,752)	(550,515,993)	(133,753,172)	(3,529,364,917)
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 (Fair value hedge)	4,295,040	0	0	4,295,040
Write-offs	0	0	(14,885,313)	(14,885,313)
Conversion difference (FX change)	33,829,786	8,189,846	1,970,888	43,990,520
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**

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
DEBT SECURITIES AS AT JANUARY 1	**7,056,390,788**	**242,247,705**	**21,759,703**	**7,320,398,196**
From Stage 1 to Stage 2	(277,418,622)	277,418,622		0
From Stage 2 to Stage 1	144,263,405	(144,263,405)		0
From Stage 2 to Stage 3		0	0	0
From Stage 3 to Stage 2		0	0	0
From Stage 1 to Stage 3	0		0	0
From Stage 3 to Stage 1	0		0	0
Origination	0	0	0	0
Purchase	2,859,803,121	37,562,910	0	2,897,366,031
Derecognition during the period other than write-offs	(1,653,258,982)	(30,060,000)	0	(1,683,318,982)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	(5,911,407)	946,009	0	(4,965,398)
Changes in premium / discount	12,937,683	(4,712,134)	0	8,225,549
Changes in fair value (fair value hedge and FVOCI)	67,927,106	6,138,984	0	74,066,090
Write-offs	0	0	0	0
Conversion difference (FX change)	(53,279,183)	(4,167,339)	225,594	(57,220,928)
Other movements	0	0	0	0
DEBT SECURITIES AS AT DECEMBER 31	**8,151,453,909**	**381,111,352**	**21,985,297**	**8,554,550,558**

	2020			
	Outstanding amounts			
	Stage 1	Stage 2	Stage 3	Total
LOANS AND ADVANCES AS AT JANUARY 1	**13,077,744,475**	**2,365,948,922**	**569,049,991**	**16,012,743,388**
From Stage 1 to Stage 2	(941,407,840)	941,407,840		0
From Stage 2 to Stage 1	550,065,666	(550,065,666)		0
From Stage 2 to Stage 3		(111,137,982)	111,137,982	0
From Stage 3 to Stage 2		18,028,632	(18,028,632)	0
From Stage 1 to Stage 3	(194,354,395)		194,354,395	0
From Stage 3 to Stage 1	29,860,291		(29,860,291)	0
Origination / Increase	4,271,415,582	415,953,913	31,665,665	4,719,035,160
Purchase	0	0	0	0
Derecognition during the period other than write-offs	(3,576,830,380)	(430,456,351)	(112,027,463)	(4,119,314,194)
Modification of contractual cash flows	0	0	0	0
Changes in interest accrual	(2,235,681)	(161,001)	0	(2,396,682)
Changes in premium / discount	114,063	0	0	114,063
Changes in fair value (Fair value hedge)	(2,287,961)	6,505,541	0	4,217,580
Write-offs	0	0	(13,976,772)	(13,976,772)
Conversion difference (FX change)	(12,176,212)	(7,445,623)	(2,048,446)	(21,670,281)
Other movements	0	0	0	0
LOANS AND ADVANCES AS AT DECEMBER 31	**13,199,907,608**	**2,648,578,225**	**730,266,429**	**16,578,752,262**

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

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/19	31/12/20
On demand	444,676,767	444,742,913
Term	554,565,906	168,640,707
Cash collateral	65,225,159	62,238,444
Repurchase agreements	612,991,019	662,579,521
Central banks[1]	708,718,466	1,500,269,752
Other borrowings[2]	802,503,838	1,392,043,155
TOTAL	**3,188,681,155**	**4,230,514,492**

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

D. QUALITATIVE ANALYSIS

see Note 12.3

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/19	31/12/20
Demand deposits	10,289,445,493	11,417,086,954
Saving deposits	3,479,119,883	3,379,261,664
Term deposits	4,419,173,796	4,068,403,291
Cash collateral	52,466,348	32,540,373
TOTAL	**18,240,205,520**	**18,897,292,282**

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	31/12/19	31/12/20
Other financial liabilities	23,406,317	16,135,709
of which lease liabilities	*23,406,317*	*16,135,709*
TOTAL	**23,406,317**	**16,135,709**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

[1] The Management Board decided to participate in the different tranches of the TLTRO III (Targeted Longer-Term Refinancing Operations) for a total amount of EUR 1 500 million as at December 31, 2020.
BIL decided to apply IFRS 9 with an effective interest rate of -0.50% for the TLTRO III operations corresponding to the most probable scenario as at December 31, 2020. EUR 5.3 million of interest income was recognised for the year ended December 31, 2020.

[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	31/12/19	31/12/20
Non-subordinated liabilities	923,354,039	934,551,568
TOTAL	**923,354,039**	**934,551,568**

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	31/12/19	31/12/20
Certificates of deposit	20,828,172	17,155,810
Non-convertible bonds	2,246,590,612	2,765,947,567
TOTAL	**2,267,418,784**	**2,783,103,377**

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	31/12/19	31/12/20
Non-convertible subordinated debts[1]	138,035,616	130,620,187
Contingent convertible bond (compound instrument)[2]	31,044,196	0
TOTAL	**169,079,812**	**130,620,187**

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. On June 26, 2020, the Bank bought back and cancelled the remaining portion of the contingent convertible bond for an amount of EUR 31.1 million.

8.7 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/19	31/12/20
Litigation[1]	2,391,660	1,804,352
Restructuring (including garden leave)	5,954,134	4,787,642
Defined benefit plans	275,998	0
Other long-term employee benefits (including jubilee and time saving account)	16,245,969	16,025,368
Provision for off-balance sheet credit commitments	9,161,958	9,375,579
Other provisions	0	89,756
TOTAL	**34,029,719**	**32,082,697**

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
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	3,022	0
Additional provisions	728,984	4,906,586	2,144,650	0	0
Changes due to change in credit risk	0	0	0	(1,160,137)	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)
AS AT 31/12/19	**2,391,660**	**5,954,134**	**16,521,967**	**9,161,958**	**0**
AS AT 01/01/20	**2,391,660**	**5,954,134**	**16,521,967**	**9,161,958**	**0**
Exchange differences	0	4,749	0	(37,580)	(6,124)
Additional provisions	400,500	3,998,327	2,042,079	0	95,879
Changes due to change in credit risk	0	0	0	(3,650,204)	0
Changes due to modifications without derecognition	0	0	0	(1,351)	0
Increases due to origination or acquisition	0	0	0	7,881,853	0
Decreases due to derecognition	0	0	0	(3,979,096)	0
Revaluation through reserves[2]	0	0	2,180,712	0	0
Unused amounts reversed	(510,000)	(155,247)	(2,969,489)	0	0
Used during the year	(477,808)	(5,014,321)	(1,749,901)	0	0
AS AT 31/12/20	**1,804,352**	**4,787,642**	**16,025,368**	**9,375,580**	**89,755**

[1] Provisions for legal litigation, including those for staff and tax-related litigation.
[2] See point 1.23 of Note 1.

C. PROVISIONS FOR PENSIONS

a. Reconciliation of benefit obligations	31/12/19	31/12/20
Defined benefit obligations at the beginning of the year	208,772,000	212,624,000
Current service cost	7,707,538	3,888,445
Interest cost	1,972,824	632,843
Past service cost and gains and losses arising from settlements	70,000	(4,928,000)
Actuarial gains / (losses)	9,660,826	3,674,710
Stemming from changes in demographic assumptions	*0*	*0*
Stemming from changes in financial assumptions	*2,791,000*	*3,736,000*
Stemming from experience adjustments	*6,869,826*	*(61,290)*
Benefits paid	(13,985,000)	(13,585,000)
Other	(1,574,188)	(27,515,999)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**212,624,000**	**174,790,999**

b. Reconciliation of fair value of pension plan assets	31/12/19	31/12/20
Fair value of pension plan assets at the beginning of the year	207,770,000	217,129,000
Actual return on pension plan assets	14,834,000	2,135,000
Expected return on pension plan assets	*2,012,340*	*641,002*
Actuarial gains / (losses)	*12,821,660*	*1,493,998*
Employer contributions	10,084,188	5,357,999
Benefits paid	(13,985,000)	(13,585,000)
Other	(1,574,188)	(27,515,999)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**217,129,000**	**183,521,000**

c. Reconciliation of the effect of the asset ceiling	31/12/19	31/12/20
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) / ASSET	**4,505,000**	**8,730,001**

d. Funded status	31/12/19	31/12/20
Pension plan assets in excess of benefit obligation	(4,781,000)	(8,730,001)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/19	31/12/20
Net (liability) / asset at the beginning of the year	(1,002,000)	4,505,000
Net periodic pension cost recognised in the income statement	(7,738,022)	1,047,714
Remeasurements recognised in OCI	3,160,834	(2,180,712)
Employer contributions	10,084,188	5,357,999
NET (LIABILITY) / ASSET AT THE END OF THE YEAR	4,505,000	8,730,001

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/19	31/12/20
Recognised reserve at the beginning of the year	(8,605,793)	(5,444,959)
Remeasurements recognised in OCI	3,160,834	(2,180,712)
RECOGNISED RESERVE AT THE END OF THE YEAR	(5,444,959)	(7,625,671)

g. Amounts recognised in the income statement	31/12/19	31/12/20
Current service cost	7,707,538	3,888,445
Net interest on the defined benefit liability/asset	(39,516)	(8,159)
Past service cost and gains and losses arising from settlements	70,000	(4,928,000)
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	7,738,022	(1,047,714)

h. Amounts recognised in other comprehensive income	31/12/19	31/12/20
Actuarial gains/losses on the defined benefit obligation	9,660,826	3,674,710
Actual return on plan assets (excluding amounts included in interest income)	(12,821,660)	(1,493,998)
TOTAL OTHER COMPREHENSIVE INCOME	(3,160,834)	2,180,712

Actual return on pension plan assets (%)	31/12/19	31/12/20
	6.98%	1.07%

Breakdown of pension plan assets	31/12/19	31/12/20
Fixed-income		
Quoted market price on an active market	69.29%	79.42%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	12.70%	14.70%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	2.59%	4.74%
Unquoted	0.00%	0.00%
Cash	2.29%	1.03%
Real estate	0.00%	0.00%
Other	13.13%	0.10%
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 %	7.77%
	Scenario DR + 1 %	(6.65%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR - 1 %	(1.93%)
	Scenario SR + 1 %	4.43%

The Duration of the pension plans DBO as of December 31, 2020 is 7.54.

Expected contributions for next year	5,221,709

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures

In Luxembourg, on June 1, 2020, BIL Group transferred the pension, disability and death coverage of a part of its employees to a Luxembourg-based insurer). These employees were covered by the IORP BIL Pension Fund until May 31, 2020 and related obligations were accounted for in accordance with IAS 19 "Employee Benefits" in the consolidated financial statements of BIL Group. The transfer qualifies as a settlement under IAS 19. A settlement gain of EUR 4.9 million has been accounted for in relation to this transfer, representing the positive difference between the value of the defined benefit obligations settled and the premium paid to the insurer. Following this transfer, two closed hybrid pension plans for active people remain valued as DB pension plans under IAS19 and are reported under the current note. The two DC plans transferred are not reported under the current note any more.
For retirees, the pension plan is a DB plan (closed) for which no specific event occurred in Luxembourg during the year 2020.
For all closed plans funded through BIL Pension Fund, 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:

	31/12/19	31/12/20
Discount rate	0.25%	-0.035%
Salary increase	0.50% - 5.50%	0.50% - 2.50%
Inflation	1.50%	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, part of the closed pension plans are funded through pension fund arrangements.
In the pension plans for "active people" hired before November 1, 2007 (and having decided not to move to a DC plan in 2007), employer contributions are calculated according to an Aggregate Cost method.
In the pension plans for "retirees", pensions are fully funded.
For these plans, minimum funding applies according to the legislation in force, and the employer is due to make additional contributions in case assets do not meet the funding requirements.
Asset ceiling under IAS 19 does not apply.
For employees hired since November 1, 2007, and for employees hired prior to this date and who decided to move to a DC plan, all the pension arrangements are DC plans funded through an external insurance company. These are reported under defined contributions expenses.

8.8 Tax liabilities

Due to tax losses carried forward consumption, no current tax liabilities have been recognised as at December 31, 2019 and December 31, 2020.

8.9 Other liabilities

	31/12/19	31/12/20
Other liabilities*	190,525,141	165,773,452
TOTAL	**190,525,141**	**165,773,452**

*ANALYSIS BY NATURE	31/12/19	31/12/20
Accrued costs	1,830,068	2,761,404
Deferred income	15,386,540	15,785,994
Other payables[1]	103,556,503	84,540,667
Other granted amounts received	691,341	613,783
Salaries and social security costs (payable)	32,273,929	28,304,304
Other operating taxes	30,003,720	27,189,947
Other liabilities	6,783,040	6,577,353
TOTAL	**190,525,141**	**165,773,452**

[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

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

The Bank applies hedge accounting in four separate strategies where derivatives and non-derivatives instruments are used as hedging elements. Refer to Note 9.1 of the consolidated financial statements for a description of hedging strategies.

A. ANALYSIS BY NATURE	31/12/19		31/12/20	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	262,859,460	262,191,495	221,523,131	230,373,721
Derivatives designated as fair value hedge	14,063,651	290,338,307	12,177,170	399,387,793
Derivatives designated as cash flow hedge	2,130,975	5,641,701	1,715,896	9,239,069
Derivatives designated as portfolio hedge against interest rate	15,341,504	818,218	4,188,597	814,350
TOTAL	294,395,590	558,989,721	239,604,794	639,814,933

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**19,582,061,261**	**19,587,732,442**	**237,519,642**	**246,879,957**
FX forward	19,381,081,402	19,385,236,437	234,267,374	242,297,067
Cross currency swap	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**	**13,556,305**	**9,684,122**
Option/Cap/Floor/Collar/Swaption (OM)	137,598,738	137,598,737	2,132,530	2,132,529
IRS	710,786,570	712,186,570	11,423,775	7,551,593
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	262,859,460	262,191,495

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**19,189,143,209**	**19,201,339,550**	**200,668,037**	**213,262,715**
FX forward	19,010,467,654	19,022,077,162	197,699,859	210,588,597
Cross currency swap	130,698,027	132,819,703	2,584,663	2,589,168
FX options	47,977,528	46,442,685	383,515	84,950
Interest rate derivatives	**892,410,472**	**884,810,471**	**12,792,873**	**11,663,468**
Option/Cap/Floor/Collar/Swaption (OM)	174,313,976	174,313,976	2,497,742	2,497,742
IRS	702,832,655	702,832,655	10,295,131	9,165,726
Interest futures	15,263,841	7,663,840	0	0
Equity derivatives	**365,974,019**	**363,301,163**	**8,062,221**	**5,447,538**
Equity futures	6,656,709	1,026,300	0	0
Equity options	215,202,959	180,098,859	1,933,890	0
Other equity derivatives	144,114,351	182,176,004	6,128,331	5,447,538
TOTAL	20,447,527,700	20,449,451,184	221,523,131	230,373,721

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**4,473,784,877**	**4,473,784,877**	**14,063,651**	**290,338,307**
IRS	4,473,784,877	4,473,784,877	14,063,651	290,338,307
TOTAL	**4,473,784,877**	**4,473,784,877**	**14,063,651**	**290,338,307**

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**6,624,576,761**	**6,624,576,761**	**12,177,170**	**399,387,793**
IRS	6,624,576,761	6,624,576,761	12,177,170	399,387,793
TOTAL	**6,624,576,761**	**6,624,576,761**	**12,177,170**	**399,387,793**

D1. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	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**

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**84,545,777**	**92,560,470**	**834,018**	**7,031,661**
Cross currency swap	81,596,018	89,581,654	828,948	6,983,957
Other currency derivatives	2,949,759	2,978,816	5,070	47,704
Interest rate derivatives	**40,146,061**	**40,146,061**	**881,878**	**2,207,408**
IRS	40,146,061	40,146,061	881,878	2,207,408
TOTAL	**124,691,838**	**132,706,531**	**1,715,896**	**9,239,069**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 1.2 million in 2020 (EUR 1.2 million in 2019) 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	31/12/19				
	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**

	31/12/20				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	5,070	881,878	828,948	0	**1,715,896**
Liabilities	47,704	2,207,408	6,983,957	0	**9,239,069**

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE

	31/12/19			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	4,104,427	4,690,432	0	386,354
Interest rate derivatives	325,700,000	325,700,000	15,341,504	431,864
TOTAL	329,804,427	330,390,432	15,341,504	818,218

	31/12/20			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	3,958,858	4,690,432	0	634,248
Interest rate derivatives	130,200,000	130,200,000	4,188,597	180,102
TOTAL	134,158,858	134,890,432	4,188,597	814,350

F. MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO FAIR VALUE HEDGE RELATIONSHIPS

	31/12/19			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
1. Derivatives instruments				
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 FVTOCI 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
2. Non-derivatives instruments				
Deposits in CHF			227,077,245	227,077,245
TOTAL	39,000,000	2,010,846,821	2,651,015,301	4,700,862,122

	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
1. Derivatives instruments				
Micro FVH for fixed rate corporate loans (notional amount)	12,239,403	154,607,356	0	166,846,759
Micro FVH for fixed rate FVTOCI debt instruments (notional amount)	39,238,979	559,000,000	279,900,000	878,138,979
Micro FVH for fixed rate amortised cost debt instruments (notional amount)	135,457,611	1,734,897,814	3,697,235,598	5,567,591,023
Micro FVH for fixed rate amortised cost debt instruments issued (notional amount)	0	0	12,000,000	12,000,000
2. Non-derivatives instruments				
Deposits in CHF			174,943,305	174,943,305
Deposits in HKD			6,092,896	6,092,896
TOTAL	186,935,993	2,448,505,170	4,170,171,799	6,805,612,962

G. MATURITY PROFILE OF HEDGING INSTRUMENTS USED IN MICRO CASH FLOW HEDGE RELATIONSHIPS	31/12/19			
	Less than 1 year	Between 1 year and 5 years	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			*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**

	31/12/20			
	Less than 1 year	Between 1 year and 5 years	More than 5 years	Total
1. Derivatives instruments				
Cross-currency interest rate swaps - Notional	*0*	*89,581,654*	*0*	*89,581,654*
Cross-currency interest rate swaps - Average fixed rate			*5.01%*	
Other currency derivatives	*2,978,816*	0	0	*2,978,816*
2. Non-derivatives instruments				
Non-derivatives instruments	0	0	0	0
TOTAL	**2,978,816**	**89,581,654**	**0**	**92,560,470**

H. HEDGED ITEMS IN FAIR VALUE HEDGE RELATIONSHIPS	31/12/19	
	Carrying amount of hedged items	Accumulated amount of fair value adjustments on hedged items
Micro fair value hedges		
Loans and advances measured at amortised cost	189,758,180	3,038,508
Participation in consolidated companies	227,077,245	53,406,252
Debt securities measured at FVTOCI	933,240,129	22,060,168
Debt securities measured at amortised cost	3,644,341,335	90,536,931
TOTAL ASSETS	**4,994,416,889**	**169,041,859**
Debt instruments issued	5,024,974	(29,983)
TOTAL LIABILITIES	**5,024,974**	**(29,983)**

	31/12/20	
	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	170,410,951	7,256,088
Participation in consolidated companies	181,036,201	41,137,532
Debt securities measured at FVTOCI	958,121,801	25,176,521
Debt securities measured at amortised cost	5,882,234,593	166,667,293
TOTAL ASSETS	**7,191,803,546**	**240,237,434**
Debt instruments issued	12,346,188	(237,278)
TOTAL LIABILITIES	**12,346,188**	**(237,278)**

I. HEDGE EFFECTIVENESS FOR FAIR VALUE HEDGE RELATIONSHIPS	31/12/19		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	90,033,743	(90,080,190)	(46,447)
Portfolio fair value hedge	9,986,728	(10,006,371)	(19,643)
TOTAL	**100,020,471**	**(100,086,561)**	**(66,090)**

	31/12/20		
	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged instrument	Hedging instrument	
Micro fair value hedge relationships	72,522,758	(72,910,334)	(387,576)
Portfolio fair value hedge	11,138,665	(10,998,919)	139,746
TOTAL	**83,661,423**	**-83,909,253**	**(247,830)**

J. HEDGE EFFECTIVENESS FOR CASH FLOW HEDGE RELATIONSHIPS	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						
Macro 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**

	31/12/20					
	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	40,146,061	886,948	2,236,464	524,960	524,960	0
Micro cash flow hedge	92,560,470	828,948	7,002,605	3,557,479	3,557,479	0
2. Non-derivatives instruments						
Macro cash flow hedge	0	0	0	(427,188)	0	(427,188)
TOTAL	**132,706,531**	**1,715,896**	**9,239,069**	**3,655,251**	**4,082,439**	**(427,188)**

K. DETAIL OF HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS AGAINST FOREIGN EXCHANGE MOVEMENTS

HEDGING INSTRUMENTS	31/12/19			
	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	5,585,837	(4,654)	0	0
Deposits in CHF	3,232,745	(119,003)	0	0
Deposits in USD	1,018,476	(9,292)	0	0
TOTAL MICRO NET INVESTMENT HEDGES	**9,837,058**	**(132,949)**	**0**	**0**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/19
	Change in a fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	4,654
Investments in CHF subsidiaries	119,003
Investments in USD subsidiaries	9,292
TOTAL	**132,949**

HEDGING INSTRUMENTS	31/12/20			
	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	4,783,090	(20,495)	0	0
Deposits in CHF	3,249,203	(16,460)	0	0
Deposits in USD	1,398,817	143,039	0	0
TOTAL MICRO NET INVESTMENT HEDGES	**9,431,110**	**106,084**	**0**	**0**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS	31/12/20
	Change in fair value of hedged item for ineffectiveness assessment
Investments in DKK subsidiaries	20,495
Investments in CHF subsidiaries	16,460
Investments in USD subsidiaries	(143,039)
TOTAL	**(106,084)**

L. HEDGING ACTIVITIES IMPACT ON EQUITY

EQUITY RECONCILIATION	31/12/19		
	Cash flow hedging reserve	Translation reserve	Net investissement hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(4,812,604)**	**(91,545)**	**(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		(8,714)	(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		19,782	
Tax impact on the above	(820,933)		15,638
CLOSING BALANCE AS AT DECEMBER 31	**(2,620,964)**	**(80,476)**	**(1,074,284)**

EQUITY RECONCILIATION	31/12/20		
	Cash flow hedging reserve	Translation reserve	Net investissement hedge reserve
OPENING BALANCE AS AT JANUARY 1	**(2,620,964)**	**(80,476)**	**(1,074,284)**
Cash flow hedges			
Effective portion of change in fair value arising from :			
Cross currency interest rate swaps	*3,557,479*		
Interest rate swaps	*524,960*		
Loans and deposits	*0*		
Net amount reclassified to profit or loss			
Following hedge discontinuation	*(427,188)*		
Following utilisation	*0*		
Net investment hedges			
Foreign currency reevaluation on the hedging financial investments		122,543	(16,458)
Net amount reclassified to profit or loss		0	0
Following hedge discontinuation		*0*	*0*
Foreign currency reevaluation on the unhedged net foreign operations		(71,628)	
Tax impact on the above	(911,619)		4,104
CLOSING BALANCE AS AT DECEMBER 31	**122,668**	**(29,561)**	**(1,086,638)**

9.2 Deferred tax

A. ANALYSIS	31/12/19	31/12/20
Net deferred tax assets	199,392,938	182,108,679
DEFERRED TAX	199,392,938	182,108,679

B. MOVEMENTS	2019	2020
AS AT JANUARY 1	224,522,060	199,392,938
Movements during the financial year:		
- Amounts recognised in the statement of income	(18,281,884)	(16,484,580)
- Items directly computed by equity	(729,297)	(802,877)
- Effect of change in tax rates - statement of income	(9,767,845)	0
- Effect of change in tax rates - equity	(90,250)	0
- Exchange differences	(442)	3,198
- Other movements	3,740,596	0
AS AT DECEMBER 31	199,392,938	182,108,679

Deferred tax coming from balance sheet assets	31/12/19		31/12/20	
	Balance sheet	P&L	Balance sheet	P&L
Cash loans and loss provisions	16,193,195	2,785,442	20,650,208	4,456,194
Securities	(5,069,983)	249,234	(3,637,331)	327,850
Derivatives	870,855	0	(40,758)	0
Tangible and intangible fixed assets	4,112,190	(360,658)	1,731,825	(277,979)
TOTAL	16,106,257	2,674,018	18,703,944	4,506,065

Deferred tax coming from balance sheet liabilities	31/12/19		31/12/20	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(552,103)	(2,512,139)	230,794	(247,201)
Provisions	(4,798,643)	4,846,095	(499,124)	4,299,519
Pensions	2,091,100	(641,515)	916,803	(1,718,165)
Other non allocated and non applicable liabilities	467,628	0	0	0
TOTAL	(2,792,018)	1,692,441	648,473	2,334,153

Deferred tax coming from other items	31/12/19		31/12/20	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward[1]	316,637,606	(53,649,064)	293,315,169	(23,324,798)
less: impairments	*(130,558,907)*	*21,232,877*	*(130,558,907)*	*0*
TOTAL	186,078,699	(32,416,187)	162,756,262	(23,324,798)

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.

[1] Of which EUR 60 million of tax losses carried forward related to the liquidation of a former foreign branch.

9.3 Related party transactions

A. RELATED PARTY TRANSACTIONS	Key management		Subsidiaries	
(in EUR thousands)	31/12/19	31/12/20	31/12/19	31/12/20
Loans[1]	7,470	4,936	258,215	263,898
Interest received	0	0	2,717	559
Deposits	11,338	10,695	160,404	120,948
Interest paid	0	0	(2,849)	(2,385)
Derivatives - Total to receive	0	0	185,724	359,234
Derivatives - Total to deliver	0	0	184,432	353,924
Commission paid	0	0	(319)	(124)
Commissions received	0	0	6,805	1,771
Guarantees and commitments given by the Bank	40	19	30,000	0
Guarantees and commitments given to the Bank	0	0	11,590	10,711
Assets entrusted from third parties	9,514	8,367	0	0

	Associates		Other related parties	
	31/12/19	31/12/20	31/12/19	31/12/20
Loans[1]	0	0	5,027	5,461
Interest received	2	1	0	5
Deposits	3,873	3,603	8,971	6,579
Interest paid	0	0	(4)	(1)
Derivatives - Total to receive	0	0	20,293	18,900
Derivatives - Total to deliver	0	0	15,409	7,835
Commissions received	0	0	2	0
Guarantees and commitments given by the Bank	0	0	7	22
Assets entrusted from third parties	0	0	199,545	181,424

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.8 "Staff expenses")

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.4 Subscribed and authorised capital

By share category	31/12/19	31/12/20
Number of shares authorised and not issued	2,927,025	2,927,025
Number of shares issued and fully paid up	2,087,261	2,087,261
Capital	146,108,270	146,108,270
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	0	0

Following the extraordinary general meeting of 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.

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.

9.5 Exchange rates

The main exchange rates used are the following:

		31/12/19		31/12/20	
		Closing rate	Average rate	Closing rate	Average rate
Australian Dollar	AUD	1.5977	1.6082	1.5847	1.6575
Canadian Dollar	CAD	1.4554	1.4811	1.5591	1.5381
Swiss Franc	CHF	1.0859	1.1117	1.0804	1.0705
Danish Krone	DKK	7.4718	7.4660	7.4408	7.4530
Pound Sterling	GBP	0.8489	0.8747	0.8977	0.8880
Hong Kong Dollar	HKD	8.7418	8.7671	9.5025	8.8988
Japanese Yen	JPY	121.8197	121.9665	126.2991	121.9215
Norwegian Krone	NOK	9.8434	9.8464	10.4588	10.7764
Polish Zloty	PLN	4.2541	4.2976	4.5681	4.4652
Swedish Krona	SEK	10.4658	10.5853	10.0230	10.4744
Singapore Dollar	SGD	1.5091	1.5251	1.6197	1.5790
US Dollar	USD	1.1224	1.1192	1.2256	1.1473

Note 10: Notes on the off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/19	31/12/20
Loans to be delivered	1,046,178,788	521,481,075
Borrowings to be received	1,339,808,385	541,213,164

10.2 Guarantees

	31/12/19	31/12/20
Guarantees given to credit institutions	191,905,909	146,216,066
Guarantees given to customers	782,108,292	994,634,157
Guarantees received from credit institutions	11,589,904	10,710,500
Guarantees received from customers	1,597,549,254	1,567,626,154

10.3 Loan commitments

	31/12/19	31/12/20
Unused credit lines granted to credit institutions	90,955,860	39,076,563
Unused credit lines granted to customers	2,928,776,148	3,011,048,460

10.4 Other commitments

	31/12/19	31/12/20
Banking activity - Other commitments given[1]	40,274,135,453	42,165,193,251
Banking activity - Other commitments received[2]	194,042,592,576	193,854,517,331

[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 182.2 billion as at December 31, 2020 and EUR 183.4 billion as at December 31, 2019.

Note 11: Notes on the statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/19	31/12/20
INTEREST AND SIMILAR INCOME	654,875,483	513,619,459
a) Interest and similar income of assets not measured at fair value through profit or loss	**353,689,788**	**330,356,310**
Loans and advances to credit institutions	21,180,055	10,552,687
Loans and advances to customers	257,413,320	254,691,738
Financial investments measured at fair value	15,826,494	14,690,044
Financial investments measured at amortised cost	59,117,645	50,189,382
Other	152,274	232,459
b) Interest and similar income of assets measured at fair value through profit or loss	**281,931,052**	**155,154,670**
Financial assets held for trading	787,032	470,628
Derivatives held for trading	213,088,339	91,577,125
Derivatives used for hedging purposes	68,055,681	63,106,917
c) Interest income on liabilities	**19,254,643**	**28,108,479**
INTEREST AND SIMILAR EXPENSES	(350,130,592)	(215,505,964)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(89,972,675)**	**(48,928,866)**
Amounts due to credit institutions	(37,132,383)	(13,884,709)
Amounts due to customers	(30,424,654)	(11,621,573)
Debt securities	(16,270,031)	(17,425,381)
Subordinated debts	(5,737,470)	(5,656,862)
Lease liability	(318,796)	(272,088)
Other	(89,341)	(68,253)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(237,842,961)**	**(142,563,664)**
Financial liabilities held for trading	(3)	(510)
Financial liabilities designated at fair value through profit or loss	(14,026,939)	(12,918,584)
Derivatives held for trading	(140,302,823)	(42,241,675)
Derivatives used for hedging purposes	(83,513,196)	(87,402,895)
c) Interest expenses on assets	**(22,314,956)**	**(24,013,434)**
NET INTEREST INCOME	304,744,891	298,113,495

11.2 Dividend income

	31/12/19	31/12/20
Financial investments measured at fair value	17,252	531
Financial assets held for trading	2,144	2,596
Subsidiaries and associates	4,194,280	4,518,340
TOTAL	4,213,676	4,521,467

11.3 Net trading income

	31/12/19	31/12/20
Net income from trading transactions	5,890,588	2,399,713
of which income from trading securities	*5,544,722*	*2,713,287*
of which income from trading derivatives	*345,866*	*(313,574)*
Net income from hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)[1]	46,953,636	(3,190,818)
Net foreign exchange gain/(loss)	5,633,706	8,339,377
TOTAL	58,477,930	7,548,272

[1] Mainly impacted by derivatives hedging financial liabilities designated at fair value through profit or loss (see note 11.4)

11.4 Net income on financial instruments measured at fair value and net result of hedge accounting

	31/12/19	31/12/20
Net income on financial investments measured at fair value through other comprehensive income	69,971,562	48,266
Net income on financial investments at fair value through profit or loss	67,824	20,280
of which financial investments mandatorily fair value through profit or loss	*67,824*	*20,,80*
Net income on financial liabilities designated at fair value through profit or loss	(45,494,251)	5,096,842
NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE	**24,545,135**	**5,165,388**
Fair value hedge	**(46,447)**	**(387,576)**
Change in the fair value of the hedged item attributable to the hedged risk	90,033,743	72,522,758
Fair value revaluation (+: gains/ -: losses) - Fair Value Hedge - Hedging instruments	(90,080,190)	(72,910,334)
Portfolio hedge against interest rate risk	**(19,643)**	**139,746**
Fair value revaluation - Portfolio hedge - Hedged items	9,986,728	11,138,665
Fair value revaluation - Derivatives - Portfolio hedge	(10,006,371)	(10,998,919)
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**0**	**0**
NET RESULT OF HEDGE ACCOUNTING	**(66,090)**	**(247,830)**
TOTAL	**24,479,045**	**4,917,558**

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

	31/12/19	31/12/20
Net income on loans and advances measured at amortised cost	4,351,581	6,358,601
Net income on financial investments measured at amortised cost	14,970,220	15,389,058
Net income on financial liabilities at amortised cost	(6,839,496)	0
TOTAL	**12,482,305**	**21,747,659**

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. `

As at December 31, 2020 gains and losses on derecognition on loans respectively amount to EUR 6 358 601 and EUR 0 and gains and losses on derecognition on financial investments measured at amortised cost amount to EUR 18,092,671 and EUR -2,703,613.

11.6 Fee and commission income and expenses

	31/12/19			31/12/20		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	18,736,679	(718,192)	18,018,487	17,190,911	(879,292)	16,311,619
Administration of unit trusts and mutual funds	106,292	0	106,292	55,699	0	55,699
Insurance activity	6,055,637	(10,707)	6,044,930	6,311,662	(312,457)	5,999,205
Credit activity	24,551,808	(998,977)	23,552,831	26,218,145	(978,196)	25,239,949
Purchase and sale on securities	18,250,487	(10,286,854)	7,963,633	16,424,731	(11,296,848)	5,127,883
Purchase and sale of unit trusts and mutual funds	6,082,516	(1,599,833)	4,482,683	5,251,447	(638,856)	4,612,591
Payment services	27,262,801	(837,870)	26,424,931	24,600,560	(872,639)	23,727,921
Commissions to non-exclusive brokers	0	(210,307)	(210,307)	0	(219,038)	(219,038)
Services on securities other than safe keeping	2,087,238	(147,516)	1,939,722	2,399,397	(89,008)	2,310,389
Custody	13,033,466	(3,126,133)	9,907,333	14,272,684	(2,969,540)	11,303,144
Issues and placements of securities	3,702,257	0	3,702,257	4,442,437	0	4,442,437
Private banking	56,945,853	(6,837,296)	50,108,557	55,539,842	(4,136,608)	51,403,234
Clearing and settlement	24,143,689	(2,245,063)	21,898,626	28,846,932	(2,498,808)	26,348,124
Securities lending	122,852	(34,997)	87,855	51,470	(33,900)	17,570
Other	4,104,507	(493,530)	3,610,977	4,370,617	(1,505,169)	2,865,448
TOTAL	**205,186,082**	**(27,547,275)**	**177,638,807**	**205,976,534**	**(26,430,359)**	**179,546,175**

11.7 Other net income

	31/12/19	31/12/20
Operating taxes	2,830,144	0
Rental income	11,806	13,149
Gains on tangible fixed assets	0	2,593,877
Other income on other activities[1]	7,581,881	13,822,612
OTHER INCOME	**10,423,831**	**16,429,638**
Operating taxes	(2,932,470)	(2,285,940)
Maintenance and repair of investment property	(105,704)	0
Other bank charges[2]	(15,158,511)	(18,062,882)
Losses on tangible fixed assets	0	(151,536)
Other expenses on other activities[3]	(7,801,095)	(6,829,429)
OTHER EXPENSES	**(25,997,780)**	**(27,329,787)**
TOTAL	**(15,573,949)**	**(10,900,149)**

[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.

11.8 Staff expenses

A. STAFF EXPENSES

	31/12/19	31/12/20
Wages and salaries	(162,495,179)	(152,239,844)
Social security and insurance costs	(19,144,031)	(20,730,558)
Staff benefits	(9,826,848)	(4,638,653)
Restructuring expenses	(4,906,586)	(3,843,080)
Other expenses	(2,157,002)	(1,951,246)
TOTAL	**(198,529,646)**	**(183,403,381)**

B. WORKFORCE

(in average FTE)	2019	2020
Senior management	44	42
Employees	1,789	1,742
TOTAL	**1,833**	**1,784**

C. REMUNERATION OF BIL ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Bank granted emoluments to the current Board members senior management and has made contributions in respect of retirement pensions on their behalf as follows:

	31/12/19	31/12/20	31/12/19	31/12/20
	Remuneration		Retirement pensions	
Board members	779,851	901,028	-	–
Senior Management	14,455,058	14,482,271	2,721,002	2,236,216
TOTAL	**15,234,909**	**15,383,299**	**2,721,002**	**2,236,216**

D. DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/19	31/12/20
Defined contribution plan expenses	3,193,461	5,032,316
TOTAL	**3,193,461**	**5,032,316**

11.9 General and administrative expenses

	31/12/19	31/12/20
Occupancy	(7,155,544)	(7,111,441)
Operating leases	(376,282)	(272,213)
Professional fees	(12,670,998)	(22,104,680)
Marketing, advertising and public relations	(5,682,774)	(4,455,357)
Technology and system costs	(27,115,626)	(29,788,283)
Software costs and maintenance expenses	(13,205,714)	(17,780,747)
Operational taxes	1,038,955	1,909,310
Other general and administrative expenses[1]	(42,372,433)	(45,564,365)
TOTAL	**(107,540,416)**	**(125,167,776)**

11.10 Independent auditor's fees

The fees for the services rendered by the independent auditor (including network firms) for the years 2019 and 2020 are as follows (VAT excluded).

	2019	2020
Statutory audit and Long Form Report	1,069,314	721,278
Other assurance services	160,084	0
Other services	38,325	198,591
TOTAL	**1,267,723**	**919,869**

On December 13, 2019, the Board of Directors of BIL decided to appoint PricewaterhouseCoopers, société coopérative (PwC) as the new external auditor of BIL Group for the financial years 2020-2022. PwC replaces Ernst & Young (EY), covering the external audit of BIL and all BIL Group entities.

11.11 Amortisation of tangible and intangible fixed assets

	31/12/19	31/12/20
Depreciation on land and buildings	(8,075,461)	(6,634,478)
Depreciation on other tangible fixed assets	(678,646)	(681,304)
Depreciation on IT equipment	(1,115,109)	(3,203,822)
Depreciation on intangible fixed assets	(29,704,963)	(36,621,510)
Depreciation on right-of-use	(4,602,525)	(4,295,037)
TOTAL	**(44,176,704)**	**(51,436,151)**

[1] This heading primarily comprises the cost of financial information, of payment cards issued, profesionnal contributions, insurance covers and the transport of valuables.

11.12 Impairment

11.12.1 Impairment on loans and provisions for credit commitments

	31/12/19			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	**(14,804,577)**	**5,732,199**	**(12,131,433)**	**(21,203,811)**
Loans and advances to credit institutions measured at amortised cost	(5,216)	(264,828)	0	(270,044)
Loans and advances to customers measured at amortised cost	(14,729,891)	6,132,801	(6,881,948)	(15,479,038)
Debt securities measured at amortised cost	(69,470)	(135,774)	(5,249,485)	(5,454,729)
Financial assets measured at fair value through other comprehensive income	**16,239**	**(67,465)**	**0**	**(51,226)**
Debt securities measured at fair value through other comprehensive income	16,239	(67,465)	0	(51,226)
Other assets			**8,153,662**	**8,153,662**
Off-balance sheet commitments	**(2,266,409)**	**(519,251)**	**(261,356)**	**(3,047,016)**
TOTAL IMPAIRMENTS	**(17,054,747)**	**5,145,483**	**(4,239,127)**	**(16,148,391)**

	31/12/20			
	Stage 1[1]	Stage 2[2]	Stage 3[3]	Total
Financial assets measured at amortised cost	**(2,505,990)**	**(12,153,702)**	**(620,884)**	**(15,280,576)**
Loans and advances to credit institutions measured at amortised cost	(276,040)	166,447	0	(109,593)
Loans and advances to customers measured at amortised cost	(770,586)	(12,071,627)	2,079,116	(10,763,097)
Debt securities measured at amortised cost	(1,459,364)	(248,522)	(2,700,000)	(4,407,886)
Financial assets measured at fair value through other comprehensive income	**(61,830)**	**67,480**	**0**	**5,650**
Debt securities measured at fair value through other comprehensive income	(61,830)	67,480	0	5,650
Other assets			**(55,721,321)**	**(55,721,321)**
Off-balance sheet commitments	**1,592,124**	**(829,599)**	**(1,013,727)**	**(251,202)**
TOTAL IMPAIRMENTS	**(975,696)**	**(12,915,821)**	**(57,355,932)**	**(71,247,449)**

[1] Including (i) the "moratory" overlay for a total amount of EUR -10,760,000 composed of EUR -9,880,000 on corporates exposures and EUR -880,000 on retail exposures and (ii) the "MidCorp" overlay for EUR -1,200,000 on corporate exposures. Refer to the section "ECL Management Overlays of note 12.2.1 of the consolidated financial statements.

[2] Including (i) the "moratory" overlay for a total amount of EUR -1 670 000 composed of EUR -1,160,000 on corporates exposures and EUR -510 000 on retail exposures and (ii) the "MidCorp" overlay for EUR -150,000 on corporate exposures. Refer to the section "ECL Management Overlays of note 12.2.1 of the consolidated financial statements.

[3] The amount of EUR 2,079,116 comprises an impairment gain of EUR 47,196,110 corresponding to the partial recovery of a legacy loan. The partial recovery is booked under Group Center as per IFRS 8 segments. (Refer to note 3).

Refer to note 12.2.1 for measurement methods of impairment on loans and provisions for credit commitments.

11.12.2 Impairment on participations in consolidated companies

	31/12/19	31/12/20
Net impairment on financial instruments and provisions for credit commitments	(14,698,391)	(15,526,128)
Net impairment on participations in consolidated companies	(1,450,000)	(55,721,321)
	(16,148,391)	**(71,247,449)**

Refer to note 7.8

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

	31/12/19	31/12/20
Income tax for current financial year	0	0
Deferred taxes	(28,050,167)	(16,251,575)
Tax on current financial year result (A)	**(28,050,167)**	**(16,251,575)**
Income tax for previous year	15,239	0
Deferred taxes for previous year	3,160	(233,004)
Other tax expenses (B)	**18,399**	**(233,004)**
TOTAL (A)+(B)	(28,031,768)	(16,484,579)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 24.94% in 2019 and 2020.
The effective BIL tax rate was 14.05% in 2019 and 21.89% in 2020.
The difference between both rates may be analysed as follows:

	31/12/19	31/12/20
NET INCOME BEFORE TAX	199,607,215	74,258,152
Tax base	**199,607,215**	**74,258,152**
Applicable tax rate at year-end	24.94%	24.94%
Theoretical corporate income tax at standard rate	**(49,782,039)**	**(18,519,983)**
Effect of different tax rates in other countries	(504,452)	(333,478)
Tax effect of non-deductible expenses	(1,307,527)	(1,096,820)
Tax effect of non-taxable income	20,201,102	1,614,295
Effect of change in tax rates[1]	(9,767,845)	0
Tax effect on the use of previous tax losses not recognised in the assets	12,800,000	0
Other	310,594	2,084,411
Tax on current financial year result	**(28,050,167)**	**(16,251,575)**
EFFECTIVE TAX RATE	14.05%	21.89%

[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	31/12/19			31/12/20		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks and demand deposits	3,041,956,502	3,041,956,502	0	3,633,908,019	3,633,908,019	0
Financial assets held for trading	63,537,620	63,537,620	0	55,716,122	55,716,122	0
Financial investments measured at fair value	1,107,436,338	1,107,436,338	0	1,088,559,137	1,088,559,137	0
Financial assets at fair value through other comprehensive income	*1,104,486,218*	*1,104,486,218*	*0*	*1,085,514,644*	*1,085,514,644*	*0*
Non-trading financial assets mandatorily at fair value through profit or loss	*2,950,120*	*2,950,120*	*0*	*3,044,493*	*3,044,493*	*0*
Loans and advances to credit institutions	1,271,090,322	1,271,324,225	233,903	1,152,846,917	1,152,846,917	0
Loans and advances to customers	14,467,922,613	14,650,517,639	182,595,026	15,139,778,610	15,407,318,173	267,539,563
Financial investments measured at amortised cost	6,253,145,680	6,353,222,391	100,076,711	7,526,364,479	7,645,581,111	119,216,632
Derivatives	294,395,590	294,395,590	0	239,604,794	239,604,794	0
Fair value revaluation of portfolios hedged against interest rate risk	303,238	303,238	0	191,221	191,221	0
Investments in associates	53,699,469	53,699,469	0	53,902,884	53,902,884	0
TOTAL	**26,499,787,903**	**26,782,693,543**	**282,905,640**	**28,836,969,299**	**29,223,725,494**	**386,756,195**

A.2 Fair value of liabilities	31/12/19			31/12/20		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	3,188,681,155	3,191,695,521	3,014,366	4,230,514,492	4,237,732,655	7,218,163
Amounts due to customers	18,240,205,520	18,251,133,703	10,928,183	18,897,292,282	18,898,393,509	1,101,227
Financial liabilities measured at fair value through profit or loss	923,354,039	923,354,039	0	934,551,568	934,551,568	0
Liabilities designated at fair value	*923,354,039*	*923,354,039*	*0*	*934,551,568*	*934,551,568*	*0*
Derivatives	558,989,721	558,989,721	0	639,814,933	639,814,933	0
Fair value revaluation of Portfolio hedged against interest rate risk	13,688,928	13,688,928	0	2,433,523	2,433,523	0
Debt securities	2,267,418,784	2,318,549,830	51,131,046	2,783,103,377	2,812,246,428	29,143,051
Subordinated debts	169,079,812	180,947,712	11,867,900	130,620,187	164,926,220	34,306,033
TOTAL	**25,361,417,959**	**25,438,359,454**	**76,941,495**	**27,618,330,362**	**27,690,098,836**	**71,768,474**

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	31/12/19			
	Level 1	Level 2	Level 3[1]	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
Financial assets at fair value through other comprehensive income	921,914,805	130,947,732	51,623,681	1,104,486,218
Non-trading financial assets mandatorily at fair value through profit or loss	0	2,860,921	89,199	2,950,120
Derivatives	0	290,062,332	4,333,258	294,395,590
Investments in associates	0	0	53,699,469	53,699,469
TOTAL	**964,905,433**	**440,581,201**	**113,582,383**	**1,519,069,017**

	31/12/20			
	Level 1	Level 2	Level 3[1]	Total
Financial assets held for trading	25,911,562	24,532,590	5,271,970	55,716,122
Financial investments measured at fair value	962,213,533	49,956,396	76,389,208	1,088,559,137
Financial assets at fair value through other comprehensive income	962,213,533	47,075,195	76,225,916	1,085,514,644
Non-trading financial assets mandatorily at fair value through profit or loss	0	2,881,201	163,292	3,044,493
Derivatives	0	235,506,053	4,098,741	239,604,794
Investments in associates			53,902,884	53,902,884
TOTAL	**988,125,095**	**309,995,039**	**139,662,803**	**1,437,782,937**

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

[1] Level 3 financial assets measured at fair value and level 3 investments in associates are only composed of equity instruments.

B.2. Liabilities	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	555,396,562	3,593,159	558,989,721
TOTAL	**0**	**1,283,440,627**	**198,903,133**	**1,482,343,760**

	31/12/20			
	Level 1	Level 2	Level 3	Total
Financial liabilities designated at fair value	0	727,359,649	207,191,919	934,551,568
Derivatives	0	634,671,851	5,143,082	639,814,933
TOTAL	**0**	**1,362,031,500**	**212,335,001**	**1,574,366,501**

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 2019 and 2020.

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on assets and liabilities in 2019 and 2020.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

D. LEVEL 3 RECONCILIATION

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
Investments in associates	52,303,047	0	1,396,422	0	0
TOTAL	**111,458,116**	**(9,730,525)**	**9,607,348**	**5,019,482**	**(2,772,038)**

	31/12/19 Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets designated held for trading	0	0	0	0	3,836,776
Financial assets measured at fair value	0	0	0	0	51,712,880
Derivatives	0	0	0	0	4,333,258
Investments in associates	0	0	0	0	53,699,469
TOTAL	**0**	**0**	**0**	**0**	**113,582,383**

	31/12/20 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	3,836,776	897,851	0	2,613,886	(2,076,543)
Financial assets measured at fair value	51,712,880	(7,503)	24,024,029	692,808	0
Derivatives	4,333,258	(1,702,372)	0	1,467,855	0
Investments in associates	53,699,469	0	203,415	0	0
TOTAL	**113,582,383**	**(812,024)**	**24,227,444**	**4,774,549**	**(2,076,543)**

	31/12/20 Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial assets designated held for trading	0	0	0	0	5,271,970
Financial assets measured at fair value	(33,006)	0	0	0	76,389,208
Derivatives	0	0	0	0	4,098,741
Investments in associates	0	0	0	0	53,902,884
TOTAL	**(33,006)**	**0**	**0**	**0**	**139,662,803**

D.2 Liabilities

	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**

	31/12/20			
	Opening	Total gains and losses in statement of income	Purchase	Settlement
Financial liabilities designated at fair value	195,309,974	(43,580,660)	156,776,018	(116,772,755)
Derivatives	3,593,159	(695,319)	2,245,242	0
TOTAL	**198,903,133**	**(44,275,979)**	**159,021,260**	**(116,772,755)**

	31/12/20				
	Sale	Transfer to Level 3	Transfer from Level 3	Conversion differences	Closing
Financial liabilities designated at fair value	0	0	0	15,459,342	207,191,919
Derivatives	0	0	0	0	5,143,082
TOTAL	**0**	**0**	**0**	**15,459,342**	**212,335,001**

E. VALUATION TECHNIQUES USED FOR LEVEL 2 AND LEVEL 3 INSTRUMENTS

Description	Valuation techniques (Level 2 and Level 3 instruments)
Unlisted equity securities	- net equity method - discounted cash-flow analysis - multiple of comparable companies
Derivatives and Structured Bonds	- use of quoted market prices or dealer quotes for similar instruments - discounted cash-flow models - for interest rate swaps, present value of the estimated future cash flows based on observable yield curves - for foreign currency forwards, present value of future cash flows based on the forward exchange rates at the balance sheet date - for foreign currency options, options pricing models (Black-Scholes, Garman-Kohlhagen and others models).

F. VALUATION TECHNIQUES, VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Description	Unobservable inputs (Level 3 instruments)	Impact on valuation and sensitivty of level (Level 3 instruments)
Unlisted equity securities	- discount rate used for discounting cash-flows - expected cash inflows	The most significant stand-alone level 3 equity instrument is BIL's participation into Luxair group whose valuation is determined based on observable and unobservable inputs. In 2020, BIL has reviewed its valuation methodology from a full market method based on a multiple of comparable companies to a combination of market and income approaches considering the impact of the COVID-19 crisis on the participation. A sensitivity analysis on unobservable inputs may lead to variations mainly explained by the COVID-19 context.
Derivatives and Structured Bonds[1 2]	- credit spreads - liquidity premiums - illiquidity adjustment	The effects of sensitivity mostly impact structured issuances recognised at fair value through profit or loss (Fair-value option). These effects are however offset by a reverse sensitivity at the level of the economic hedge measured at fair value through profit or loss (no accounting mismatch). The net sensitivity to unobservable inputs is not considered as significant.

12.2 Credit risk

12.2.1 Expected Credit Loss Measurement

Definition of credit risk

Refer to the note 12.2 of the consolidated financial statements included in this report.

Definition of default

Refer to the note 12.2 of the consolidated financial statements included in this report.

Write-off policy

Refer to the note 12.2 of the consolidated financial statements included in this report.

Low credit risk exemption

Refer to the note 12.2 of the consolidated financial statements included in this report.

IFRS 9 Staging Assessment

Refer to the note 12.2 of the consolidated financial statements included in this report.

Significant increase in credit risk

Refer to the note 12.2 of the consolidated financial statements included in this report.

Credit-impaired status

Refer to the note 12.2 of the consolidated financial statements included in this report.

Cure Period

Refer to the note 12.2 of the consolidated financial statements included in this report.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

Refer to the note 12.2 of the consolidated financial statements included in this report.

Forward-Looking parameters

Refer to the note 12.2 of the consolidated financial statements included in this report.

Macroeconomic indicators for each scenario

Refer to the note 12.2 of the consolidated financial statements included in this report.

[1] The Bank has developed a procedure to define the notions of an active market (such as the bid & ask) spread, the issuance size, the number of prices, contributors and of observable and non-observable inputs.
[2] Level 3 financial assets held for trading are the result of buy backs of the bank's structured bonds issued.

ECL Sensitivity

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

(in EUR million)	Scenarios weights			31/12/19			31/12/20		
	Baseline	Upside	Downside	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Reported ECL[1]	60%	20%	20%	42	15	**57**	38	27	**65**
Stressed ECL	100%	0%	0%	36	14	**50**	32	26	**58**
	0%	100%	0%	29	14	**43**	21	25	**46**
	0%	0%	100%	75	17	**92**	71	32	**103**
	80%	0%	20%	43	15	**58**	40	27	**67**
	60%	0%	40%	51	15	**66**	48	28	**76**

ECL Management Overlays

Refer to the note 12.2 of the consolidated financial statements included in this report.

Management overlays made in estimating the reported ECL as at December 31, 2020 are set out in the following table:

(in EUR million)	31/12/20					
	Model	Stage	Modelled ECL	Moratory overlay[2]	"MidCorp" overlay[1]	Reported ECL
Loans and advances to customers	Corporate	Stage 1	21,827,312	9,880,000	1,200,000	32,907,312
		Stage 2	14,801,484	1,160,000	150,000	16,111,484
	Retail	Stage 1	8,043,154	880,000	0	8,923,154
		Stage 2	8,434,163	510,000	0	8,944,163
Loans and advances to credit institutions	Banks	Stage 1	298,378	0	0	298,378
		Stage 2	116,949	0	0	116,949

Other information about credit risk is included in the following sections:
- Asset quality limited to loans and advances to customers (Risk Management section of the Management Report),
- Loans and advances to customers (note 7.4) by counterpart and by nature,
- Quality of financial assets (note 7.15) by stage with movements by stage;
- Impairment on loans and provisions for credit commitments (note 11.12) by stage.

[1] Reported ECL excluding impact of restatement as at December 31, 2019 (refer to note 1.2.4).
Reported ECL excluding impact of management overlays as at December 31, 2020 (refer to the Management Overlay section of note 12.2.1)
[2] Refer to note 12.2 of the consolidated financial statements included in the annual report for descriptions of the overlays made to modelled ECL.

12.2.2 Credit Risk Exposures

Geographic region is determined according to the risk country of the counterparty,

Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographic region

(in EUR million)	31/12/19	31/12/20
Belgium	1,923	2,341
France	3,115	3,585
Germany	1,428	1,987
Ireland	450	271
Italy	16	26
Luxembourg	16,479	17,525
Spain	842	780
Other EU countries	1,698	1,742
Rest of Europe	575	585
Switzerland	2,200	2,606
United States and Canada	857	868
Middle East	672	371
Asia	386	448
Australia	241	207
Others	142	198
TOTAL	**31,024**	**33,540**

Exposures by counterparty category

(in EUR million)	31/12/19	31/12/20
Central Governments	8,597	10,508
Public Sector Entities	305	331
Corporate	6,392	6,272
Securitisation	68	36
Individuals, SME & Self Employed	10,703	11,737
Financial Institutions	4,958	4,641
Others	1	15
TOTAL	**31,024**	**33,540**

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 any provision);
- derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes);
- off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

EXPOSURES BY STAGE AND RATINGS

	31/12/19						31/12/20					
Stage 1 Credit Risk Exposure *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	141	390	258	800	0	1,589	135	383	304	804	0	1,626
Commitments in respect of loans granted	332	1,485	623	522	0	2,962	333	1,593	469	477	0	2,872
Financial investments at FVOCI (excluding variable income securities)	897	102	0	0	0	999	809	57	0	1	0	867
Financial investments at amortised cost	4,002	1,898	0	5	0	5,905	5,378	1,404	6	273	0	7,061
Loans and advances at amortised cost	3,605	6,663	3,208	2,159	0	15,635	3,952	7,189	3,169	2,212	0	16,522
Other financial instruments at amortised cost	250	80	25	17	0	372	299	54	66	0	0	419
TOTAL STAGE 1 EXPOSURES	**9,227**	**10,618**	**4,114**	**3,503**	**0**	**27,462**	**10,906**	**10,680**	**4,014**	**3,767**	**0**	**29,367**

	31/12/19						31/12/20					
Stage 2 Credit Risk Exposure *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	8	74	7	0	89	0	15	59	5	0	79
Commitments in respect of loans granted	1	36	254	42	0	333	2	50	284	26	0	362
Financial investments at FVOCI (excluding variable income securities)	54	0	0	0	0	54	143	0	0	0	0	143
Financial investments at amortised cost	185	0	0	0	0	185	200	10	20	0	0	230
Loans and advances (at amortised cost)	10	495	1,684	59	0	2,248	14	609	1,829	62	0	2,514
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 2 EXPOSURES	**250**	**539**	**2,012**	**108**	**0**	**2,909**	**359**	**684**	**2,192**	**93**	**0**	**3,328**

	31/12/19						31/12/20					
Stage 3 Credit Risk Exposure *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade[1]	Unrated	Default	TOTAL
Commitments in respect of guarantees given	0	0	0	0	7	7	4	0	0	0	10	14
Commitments in respect of loans granted	0	0	0	0	21	21	0	0	9	0	36	45
Financial investments at FVOCI (excluding variable income securities)	0	0	0	0	0	0	0	0	0	0	0	0
Financial investments at amortised cost	0	0	0	0	18	18	0	0	0	0	7	7
Loans and advances (at amortised cost)	4	1	3	0	331	339	8	0	0	0	508	516
Other financial instruments at amortised cost	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL STAGE 3 EXPOSURES	**4**	**1**	**3**	**0**	**377**	**385**	**12**	**0**	**9**	**0**	**561**	**582**

[1] Loans and advances at amortised cost classified under the "non-investment grade" category are mainly linked to financing facilities granted to Luxembourg SMEs, private individuals and corporates. The non-investment grade ratings related to these exposures are not provided by external credit assessment institutions but derive from the Bank's quantitative models to estimate a counterparty's probability of default. In some cases, the output of these models has been modified by the competent decision-making authority ("rating overrides") to include downgrades linked to the pandemic. These exposures are largely collateralised but the internal ratings do not take into account the value of the collateral.

	31/12/19						31/12/20					
Credit Risk Exposure without staging *(in EUR million)*	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Default	TOTAL
Derivatives	74	147	2	3	0	226	102	131	2	2	0	237
Financial assets held-for-trading	28	5	0	9	0	42	22	1	1	2	0	26
TOTAL EXPOSURES WITHOUT STAGING	**102**	**152**	**2**	**12**	**0**	**268**	**124**	**132**	**3**	**4**	**0**	**263**
TOTAL ALL STAGES	**9,583**	**11,310**	**6,131**	**3,623**	**377**	**31,024**	**11,401**	**11,496**	**6,218**	**3,864**	**561**	**33,540**

12.2.3 Collateral and Other Credit Enhancements

31/12/2019 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2]				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements[3]	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	1,053	0	0	0	0	0	1,053	0
Financial assets held-for-trading	42	5	0	0	0	5	37	0
Loans and advances (at amortised cost	20,690	249	330	2,324	7,227	10,130	10,560	272
Financial investments at amortised cost	6,273	638	0	0	0	638	5,635	6
Derivatives	477	0	170	82	0	252	225	0
Other financial instruments at amortised cost	1,878	0	334	1,171	0	1,505	373	0
Commitments in respect of guarantees given	1,737	3	0	89	16	108	1,629	2
Commitments in respect of loans granted	3,697	59	28	898	515	1,500	2,197	8
TOTAL	**35,847**	**954**	**862**	**4,564**	**7,758**	**14,138**	**21,709**	**288**

31/12/2020 (in EUR million)	Gross exposure[1]	Credit Risk Mitigation (CRM)[2]				Total CRM	Net exposure	ECL
		Guarantee	Netting agreements[3]	Financial collateral	Physical collateral			
Financial investments at FVOCI (excluding variable income securities)	1,010	0	0	0	0	0	1,010	0
Financial assets held-for-trading	26	0	0	0	0	0	26	0
Loans and advances (at amortised cost	21,927	241	713	1,728	8,072	10,754	11,173	279
Financial investments at amortised cost	7,466	977	0	0	0	977	6,489	19
Derivatives	497	0	208	55	0	263	234	0
Other financial instruments at amortised cost	1,934	0	1,360	107	0	1,467	467	0
Commitments in respect of guarantees given	1,796	11	0	84	19	114	1,682	2
Commitments in respect of loans granted	3,708	75	108	808	537	1,528	2,180	10
TOTAL	**38,364**	**1,304**	**2,389**	**2,782**	**8,628**	**15,103**	**23,261**	**310**

[1] Gross exposure: exposure before adjusting any specific provision and credit risk mitigation effect.
[2] Credit risk mitigation eligible as per internal policies.
[3] Netting agreements are used for repurchase agreements and derivatives financial instruments, offsetting the value of multiple positions or payments.

12.2.4 Past due but not impaired financial assets

	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**

	31/12/20		
	Past due but not impaired assets		
	< 30 days	30 days <> 90 days	> 90 days
Loans and advances	33,473,471	28,455,787	5,697,347
TOTAL	**33,473,471**	**28,455,787**	**5,697,347**

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.

12.2.5 Credit risk mitigation for credit-impaired assets

	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**

	31/12/20			
	Effect of collateral and other credit enhancements on amount of allowances for credit-impaired debt instruments			
	Gross exposure	Impairments	Carrying amount	Collateral held and guarantees received
Debt securities measured at amortised cost	21,985,297	(15,350,335)	6,634,962	6,634,962
Loans and advances measured at amortised cost	730,266,429	(218,825,295)	511,441,134	429,635,862
TOTAL CREDIT-IMPAIRED DEBT INSTRUMENTS	**752,251,726**	**(234,175,630)**	**518,076,096**	**436,270,824**

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/19	31/12/20
Cash	16,183,015	24,701,438
Debt instruments	3,864,047	1,797,889
Other assets	0	9,505,798
TOTAL	**20,047,062**	**36,005,125**

In general, guarantees obtained are immediately converted into cash by BIL.

12.2.6 Movements in allowances for credit losses

	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)	**(27,518,725)**	**(11,339,843)**	**5,213,356**	**(8,661,851)**	**0**	**0**	**0**	**(60,574)**	**(42,367,637)**	**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	(26,420,746)	(11,003,316)	5,075,537	(8,807,328)	0	0	0	(60,614)	(41,216,467)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(19,490,959)**	**0**	**2,837,985**	**2,826,809**	**(60)**	**0**	**0**	**(55,723)**	**(13,881,948)**	**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	(18,988,156)	0	2,837,765	3,030,268	(60)	0	0	(55,347)	(13,175,530)	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	**(280,477,004)**	**(13,418,420)**	**10,762,281**	**(17,735,735)**	**(69,376)**	**0**	**14,448,265**	**(1,664,437)**	**(288,154,426)**	**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**

	As at 01/01/20	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 31/12/20	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)	**(42,367,637)**	**(11,633,109)**	**6,061,897**	**3,003,392**	**0**	**0**	**0**	**144,455**	**(44,791,002)**	**n.a**	**n.a**
Debt securities at amortised cost	(1,144,815)	(724,109)	187,290	(922,545)	0	0	0	9,392	(2,594,787)	n.a	n.a
Debt securities at fair value through other comprehensive income	(6,355)	(19,527)	8,163	(50,466)	0	0	0	814	(67,371)	n.a	n.a
Loans and advances at amortised cost	(41,216,467)	(10,889,473)	5,866,444	3,976,403	0	0	0	134,249	(42,128,844)	n.a	n.a
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**(13,881,948)**	**0**	**3,403,633**	**(15,489,855)**	**0**	**0**	**0**	**(89,284)**	**(26,057,454)**	**n.a**	**n.a**
Debt securities at amortised cost	(638,938)	0	132,574	(381,096)	0	0	0	2,602	(884,858)	n.a	n.a
Debt securities at fair value through other comprehensive income	(67,480)	0	0	67,480	0	0	0	0	0	n.a	n.a
Loans and advances at amortised cost	(13,175,530)	0	3,271,059	(15,176,239)	0	0	0	(91,886)	(25,172,596)	n.a	n.a
Allowances for credit-impaired debt instruments (Stage 3)	**(231,904,841)**	**(2,978,148)**	**4,586,209**	**(23,670,229)**	**0**	**0**	**14,255,721**	**5,535,658**	**(234,175,630)**	**21,770,986**	**(14,585,423)**
Debt securities at amortised cost	(12,566,385)	0	0	(2,700,000)	0	0	0	(83,950)	(15,350,335)	0	0
Loans and advances at amortised cost	(219,338,456)	(2,978,148)	4,586,209	(20,970,229)	0	0	14,255,721	5,619,608	(218,825,295)	21,770,986	(14,585,423)
TOTAL ALLOWANCES FOR DEBT INSTRUMENTS	**(288,154,426)**	**(14,611,257)**	**14,051,739**	**(36,156,692)**	**0**	**0**	**14,255,721**	**5,590,829**	**(305,024,086)**	**21,770,986**	**(14,585,423)**
Commitments and financial guarantees given (Stage 1)	(6,488,094)	(6,728,526)	2,809,431	5,511,219	0	0	0	27,189	(4,868,781)	0	0
Commitments and financial guarantees given (Stage 2)	(1,783,070)	(1,091,815)	965,868	(705,003)	1,351	0	0	10,391	(2,602,278)	0	0
Commitments and financial guarantees given (Stage 3)	(890,794)	(61,512)	203,797	(1,156,012)	0	0	0	0	(1,904,521)	0	0
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES	**(9,161,958)**	**(7,881,853)**	**3,979,096**	**3,650,204**	**1,351**	**0**	**0**	**37,580**	**(9,375,580)**	**0**	**0**

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

	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

	As at 31/12/20			
	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	934,551,568	141,604	(241,792)	1,838,104

In 2019 and 2020, 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 through 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.

12.2.8 Information on forborne exposures

BIL monitors closely its forborne exposures in respect of the regulatory requirements

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). These measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

In case these criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the "Gestion Intensive et Particulière" (GIP) team.

In order to comply with the regulatory requirements, BIL Group has setup procedures (1) to identify the criteria leading to the forborne classification, (2) to classify the Bank's existing exposures between forborne and non-forborne and (3) implementing these criteria across the systems.

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition. The granting of forbearance measures is likely to constitute an impairment trigger aligned with IFRS 9 requirements.

For credit files in forbearance and in case of early repayment, the costs related to these transactions are 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 the end of 2020, BIL Group's forborne exposures amounted to EUR 1,059.3 million (EUR 308.3 million in 2019) including EUR 62.6 million (EUR 10,9 million in 2019) as given banking guarantees.

12.3 Encumbered assets

A. COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	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[1]	697,454,545	*0*	249,590,276	*249,590,276*
TOTAL	**815,146,052**	***117,691,507***	**249,590,276**	***249,590,276***

	31/12/20			
	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	94,778,817	*94,778,817*	0	*0*
Debt securities[1]	668,926,749	*668,926,749*	211,998,447	*211,998,447*
TOTAL	**763,705,566**	***763,705,566***	**211,998,447**	***211,998,447***

[1] Of which EUR 19,611,722 million relates to reverse repurchase agreements.

B. ENCUMBERED ASSETS

	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	*2,978,525*	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*	*302,327*	*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	*437,364,993*	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*
of which: issued by non-financial corporations	*0*	*0*	*0*	*0*
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***

	31/12/20			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
Central Bank mandatory reserves	200,979,028	*200,979,028*	200,979,028	*200,979,028*
Debt securities held for trading	883,789	*883,789*	883,789	*883,789*
of which: issued by general governments	*28,996*	*28,996*	*28,996*	*28,996*
of which: issued by financial corporations	*803,103*	*803,103*	*803,103*	*803,103*
of which: issued by non-financial corporations	*51,690*	*51,690*	*51,690*	*51,690*
Debt securities at amortised cost	2,338,492,999	*1,993,188,368*	2,398,497,958	*2,048,087,667*
of which: issued by general governments	*1,334,854,471*	*1,116,556,610*	*1,392,094,454*	*1,169,272,060*
of which: issued by financial corporations	*886,008,373*	*775,810,236*	*888,843,571*	*778,097,714*
of which: issued by non-financial corporations	*117,630,155*	*100,821,522*	*117,559,933*	*100,717,893*
Debt securities at fair value through other comprehensive income	454,639,864	*408,367,375*	454,639,863	*408,367,375*
of which: issued by general governments	*242,684,161*	*242,684,161*	*242,684,161*	*242,684,161*
of which: issued by financial corporations	*201,268,178*	*154,995,689*	*201,268,178*	*154,995,689*
of which: issued by non-financial corporations	*10,687,525*	*10,687,525*	*10,687,524*	*10,687,525*
Loans and advances other than loans on demand	618,670,376	*618,670,376*	618,670,376	*629,765,369*
TOTAL	**3,613,666,056**	***3,222,088,936***	**3,673,671,014**	***3,288,083,228***

C. SOURCES OF ENCUMBRANCE

	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	612,991,019	612,868,204	*0*
of which: central banks	*0*	*0*	*0*
Collateralised deposits other than repurchase agreements	704,885,085	705,427,622	*249,590,276*
of which: central banks	*704,885,085*	*705,427,622*	*249,590,276*
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***

	31/12/20		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which : collateral received re-used***
Derivatives	639,814,933	618,670,376	*0*
Repurchase agreements	662,579,520	657,014,039	*0*
of which: central banks	*0*	*0*	*0*
Collateralised deposits other than repurchase agreements	1,498,072,597	1,498,072,597	*211,998,447*
of which: central banks	*1,498,072,597*	*1,498,072,597*	*211,998,447*
Fair value of securities borrowed with non cash collateral	861,313,473	850,928,463	*0*
TOTAL	**3,661,780,523**	**3,624,685,475**	***211,998,447***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/19				
	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	639,814,933	0	639,814,933	618,670,376	21,144,557
Repurchase agreements	606,337,323	0	606,337,323	606,337,323	0
Collateralised deposits other than repurchase agreements	704,885,085	0	704,885,085	704,885,085	0
TOTAL	**1,951,037,341**	**0**	**1,951,037,341**	**1,929,892,784**	**21,144,557**

Financial assets recognised at end of reporting period	31/12/20				
	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	239,604,794	0	239,604,794	94,778,817	144,825,977
Repurchase agreements	19,119,824	0	19,119,824	19,119,824	0
TOTAL	**258,724,618**	**0**	**258,724,618**	**113,898,641**	**144,825,977**

Financial liabilities recognised at end of reporting period	31/12/20				
	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	642,789,763	0	642,789,763	623,835,369	18,954,394
Repurchase agreements	662,579,521	0	662,579,521	657,014,039	5,565,482
Collateralised deposits other than repurchase agreements	1,498,072,597	0	1,498,072,597	1,498,072,597	0
TOTAL	**2,803,441,881**	**0**	**2,803,441,881**	**2,778,922,005**	**24,519,876**

12.4 Interest rate risk : breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/19			
	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	3,041,956,502	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	1,212,440,324	0	499,998	58,150,000
Loans and advances to customers	4,742,518,066	141,799,925	367,339,449	1,690,526,472
Financial investments measured at 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	**9,753,000,229**	**191,022,364**	**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	1,271,090,322
Loans and advances to customers	7,525,738,701	0	14,467,922,613
Financial investments measured at cost	3,199,268,415	0	6,253,145,680
Derivatives	0	294,395,590	294,395,590
Fair value revaluation of portfolios hedged against interest rate risk	0	303,238	303,238
TOTAL	**10,964,574,984**	**349,409,221**	**26,499,787,903**

[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	31/12/20			
	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	3,633,908,019	0	0	0
Financial assets held for trading	33,847,984	102,212	982,045	12,720,177
Financial investments measured at fair value	46,091,077	6,589,962	33,385,410	609,616,854
Financial investments measured at fair value through other comprehensive income	*46,091,077*	*6,589,962*	*33,385,410*	*609,616,854*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions	1,095,034,410	7	55,000,000	2,812,500
Loans and advances to customers	4,551,064,295	138,574,240	394,398,156	1,849,019,099
Financial investments measured at cost	516,484,193	111,138,792	396,933,591	2,417,050,023
Derivatives	0	0	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**9,876,429,978**	**256,405,213**	**880,699,202**	**4,891,218,653**

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits	0	0	3,633,908,019
Financial assets held for trading	8,061,443	2,261	55,716,122
Financial investments measured at fair value	313,605,425	79,270,409	1,088,559,137
Financial investments measured at fair value through other comprehensive income	*313,605,425*	*76,225,916*	*1,085,514,644*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*3,044,493*	*3,044,493*
Loans and advances to credit institutions	0	0	1,152,846,917
Loans and advances to customers	8,206,722,820	0	15,139,778,610
Financial investments measured at cost	4,084,757,880	0	7,526,364,479
Derivatives	0	239,604,794	239,604,794
Fair value revaluation of portfolios hedged a gainst interest rate risk	0	191,221	191,221
TOTAL	**12,613,147,568**	**319,068,685**	**28,836,969,299**

[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	1,688,446,851	575,248,284	368,449,148	502,985,757
Amounts due to customers	15,535,119,973	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	**18,233,578,006**	**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	3,188,681,154
Amounts due to customers	577,087	0	18,240,205,519
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	558,989,721	558,989,721
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**	**572,678,649**	**25,384,824,274**

[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

	31/12/20			
	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	1,316,860,678	892,883,982	439,497,478	1,531,322,040
Amounts due to customers	16,821,736,955	1,148,347,322	262,011,938	657,504,548
Other financial liabilities	61,918	977,171	2,618,370	10,545,226
Financial liabilities measured at fair value through profit or loss	277,241,596	14,159,379	95,021,320	242,322,541
Liabilities designated at fair value	*277,241,596*	*14,159,379*	*95,021,320*	*242,322,541*
Derivatives	0	0	0	0
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
Debt securities	1,025,138,257	3,004,211	82,413,774	1,442,308,930
Subordinated debts	48,542,881	0	0	0
TOTAL	**19,489,582,285**	**2,059,372,065**	**881,562,880**	**3,884,003,285**

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions	49,950,314	0	4,230,514,492
Amounts due to customers	7,691,519	0	18,897,292,282
Other financial liabilities	1,933,025	0	16,135,710
Financial liabilities measured at fair value through profit or loss	305,806,732	0	934,551,568
Liabilities designated at fair value	*305,806,732*	*0*	*934,551,568*
Derivatives	0	639,814,933	639,814,933
Fair value revaluation of portfolios hedged against interest rate risk	0	2,433,523	2,433,523
Debt securities	230,238,205	0	2,783,103,377
Subordinated debts	82,077,306	0	130,620,187
TOTAL	**677,697,101**	**642,248,456**	**27,634,466,072**

C. NET POSITION

	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	(8,480,577,777)	(1,724,940,681)	(836,108,037)	2,173,754,388	10,206,105,164	(223,269,428)

	31/12/20					
	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	(9,613,152,307)	(1,802,966,852)	(863,678)	1,007,215,368	11,935,450,467	(323,179,771)

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)		31/12/19							
		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 Trading	Average	0.23							
	Maximum	0.79							
	End of period	0.09							
	Limit	2.00							

VaR (10 days, 99%) (in EUR million)		31/12/20							
		Fixed Income & FOREX (TRADING)				Equity (TRADING)			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	0.17	0.14	0.12	0.21	0.00	0.00	0.00	0.00
	Maximum	0.29	0.21	0.19	0.41	0.01	0.00	0.02	0.02
Global Trading	Average	0.17							
	Maximum	0.65							
	End of period	0.03							
	Limit	2.00							

b. Treasury: +1% sensitivity

The treasury activity is subject to sensitivity limits.

Sensitivity +1% (in EUR million)	31/12/19				31/12/20			
	Treasury				Treasury			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sensitivity	1.25	0.55	(-1.20)	0.72	0.89	2.97	5.48	3.44
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)	31/12/19	31/12/20
Exposures	261	229
Interest rate sensitivity (+1 bp)	(0,01)	(0,00)
Credit spread sensitivity (+1 bp)	(0,05)	(0,07)

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).
For information, the investment portfolio is measured by a credit spread sensitivity measure.

(in EUR million)		2019							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(2)	11	(13)	(9)	(2)	(2)	(2)	(2)

(in EUR million)		2020							
		Interest rate [1 2]				Credit spread [4]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	14	47	4	(4)	(2)	(2)	(3)	(3)

b. Investment Portfolio HTC&S (in EUR million)

The portfolio's interest-rate is managed by the ALM.

(in EUR million)	2019	2020
Exposures	700	700
Interest rate sensitivity (+1 bp)	(0.01)	(0.01)
Credit spread sensitivity (+1 bp)	(0.33)	(0.25)

[1] Sensitivity (+1 %).
[2] On December 31, 2019, the interest rate sensitivity limit for BIL ALM reached EUR 119 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2020, the interest rate sensitivity limit for BIL ALM reached EUR 119 million per percent.

12.6 Liquidity risk : breakdown by residual maturity

BIL's approach to liquidity risk management is described under point 4. "Financial Market Risk" of the consolidated management report.

The maturity analysis does not include the remaining contractual maturities for derivatives. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received. Presented by residual maturity, excluding derivatives and off-balance sheet.

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[2]	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[2]	616,704,733	339,099,726	171,847,982	140,288,013
Loans and advances to customers[2]	1,704,177,050	1,500,871,647	1,159,367,589	701,359,393
Financial investments measured at amortised cost[2]	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**	**2,127,485,887**	**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[2]	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[2]	0	3,149,868	0	1,271,090,322
Loans and advances to customers[2]	1,587,192,703	7,814,954,231	0	14,467,922,613
Financial investments measured at amortised cost[2]	1,938,692,634	3,405,789,079	0	6,253,145,680
Derivatives	9,859,543	(7,035,479)	0	294,395,590
Fair value revaluation of portfolios hedged against interest rate risk	303,238	0	0	303,238
TOTAL	**4,263,965,343**	**11,457,164,188**	**54,710,393**	**26,499,787,903**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

A. ASSETS

	31/12/20			
	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[2]	3,633,908,019	0	0	0
Financial assets held for trading	6,980,984	709,898	7,973,741	12,304,484
Financial investments measured at fair value	0	6,589,962	35,844,662	387,724,813
Financial investments measured at fair value through other comprehensive income	*0*	*6,589,962*	*35,844,662*	*387,724,813*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*0*	*0*
Loans and advances to credit institutions[2]	645,750,756	167,414,201	336,866,760	0
Loans and advances to customers[2]	2,438,970,265	1,972,453,670	715,801,231	402,232,372
Financial investments measured at amortised cost[2]	0	114,637,086	473,034,598	668,937,706
Derivatives	4,460,242	194,957,151	13,648,105	2,784,020
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	0
TOTAL	**6,730,070,266**	**2,456,761,968**	**1,583,169,097**	**1,473,983,395**

	31/12/20			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Cash and balances with central banks and demand deposits[2]	0	0	0	3,633,908,019
Financial assets held for trading	16,104,477	11,640,277	2,261	55,716,122
Financial investments measured at fair value	265,523,866	313,605,425	79,270,409	1,088,559,137
Financial investments measured at fair value through other comprehensive income	*265,523,866*	*313,605,425*	*76,225,916*	*1,085,514,644*
Non-trading financial investments mandatorily at fair value through profit or loss	*0*	*0*	*3,044,493*	*3,044,493*
Loans and advances to credit institutions[2]	2,815,200	0	0	1,152,846,917
Loans and advances to customers[2]	1,403,598,252	8,206,722,820	0	15,139,778,610
Financial investments measured at amortised cost[2]	2,069,041,919	4,200,713,170	0	7,526,364,479
Derivatives	6,340,465	17,414,811	0	239,604,794
Fair value revaluation of portfolios hedged against interest rate risk	191,221	0	0	191,221
TOTAL	**3,763,615,400**	**12,750,096,503**	**79,272,670**	**28,836,969,299**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

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[2]	878,848,593	1,204,673,263	539,303,677	179,016,042
Amounts due to customers[2]	14,309,252,513	2,530,046,752	798,988,779	170,499,135
Other financial liabilities[2]	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[2]	12,969,322	66,752,822	173,117,894	370,662,876
Subordinated debts[2]	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[2]	333,288,465	53,551,115	0	3,188,681,155
Amounts due to customers[2]	430,841,254	577,087	0	18,240,205,520
Other financial liabilities[2]	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	165,677,866	0	558,989,721
Fair value revaluation of portfolios hedged against interest rate risk	199,737	0	0	13,688,928
Debt securities[2]	1,336,330,919	307,584,951	0	2,267,418,784
Subordinated debts[2]	0	138,035,616	0	169,079,812
TOTAL	**2,518,669,366**	**940,225,507**	**0**	**25,384,824,276**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

B. LIABILITIES	31/12/20			
	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[2]	679,446,890	1,245,760,599	729,286,037	326,067,873
Amounts due to customers[2]	15,020,601,829	2,418,404,983	793,083,439	262,986,127
Other financial liabilities[2]	61,917	977,171	2,618,370	4,099,659
Financial liabilities measured at fair value through profit or loss	*0*	*69,150,520*	*116,815,065*	*112,556,395*
Liabilities designated at fair value	0	69,150,520	116,815,065	112,556,395
Derivatives	4,859,484	206,389,393	11,080,152	30,229,986
Fair value revaluation of portfolios hedged against interest rate risk	0	0	2,336,282	97,241
Debt securities[2]	12,426,231	47,069,164	309,484,476	764,311,891
Subordinated debts[2]	0	0	0	0
TOTAL	**15,717,396,351**	**3,987,751,830**	**1,964,703,821**	**1,500,349,172**

	31/12/20			
	Between 2 years and 5 years	More than 5 years	Undetermined maturity	Total
Amounts due to credit institutions[2]	1,200,002,779	49,950,314	0	4,230,514,492
Amounts due to customers[2]	394,518,421	7,697,483	0	18,897,292,282
Other financial liabilities[2]	6,445,567	1,933,025	0	16,135,709
Financial liabilities measured at fair value through profit or loss	*316,183,211*	*319,846,377*	*0*	*934,551,568*
Liabilities designated at fair value	316,183,211	319,846,377	0	934,551,568
Derivatives	94,202,660	293,053,258	0	639,814,933
Fair value revaluation of portfolios hedged against interest rate risk	0	0	0	2,433,523
Debt securities[2]	1,419,573,410	230,238,205	0	2,783,103,377
Subordinated debts[2]	0	130,620,187	0	130,620,187
TOTAL	**3,430,926,048**	**1,033,338,849**	**0**	**27,634,466,071**

C. NET POSITION	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)	(1,946,626,138)	(107,743,930)	686,748,456	1,745,295,977	10,516,938,681	54,710,393

	31/12/20						
	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	(8,987,326,085)	(1,530,989,862)	(381,534,724)	(26,365,777)	332,689,352	11,716,757,654	79,272,670

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.
[2] Amounts are presented discounted for financial assets and liabilities measured at amortised cost.

D. CONTINGENT LIABILITIES AND COMMITMENTS	31/12/19				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Regular way trade	0	2,348,899,812	37,087,361	0	0
Guarantees	0	194,304,994	145,332,137	142,066,582	667,477,138
Loan commitments	24,046,768	62,980,825	211,597,889	164,060,914	336,590,032
Other commitments	0	191,859,751	221,000,426	483,713,008	895,648,720
TOTAL	**24,046,768**	**2,798,045,382**	**615,017,813**	**789,840,504**	**1,899,715,890**

	31/12/19		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	2,385,987,173
Guarantees	594,176,731	839,795,777	2,583,153,359
Loan commitments	875,813,420	1,344,642,160	3,019,732,008
Other commitments	7,647,862,260	224,876,643,864	234,316,728,029
TOTAL	**9,117,852,411**	**227,061,081,801**	**242,305,600,569**

	31/12/20				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Regular way trade	0	1,050,856,309	11,837,930	0	0
Guarantees	638,055	180,357,099	201,826,896	275,408,035	566,715,998
Loan commitments	28,665,213	59,246,701	368,596,226	264,789,691	264,219,952
Other commitments	0	207,837,944	408,665,552	547,558,989	1,133,016,302
TOTAL	**29,303,268**	**1,498,298,053**	**990,926,604**	**1,087,756,715**	**1,963,952,252**

	31/12/20		
	More than 5 years	Undetermined maturity	Total
Regular way trade	0	0	1,062,694,239
Guarantees	514,307,388	979,933,406	2,719,186,877
Loan commitments	747,816,091	1,316,791,149	3,050,125,023
Other commitments	8,263,452,261	225,459,179,534	236,019,710,582
TOTAL	**9,525,575,740**	**227,755,904,089**	**242,851,716,721**

12.7 Currency risk

	31/12/19				
	EUR	Other EU currencies	USD	Other	Total
Assets	21,928,960,033	813,480,048	2,191,955,799	2,434,316,423	27,368,712,303
Liabilities	21,595,201,864	848,180,572	4,067,553,731	857,776,136	27,368,712,303
NET ON-BALANCE SHEET POSITION	**333,758,169**	**(34,700,524)**	**(1,875,597,932)**	**1,576,540,287**	**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)**

	31/12/20				
	EUR	Other EU currencies	USD	Other	Total
Assets	24,322,511,251	773,443,263	1,749,961,549	2,820,288,533	29,666,204,596
Liabilities	24,447,521,086	909,186,260	3,506,653,298	802,843,952	29,666,204,596
NET ON-BALANCE SHEET POSITION	**(125,009,835)**	**(135,742,997)**	**(1,756,691,749)**	**2,017,444,581**	**0**
Off-balance sheet – receivable	2,389,723,250	4,089,136,037	9,097,011,412	4,203,258,220	19,779,128,919
Off-balance sheet – payable	2,236,976,895	3,931,820,920	7,346,500,654	6,285,400,200	19,800,698,669
NET OFF-BALANCE SHEET POSITION	**152,746,355**	**157,315,117**	**1,750,510,758**	**(2,082,141,980)**	**(21,569,750)**

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12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/19	31/12/20
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**1,322,047,408**	**1,603,718,383**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**1,007,948,642**	**1,297,122,365**
Capital, share premium and own shares	906,636,231	906,636,231
Reserves, retained earnings and eligible result	459,621,617	695,879,955
Regulatory and transitional adjustments	(358,309,206)	(305,393,821)
ADDITIONAL TIER 1 CAPITAL (AT1)	**175,000,000**	**175,000,000**
Subordinated liabilities	0	0
Other equity instruments	175,000,000	175,000,000
TIER 2 CAPITAL (T2)	**139,098,766**	**131,596,018**
Subordinated liabilities	139,098,766	131,596,018
IRB excess		
RISK WEIGHTED ASSETS	**8,801,574,008**	**9,533,451,265**
Credit Risk	7,874,063,391	8,620,465,498
Market Risk	51,390,108	30,982,853
Operational Risk	853,589,477	860,070,486
Credit Value Adjustments	22,531,032	21,932,428
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	11.45%	13.61%
Tier 1 ratio	13.44%	15.44%
Capital Adequacy ratio	15.02%	16.82%

[1] **REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1**	**31/12/19**	**31/12/20**
Goodwill and intangible assets	(177,035,587)	(147,618,804)
Deferred tax assets that rely on future probability	(171,688,825)	(153,657,377)
Fair value reserves related to gains or losses cash flow hedges	2,620,964	(122,668)
Gains or losses on liabilities at fair value resulting from own credit risk	(383,396)	(181,489)
Other regulatory adjustments	0	(27,066,175)
Additional Value Adjustment	(2,929,427)	(2,782,657)
Transitional provisions related to introduction of IFRS9[1]		34,765,350
IRB shortfall	(4,111,934)	
Defined benefit pension fund assets	(4,781,001)	(8,730,001)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1	**(358,309,206)**	**(305,393,821)**

The figures are computed in accordance with the Basel III rules, the Capital Requirements Regulation (CRR) 575/2013 as amended and the CSSF Regulation 18-03. Final binding solvency ratios including 2020 result may differ.

[1] The solvency ratios are calculated in accordance with the transitory prescriptions of the article 473bis of the EU Regulation 2017/2395 (as modified by the EU Regulation 2020/873) applied starting September 30, 2020.

Proposed allocation of 2020 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	57,773,573
Allocation to "Legal reserve"[1]	0
Allocation to "Retained earnings"	(57,773,573)
TOTAL	**0**

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[1] No additional allocation is mandatory since the legal reserve already amounts to 10 % of the subscribed capital.