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PRIVATE BANKING

Together  
for you

Annual Report 2020





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# Management report

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à Luxembourg (Suisse) SA

# BIL Suisse Profile

## A Bank under Swiss law

Banque Internationale à Luxembourg (Suisse) SA ("BIL Suisse") is a fully owned subsidiary of Banque Internationale à Luxembourg SA (BIL), the oldest universal bank in the Grand Duchy. BIL Suisse has offices in Zurich, Geneva and Lugano, the three main Swiss financial centers.

Clients benefit from the expertise of BIL Group with a local touch: international wealth management and fund administration services, as well as investment advice tailored to the needs of international clients.

BIL Suisse's in-depth knowledge of markets and financial products creates numerous investment opportunities for clients and provides them with privileged access to the main international financial centers. BIL Suisse offers a full range of banking services for wealthy families, entrepreneurs and independent financial advisers.

For private clients, BIL Suisse offers integrated financial and non-financial solutions such as asset structuring, credit solutions, wealth planning as well as capital protection. The services take a client's personal situation into account and can be tailored to capital creation or capital enjoyment needs.

BIL Suisse also offers extensive client management services and business development support for professional clients. Professional clients are able to benefit from a selection of corporate and institutional banking services, including corporate financing, syndicated loans and advisory services. Further services include administration, reporting and custody services, direct access to the trading floor and financial products such as open architecture solutions and investment vehicles to best serve its clients' interests.

BIL Suisse's 2025 ambitious strategic roadmap aims for BIL Suisse to become a leading boutique bank for clients with a hybrid "private/corporate" value proposition.

## BIL Group

Founded in 1856, Banque Internationale à Luxembourg ("BIL") is the oldest bank in the Grand Duchy. It has always played an active role in the financing and development of Luxembourg's economy. As the third biggest bank in Luxembourg in terms of market share – BIL offers retail, private, corporate and institutional banking as well as treasury and financial market services.

BIL Group has more than 2,000 employees in total in Luxembourg, Switzerland, Denmark, Hong Kong and China. Its specialised Luxembourgish subsidiaries BIL Lease (leasing solutions), BIL Fund & Corporate Services (financial structuring), Belair House (family office and investment management) and BIL Manage Invest (alternative fund management) offer a full range of services for investors.

Through its national and international network, BIL offers bespoke and innovative financial services, which help private wealth and businesses to flourish and support financial professionals in developing their activities.

# Status Report from the Executive Committee prepared on 9<sup>th</sup> April 2021

## Course of business

BIL Suisse continues to invest in the growth and transformation of its core business. In June 2020, the Marco Polo Strategic Plan for the period 2020–2025 was approved. The plan aims to further develop the Bank's private banking activities in and out of Switzerland and to enable profitable growth in markets such as China, Eastern Europe and the Middle East. Additionally, 2020 saw several restructuring measures aimed at strengthening the business for the future. Amongst them BIL Suisse completed the exercise to centralise all support functions at its Head Office in Zurich. Also several key functions of the Bank saw a strategic restructuring through hiring of key resources notably also in the CFO and CRO area.

In 2020, BIL Suisse posted a CHF 9.1 million higher operating loss than in 2019, on revenues of CHF 33.7 million, a decrease of CHF 7.4 million, comparing to 2019. At the same time operating charges were CHF 43.7 million, CHF 1.1 million lower than in 2019 and CHF 2.7 million higher value adjustments, provisions and losses. These led to an operating loss of CHF 18.2 million.

Net interest revenues were CHF 6.3 million (-45.5 %) lower, caused by the negative impact of CHF 2.8 million net interest revenues due from credit institutions as well as CHF 4.4 million lower net interest revenues due from customers and on the other hand the positive impact of CHF 0.9 million revenues from corporate bond portfolio.

Net commission revenues increased by CHF 0.5 million (+2.4 %) and trading revenues were CHF 1.6 million, 26.1% lower led by a decrease in client transactions.

The loss of CHF 18.6 million in 2020 was strongly affected by additional restructuring and reorganisation costs regarding unused office space (CHF 3.47 million), as well as staff reduction and centralization of support functions at the head office in Zurich and renewal of the CFO and CRO area (CHF 1.3 million). The goodwill amortisation and the amortisation of the reorganisation costs (introduction of the Avaloq core banking platform in 2015) were fully amortised at end of 2020.

BIL Suisse continues to have a solid capital base, particularly following the capital injection of its parent company in 2019. The capital base comfortably exceeds the minimum regulatory capital requirement. In addition, BIL Suisse maintains a strong liquidity position, demonstrated by its liquidity coverage ratios during 2020, which were also well above the minimum regulatory requirements.

## Risk management

BIL Suisse pursues a prudent risk policy, which is based on the BIL group principles. It ensures a balanced and favourable risk/reward ratio. As part of its risk policy BIL Suisse defines the risk strategy (including Risk Appetite and Risk Tolerance) and the guidelines of operative Risk Management and Risk Control (including the internal control system) summarised as the Risk Management Framework.

On a yearly basis, the Board of Directors (BoD) approves (a) the institution-wide Risk Management Framework (including Risk Appetite and Risk Tolerance) and (b) the regulations of operative Risk Management and Risk Control. The Board Audit, Risk and Compliance Committee (BACRC) exercises its responsibilities by:

- Discussing the institution-wide Risk Management Framework and presenting relevant recommendations to the BoD;
- Assessing the institution's capital and liquidity planning and reporting to the BoD;
- Assessing the institution-wide Risk Management Framework and ensuring that necessary changes are made;
- Assessing whether the institution has adequate Risk Management (including effective processes) which are appropriate to the institution's particular risk situation;
- Monitoring the implementation of Risk Strategies, ensuring in particular that they are in line with the defined Risk Tolerance and Risk Limits defined in the institution-wide Risk Management Framework.

The Executive Committee and the Board of Directors monitor the following risks on an ongoing basis: market risk; counterparty risk (including concentration risk / large exposure / country risk); liquidity and refinancing risks; operational risk (including internal key control system) and reputation risk; legal risk and regulatory risk.

## Evolution of client assets

At the end of year, BIL Suisse reported CHF 3.7 billion assets under management, compared with CHF 4.1 billion at the end of 2019. BIL Suisse experienced important outflows of net new assets of CHF 342 million from its core Eastern European and Middle Eastern markets, as well as from Western European markets. The impact from FX translation to BIL Suisse's CHF reporting currency was negative with CHF 203 million, in contrary to the positive impact from financial markets with CHF 158 million. In addition, BIL Suisse had a significant lending book of CHF 285 million, an increase of CHF 32 million compared with CHF 253 million at the end of 2019.

## Average number of full-time employees

The workforce changed from 111 full-time equivalents at the end of the previous year to 98.6 as per 31st December 2020. The average number of full-time equivalents during the reporting period was 111.5.

## Future outlook

BIL Suisse will continue executing on its growth strategy the "Marco Polo Plan", focused on three core regions (the Middle East, CIS and China), by extending marketing efforts of existing relationship managers and by hiring new ones. Large investments will be undertaken related to the IT platform in 2021 and the offering of new products and services for core markets, including services related to Corporate and Institutional Banking, improving the quality and operational efficiency. BIL Suisse also intends to expand its cooperation with BIL group and its subsidiaries to offer its clients a broad and appealing range of services such as investment advisory, lending and wealth structuring.

# Management

## of Banque Internationale à Luxembourg (Suisse) SA

### Board of Directors

#### Marcel Leyers, 1962, Chairman

##### Education

Diploma in Management, University of Luxembourg

##### Professional history

- Member of the Board of Directors of BIL Suisse as of December 2019
- Chairman of the Board of Directors of BIL Suisse as of January 2020
- Appointed Chief Executive Officer of Banque Internationale à Luxembourg SA and Member of the Board of Directors in May 2019
- Previously responsible for Corporate and Institutional Banking department and development of Services for Luxembourgish market across all business lines at Banque Internationale à Luxembourg SA

#### Alain Le Fort\*, 1953, Vice Chairman

##### Education

Geneva University Law School, lic. iur.  
Admitted to the Geneva Bar (1977)

##### Professional history

- Member of the Board of Directors of BIL Suisse as of June 2002
- Vice Chairman of the Board of Directors of BIL Suisse as of June 2014

*\*Independent Member*

#### Bernard Mommens, 1960, Member

##### Education

LL.M., Leuven University, Belgium

##### Professional history

- Member of the Executive Committee of Banque Internationale à Luxembourg SA and Secretary General and General Counsel of the BIL Group as of 2007
- Over the past 35 years held senior positions in banking groups in Belgium and Luxembourg

#### Martin Freiermuth, 1970, Member until 20.04.2020

##### Education

PhD in Economics, University of St. Gallen, Switzerland

##### Professional history

- Member of the Executive Committee of Banque Internationale à Luxembourg SA
- Group Head of Products & Markets of Banque Internationale à Luxembourg SA as of May 2014
- Over the past 20 years, held senior and consultancy positions in banking groups and an independent company in Switzerland



### Dieter C. Hauser\*, 1955, Member

#### Education

Master of Law and Dr. iur., University of Zurich, Switzerland  
Attorney at law, Canton of Zurich, Switzerland

*\*Independent Member*

#### Professional history

- Member of the Board of Directors of BIL Suisse as of October 2015 and Chairman of the BACRC of BIL Suisse as of January 2016
- Founder and Managing Partner of icomply Inc., a Compliance Consultancy firm in the financial industry, as of 2000
- Previously CEO and held Board Member positions in subsidiaries of and legal advisor to global Swiss banking group

### Nico Picard, 1964, Member as of 02.07.2020

#### Education

PhD in Mathematics, University of Nancy I, France

#### Professional history

- Member of the Board of Directors of BIL Suisse as of July 2020
- Appointed Chief Financial Officer and Member of the Management Board of Banque Internationale à Luxembourg SA in 2017
- Previously responsible for Finance and Asset and Liability Management at Banque Internationale à Luxembourg SA
- Over the past 32 years held various positions in a variety of functions in banks in France and Luxembourg

### Chris Van Aeken, 1963, Member

#### Education

MBA, University of Chicago, U.S.  
Applied Economics, Leuven University, Belgium

#### Professional history

- Member of the Board of Directors of Banque Internationale à Luxembourg SA as of July 2018
- Previously CEO of Morgan Stanley SA, Switzerland and held a variety of management and board positions in Morgan Stanley Group between 1996 and 2016

## Executive Committee

### Hans-Peter Borgh, 1973, Chairman

#### Education

MSc in Management and Organisation  
Major in Finance and Marketing,  
University of Groningen, The Netherlands

#### Professional history

- CEO of BIL Suisse as of January 2020
- Member of the Executive Committee of Banque Internationale à Luxembourg SA as of November 2015
- Over the past 20 years, senior positions held in International Wealth Management and Private Banking in banking groups in The Netherlands, the UK, the U.S., Switzerland, Singapore and Hong Kong

### Rolf Tresch, 1968, CFO/CRO until 30.04.2020

#### Education

Certified Public Accountant, Switzerland  
Certified Banking Specialist, Switzerland

#### Professional history

- CFO of BIL Suisse as of March 2007
- At BIL Suisse as of March 2001 in different functions (Head of Accounting, Head of Legal & Compliance, COO and CRO). Prior to BIL Suisse held roles as auditor and credit analyst in Switzerland

### Fabian Käslin, 1986, CFO as of 01.05.2020

#### Education

MBA Edinburgh Business School

#### Professional history

- CFO of BIL Suisse as of May 2020
- Previously held various leadership positions in the private banking industry in Switzerland and abroad

### Sophie Bonnefis, 1969, COO

#### Education

MBA INSEAD, France  
Ecole Supérieure de Commerce, Reims, France

#### Professional history

- COO of BIL Suisse as of September 2016
- Previously held different management functions (Audit, Risk, Controlling, Finance, Operations, Project Management) in Switzerland and abroad for a British bank

### Marco Schaller, 1967, Head WM

#### Education

MBA Cranfield School of Management, UK  
Swiss Federal Diploma in Commercial Studies,  
Lugano, Switzerland

#### Professional history

- Head of Wealth Management BIL Suisse as of February 2018
- 30 years experience in Financial Services, held different management functions at UBS and Rothschild in several European countries and in the U.S.

### Michiel Haasbroek, 1978, CRO as of 15.08.2020

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#### Education

PhD in East Asian Studies, University Bochum, Germany  
 MSc. TiasNimbas Business School, Utrecht, Netherlands  
 MA Political Science and History, Trier University, Germany

#### Professional history

- Appointed CRO of BIL Suisse in May 2020
- Prior to joining BIL Suisse held roles as Chief Risk Officer and Alternate Country Executive ABN AMRO Greater China, Chief Risk Officer ABN AMRO Shanghai and various other risk management functions in Asia and Netherlands

## Internal Audit

### Xavier Barthes, 1974, General Auditor

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#### Education

Master Degree INSEEC Business  
 School, Bordeaux, France

#### Professional history

- Internal Auditor of BIL Suisse as of January 2019
- Commenced working for BIL Suisse in 2016
- Over 20 years experience in Financial Services.
- Prior to BIL Suisse, held roles as auditor, risk manager and compliance officer in both France and Switzerland in various financial institutions and with a reputed accountancy firm

## Auditors

### PricewaterhouseCoopers AG, Zurich

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# Annual accounts

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# Balance sheet

## as of 31 December 2020

<b>ASSETS</b>			
(Swiss francs)	Notes	31/12/2020	31/12/2019
Liquid assets		655,341,435	507,524,081
Amounts due from banks		139,910,705	175,750,281
Amounts due from customers	3.2/3.13	250,508,211	245,509,352
Mortgage loans	3.2	34,510,945	7,759,562
Positive replacement values of derivative financial instruments	3.3	1,612,449	1,479,232
Financial investments	3.4	192,132,232	199,987,795
Accrued income and prepaid expenses		3,193,650	4,052,775
Participations	3.5/3.6	-	-
Tangible fixed assets	3.7	641,511	1,107,990
Intangible assets	3.8	716,603	4,473,034
Other assets	3.9	221,546	81,940
<b>TOTAL ASSETS</b>		<b>1,278,789,287</b>	<b>1,147,726,042</b>
<b>Total subordinated assets</b>		<b>2,401,339</b>	<b>2,285,044</b>
<b>LIABILITIES</b>			
(Swiss francs)	Notes	31/12/2020	31/12/2019
Amounts due to banks		124,493,249	127,716,648
Amounts due in respect of customer deposits		985,768,844	841,051,460
Negative replacement values of derivative financial instruments	3.3	8,792,224	4,437,226
Accrued expenses and deferred income		14,246,058	13,143,750
Other liabilities	3.9	2,368,414	2,457,068
Provisions	3.13	9,477,431	6,618,259
Share capital	3.14/3.16	85,000,000	85,000,000
Statutory capital reserves		52,000,000	52,000,000
<i>of which tax-exempt capital contribution reserves</i>		<i>52,000,000</i>	<i>52,000,000</i>
Statutory retained earnings reserves		15,301,631	24,859,096
Voluntary retained earnings reserves		-	-
Profit carried forward / loss carried forward		-	-
Profit / loss (result of the year)		(18,658,564)	(9,557,465)
<b>TOTAL LIABILITIES</b>		<b>1,278,789,287</b>	<b>1,147,726,042</b>

# Off-balance sheet transactions

(Swiss francs)	Notes	31/12/2020	31/12/2019
Contingent liabilities	3.2/4.1	22,841,970	21,346,579
Irrevocable commitments	3.2	1,236,000	1,288,000

# Income statement

<b>INCOME STATEMENT</b>			
<b>FROM JANUARY 1 TO DECEMBER 31, 2020</b>			
(Swiss francs)	Notes	2020	2019
<b>Result from interest operations:</b>			
Interest and discount income	5.1	5,697,461	13,962,553
Interest and dividend income from financial investments		2,207,088	1,328,430
Interest expense		12,489	(1,242,473)
<b>Gross result from interest operations</b>		<b>7,917,038</b>	<b>14,048,510</b>
Changes in value adjustments for default risks and losses from interest operations		(314,641)	(101,051)
<b>Subtotal net result from interest operations</b>		<b>7,602,397</b>	<b>13,947,459</b>
<b>Result from commission business and services:</b>			
Commission income from securities trading and investment activities		26,057,064	25,291,682
Commission income from lending activities		93,329	91,799
Commission income from other services		854,282	855,109
Commission expense		(5,458,268)	(5,191,719)
<b>Subtotal result from commission business and services</b>		<b>21,546,407</b>	<b>21,046,871</b>
<b>Result from trading activities</b>	<b>5.1</b>	<b>4,549,661</b>	<b>6,152,576</b>
<b>Other result from ordinary activities:</b>			
Other ordinary income		-	-
Other ordinary expenses		-	-
<b>Subtotal other result from ordinary activities</b>		<b>-</b>	<b>-</b>
<b>Operating expenses:</b>			
Personnel expenses	5.2	(27,878,135)	(31,484,206)
General and administrative expenses	5.3	(14,617,467)	(13,421,294)
<b>Subtotal operating expenses</b>		<b>(42,495,602)</b>	<b>(44,905,500)</b>
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	3.7/3.8	(4,887,631)	(5,183,364)
Changes to provisions and other value adjustments and losses	3.13/5.4	(4,524,495)	(194,507)
<b>Operating result</b>		<b>(18,209,263)</b>	<b>(9,136,465)</b>
Extraordinary income	5.4	-	9,000
Extraordinary expenses	5.4	(19,301)	-
Taxes	5.5	(430,000)	(430,000)
<b>Profit / loss (result of the year)</b>		<b>(18,658,564)</b>	<b>(9,557,465)</b>



# Presentation of the statement of changes in equity

(In CHF thousands)	Share capital	Statutory capital reserves	Statutory retained earnings reserves	Voluntary retained earnings reserves	Profit carried forward/loss carried forward	Profit/loss (result of the period)	TOTAL
Equity at start of current period	85,000	52,000	24,859	-	-	(9,557)	152,302
Capital increase / decrease	-	-	-	-	-	-	-
Other contributions / other capital paid in	-	-	-	-	-	-	-
Dividends and other distributions	-	-	-	-	-	-	-
Other allocations to (transfers from) the other reserves	-	-	(9,557)	-	-	9,557	-
Profit / loss (result of the period)	-	-	-	-	-	(18,659)	(18,659)
Equity at end of current period	85,000	52,000	15,302	-	-	(18,659)	133,643

# Notes to the financial statements

## 1. Description of business activities and staff situation

### General

Banque Internationale à Luxembourg (Suisse) SA (hereafter "the Bank") is active in Wealth Management in Zurich, Geneva and Lugano.

### Asset management

Asset management for private clients is the main activity of the Bank.

### Balance sheet management

The Bank grants loans mainly in the form of Lombard loans.

### Personnel

The Bank employs 99 (2019: 111) persons (full-time equivalents).

### Risk Assessment

In compliance with the legal requirements, the Board of Directors performs a periodic risk assessment. Accordingly, it examined on 21<sup>st</sup> January 2021 the main risks to which the Bank is exposed.

### Outsourcing

Services in connection with the preparation of tax statements, payroll accounting, back-office operations as well as the operational, technical maintenance and backup aspects of the main banking tool are outsourced to service providers in Switzerland.

## 2. Accounting and valuation principles

### 2.1 Accounting Principles

#### General

The bookkeeping, accounting and valuation principles are based on the Swiss Code of Obligations, the Banking Act and the related ordinance and the guidelines (Circular 2020/1 as of 31<sup>st</sup> October 2019) as well as the accounting ordinance issued by the Swiss Financial Market Supervisory Authority (FINMA). The financial statements have been prepared on a going concern basis and are generally accounted for at going concern values.

#### Records of Business Transactions

All transactions concluded by the Bank are included in the balance sheet and/or income statement respectively on the transaction date.

### 2.2 Valuation Principles

#### Liquidity, short term liabilities

These items are stated in the balance sheet at nominal value.

#### Amounts due from banks, clients and mortgages

These elements are recognised in the balance sheet at their nominal value, except non-monetary transactions e.g. precious metal accounts, which are valued at market value. Known and foreseeable risks are reflected in value adjustments under changes in value adjustments for default risks and losses from interest operations.

#### Repurchase and reverse repurchase

Sales of securities with a repurchase obligation (repurchase) and buying of securities with an obligation to resell (reverse repurchase) are similar to guaranteed financial transactions. The total value of liquid assets received or given as a collateral for repurchase and reverse repurchase agreements is carried in the balance sheet, including accrued interest.

Interest income from reverse repurchases and interest expenses from repurchases are accrued over the underlying transaction period.

#### Financial investments

Interest-bearing securities held-to-maturity are valued at their acquisition cost adjusted for the amortisation of premiums and discounts over their remaining maturity (accrual method). Equity securities are valued using the lower of cost or market price.

#### Participating interests

Participating interests are recorded in the balance sheet at their acquisition cost, less required value adjustments.

#### Tangible fixed assets

Fixed assets are recognised at their acquisition costs and are depreciated on a straight-line basis over their estimated useful life as follows:

- Proprietary or separately acquired software  
maximum 5 years
- Information technology and communication equipment  
maximum 5 years
- Other tangible fixed assets  
maximum 10 years

Upon subsequent revaluation, tangible fixed assets are carried in the balance sheet at their acquisition cost, less cumulative depreciation. The depreciation calculation is based on the asset's entire estimated useful life. Depreciation is calculated from the time the item is ready for use. The accounting value is reviewed on each balance sheet date. If necessary, the impairment charges are accounted for in the current period.

### Intangible assets

Intangible assets are amortised as follows:

- Goodwill: maximum 5 years;
- Other intangible assets: maximum 5 years.

Extraordinary depreciation is taken into account when the situation requires it.

### Accrued income and expenses

All profit or loss transactions are accrued or deferred accordingly.

### Liabilities to own pension funds

The Bank concluded an affiliation agreement with a collective fund to manage the employees' pension plan. This agreement complies with local applicable legal conditions. The Bank bears more than 50% of the local mandatory pension funds' costs in favour of employees and their successors. The Bank has concluded an insurance policy; the pension plan's liabilities and the assets covering them are held by the insurance company. The organisation, management and financing of the pension plan comply with the legal and regulatory framework. The plan is a defined contribution plan.

### Valuation adjustments and provisions

Valuation adjustments are performed to account for recognisable loss risks at closing date in compliance with an appropriate commercial management.

Doubtful debts, i.e. accounts whose debtors are unlikely to fulfil their future obligations, are estimated individually and the related impairment is accounted for by individual valuation adjustments. Off-balance transactions (such as fixed obligations, guaranteed and derivative financial instruments) are also included in the valuation process.

A receivable is considered to be impaired when there is strong evidence that future contractual payments linked to capital and/or interests are unlikely to be received, or each time a payment is 90 days late. Outstanding interests older than 90 days are said to be overdue. The Bank renounces to recognise overdue interests and impaired interests as income and records them directly in "Changes in value adjustments for default risks and losses from interest operations". When interests' payments are unlikely to be received, and when, as a result, the scheduling becomes useless, the Bank renounces to record these interests.

The impairment is defined as the difference between receivable book value and the amount which is likely to be received. The latter is estimated taking into account the counterparty risk and the realisation of possible collaterals. If it is expected that the realisation of the collateral will take more than one year, the related income is discounted at the closing date.

The Bank does not establish allowances for latent default risks for receivables that are not at risk.

### Taxes

Direct taxes which are still due at the end of the financial year are recorded in the liabilities section of the balance sheet under the heading "Accrued expenses and deferred income".

### Contingent liabilities and irrevocable commitments

Off-balance sheet items are stated at their nominal value. A provision is made for identifiable risks and recorded under liabilities in the balance sheet.

### Derivative financial instruments

The Bank's derivative financial instruments held for trading are priced at fair value, which is derived from an efficient and liquid market.

Derivative financial instruments are also used for hedging purposes in asset and liability management. Valuation and recording of the latter comply with hedged transactions' valuation and recording.

Positive and negative replacement values of outstanding derivative instruments at closing date are recorded as separate items in the balance sheet.

Derivative instruments' replacement values are also mentioned in the Notes.

### Conversion of foreign currency items

In the Bank's financial statements all balance sheet positions held in foreign currencies are calculated at the balance sheet date. Realised and unrealised profits and losses are recognised in the income statement. Foreign currency transactions in the income statement are calculated using the exchange rate valid on the day of transaction.

The exchange rates against the Swiss francs used for converting foreign currency items are as follows:

	Closing rates	
	31/12/2020	31/12/2019
EUR	1.08	1.09
USD	0.88	0.97
GBP	1.20	1.28
JPY	0.85	0.89
PLN	23.64	25.53
XAU	1,668.19	1,475.19

## 2.3 Risk Management

### Risk assessment and Risk policy

The Bank pursues a prudent risk policy, which is based on the Banque Internationale à Luxembourg Group principles and policies. It ensures a balanced and favourable risk/reward ratio. In its Risk Management Framework, the Bank defines the risk strategy (including Risk Appetite and Risk Tolerance) and the guidelines of operative Risk Management and Risk Control (including the internal control system) and expresses this in its Risk Appetite.

The Board of Directors (BoD) signs off on a yearly basis (last examination 21st January 2021) (a) the institution-wide Risk Management Framework (including Risk Appetite and Risk Tolerance) and (b) approves / re-approves the regulations of operative Risk Management and Risk Control. The Board Audit, Risk and Compliance Committee (BACRC) takes over its responsibilities on a yearly basis by:

- Discussing the institution-wide Risk Management Framework and presenting relevant recommendations to the BoD;
- Assessing the institution's capital and liquidity planning and reporting to the BoD;
- Assessing the institution-wide Risk Management Framework and ensuring that necessary changes are made;
- Monitoring whether the institution has adequate Risk Management with effective processes which are appropriate to the institution's particular risk situation;
- Monitoring the implementation of Risk Strategies, ensuring in particular that they are in line with the defined Risk Tolerance and Risk Limits defined in the institution-wide Risk Management Framework.

The Management Board as well as the Board of Directors are informed on a regular basis concerning the following risks:

- Market risk
- Counterparty risk (including concentration risk / large exposure / country risk)
- Liquidity and refinancing risks
- Operational risk (including the internal control system)
- Reputation risk

#### Market Risk

Market risk reflects the potential loss on the Bank's balance sheet positions, of which the value or cash flows depend on market fluctuations. The market risks of the Bank are mainly caused by foreign currency positions (foreign exchange risk) and positions with defined repricing maturity (interest rate change risk).

The procedures (Identification, Analysis, Measurement and Assessment) are delegated to the Risk Management department which works with the following methods and limits:

- Interest rate change risk (IR): Measurement of exposure vs limits (e.g. maturity), of sensitivity (+/- 1% interest rate shift) vs limits daily for the treasury book and monthly for the asset and liability book. For the treasury book a value-at-risk model vs limit ensures the daily identification of risk.
- Foreign exchange risk (FX): Measurement of exposure vs limits (e.g. foreign exchange gaps) daily for the banking book (treasury and asset and liability book). For the treasury book a value-at-risk model vs limit ensures the daily identification of risk.
- Financial derivatives are used only for hedging of foreign exchange exposures as: (1) FX balance sheet gaps or (2) FX cash flow hedge. Financial derivatives (OTC FX / metals forwards and OTC FX / metals options) initiated by clients are in principle fully hedged with external counterparties.

#### Counterparty risk

Counterparty risk is associated with a loss (potential) from counterparties failing to fulfil its financial obligations. It covers:

- Default risk on Lombard loans / Mortgage loans: The risk is managed by an independent credit granting process, appropriate loan-to-value rates, diversification rules and regular reviews. Credit risks are subject to specific approval and monitoring by the Credit Committee. The Credit Department is in charge of credit controls using the following methods:
  - Daily: Violation list, which shows all uncovered positions based on lending value and all limit oversteps based on the exposure
  - Monthly: Assessment of new or existing exception to policy (ETP) positions or default positions (any break of contractual obligation) in addition to independent risk manager's assessment
  - Yearly: Stress test exercise (e.g. decrease of all market prices of 20%) with parameters defined by independent risk manager

The market prices of securities and cash collaterals (for Lombard loans) are valued by a daily (IT automated) price feed of SIX Financial Information, Zurich, Switzerland. The market prices of real estates (for mortgages) are valued every 3 years by an independent real estate valuator. The loan to value rates (LTVs) are (a) fed into the banking system through an IT automated daily feed of BIL Group LTVs and (b) monitored by the credit department.

- Default risk on institutional counterparties [banks, brokers, custodians, and bonds positions in the asset and liability book (ALM)]: these credit risks are subject to a monthly monitoring by the risk manager (e.g. changes in investment grade and prices). Diversification limits are in place for: Issuer, investment grade, and country. All counterparties and brokers (for securities and foreign exchange transactions) must be authorized by the Executive Committee, based on an assessment by Risk Management, with additional yearly approval by the BACRC.

Any default position is transferred from the Credit Committee to the Default Committee, who decides about provisions.

#### Liquidity and refinancing risks

Liquidity risk is defined as the risk that the Bank does not have sufficient liquidity to meet its obligations when transactions are due, or the risk that the Bank would have to incur excessive costs to do so. The refinancing risk is defined as the risk that the Bank is not in a position to refinance its current or planned liabilities at reasonable prices. The main refinancing sources are the client accounts and the BIL Group.

Liquidity and refinancing risks are managed by the Treasury department and monitored by the Risk Management department using the following methods: monthly calculation and assessment of the client's current accounts (exposure and average), calculation and assessment of the liquidity coverage ratio (LCR) monthly for the basis stress scenario and quarterly for the additional stress scenario; both results comparing to limits set out by the Board of Directors.

#### Operational risk (including Internal Key Control system)

Operational risk is the term given to the danger of loss resulting from the inadequacy or failure of internal processes, people or systems, or from external events. This definition includes legal risks, but excludes strategic and reputation risks.

Operational risks are managed through internal organisation and internal key control (IKC) procedures, for which the yearly Risk and Control Self-Assessment (RCSA) measures the effectiveness and efficiency of the IKC system. Regarding transactions processing and approval, the information system is set up in order to comply with the four-eye principle and segregation of duties requirements.

The quarterly Security Committee on a quarterly basis, supported by defined Business Continuity Management (BCM) procedures and led by Risk Management, manages risk and protection of people/staff, information technology (including company data, client data and access management), infrastructure, and external suppliers.

The Bank must comply with the legal and regulatory framework.

- Litigations are centrally managed by the Legal department, supported by external legal advisers.
- Legal gives legal support to the other departments of the Bank.

#### Reputational risk

Through continuous training, all staff is made aware of potential reputation risks related to client relationships. The procedure for the establishment of a new client relationship or for acceptance of new credits ensures that any possible image/reputation risk is held to a minimum. Complex or high risk account openings are subject to approval by a specific committee chaired by Head Compliance. The IT system monitors all transactions in order to identify high risks linked to the amount of incoming and outgoing assets, the country of the contractual parties, respectively of the beneficial owners or to identify persons under sanctions or subject to prosecution. In 2019, BIL Group has issued an AML Risk Appetite Statement which highlights client profiles, activities and countries with a heightened reputation risk subject to exit processes. Finally, all new client on-boarding and reviews are subject to a specific reputation risk assessment based on a Compliance Risk Grid to provide more transparency on the related risks. All staff are obliged to the "Code of Ethics" of the BIL Group.

## 2.4 Events after the balance sheet date

No events with a significant influence on the financial closing occurred after the balance sheet date.

## 3. Balance sheet related information

### 3.1 Assets pledged and financing transactions

#### 3.1.1 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

(In CHF thousands)		
Pledged/assigned assets	Book values	Effective commitments
Financial investments	-	-
<b>Total Pledged / assigned assets</b>	<b>-</b>	<b>-</b>
<b>Total Assets under reservation of ownership</b>	<b>-</b>	<b>-</b>

#### 3.1.2 Breakdown of securities financing transactions (assets and liabilities)

(In CHF thousands)	31/12/2020	31/12/2019
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions <sup>1</sup>	14,000	26,000
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions <sup>1</sup>	-	-
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	-	-
- with unrestricted right to resell or pledge	-	-
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	-	-
- of which, repledged securities	-	-
- of which, resold securities	-	-

<sup>1</sup> Before netting agreements.

## 3.2 Presentation of collateral for loans / receivables and off-balance sheet transactions, as well as impaired loans

### 3.2.1 Loans

(In CHF thousands)	Secured by mortgage	Other collateral	Unsecured	Total
<b>Loans (before netting with value adjustments)</b>				
Amounts due from customers	124	250,384	3,438	253,946
Mortgage loans	34,511	-	-	34,511
- Residential property	34,511	-	-	34,511
- Office and business premises	-	-	-	-
- Commercial and industrial premises	-	-	-	-
- Other	-	-	-	-
<b>TOTAL LOANS (BEFORE NETTING WITH VALUE ADJUSTMENTS)</b>				
<b>31/12/2020</b>	<b>34,635</b>	<b>250,384</b>	<b>3,438</b>	<b>288,457</b>
<b>31/12/2019</b>	<b>7,880</b>	<b>245,389</b>	<b>3,144</b>	<b>256,413</b>
<b>TOTAL LOANS (AFTER NETTING WITH VALUE ADJUSTMENTS)</b>				
<b>31/12/2020</b>	<b>34,635</b>	<b>250,384</b>	<b>-</b>	<b>285,019</b>
<b>31/12/2019</b>	<b>7,880</b>	<b>245,389</b>	<b>-</b>	<b>253,269</b>

### 3.2.2 Off-balance sheet

(In CHF thousands)	Secured by mortgage	Other collateral	Unsecured	Total
Contingent liabilities	-	22,842	-	22,842
Irrevocable commitments	-	-	1,236	1,236
<b>TOTAL OFF-BALANCE-SHEET</b>				
<b>31/12/2020</b>	<b>-</b>	<b>22,842</b>	<b>1,236</b>	<b>24,078</b>
<b>31/12/2019</b>	<b>-</b>	<b>21,347</b>	<b>1,288</b>	<b>22,635</b>

### 3.2.3 Impaired loans/receivables

(In CHF thousands)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
<b>31/12/2020</b>	<b>3,539</b>	<b>159</b>	<b>3,380</b>	<b>3,438</b>
<b>31/12/2019</b>	<b>3,241</b>	<b>161</b>	<b>3,080</b>	<b>3,144</b>

### 3.3 Presentation of derivative financial instruments (assets and liabilities)

(In CHF thousands)			
	HEDGING INSTRUMENTS		
	Positive replacement values	Negative replacement values	Contract volume
<b>Foreign exchange / precious metals</b>			
Forward contracts	1,481	8,661	699,311
Options (OTC)	131	131	19,416
<b>TOTAL BEFORE NETTING AGREEMENTS:</b>			
<b>31/12/2020</b>	<b>1,612</b>	<b>8,792</b>	<b>718,727</b>
<b>31/12/2019</b>	<b>1,479</b>	<b>4,437</b>	<b>470,522</b>
<b>TOTAL AFTER NETTING AGREEMENTS:</b>			
<b>31/12/2020</b>	<b>1,612</b>	<b>8,792</b>	<b>718,727</b>
<b>31/12/2019</b>	<b>1,479</b>	<b>4,437</b>	<b>470,522</b>

#### 3.3.1 Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements)	-	1,145	467

### 3.4 Breakdown of financial investments

(In CHF thousands)				
	Book value		Fair value	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Debt securities	192,056	199,911	190,787	198,971
- of which, intended to be held to maturity	192,056	199,911	190,787	198,971
- of which, not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	76	76	202	113
- of which, qualified participations <sup>1</sup>	-	-	-	-
Precious metals	-	-	-	-
Real estate	-	-	-	-
<b>TOTAL</b>	<b>192,132</b>	<b>199,987</b>	<b>190,989</b>	<b>199,084</b>
of which, securities eligible for repo transactions in accordance with liquidity requirements	25,910	5,016	26,057	5,052

#### 3.4.1 Breakdown of counterparties by rating

(In CHF thousands)	AA	AA-	A+	A	A-	n/a	Total
Debt securities: book values	-	20,186	11,298	3,937	-	156,635	192,056

The allocation is based on the ratings categories of S&P.

<sup>1</sup> at least 10% of capital or votes



### 3.5 Presentation of participations

(In CHF thousands)

	Acquisition cost	Accumulated value adjustments and changes in book value (valuation using the equity method)	Book value 31/12/2019
<b>Participations valued using the equity method:</b>	-	-	-
- with market value	-	-	-
- without market value	-	-	-
<b>Other participations:</b>	87	(87)	-
- with market value	-	-	-
- without market value	87	(87)	-
<b>TOTAL PARTICIPATIONS</b>	<b>87</b>	<b>(87)</b>	<b>-</b>

2020						
	Reclassifications	Additions	Disposals	Value adjustments	Book value as at 31/12/2020	Market value
<b>Participations valued using the equity method:</b>	-	-	-	-	-	-
- with market value	-	-	-	-	-	-
- without market value	-	-	-	-	-	-
<b>Other participations:</b>	-	-	-	-	-	-
- with market value	-	-	-	-	-	-
- without market value	-	-	-	-	-	-
<b>TOTAL PARTICIPATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Bank holds one inactive participation, which is fully impaired and in liquidation.

### 3.6 Disclosure of companies in which the bank holds a permanent direct or indirect significant participation

(In CHF thousands)	Company name and domicile	Business activity	Company capital (in 1,000s)	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
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The Bank holds one inactive participation, which is fully impaired. The company is in liquidation.

### 3.7 Presentation of tangible fixed assets

(In CHF thousands)	Acquisition cost	Accumulated depreciation	Book value 31/12/2019
Bank buildings	-	-	-
Other real estate	-	-	-
Proprietary or separately acquired software	1,885	(1,861)	24
Other tangible fixed assets	12,098	(11,014)	1,084
Tangible assets acquired under finance leases:	-	-	-
- of which, bank buildings	-	-	-
- of which, other real estate	-	-	-
- of which, other tangible fixed assets	-	-	-
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>13,983</b>	<b>(12,875)</b>	<b>1,108</b>

(In CHF thousands)	2020					Book value as at 31/12/2020
	Reclassifications	Additions	Disposals	Depreciation	Reversals	
Bank buildings	-	-	-	-	-	-
Other real estate	-	-	-	-	-	-
Proprietary or separately acquired software	-	35	-	(25)	-	34
Other tangible fixed assets	-	102	(42)	(536)	-	608
Tangible assets acquired under finance leases:	-	-	-	-	-	-
- of which, bank buildings	-	-	-	-	-	-
- of which, other real estate	-	-	-	-	-	-
- of which, other tangible fixed assets	-	-	-	-	-	-
<b>TOTAL TANGIBLE FIXED ASSETS</b>	<b>-</b>	<b>137</b>	<b>(42)</b>	<b>(561)</b>	<b>-</b>	<b>642</b>
Operating lease commitments as at 31.12.2020						<b>183</b>
- of which, with maturity within one year						<b>52</b>

### 3.8 Presentation of intangible assets

(In CHF thousands)	Acquisition cost	Accumulated depreciation	Book value 31/12/2019
Goodwill	13,327	(10,661)	2,666
Patents	-	-	-
Licenses	-	-	-
Other intangible assets	7,773	(5,965)	1,808
<b>TOTAL INTANGIBLE ASSETS</b>	<b>21,100</b>	<b>(16,626)</b>	<b>4,474</b>

(In CHF thousands)	2020				Book value as at 31/12/2020
	Additions	Disposals	Depreciation	Reversals	
Goodwill	-	-	(2,666)	-	-
Patents	-	-	-	-	-
Licenses	-	-	-	-	-
Other intangible assets	571	-	(1,662)	-	717
<b>TOTAL INTANGIBLE ASSETS</b>	<b>571</b>	<b>-</b>	<b>(4,328)</b>	<b>-</b>	<b>717</b>

### 3.9 Breakdown of other assets and other liabilities

(In CHF thousands)	Other assets		Other liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Compensation account	-	49	50	-
Deferred income taxes recognised as assets	-	-	-	-
Amount recognised as assets in respect of employer contribution reserves	-	-	-	-
Indirect taxes	96	25	463	466
Other assets and liabilities	126	8	1,855	1,991
<b>TOTAL</b>	<b>222</b>	<b>82</b>	<b>2,368</b>	<b>2,457</b>

### 3.10 Disclosures on the economic situation of own pension schemes

The Bank's pension plan is managed by collective pension funds.

Employees of the Bank are affiliated to pension plans with defined contributions. Retirement happens at 65 for men and 64 for women. However, early retirement is possible as of the age of 58 subject of a proportioned reduction of the retirement plan. As of the age of 60 for men and 64 for women, such a reduction of retirement benefits may be partially compensated by voluntary deposits by the employee within the limits of the law.

As from 1<sup>st</sup> January 2021, it has been decided to change the pension plan. The basic solution is a semi-autonomous pension solution and the supplementary pension is a 1e plan<sup>1</sup>.

<sup>1</sup> Swiss 1e plans are a form of pension solution offering investment choice.

### 3.11 Employer contribution reserves (ECR)

(In CHF thousands)					
ECR	Nominal value at 31/12/2020	Waiver of use at 31/12/2020	Net amount at 31/12/2020	Net amount at 31/12/2019	Influence of ECR on personnel expenses
					2020 2019
Employer sponsored funds / employer sponsored pension schemes	-	-	-	-	- -
Pension schemes	788	-	788	780	- -

The ECR is not reported as an asset on the balance sheet.

### 3.12 Presentation of the economic benefit / obligation and the pension expenses

(In CHF thousands)					
	Overfunding / underfunding at 31/12/2020	Economic interest of the Bank	Change in economic interest (economic benefit/obligation) versus 2019	Contributions paid for 2020	Pension expenses in personnel expenses
	31/12/2020	31/12/2019		2020	2019
Pension plan with over-funding	670	129	(5)	(134)	2,252 2,386 2,266

### 3.13 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

(In CHF thousands)								
	Balance 31/12/2019	Use in conformity with designated purpose	Reclassifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance 31/12/2020
Provisions for restructuring	2,668	(2,652)	-	-	-	1,331	-	1,347
Other provisions	3,950	(325)	-	(11)	-	4,516	-	8,130
<b>TOTAL PROVISIONS</b>	<b>6,618</b>	<b>(2,977)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>5,847</b>	<b>-</b>	<b>9,477</b>
<b>Value adjustments for default and country risks</b>	<b>3,144</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>-</b>	<b>315</b>	<b>-</b>	<b>3,438</b>
- of which, value adjustments for default risks in respect of impaired loans / receivables	3,144	-	-	(21)	-	315	-	3,438
- of which, value adjustments for latent risks	-	-	-	-	-	-	-	-

Provisions for restructuring and reorganisation costs regarding non used building spaces (CHF 4.4 million), staff reduction and concentration of support functions at the head office in Zurich (CHF 1.3 million) and legal costs (CHF 0.2 million) have been recorded in the current period.

### 3.14 Presentation of the bank's capital

(In CHF thousands)	31/12/2020			31/12/2019		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Share capital	85,000	85,000	85,000	85,000	85,000	85,000
<b>TOTAL SHARE CAPITAL</b>	<b>85,000</b>	<b>85,000</b>	<b>85,000</b>	<b>85,000</b>	<b>85,000</b>	<b>85,000</b>

### 3.15 Disclosure of amounts due from/to related parties

(In CHF thousands)	Amounts due from		Amounts due to	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Holders of qualified participations	91,661	133,384	100,553	97,452
Group companies	-	-	-	-
Linked companies	-	-	-	-
Transactions with members of governing bodies	-	-	-	-
Other related parties	-	-	-	-

The services rendered to and from related parties are at arm's length.

### 3.16 Disclosure of holders of significant participations

(In CHF thousands)		31/12/2020		31/12/2019	
		Nominal	%	Nominal	%
Holders of significant participations and groups of holders of participations with pooled voting rights					
With voting rights	Banque Internationale à Luxembourg SA, Luxembourg	85,000	100%	85,000	100%
Without voting rights	-	-	-	-	-

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

The following shareholders own Banque Internationale à Luxembourg SA, Luxembourg: Beyond Leap Limited, Luxembourg 89.98% and the State of Luxembourg 9.997%.

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.

### 3.17 Presentation of the maturity structure of financial instruments

(In CHF thousands)	At sight	Cancellable	Due					Total	
			within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity		
ASSETS/FINANCIAL INSTRUMENTS									
Liquid assets	655,341	-	-	-	-	-	-	655,341	
Amount due from banks	122,911	-	3,000	14,000	-	-	-	139,911	
Amount due from customers	-	25,335	108,161	114,591	2,421	-	-	250,508	
Mortgage loans	970	-	10,253	400	6,588	16,300	-	34,511	
Positive replacement values of derivative financial instruments	1,612	-	-	-	-	-	-	1,612	
Financial investments	76	-	28,475	-	152,579	11,002	-	192,132	
TOTAL	31/12/2020	780,910	25,335	149,889	128,991	161,588	27,302	-	1,274,015
	31/12/2019	655,851	16,584	168,650	42,319	208,436	46,170	-	1,138,010
DEBT CAPITAL / FINANCIAL INSTRUMENTS									
Amount due to banks	65,074	-	-	59,419	-	-	-	124,493	
Amounts due in respect of customer deposits	851,776	-	133,993	-	-	-	-	985,769	
Negative replacement values of derivative financial instruments	8,792	-	-	-	-	-	-	8,792	
TOTAL	31/12/2020	925,642	-	133,993	59,419	-	-	-	1,119,054
	31/12/2019	815,788	1,664	96,031	-	59,722	-	-	973,205

### 3.18 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

(In CHF thousands)	31/12/2020		31/12/2019	
	Domestic	Foreign	Domestic	Foreign
<b>ASSETS</b>				
Liquid assets	655,341	-	507,524	-
Amounts due from banks	46,921	92,990	42,122	133,628
Amounts due from customers	14,667	235,841	18,430	227,079
Mortgage loans	34,511	-	7,760	-
Positive replacement values of derivative financial instruments	1,076	536	888	591
Financial investments	22,807	169,325	76	199,912
Accrued income and prepaid expenses	861	2,332	1,011	3,042
Participations	-	-	-	-
Tangible fixed assets	642	-	1,108	-
Intangible assets	717	-	4,473	-
Other assets	222	-	82	-
<b>TOTAL ASSETS</b>	<b>777,765</b>	<b>501,024</b>	<b>583,474</b>	<b>564,252</b>
<b>LIABILITIES</b>				
Amounts due to banks	29,084	95,409	31,956	95,761
Amounts due in respect of customer deposits	72,179	913,590	87,813	753,238
Negative replacement values of derivative financial instruments	2,951	5,841	2,407	2,030
Accrued expenses and deferred income	13,747	500	12,801	343
Other liabilities	2,368	-	2,457	-
Provisions	9,145	332	6,268	350
Share capital	85,000	-	85,000	-
Statutory capital reserves	52,000	-	52,000	-
Statutory retained earnings reserves	15,302	-	24,859	-
Voluntary retained earnings reserves	-	-	-	-
Profit carried forward / loss carried forward	-	-	-	-
Profit / loss (result of the year)	(18,659)	-	(9,557)	-
<b>TOTAL LIABILITIES</b>	<b>263,117</b>	<b>1,015,672</b>	<b>296,004</b>	<b>851,722</b>

### 3.19 Breakdown of total assets by country or group of countries (domicile principle)

(In CHF thousands)	31/12/2020		31/12/2019	
	Absolute	Share as %	Absolute	Share as %
<b>Assets</b>				
Europe :				
- Switzerland	777,765	62%	583,474	51%
- Luxembourg	101,567	8%	139,648	12%
- Rest of Europe	222,048	17%	251,784	22%
North America	28,617	2%	48,624	4%
Caribbean	44,136	3%	21,495	2%
Latin America	1,140	-	1,777	-
Africa	1,848	-	1,523	-
Asia	100,845	8%	99,400	9%
Australia/Oceania	823	-	1	-
<b>TOTAL ASSETS</b>	<b>1,278,789</b>	<b>100%</b>	<b>1,147,726</b>	<b>100%</b>

### 3.20 Breakdown of total assets by credit rating of country groups (risk domicile view)

(In CHF thousands)	Net foreign exposure 31/12/2020		Net foreign exposure 31/12/2019	
	Absolute	Share as %	Absolute	Share as %
Rating				
AAA to AA-	404,286	82%	464,059	83%
A+ to A-	20,011	4%	1,109	-
BBB+ to BBB-	21,685	4%	68,540	12%
BB+ to BB-	159	-	314	-
B+ to B-	1,265	-	797	-
CCC+ to C	1,851	-	942	-
D	7	-	-	-
No rating	51,760	10%	28,491	5%
<b>TOTAL</b>	<b>501,024</b>	<b>100%</b>	<b>564,252</b>	<b>100%</b>

The exposures have been classified as per country risk ratings issued by S&P



### 3.21 Presentation of assets and liabilities broken down by the most significant currencies for the Bank

(In CHF thousands)	CHF	EUR	USD	GBP	JPY	PLN	XAU	Others
<b>ASSETS</b>								
Liquid assets	655,341	-	-	-	-	-	-	-
Amounts due from banks	46,710	8,546	35,271	15,116	1,182	10,226	5,237	17,623
Amounts due from customers	23,168	163,428	60,103	1,921	63	1,816	-	9
Mortgage loans	34,511	-	-	-	-	-	-	-
Positive replacement values of derivative financial instruments	1,481	20	-	1	-	92	-	18
Financial investments	25,984	148,477	17,671	-	-	-	-	-
Accrued income and prepaid expenses	1,168	1,754	255	15	-	1	-	-
Participations	-	-	-	-	-	-	-	-
Tangible fixed assets	642	-	-	-	-	-	-	-
Intangible assets	717	-	-	-	-	-	-	-
Other assets	222	-	-	-	-	-	-	-
<b>TOTAL ASSETS SHOWN IN BALANCE SHEET</b>	<b>789,944</b>	<b>322,225</b>	<b>113,300</b>	<b>17,053</b>	<b>1,245</b>	<b>12,135</b>	<b>5,237</b>	<b>17,650</b>
Delivery entitlements from spot exchange, forward forex and forex options transactions	4,901	106,518	510,028	4,044	-	48,124	21,687	23,425
<b>TOTAL ASSETS</b>	<b>794,845</b>	<b>428,743</b>	<b>623,328</b>	<b>21,097</b>	<b>1,245</b>	<b>60,259</b>	<b>26,924</b>	<b>41,075</b>
<b>LIABILITIES</b>								
Amounts due to banks	32,226	67,286	24,942	-	-	-	-	39
Amounts due in respect of customer deposits	62,651	297,041	502,525	16,893	1,244	50,488	26,923	28,004
Negative replacement values of derivative financial instruments	8,661	20	-	1	-	92	-	18
Accrued expenses and deferred income	14,217	24	5	-	-	-	-	-
Other liabilities	1,536	57	770	3	-	-	-	3
Provisions	9,145	154	178	-	-	-	-	-
Share capital	85,000	-	-	-	-	-	-	-
Statutory capital reserves	52,000	-	-	-	-	-	-	-
Statutory retained earnings reserves	15,302	-	-	-	-	-	-	-
Voluntary retained earnings reserves	-	-	-	-	-	-	-	-
Profit carried forward / loss carried forward	-	-	-	-	-	-	-	-
Profit / loss (result of the year)	(18,659)	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES SHOWN IN BALANCE SHEET</b>	<b>262,079</b>	<b>364,582</b>	<b>528,420</b>	<b>16,897</b>	<b>1,244</b>	<b>50,580</b>	<b>26,923</b>	<b>28,064</b>
Delivery obligations from spot exchange, forward forex and forex options transactions	539,685	64,153	94,919	4,228	-	9,663	-	12,978
<b>TOTAL LIABILITIES</b>	<b>801,764</b>	<b>428,735</b>	<b>623,339</b>	<b>21,125</b>	<b>1,244</b>	<b>60,243</b>	<b>26,923</b>	<b>41,042</b>
<b>NET POSITION PER CURRENCY</b>	<b>(6,919)</b>	<b>8</b>	<b>(11)</b>	<b>(28)</b>	<b>1</b>	<b>16</b>	<b>1</b>	<b>33</b>

## 4. Off balance sheet related information

### 4.1 Breakdown of contingent liabilities and contingent assets

(In CHF thousands)	31/12/2020	31/12/2019
Guarantees given to secure credits and similar	22,842	21,347
Other contingent liabilities	-	-
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>22,842</b>	<b>21,347</b>
Guarantees received to secure credits and similar	-	-
Other contingent assets	-	-
<b>TOTAL CONTINGENT ASSETS</b>	<b>-</b>	<b>-</b>

### 4.2 Breakdown of fiduciary transactions

(In CHF thousands)	31/12/2020	31/12/2019
Fiduciary investments with third-party companies	1,627	70,954
Fiduciary investments with group companies and linked companies	138,321	535,718
Other fiduciary transactions	-	-
<b>TOTAL</b>	<b>139,948</b>	<b>606,672</b>

### 4.3 Breakdown of managed assets and presentation of their development

#### 4.3.1 Breakdown of managed assets

(In CHF million)	31/12/2020	31/12/2019
Assets in collective investment schemes managed by the Bank	-	-
Assets under discretionary asset management agreements	362	338
Other managed assets	3,382	3,793
<b>TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING)</b>	<b>3,744</b>	<b>4,131</b>
<i>of which, double counting</i>	<i>-</i>	<i>-</i>

#### 4.3.2 Presentation of the development of managed assets

(In CHF million)	2020	2019
<b>TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT BEGINNING</b>	<b>4,131</b>	<b>3,581</b>
+/- net new money inflow or net new money outflow	(342)	275
+/- price gains / losses, interest, dividends and currency gains / losses	(45)	275
+/- other effects	-	-
<b>TOTAL MANAGED ASSETS (INCLUDING DOUBLE COUNTING) AT END</b>	<b>3,744</b>	<b>4,131</b>

Considered as client assets are all assets, held as investment, from institutional clients, company clients and private clients. Assets held for safekeeping only are not included. This concerns assets from institutionals like investment funds, where the Bank acts as custody and financial collector only.

Changes in rates, credits of interests and dividends, commissions, debit interests on Lombard loans, etc. are considered as performance-based changes in client assets.

## 5. Income statement related information

### 5.1 Result from trading activities and interest operations

#### 5.1.1 Breakdown of the result from trading activities and the fair value option

(In CHF thousands)	2020	2019
Result from trading activities from:		
- Interest rate instruments (including funds)	-	-
- Equity securities (including funds)	-	-
- Foreign currencies	4,550	6,149
- Commodities / precious metals	-	3
<b>TOTAL RESULT FROM TRADING ACTIVITIES</b>	<b>4,550</b>	<b>6,152</b>
- of which, from fair value option	-	-
- of which, from fair value option on assets	-	-
- of which, from fair value option on liabilities	-	-

#### 5.1.2 Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

(in CHF thousands)	2020	2019
Result from interest operations		
- Interest and discount income	5,698	13,963
of which, from refinancing income	-	-
of which from negative interest	(2,457)	(578)
- Interest and dividend income from financial investments	2,207	1,328
- Interest expense	12	(1,242)
of which from negative interest	546	261
<b>TOTAL RESULT FROM INTEREST OPERATIONS</b>	<b>7,917</b>	<b>14,049</b>

### 5.2 Breakdown of personnel expenses

(in CHF thousands)	2020	2019
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	22,931	26,064
of which expenses relating to share-based compensation and alternative forms of variable compensation	3,524	5,075
Social insurance benefits	3,973	4,319
Changes in book value for economic benefits and obligations arising from pension schemes	-	-
Other personnel expenses	974	1,101
<b>TOTAL</b>	<b>27,878</b>	<b>31,484</b>

### 5.3 Breakdown of general and administrative expenses

(In CHF thousands)	2020	2019
Office space expenses	3,370	3,426
Expenses for information and communications technology	5,233	5,244
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	101	134
Fees of audit firm(s) (Art. 961a no. 2 CO)	406	360
<i>of which, for financial and regulatory audits</i>	406	360
<i>of which, for other services</i>	-	-
Other operating expenses	5,507	4,257
<b>TOTAL</b>	<b>14,617</b>	<b>13,421</b>

### 5.4 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general banking risks, and value adjustments and provisions no longer required

Provisions for restructuring and reorganisation costs regarding non used building spaces (CHF 4.4 million), staff reduction and concentration of support functions at the head office in Zurich (CHF 1.3 million) and legal costs (CHF 0.2 million) have been recorded in the current period. Furthermore, the sale of tangible assets caused a loss of CHF 0.02 million.

### 5.5 Presentation of current taxes, deferred taxes, and disclosure of tax rate

(In CHF thousands)	2020	2019
Current taxes	430	430
Deferred taxes	-	-
Impact of changes arising from loss carry forwards on income taxes	-	-
Average income tax rate	-	-

# Proposal to the Annual General Meeting

The Board of Directors proposes to the Ordinary Annual General Meeting that available earnings be appropriated as follows:

(Swiss francs)	
<b>TOTAL SHAREHOLDERS' EQUITY AS AT 31.12.2020 BEFORE APPROPRIATION OF AVAILABLE EARNINGS:</b>	
Share capital	85,000,000
Statutory capital reserves	52,000,000
<i>of which tax-exempt capital contribution reserves</i>	52,000,000
Statutory retained earnings reserves	15,301,631
Voluntary retained earnings reserves	-
Profit carried forward / loss carried forward	-
Profit / loss (result of the period)	(18,658,564)
<b>TOTAL</b>	<b>133,643,067</b>
Loss (result of the period)	(18,658,564)
+/- profit / loss carried forward	-
<b>= DISTRIBUTABLE PROFIT / ACCUMULATED LOSS</b>	<b>(18,658,564)</b>
<b>APPROPRIATION OF PROFIT / COVERAGE OF LOSSES :</b>	
- Transfers from statutory retained earnings reserves	(15,301,631)
<b>NEW AMOUNT CARRIED FORWARD</b>	<b>(3,356,933)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AS AT 31.12.2020 AFTER APPROPRIATION OF AVAILABLE EARNINGS:</b>	
Share capital	85,000,000
Statutory capital reserves	52,000,000
<i>of which tax-exempt capital contribution reserves</i>	52,000,000
Statutory retained earnings reserves	-
Voluntary retained earnings reserves	-
Profit carried forward / loss carried forward	(3,356,933)
<b>TOTAL</b>	<b>133,643,067</b>

# Report of the statutory auditor

## to the General Meeting of Banque Internationale à Luxembourg (Suisse) SA, Zurich

### Report on the financial statements

As statutory auditor, we have audited the financial statements of Banque Internationale à Luxembourg (Suisse) SA, which comprise the balance sheet, income statement, presentation of the statement of changes in equity and notes (pages 14 to 38), for the year ended 31 December 2020.

#### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the articles of incorporation.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Guido Andermatt

Audit expert  
Auditor in charge

Roland Holl

Audit expert

Zurich, 23 April 2021



# Disclosure according to FINMA Circular 2016/1 on capital and liquidity

(In CHF thousands)	31/12/2020	30/09/2020	30/06/2020	31/03/2020	31/12/2019
<b>Eligible Equity</b>					
Common Equity Tier 1 (CET 1)	132,926	141,348	144,010	146,465	147,829
Tier 1 Capital	132,926	141,348	144,010	146,465	147,829
Total capital	132,926	141,348	144,010	146,465	147,829
<b>Minimum capital<sup>2</sup></b>	<b>51,802</b>	<b>50,553</b>	<b>54,753</b>	<b>50,842</b>	<b>53,034</b>
<b>Simplified Leverage Ratio</b>					
Tier 1 Capital	132,926	141,348	144,010	146,465	147,829
Total assets ./ Goodwill ./ Participations + Off-Balance sheet transactions ./ Deposits Swiss National Bank <sup>2</sup>	647,526	631,912	684,416	635,526	662,919
<b>Simplified Leverage Ratio (in %)<sup>1</sup></b>	<b>20,5%</b>	<b>22,4%</b>	<b>21,0%</b>	<b>23,0%</b>	<b>22,3%</b>
<b>Liquidity Coverage Ratio (LCR)</b>					
Total stock of high quality liquid assets [HQLA]	542,602	443,220	396,494	374,847	454,860
Total net outflows [cash outflows minus capped inflows]	154,336	151,671	116,784	116,430	154,187
<b>LCR (in %)</b>	<b>352%</b>	<b>292%</b>	<b>340%</b>	<b>322%</b>	<b>295%</b>
<b>FINMA Categorization</b>					
(Category 5 - Small market participants. Low Risk.)		5			5

<sup>1</sup> According to FINMA's letter dated February 25, 2020, BIL Suisse has been placed under the small bank regime retroactively as of January 1, 2020. Therefore, the simplified leverage ratio is applied.

<sup>2</sup> Under the small bank regime, minimum own funds of 8% of the denominator of the simplified leverage ratio apply to institutions in categories 4 and 5.

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