Degroof Petercam

Annual Report 2020

Consolidated financial statements for the year ended 31 December 2020

Annual Report 2020

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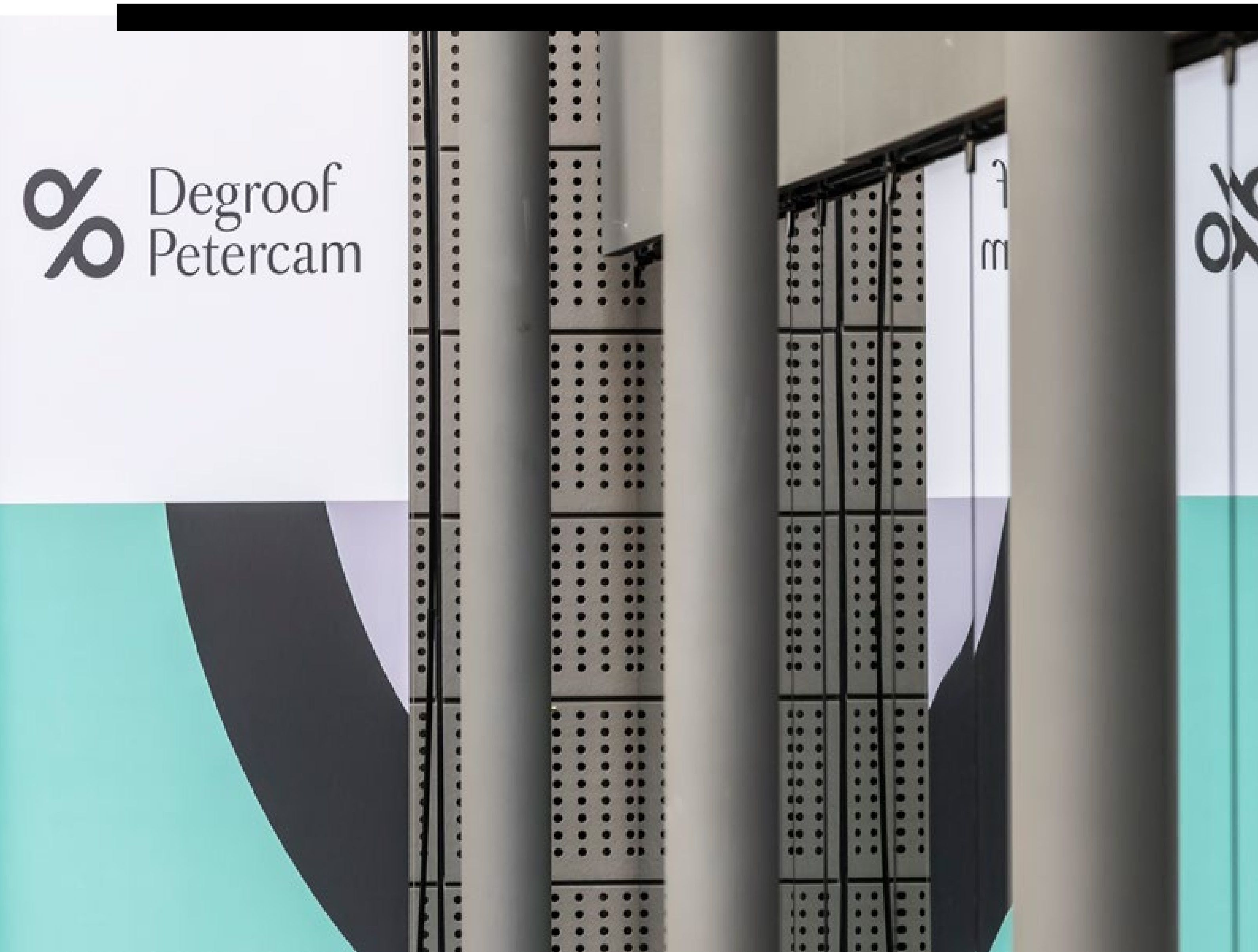
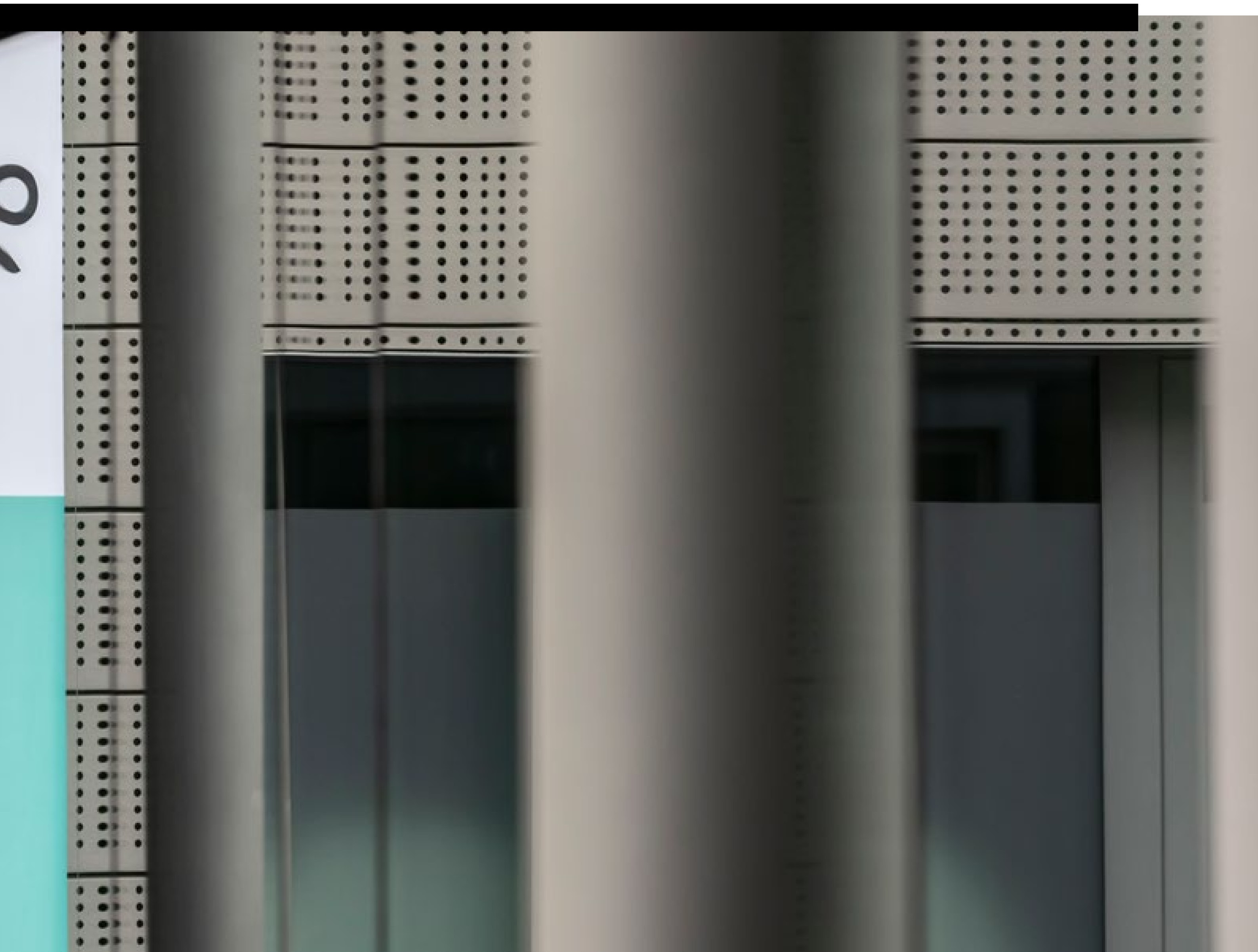

Degroof
Petercam

Message from the Board of Directors



"Although the economic consequences of the health crisis are not yet fully known and the context remains uncertain, we remain confident about the prospects of the Bank and its subsidiaries. Degroof Petercam Luxembourg continues to operate on a very solid financial basis."

By any measure, 2020 was a year to remember.

Global equities suffered their worst performance since the 2008 crisis from mid-February to the end of March 2020, when the rapid spread of Covid-19 outside of China shook the markets. The equity markets then rebounded strongly as governments and central banks announced unprecedented support measures. Later in the year, risk assets benefited from the stronger-than-expected economic recovery and the discovery of vaccines. Among the major zones, only European equities ended the year in negative territory. The euro appreciated against the dollar in the second half of the year, reaching USD 1.22 at the end of the period, compared to USD 1.12 at the end of 2019. The recovery plan approved by the European Council in July was one of the reasons for the renewed optimism of investors about the common currency. Yields on similar German bonds fluctuated between-0.20% and-0.80% during the year, ending the period under review at-0.58%.

The assets of our private and institutional clients were strongly impacted by the market downturn in the first quarter. The situation gradually improved in the following quarters, which is reflected in the positive performance of 4.1% that our benchmark fund DP Global Strategy L medium recorded in 2020.

The Luxembourg division of the Degroof Petercam Group achieved an excellent financial performance in 2020. Its results demonstrate the strength of its integrated model and the complementarity of its three business lines, Asset Services, Private Banking and Global Markets, with net profit reaching EUR 50.0 million, up almost 24% on the previous year. Current consolidated gross income amounted to EUR 66.9 million, up 35% compared to the previous financial year.

As at 31 December 2020, the Asset Services business recorded EUR 51.7 billion in assets under administration and/or custody, including EUR 10.0 billion for third-party funds. These assets grew by 28.0% over the previous year. This growth was mainly driven by the migration of two Group SICAVs (Sociétés d'Investissement à Capital Variable) with a total of EUR 8.4 billion in assets to our Asset Services platform in early January 2020. This migration is part of the strategy of centralising the investment fund administration services business in Luxembourg and has further strengthened the significant contribution of the Asset Services business line to the Group's results and to the results of the Luxembourg division in particular.

Private client assets under management amounted to EUR 4.8 billion as at 31 December 2020 compared to EUR 5.3 billion a year earlier. The confinement measures in place have somewhat slowed down the collection of new assets, as private bankers have focused on the continuity of services to existing clients.

At the same time, Banque Privée à Luxembourg has redefined its strategic development plan as a European hub serving international clients resident outside Luxembourg. The teams have been reorganised to group their expertise based on the tax residence of our clients, thus increasing the relevance of the services, in line with the expectations of the targeted clients.

Outstanding loans to customers amounted to EUR 561 million as at 31 December 2020, down almost 15% compared to the end of 2019 (EUR 661 million); this area demonstrated its resilience in an exceptional market situation. The prudent management of the risks associated with our activities has enabled us to get through this turbulent period without any negative impact, particularly on our credit portfolio.

Volatility was also high during this market turbulence; the Bank's global markets teams processed significantly higher transaction volumes than in the previous year, mainly in funds.

Launched in 2019, the Luxembourg division's Corporate Finance business continued to develop its independent, multidisciplinary advisory services in close collaboration with the Group's expert teams.

Although the economic consequences of the health crisis are not yet fully known and the context remains uncertain, we remain confident about the prospects of the Bank and its subsidiaries. Degroof Petercam Luxembourg continues to operate on a very solid financial basis. The consolidated CET1 ratio after taking into account the audited result and dividends to be distributed increased to 38.6%. As a result of the pandemic, we are convinced that the Bank and its subsidiaries will emerge stronger and better positioned than ever to develop services for all our clients in a climate of increased trust.

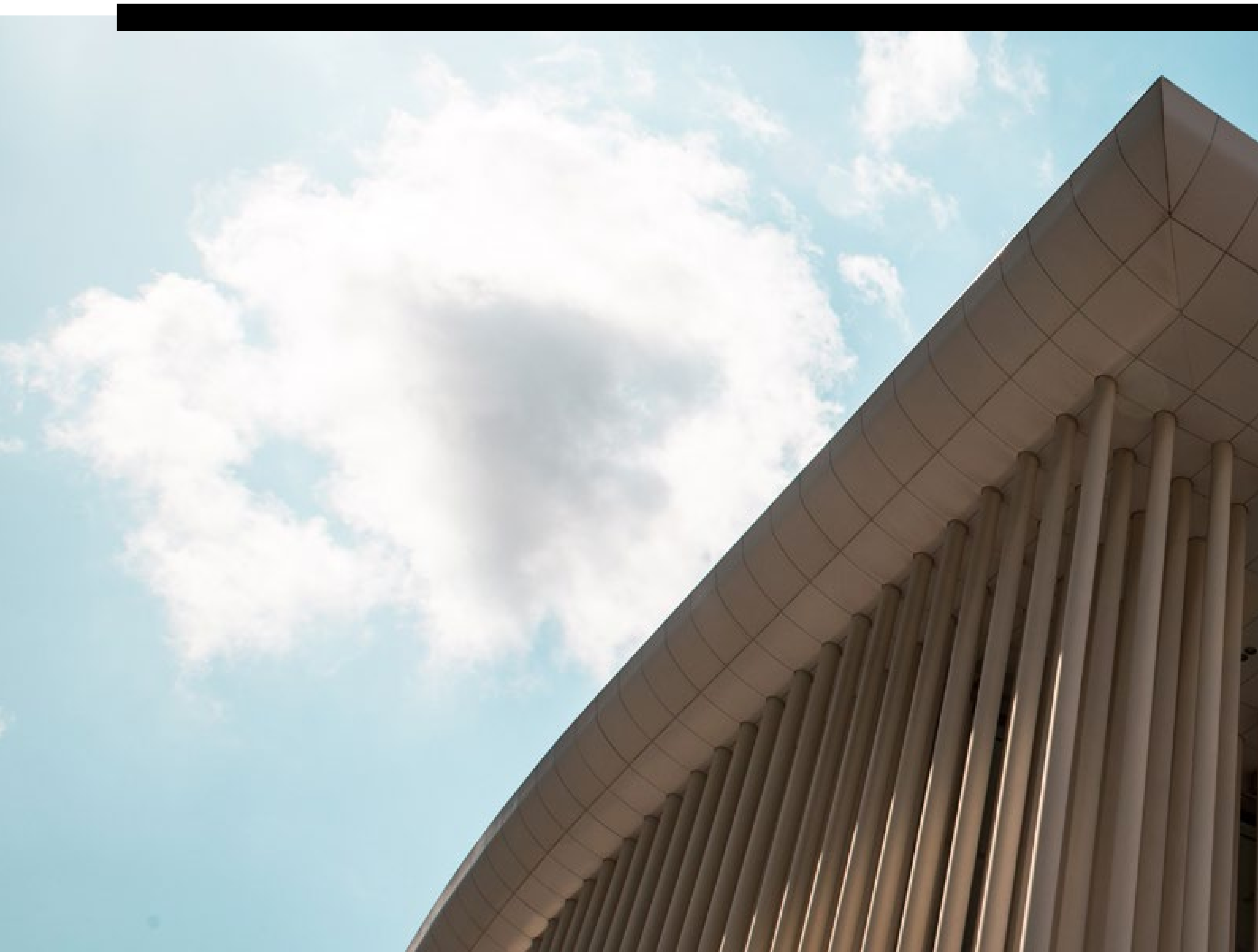
On behalf of the Board of Directors and the Executive Committee of the Bank, we would like to thank all the employees who have worked so hard to ensure that our clients continue to receive high quality services despite the difficulties caused by the confinement measures. Thanks to good operational preparation and the support of the IT team, almost all employees were able to continue working remotely overnight with full continuity and in compliance with all health safety measures. During this period of intense pressure, they have shown tremendous resilience and we are very proud of the way in which the teams have demonstrated their professional capabilities in the face of the pandemic's exceptional consequences.

We would also like to thank the members of our Board of Directors and the shareholders for their ongoing support in developing our business from Luxembourg.

Last but not least, we would like to thank our private and institutional clients for the trust they have placed in us as they go through this unprecedented period. In this exceptional context, we are pursuing more than ever our ambition to give our clients the means to achieve their ambitions and be their independent resource as a financial partner so that they can remain confident in managing their financial future.

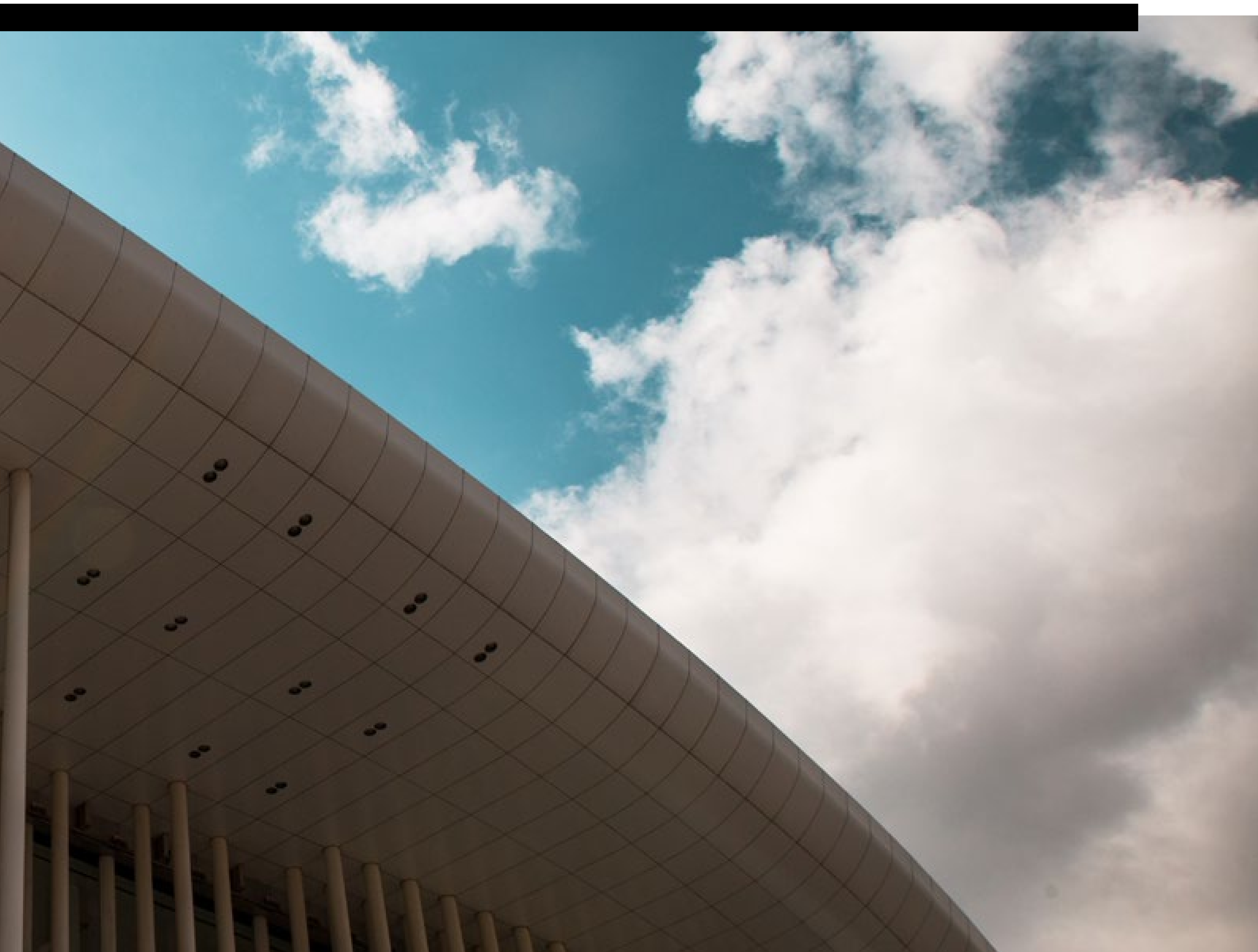
Bruno Houdmont
Managing Director

Frank Wagener
Chairman of the Board of Directors



Consolidated management report

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with IFRS (International Financial Reporting Standards, as approved by the European Union).



1. Consolidated financial position of Banque Degroof Petercam Luxembourg S.A.

1.1. Consolidated income of Banque Degroof Petercam Luxembourg S.A.

Consolidated net income for 2020 was up by 24% compared to 2019, totalling EUR 50.0 million. Current gross income, which excludes exceptional charges, amounted to EUR 66.9 million, up 35% compared to the previous financial year.
The interest margin and processing income were down slightly compared to the previous year. The interest margin continues to be impacted by low interest rates, which are still negative in the short term, as the interest rate of the Central Bank's deposit facility currently stands at-50 basis points.
Driven mainly by the increase in client assets under administration, commission income from asset management, administration and intermediation activities increased by just over 10% in 2020.
The increase in personnel costs mainly reflects the growth in the average number of employees compared to the previous year. The decrease in administrative costs is related to lower support costs recharged by the parent company and some reduced expenses due to the confinement measures.
The cost-to-income ratio remains very satisfactory (55.0%), making it possible to achieve a return on equity of 19.5%.
The balance sheet total stands at EUR 3.1 billion, and for years now the Bank has had a very solid level of solvency. Taking into account the audited result and the dividends to be distributed, the consolidated CET1 ratio amounted to 38.6% as at 31 December 2020, well above the legal requirements.
The Bank and its subsidiaries had a total of 384 employees at 31 December 2020 (compared with 372 at the end of 2019).

1.2. Main risks to which the Luxembourg division is exposed

The exposure to risks is described in Note 6 of the financial statements for the year ended 31 December 2020. By the nature of its activities, the Luxembourg division is exposed to certain risks.
The main risks are as follows:

- market risks, mainly related to investment activities in securities portfolios (equities, bonds) and to interest rate transformation activity (ALM);
- liquidity risk resulting from maturity differences between financing (generally short-term) and their reuse;
- counterparty risk related to credit activity (which is severely limited by the use of collateral in the form of securities portfolios) and derivative intermediation transactions;
- risks related to the asset management business (risk of legal action by clients whose mandates have not been complied with, commercial risk of loss of dissatisfied clients and related reputational risks);
- the operational risk resulting from its activities, including banking (error in order execution, fraud, cybercrime, etc.), custodian bank (loss of assets) or manager (non-compliance with constraints).

1.3. Circumstances likely to have a significant influence on the Group's development

In general, the Group's growth and profitability are also influenced by: changes in customer capital and equity markets, and the macroeconomic and regulatory environment.

1.4. Policy on the use of financial instruments

Derivatives are used as follows for own account:

- As part of ALM (asset and liability management), interest rate derivatives (mainly futures and interest rate swaps) are used to hedge the Group's long-term interest rate risk;
- Interest rate derivatives such as interest rate swaps are used on a global basis from a macro-hedge perspective, but also to hedge a portfolio of sovereign bonds and covered bonds position by position, from a micro-hedge perspective. This use of derivatives is supervised by the Asset and Liability Management Committee (ALMAC) (Assets and Liabilities Management Committee);
- Similarly, the Bank's treasury (interest rate risk < 2 years) uses interest rate derivatives and cash swaps to manage the Group's interest rate risk and treasury;
- The management of the foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to hedge commitments to clients and the financing of subsidiaries in the currency corresponding to their activities;
- The Bank also acts as an intermediary for its clients.

1.5. Research and development activities

The Group continues its research and development activities through the progressive implementation of its operational and support application transformation program. The Bank and its subsidiaries have no new development cost activation projects in 2020.

1.6. Treasury shares

The Bank and its subsidiaries did not acquire any treasury shares during the year.

2. Changes in the profits of the entities of the Luxembourg division

2.1. Banque Degroof Petercam Luxembourg S.A.

Banque Degroof Petercam Luxembourg S.A. (“BDPL”) is the umbrella and consolidating entity of the Luxembourg division of the Degroof Petercam Group.
During the first quarter of 2020, the profit for the financial year was impacted by the sharp decline in the markets, which gradually improved through the end of the year. The decrease in asset-based fees was largely offset by significantly higher transaction volumes than in the previous year.
The Bank’s personnel costs and headcount have increased slightly, while administrative costs are under control. DPAS’s dividend payout was 25% lower than in the previous year.
On a parent-company basis, BDPL closed the 2020 financial year with a net profit of EUR 35.0 million (EUR 30.5 million in 2019) and net banking income up by 3% compared to the 2019 financial year.
The Bank had 263 employees on 31 December 2020, slightly higher than on 31 December 2019 (259 employees).
The Belgian branch of BDPL (BDPLB) acquired the status of custodian bank in October 2019. Deposit assets grew to EUR 16 billion (EUR 6 billion in 2019). This growth was mainly due to the migration of two Group SICAVs totalling EUR 8.4 billion in assets. BDPLB ended 2020 with a gain of EUR 1.1 million (2019 loss of kEUR 69.3). The branch employed 3 people as at 31 December 2020 and 2019.

The Board of Directors proposes to the general meeting to allocate the profit for the financial year as follows:

Net profit for the year	35,019,502
Profit carried forward from 31 December 2019	171,181,542
Allocation to other reserves	6,700,000
Allocation to unavailable reserve	543,662
Allocation to the wealth tax reserve 2021	- 6,000,000
Profit to be distributed	207,444,706
Retained earnings	207,444,706

2.2. Degroof Petercam Asset Services S.A. (“DPAS“)

DPAS, a wholly-owned subsidiary of Banque Degroof Petercam Luxembourg S.A. (BDPL), is the result of the merger in 2016 of Degroof Gestion Institutionnelle – Luxembourg S.A. with Petercam Institutional Asset Management S.A. Approved as a UCITS management company in accordance with Chapter 15 of the law of 17 December 2010 and as an alternative investment fund manager (AIFM), DPAS provides its services to the Degroof Petercam Group’s UCIs as well as to third party initiators, thanks to the integrated UCITS/AIFM services as well as a specific offering of Currency Hedging, Asset Management and Risk Management.
As part of the strategy to centralise the investment fund administration services business in Luxembourg, two Group SICAVs with a total of EUR 8.4 billion assets were migrated at the beginning of 2020.
With a balance sheet total of EUR 136.4 million and equity of EUR 62.8 million at 31 December 2020, DPAS ended 2020 with net income of EUR 27.8 million, more than 15.4% up compared to net income for the year 2019 (EUR 24 million).

DPAS's assets under management or administration totalled EUR 51.7 billion at 31 December 2020, an increase of 27% compared to the end of 2019. Assets under management for third-party originators were stable at EUR 10.0 billion, representing 19% of total assets under management.
The assets of Group UCIs for which DPAS acts as management company, AIFM or Administrative Agent reached EUR 41.7 billion at the end of 2020.
At the end of December 2020, DPAS had a total of 118 employees in Luxembourg.

2.3. Degroof Petercam Insurance Broker S.A. ("DPIB")

DPIB is a wholly-owned subsidiary of BDPL. Its corporate object is insurance brokerage through duly approved natural persons, in accordance with the provisions of the law of 7 December 2015 on the insurance sector, as amended.
With a balance sheet total of kEUR 864.7 and equity of kEUR 711.5 at 31 December 2020, DPIB ended 2020 with a slight loss of kEUR 0.01 compared to a profit of kEUR 141.3 in 2019.
At the end of 2020, the Company employed 2 people.

2.4. Immobilière Cristal Luxembourg S.A. ("ICL")

ICL is a wholly-owned subsidiary of BDPL. Its corporate object is the profitable exploitation of its own real estate assets.
With a balance sheet total of EUR 104.2 million (EUR 102.7 million in 2019) and equity of EUR 103.3 million as at 31 December 2020 (EUR 100.7 million in 2019), ICL ended the 2020 financial year with a net profit of EUR 2.6 million (EUR 2.6 million in 2019.
ICL's revenues come mainly from rents received from tenants of the building located on rue Eugène Ruppert in Luxembourg.
In 2020, ICL did not employ any personnel.

2.5. Other holdings

With the exception of Promotions Partners S.A., a subsidiary of the Bank, whose property development project is currently being finalised in the Grand Duchy of Luxembourg, the other consolidated subsidiaries are companies with no employees and no operating activities as at 31 December 2020. No particular comments are required in their regard.

3. Significant events after the balance sheet date

There were no significant events after the reporting date and up to the date of this report that could affect the financial statements of the Bank and its subsidiaries.

4. Statement regarding the health crisis related to the coronavirus pandemic (Covid-19)

In the face of the unprecedented health crisis related to the coronavirus (Covid-19) pandemic and its economic, social and financial repercussions, BDPL and its subsidiaries have had to deal with the reduced availability of resources and restricted access to premises. As a result, BDPL and its subsidiaries have successfully deployed the Business Continuity Plan (BCP) to mitigate the effects of the crisis and ensure business continuity. A crisis committee bringing together the various Luxembourg entities of the Degroof Petercam Group made it possible to anticipate and manage the various stages of the crisis throughout the year.

Our financial results for the year reflect good business strength, cost discipline and risk control. The impacts of Covid-19 have been incorporated into the accounting estimates for the year in the preparation of the annual accounts, and the situation does not call into question the going concern status of the Bank and its subsidiaries.

Bruno Houdmont
Managing Director

Frank Wagener
Chairman of the Board of Directors

Audit report

To the Board of Directors of
Banque Degroof Petercam 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 DEGROOF PETERCAM LUXEMBOURG S.A. (the "Bank") and its subsidiaries (the "Group") as at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

What we audited

The consolidated financial statements comprise:

- consolidated statement of financial position as at 31 December 2020;
- net income and consolidated comprehensive income for the financial year ended on that date;
- consolidated statement of changes in equity for the financial year ended on that date;
- consolidated cash flow statement for the financial year ended on that date; and
- the notes to the consolidated financial statements, including a summary of the main accounting methods.

Basis of opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 relating to the audit profession (the Law of 23 July 2016) and the International Auditing Standards ("ISA") as adopted for Luxembourg by the Commission de Surveillance du Secteur (CSSF). Our responsibilities under Regulation (EU) No. 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF are more fully described in the section "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" in this report.

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

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants including International Standards of Independence, issued by the International Ethics Standards Board for Accountants (the IESBA Code) as adopted for Luxembourg by the CSSF and the rules of ethics applicable to the audit of the consolidated financial statements and we have fulfilled our other responsibilities under these rules.

To the best of our knowledge and belief, we confirm that we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

Services provided in addition to the statutory audit to both the Bank and its subsidiary(ies), where applicable, for the year then ended are disclosed in Note 10.10 to the consolidated financial statements.

Key audit point

The key audit points are those that, in our professional judgment, were the most significant in the audit of the consolidated financial statements for the period under review.

These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole and for the purpose of forming our opinion on them, and we do not express a separate opinion on these matters.

Key audit point

Existence and accuracy of commission income

For the year ended 31 December 2020, the Group generated commission income of EUR 341 million as disclosed in Note 9.3 to the consolidated financial statements. These products are mainly derived from services provided by the Bank and Degroof Petercam Asset Services S.A. to their clients and are the result of a large number of individual transactions.

We have focused our attention on the existence and accuracy of commission income in view of the following:

- These items represent a significant portion of the Group's total revenues for the year ending 31 December 2020;
- Pricing is often client-specific and the number of exceptional conditions is significant;
- The amounts involved in each individual transaction are generally small. Thus an isolated error would be difficult to detect and insignificant, but an error affecting a large number of transactions could have a material financial impact.

How our audit answered this key point

We have examined the Group's internal control system, including the organisational arrangements for commission income and the related IT systems.

The following procedures related to the Bank's internal control environment have been carried out:

- Interviews with the Management and department heads;
- Conducting of flow tests to identify and carry out an inventory of controls for the different commission flows;
- Inspection of audit reports (ISAE 3402) prepared and issued by an independent auditor on the activities of custodian banks and investment fund managers;
- Inspection of controls carried out by the Bank's support services on the existence of client assets under management to ensure the accuracy of the basis for calculation;
- Review of compliance with segregation of duties and controls relating to the validation of tariff conditions at the time of entry into the relationship;
- Re-execution on the basis of a sample of controls carried out in the context of parameters for and changes in tariff conditions;
- Re-execution of a sample of controls carried out by the Bank in the context of commission calculations.

The following substantive procedures were carried out:

- Inspection of supporting information and documentation (contract, transaction record, etc.), for a sample of commissions;
- Recalculation of certain commissions, based on samples, and verification that the amounts obtained from the calculation are correctly recorded in the accounts;
- Obtaining external confirmations for a sample of the Bank's client accounts to validate that the information presented in the account statements reflects the correct asset positions of the Bank's clients;
- Verification of the net asset values used as a basis for calculating the commissions of the investment funds of Degroof Petercam Asset Services' clients

with published external data;

- Consultation of the client complaints register.

Key audit point	How our audit answered this key point
Valuation of loans and advances to client for banking activities The amount of loans and advances to clients before impairment represents EUR 526 million as at 31 December 2020 and corresponds to 17% of consolidated assets. As presented in Note 8.7 of the consolidated financial statements, these loans and receivables are mainly composed of collateralised term loans (Lombard loans) for EUR 379 million, current account advances for EUR 109 million and mortgage loans for EUR 37 million. We have focused our attention on the valuation of loans and advances to clients in view of the following: • The valuation of loans and advances to clients is based on the Management's judgement of expected credit losses and impairments; • The assessment of credit risk is based on the identification of indicators of credit deterioration as well as on the assessment of collateral received. This approach is based on both qualitative and quantitative criteria and includes a degree of judgement.	We have examined the internal control system, including the organisational arrangements for loans and advances to clients and the related IT systems. The following procedures related to the Bank's internal control environment have been carried out: • Inspection of the periodic review of the credit portfolio; • Inspection of the identification and alert system in relation to outstanding credits; • Inspection on the basis of a sample of periodic checks on the adequacy of collateralisation of loans granted; • Inspection of a sample of controls on late payment of loan instalments; • Inspection of a sample of reconciliations between the accounting system and the loan management system; • Verification of the adequate monitoring of credit risks by Risk Management as well as the intensification of certain controls to adapt to the particular situation of the pandemic. The following substantive procedures were carried out: • Inspection of evidentiary supporting documents (contracts signed between the different parties, assessments based on external data at the time the loan was granted, etc.) for a sample of loans granted; • Assessment, on a sample basis, of the reasonableness of impairments by consulting file information and the existence and valuation of collateral; • Inspection of the parameters of certain characteristics of a sample of credits in the computer system in relation to the information contained in the contractual documentation signed between the parties; • Verification of the valuation of a sample of customer loans from the Bank's watch list; • Inspection of the methodology and documentation related to the determination of expected credit losses and its application.

Other information

Responsibility for other information rests with the Board of Directors. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our audit report on these consolidated financial statements.
Our opinion on the consolidated financial statements does not extend to other information and we do not express any form of assurance with regard to that information.
With respect to our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to assess whether there is a material inconsistency between it and the consolidated financial statements or the knowledge we gained during the audit, or whether the other information otherwise appears to contain a material misstatement. If, based on our review, we conclude that there is a material misstatement in the other information, we are required to report it. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the corporate governance managers for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the European Union, as well as for such internal control as it considers 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, for communicating, where applicable, going concern issues and for applying the going concern accounting policy, unless the Board of Directors intends to liquidate the Group or cease trading or if no other realistic alternative is available to it.
The corporate governance managers are responsible for overseeing the Group's financial reporting process.

Responsibilities of the Statutory Auditor for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain material misstatements whether arising from fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, which does not, however, guarantee that an audit carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF will always detect any material misstatement that may exist. Misstatements may result from fraud or error and are considered material when it is reasonable to expect that, individually or collectively, they could influence the business decisions that users of the consolidated financial statements make based on them.
In an audit carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF, we exercise our professional judgement and demonstrate critical thinking throughout this audit.
Furthermore:

- we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures to address those risks, and obtain sufficient appropriate audit evidence to form an opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of such misstatement arising from error, since fraud may involve collusion, forgery, wilful omissions, false declarations or the bypassing of internal controls;
- we obtain an understanding of the internal control elements relevant to the audit in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as the related information provided by the Board of Directors;
- we form an opinion as to the appropriateness of the application made by the Board of Directors of the going concern accounting principle and, depending on the evidence collected, the existence or otherwise of significant uncertainty associated with events or situations likely to cast serious doubt on the Group's

ability to continue in business. If we conclude that there is material uncertainty, we are required to draw the attention of the readers of our report to the information provided in the consolidated financial statements about that uncertainty or, if that information is not adequate, to express an amended opinion.
Our conclusions are based on the evidence obtained as at the date of our report. However, future events or situations could lead the Group to cease operations;
- we assess the overall presentation, form and content of the consolidated financial statements, including the information disclosed in the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that presents the financial position fairly;
- we obtain sufficient appropriate audit evidence regarding the financial reporting of the Group's entities and activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit, and assume full responsibility for our audit opinion.

We communicate to those responsible for corporate governance, including the scope and expected timing of the audit work and our significant findings, including any material weaknesses in internal control that we may have identified during our audit.
Among the issues communicated to those responsible for corporate governance, we determine which were the most important in the audit of the consolidated financial statements for the period under review: these are the key audit points. We describe these issues in our report unless they are prevented from being published by law or regulation.

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.
We were appointed as Statutory Auditors by the Board of Directors on 26 March 2020 and the total term of our engagement without interruption, including previous renewals, is 2 years.

PricewaterhouseCoopers, Société coopérative
Represented by Cécile Liégeois

Luxembourg, 22 April 2021

Consolidated statement of financial position

(in EUR)

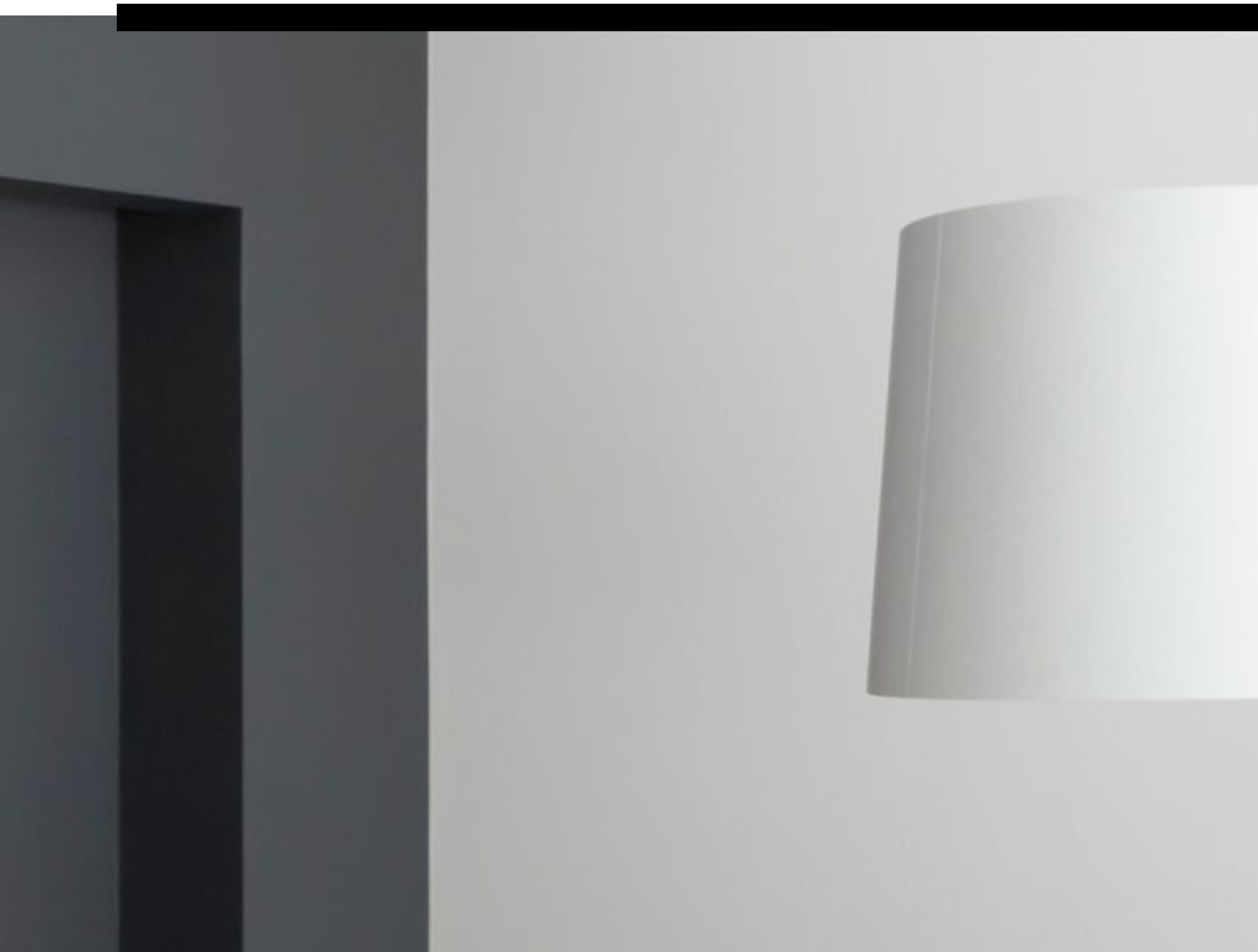
	Notes	31.12.2020	31.12.2019
ASSETS			
Cash and cureent accounts with central banks	8.1	679,776,464	481,651,362
Financial assets held for trading	8.2	119,211,174	76,350,791
Hedging of financial assets	8.3	-	1,486,460
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	8.4	6,950,844	8,571,622
Financial assets measured at fair value through other comprehensive income	8.5	534,652,388	203,487,792
Loans and receivables from credit institutions measured at amortised cost	8.6	126,582,324	94,486,824
Loans and receivables from customers measured at amortised cost	8.7	519,610,678	610,717,245
Debt instruments measured at amortised cost	8.8	993,559,636	1,113,371,226
Property, plant and equipment	8.9	37,368,281	40,141,939
Intangible assets	8.10	11,480,080	13,738,339
Holdings in companies accounted for by the equity method	8.11	1,786,686	1,967,328
Other assets	8.12	89,296,264	71,682,073
TOTAL ASSETS		**3,120,274,819**	**2,717,653,001**

The accompanying notes are an integral part of the consolidated financial statements.

(in EUR)

	Notes	31.12.2020	31.12.2019
LIABILITIES			
DEBTS			
Financial liabilities held for trading	8.13	118,280,157	76,579,311
Financial liability hedges	8.14	31,790,688	19,345,855
Deposits with credit institutions	8.15	59,542,684	61,650,854
Deposits to customers	8.16	2,471,193,324	2,193,838,323
Provisions	8.17	1,196,349	1,101,832
Current and deferred tax liabilities	8.18	12,349,427	18,620,809
Other liabilities	8.19	98,661,211	70,440,131
TOTAL DEBTS		**2,793,013,840**	**2,441,577,115**
EQUITY			
Capital subscribed	8.20	37,000,000	37,000,000
Issue premium	8.20	40,356,000	40,356,000
Reserves and retained earnings	8.20	198,410,362	158,067,618
Cumulative other comprehensive income	8.20	1,504,075	299,809
Net income for the year, group share	8.20	49,990,542	40,352,459
TOTAL EQUITY		**327,260,979**	**276,075,886**
TOTAL LIABILITIES		**3,120,274,819**	**2,717,653,001**

The accompanying notes are an integral part of the consolidated financial statements.



Net income and consolidated comprehensive income

(in EUR)

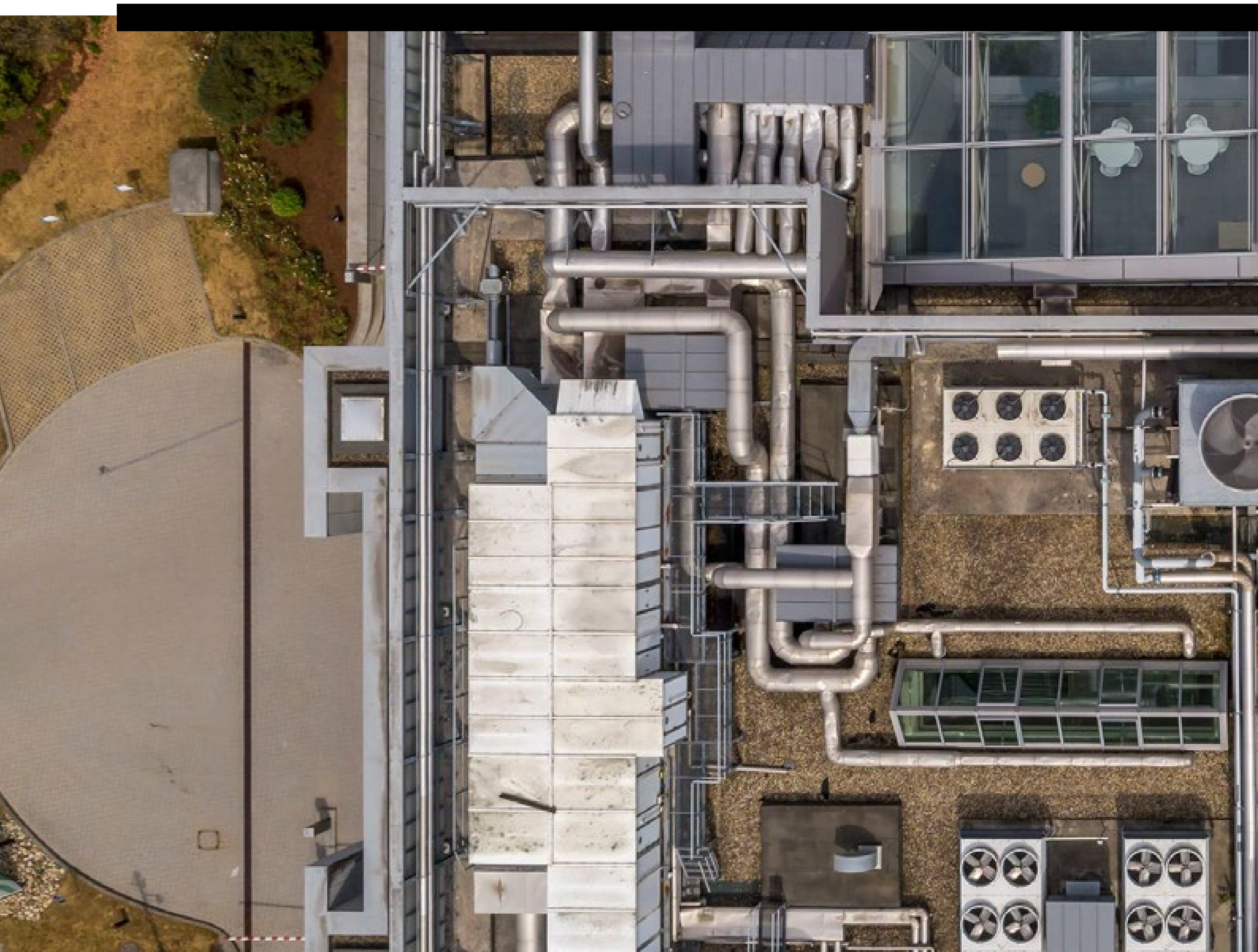
	Notes	31.12.2020	31.12.2019
Interest income	9.1	63,228,787	81,226,301
Interest expenses	9.1	-50,198,408	-67,087,138
Dividend income	9.2	304,273	817,071
Commissions received	9.3	341,340,275	293,926,491
Commissions paid	9.3	-230,232,883	-193,489,885
Gains or losses on financial instruments held for trading, net	9.4	9,569,857	4,348,999
Net gains or losses on financial instruments that must be measured at fair value through profit or loss	9.5	2,008,685	3,172,226
Net gains or losses on financial instruments not measured at fair value through profit or loss	9.6	-89,856	16,438
Net gains from hedge accounting	9.7	-213,786	-943,802
Other net operating income	9.8	6,447,950	6,452,875
Net revenues		**142,164,894**	**128,439,576**
Staff expenses	9.9	-42,260,915	-39,991,239
General and administrative expenses	9.10	-30,824,557	-34,451,684
Depreciation of intangible assets and property, plant and equipment	9.11	-6,433,898	-6,289,403
Provisions	9.12	-1,460,631	1,218,461
Net impairment of assets	9.13	1,078,126	-1,954,095
Share in the result of companies accounted for by the equity method		-180,642	3,642,148
Profit or loss before tax		**62,082,377**	**50,613,764**
Income tax expense	9.14	-12,091,835	-10,261,305
Income for the year		**49,990,542**	**40,352,459**
NET INCOME FOR THE YEAR, GROUP SHARE		**49,990,542**	**40,352,459**

The accompanying notes are an integral part of the consolidated financial statements.

(in EUR)

	Notes	31.12.2020	31.12.2019
Income for the year		**49,990,542**	**40,352,459**
Items likely to be subsequently reclassified to net income			
Fair value revaluation- Financial assets measured at fair value through other comprehensive income	9.15	1,204,266	-149,448
Total other comprehensive income		**1,204,266**	**-149,448**
TOTAL COMPREHENSIVE INCOME		**51,194,808**	**40,203,011**
COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		**51,194,808**	**40,203,011**

The accompanying notes are an integral part of the consolidated financial statements.



Consolidated statement of changes in equity

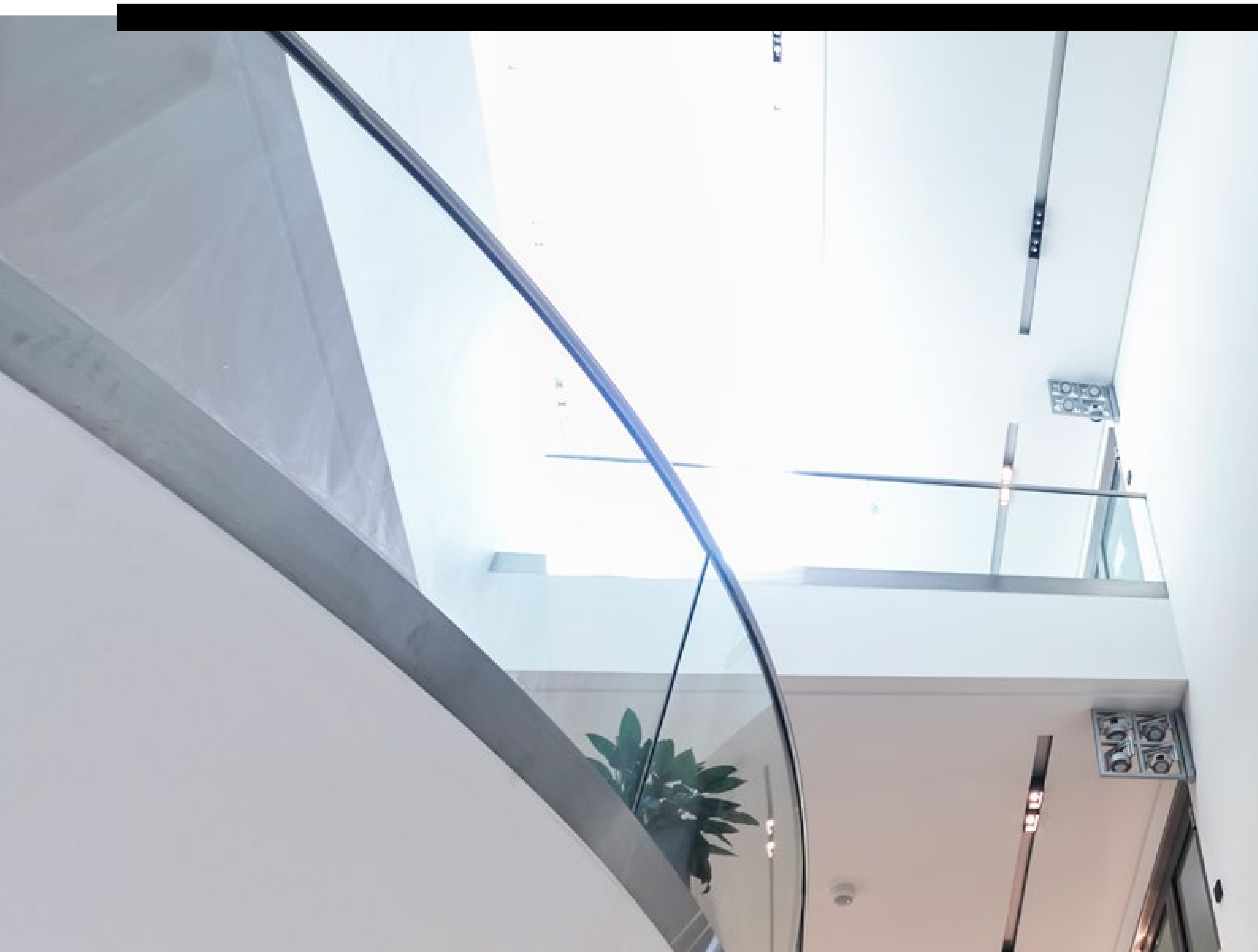
	Share capital	Issue premium	Reserves and retained earnings	Revaluation reserves	Currency translation differences
Balance as at 01.01.2018	**37,000,000**	**40,356,000**	**149,778,680**	**449,257**	**-**
Transactions with minority shareholders	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-
Appropriation of prior year's profit or loss	-	-	33,628,003	-	-
Profit or loss for the year	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Revaluation to fair value	-	-	-	-149,448	-
Interim dividend payment	-	-	-	-	-
Other changes [1]	-	-	-327,065	-	-
Balance as at 31.12.2019	**37,000,000**	**40,356,000**	**183,079,618**	**299,809**	**-**
Transactions with minority shareholders	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-
Appropriation of prior year's profit or loss	-	-	15,340,459	-	-
Profit or loss for the year	-	-	-	-	-
Currency translation differences	-	-	-	-	-
Revaluation to fair value	-	-	-	1,204,266	-
Interim dividend payment	-	-	-	-	-
Other changes [1]	-	-	-9,715	-	-
Balance as at 31.12.2020	**37,000,000**	**40,356,000**	**198,410,362**	**1,504,075**	**-**

The accompanying notes are an integral part of the consolidated financial statements.

(1) Changes due to Group incentive plans (see note 11.2).

(in EUR)

Profit or loss for the year	Interim dividend payment	Equity: Group share	Non-controlling interests presented within shareholders' equity	Total equity
33,628,003	**-**	**261,211,940**	**-**	**261,211,940**
-	-	-	-	-
-	-	-	-	-
-33,628,003	-	-	-	-
40,352,459	-	40,352,459	-	40,352,459
-	-	-	-	-
-	-	-149,448	-	-149,448
-	-25,012,000	-25,012,000	-	-25,012,000
-	-	-327,065	-	-327,065
40,352,459	**-25,012,000**	**276,075,886**	**-**	**276,075,886**
-	-	-	-	-
-	-	-	-	-
-40,352,459	25,012,000	-	-	-
49,990,542	-	49,990,542	-	49,990,542
-	-	-	-	-
-	-	1,204,266	-	1,204,266
-	-	-	-	-
-	-	-9,715	-	-9,715
49,990,542	**-**	**327,260,979**	**-**	**327,260,979**

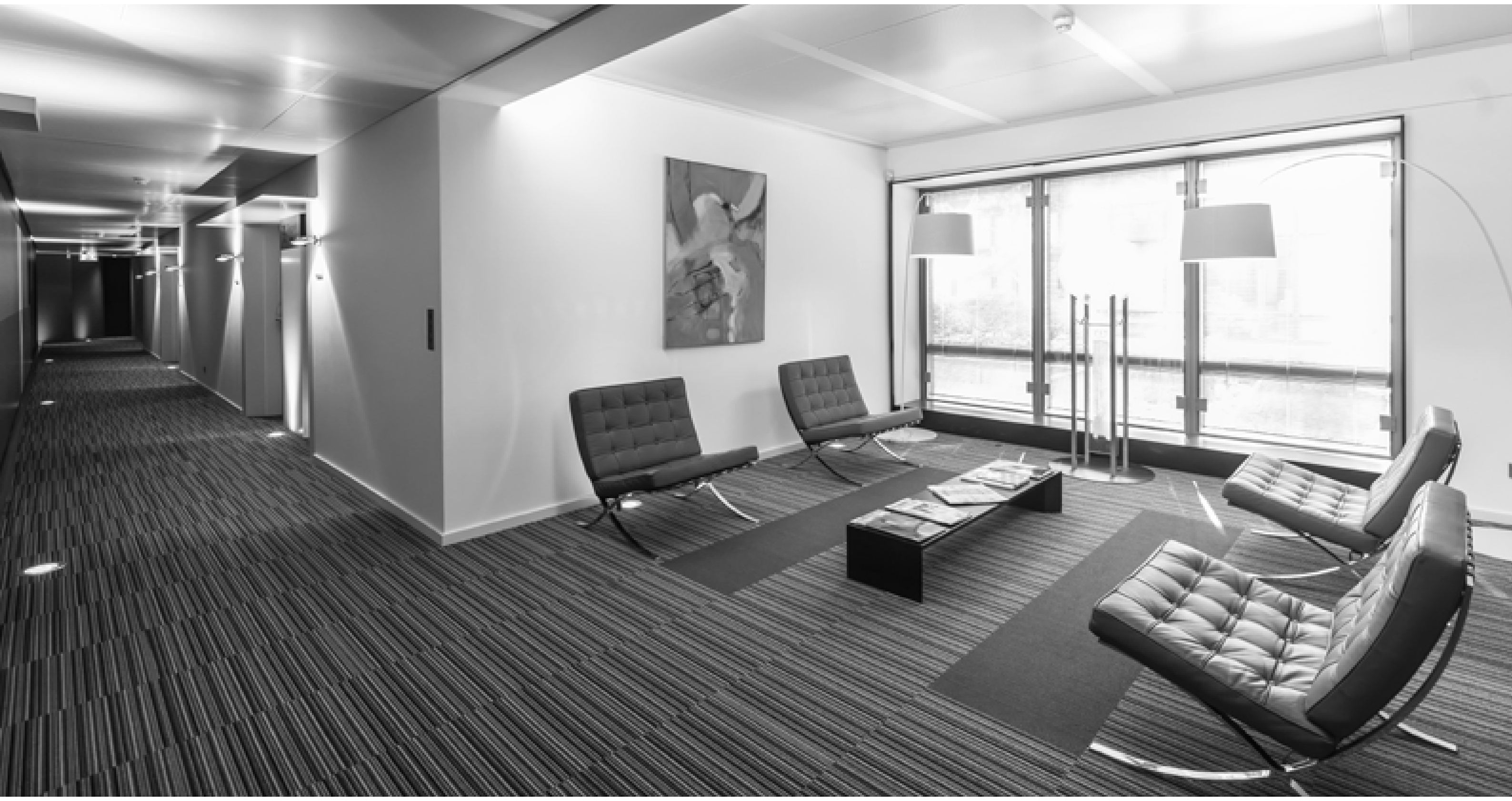


Consolidated cash flow statement

(in EUR)

	Notes	31.12.2020	31.12.2019
Earnings before taxes		**62,082,377**	**50,613,764**
Non-monetary items included in profit and other adjustments:		**6,987,332**	**2,911,879**
Share-based compensation expenses	9.9	-9,713	-327,065
Depreciation on intangible assets or property, plant and equipment	9.11	6,433,898	6,289,403
Income from associates		180,642	-3,642,148
Impairment	9.13	-1,078,126	1,954,095
Gains/losses on investments		-	-143,945
Net allocations to provisions and other liabilities	9.12	1,460,631	-1,218,461
Change in assets and liabilities from operating activities:		**183,377,365**	**-777,477,879**
Financial assets held for trading		-87,162,424	-54,490,367
Hedging of financial assets		516,276	-1,825,267
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss		1,620,778	18,379,616
Financial assets measured at fair value through other comprehensive income		-330,277,944	-8,444,863
Loans and receivables		73,079,537	-146,267,789
Debt instruments measured at amortised cost		115,663,478	-482,038,360
Other assets		-17,614,191	-3,297,166
Liabilities held for trading		80,633,344	44,675,239
Financial liability hedges		18,576,220	17,945,646
Amounts owed to credit institutions		28,490,250	-7,398,348
Amounts owed to customers		278,063,490	-154,173,540
Provisions and other liabilities		21,788,551	-542,680
Interest received		63,382,746	79,034,654
Dividends received		304,273	817,071
Interest paid		-50,263,663	-68,144,169
Taxes paid on income		-18,760,551	-14,688,063
Net cash flows from operating activities (A)		**247,109,879**	**-726,932,743**

The accompanying notes are an integral part of the consolidated financial statements.



(in EUR)

	Notes	31.12.2020	31.12.2019
Disposal of subsidiaries and associates		-	34,000
Other cash outflows related to investing activities		-	1,649,521
Acquisition of intangible assets or property, plant and equipment	8.9/8.10	-821,984	-6,630,185
Sale of intangible assets or property, plant and equipment		32,905	1,861,849
Net cash flows from activities activities (B)		**-789,079**	**-3,084,815**
Dividends paid		-	-25,012,000
Net cash flows from financing activities (C)		**-**	**-25,012,000**
Effect of exchange rate changes on cash and cash equivalents		963,993	-493,459
Net increase/decrease in cash and cash equivalents (A + B + C)		246,320,800	-755,029,558
Cash and cash equivalents at the beginning of the year		512,375,513	1,267,898,530
Cash and cash equivalents at end of period		**759,660,306**	**512,375,513**

Composition of cash and cash equivalents		**759,660,306**	**512,375,513**
Cash and balances with central banks	8.1	679,876,580	481,753,259
Current accounts with credit institutions	8.6	98,456,200	80,444,748
Term loans to credit institutions	8.6	814,931	-
Overdrafts with credit institutions	8.15	-13,770,360	-13,824,435
Term deposits with credit institutions	8.15	-5,717,045	-35,998,059

Notes to the consolidated financial statements

1. General considerations

Banque Degroof Petercam Luxembourg S.A. (formerly "Banque Degroof Luxembourg S.A." until 31 March 2016) (hereinafter "the Bank") was on 29 January 1987 as a société anonyme (public limited company) under Luxembourg law. It was listed on the Luxembourg Stock Exchange on 29 November 1999 and subsequently delisted on 15 December 2005.
On 1 April 2016, Banque Degroof Luxembourg S.A. and Petercam (Luxembourg) S.A. merged with retroactive effect from 1 January 2016; the new company is called Banque Degroof Petercam Luxembourg S.A.

The merger was legally effected through the absorption of all assets and liabilities of Petercam (Luxembourg) S.A. (absorbed company) by Banque Degroof Luxembourg S.A. (absorbing company). The Bank has opted for the book value method to treat this transaction, which under IFRS constitutes a business combination under common control. The difference between the consideration paid by Banque Degroof Luxembourg S.A. of EUR 136,522,000 and the carrying value of the net assets of Petercam represented the goodwill recorded in reserves of EUR 73,025,963. Following this merger, the Bank also recognised an additional amount of EUR 17,280,050 as part of the purchase price allocation (PPA) estimation exercise, corresponding to three new business ventures.

As part of the merger, Petercam (Luxembourg) S.A. sold the shares of its subsidiary Petercam Banque Privée (Suisse) S.A. to Banque Degroof Petercam S.A. on 16 February 2016 and sold the shares of its subsidiary Petercam Institutional Asset Management (Luxembourg) S.A. to Degroof Petercam Asset Services S.A. on 18 February 2016.
The purpose of the Bank is to carry out all banking and savings activities, in particular to receive all deposits and make all credit transactions, as well as all transactions whatsoever, in securities, asset management, trust and financial services, and finally all commercial, financial, securities and real estate transactions enabling the achievement of the corporate purpose thus defined.

The Bank and its subsidiaries (hereinafter referred to as "the Luxembourg division") are also included in the consolidation of Banque Degroof Petercam S.A., established at 44 rue de l'Industrie, 1040 Brussels. On 1 October 2015, Banque Degroof S.A. and Petercam S.A. merged; the new entity bears the name Banque Degroof Petercam S.A.
The Luxembourg division and Banque Degroof Petercam S.A. constitute "the Group".
The Bank's financial statements are available on its website: www.degroofpetercam.lu. The financial statements of Banque Degroof Petercam S.A. are available at: www.degroofpetercam.com.
Since 9 December 2005, the Bank has had a branch in Belgium, located at 19 rue Guimard, 1040 Brussels.
Since 7 September 2018, the Bank has had a representative office in Canada, located at 244 St. Jacques Street in Montreal.
Since 1 October 2018, the investment fund administration services business line held by the Bank has been transferred to its subsidiary Degroof Petercam Asset Services S.A.

As part of a strategy to centralise the activities and restructure certain functions related to the administration of UCIs within the Degroof Petercam Group, the Bank, acting through its Belgian branch, ceded this activity to its subsidiary Degroof Petercam Asset Services S.A. with effect from 1 October 2018
In line with this strategy within the Degroof Petercam Group, Banque Degroof Petercam S.A. has assigned to Banque Degroof Petercam Luxembourg S.A., acting through its Belgian branch, the activity of custodian bank for UCIs under Belgian law with effect from 10 October 2019.
The financial statements were approved by the Board of Directors on 15 April 2021.

2. Regulatory context

The Luxembourg division's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the interpretations of these standards effective as at 31 December 2020 and approved within the European Union.

The accounting policies used to prepare these consolidated financial statements as at 31 December 2020 are consistent with those applied as at 31 December 2019, with the exception of those set out in Note 3 "Changes in accounting principles and methods".

The accounting principles used by the Luxembourg division are based on International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable at that date, of which only the following standards have been adopted:

- IAS 8 Accounting policies, changes in accounting estimates and errors;
- IAS 10 Events after the reporting period;
- IAS 12 Income taxes;
- IAS 16 Property, plant and equipment;
- IAS 19 Employee benefits;
- IAS 20 Accounting for government grants and disclosures about government assistance;
- IAS 21 Effects of changes in foreign exchange rates;
- IAS 23 Borrowing costs;
- IAS 24 Related party disclosures;
- IAS 27 Separate financial statements;
- IAS 28 Investments in associates and joint ventures;
- IAS 32 Financial instruments: Presentation;
- IAS 36 Impairment of assets;
- IAS 37 Provisions, contingent liabilities and contingent assets;
- IAS 38 Intangible assets;
- IFRS 9 Financial instruments (applicable from 1 January 2018);
- IFRS 10 Consolidated financial statements;
- IFRS 11 Joint arrangements;
- IFRS12 Disclosure of interests in other entities;
- IFRS 13 Fair value measurement;
- IFRS 15 Revenue from customer contracts;
- IFRS 16 Leases.

As the Luxembourg division has no equity securities or borrowings traded or being issued on a public securities market, IFRS 8 ("Operating segments") and IAS 33 ("Earnings per share") norms are not applied in accordance with their scope.

It is also for this reason that the Luxembourg division does not provide interim information to the market and therefore has only one reporting date, the one corresponding to its annual closing date.

The main accounting policies and valuation rules applied in the preparation of the financial statements are described below. These methods have been applied, unless otherwise stated, on a permanent basis for the financial years presented.

3. Changes in accounting principles and methods

The following IFRS standards (new, revised or amended) and IFRIC interpretations apply for the first time in the current financial year:

- Amendments to references to the conceptual framework in IFRS;
- Amendments to IAS 1 and IAS 8 "Definition of 'material'";
- Amendments to IFRS 9 "Interest rate benchmark reform;
- Amendments to IFRS 3 "Definition of an enterprise".

The benchmark interest rate reform amendments temporarily modify certain hedge accounting requirements to address the potential impact of the uncertainty caused by the reform prior to the transition to other interest rates. These amendments have resulted in additional disclosure requirements which are included in Note 7.24 "Hedge accounting – Fair value hedge of interest rate risk".
The application of the other provisions has no material impact on the Group's income and shareholders' equity.
Parmi les normes, amendements de normes ou interprétations publiés par l'IASB (International
Among the standards, amendments to standards or interpretations published by the International Accounting Standards Board (IASB) and adopted in the European Union on 31 December 2020, those listed below are effective for subsequent financial years:

- Amendments to IFRS 16 "Rent relief related to Covid-19".

The following standards and amendments to standards have not yet been adopted in the European Union as at 31 December 2020 but the Bank will apply them when they come into force:

- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 "Interest rate benchmark reform- Phase 2";
- Amendments to IAS 1 "Classification of liabilities as current or non-current";
- Miscellaneous amendments "Improvements to IFRS (2018-2020)";
- Amendments to IFRS 3 "Reference to the conceptual framework";
- Amendments to IAS 16 "Property, plant and equipment- Revenue in advance of intended use";
- Amendments to IAS 37 "Onerous contracts- Contract performance costs".

The amendments to IFRS 9 and IFRS 7 related to the reform of reference interest rates (Phase 2) address some of the issues arising from the replacement of the existing benchmark interest rate with alternative interest rates and introduce additional disclosure requirements. The main reliefs provided by the Phase 2 amendments are as follows:

- Change in the basis for determining contractual cash flows: the reform allows the effective interest rate of the instrument to be adjusted to reflect the change in the benchmark rate rather than recognising it as an immediate gain or loss;
- Hedge accounting: most hedging relationships directly affected by the reform of benchmark interest rates will be allowed to continue. However, this could lead to further inefficiency.

In order to manage the transition to alternative interest rates, the Group has set up a working group to analyse the main elements affected by this reform, including the identification of contracts impacted by the transition, changes to the contracts concerned, updating of information systems, risk management and potential effects on hedge accounting. The Group is currently assessing the impact of these changes on the financial statements.
For the aforementioned texts, the Group does not expect any significant effects when they are applied.

4. Judgments and estimates used in the preparation of the consolidated financial statements

Preparing consolidated financial statements in accordance with IFRSs entails making judgements and estimates. Although the Management of the Luxembourg Division believes that it has taken into account all the available information in arriving at these opinions and estimates, the reality may be different, and these differences may have an impact on the consolidated financial statements.

These estimates and judgments mainly concern the following subjects:

- the determination of the fair values of unlisted financial instruments;
- the classification of financial instruments according to the business models defined by the Group for the management of financial instruments and the analysis of the contractual terms of the financial asset to determine whether they comply with the “SPPI” criteria;
- the determination of a reference obligation (“proxy”) to estimate the impact of changes in risk-free interest rate risk on the hedged instrument in a hedging relationship;
- assessing the effectiveness of hedging in hedging relationships;
- the definition of the useful life and residual value of intangible assets and property, plant and equipment;
- the estimated recoverable amount of impaired assets;
- the assumptions used to calculate expected credit losses, the use of future macroeconomic forecasts and the assessment of criteria for significant credit risk deterioration;
- the assessment of the current obligation resulting from past events in the context of the recognition of provisions;
- determining the goodwill value;
- assessing whether it is reasonably certain to exercise an option to renew a lease or not to exercise an option to terminate a lease;
- determination of the discount rate for rent not yet paid.

In the context of the Covid-19 health crisis, particular attention has been paid by the Management to the potential impacts of the health crisis on certain material items in these financial statements. Forward-looking or estimated items may enter into the calculation of certain financial statement items and be impacted by the health crisis and its related events. More attention has been paid to the valuation and recoverability of the various credit portfolios or assets as well as to sales.
Based on its monitoring, controls and analysis, the Management has not identified any major impacts on the financial statements that require additional disclosure in the financial statements.

5. Summary of accounting principles and methods

5.1 Consolidation principles

Scope of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. Subsidiaries refer to any company controlled by the Bank, i.e. entities over which the Bank has, directly or indirectly, the power to govern financial and operational policies in order to obtain benefits from these activities.
Subsidiaries are consolidated using the full consolidation method from the date on which effective control is transferred to the Bank and are removed from the scope of consolidation on the date on which control ceases.
The financial statements of the Bank and its subsidiaries are prepared as at the same date and using similar accounting methods, with restatements if necessary.
Intra-group balances, transactions, income and expenses are eliminated.
Non-controlling interests, presented within shareholders' equity, are presented separately in the consolidated income statement and in the consolidated balance sheet.
As an exception to these rules, companies of negligible interest are excluded from the scope of consolidation according to the following criteria implemented within the group:

- The combined balance sheet total for all fully consolidated non-consolidated companies must be less than 0.5% of the Group's consolidated balance sheet total;
- The total equity plus all fully consolidated non-consolidated companies must be less than 1% of the group's total consolidated equity;
- The total income of a fully consolidated non-consolidated company must be less than 0.5% alone of the group's consolidated income total;
- The combined income total for all fully consolidated non-consolidated companies must be less than 1% of the Group's consolidated income total;
- The total income of a fully consolidated non-consolidated company must be less than 0.5% alone of the Group's consolidated income total.

Partnerships

Partnerships means any undertaking over which the Bank exercises joint control directly or indirectly, i.e. no decision on the relevant activities can be taken without the unanimous agreement of the parties sharing control.
If the holdings exceed the materiality threshold, they are accounted for using the equity method for partnerships defined as joint ventures (companies in which joint control gives rights to the net assets of the joint venture) or the equity method for the proportionate interest in assets and liabilities, income and expenses for partnerships defined as joint ventures (enterprises in which joint control gives rights over assets and obligations over liabilities relating to them), as from the date on which joint control is held and will no longer be recognised in this way on the date on which joint control is relinquished. The materiality threshold is based on the analysis of various criteria including the share in consolidated shareholders' equity, the share in consolidated income and the share in the consolidated balance sheet total.
The financial statements of the partnership are prepared as at the same date and using similar accounting policies to those of the parent company of the group, with restatements if necessary.

Associates

Associates refer to any company in which the Bank exercises significant influence, i.e. the power to participate in financial and operational policy decisions without, however, having joint control or supervision over these policies.
If these companies are above the materiality threshold, they are accounted for using the equity method from the date on which the significant influence is held and will no longer be accounted for in this way on the date of the

sale of this significant influence. The materiality threshold is based on the analysis of various criteria including the share in consolidated shareholders' equity, the share in consolidated income and the share in the consolidated balance sheet total.
The financial statements of the associate are prepared as at the same date and using similar accounting policies to those of the parent company of the group, with restatements if necessary.

5.2 Translation of financial statements and transactions in foreign currencies

The consolidated financial statements are prepared in euros ("EUR"), the functional currency of the Luxembourg division. On consolidation, the balance sheets of entities whose functional currency is different from that of the Bank are translated at the exchange rate prevailing at the end of the financial year. However, the income statements and cash flow statements of these same entities are translated at the average exchange rate for the period hedged. Exchange differences arising from these conversions are recognised in shareholders' equity.

5.2.1 Conversion of transactions in foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date.
Monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, resulting in an exchange difference that is recognised in the income statement.
Non-monetary items measured at fair value are translated at the exchange rate at the balance sheet date. The exchange difference resulting from this conversion is recognised in equity or in the income statement depending on the accounting allocation of the item concerned.
Other non-monetary items are converted at the exchange rate prevailing at the closing date of the financial year, generating an exchange difference which is recognised in profit and loss.

5.3 Financial instruments

5.3.1 Recognition date of financial instruments

All derivatives and all purchases or sales of securities under a contract whose terms require delivery of the security within the time period generally defined by regulation or agreement in the relevant market are recognised on the transaction date. Receivables and deposits are recognised on the settlement date.

5.3.2 Compensation

A financial asset and a financial liability are offset if and only if the Luxembourg division has a legally enforceable right to offset the recognised amounts and if it intends to settle the net amount or to realise the asset and settle the liability simultaneously.

5.3.3 Derecognition of financial instruments

A financial asset is derecognised when:

- the contractual rights to the cash flows attached to the financial asset expire; or
- the Bank has transferred substantially all the risks and rewards of ownership of this financial asset. If the Bank does not transfer or retain substantially all the risks and rewards of ownership of the financial asset, it is derecognised if control of the financial asset is not retained. Otherwise, the Bank keeps the financial asset on the balance sheet to the extent of its continuing involvement in this asset.

A financial liability is derecognised if the liability is extinguished, i.e. when the obligation specified in the contract is cancelled or expires.

5.3.4 Financial instruments - Principles and methods (IFRS 9)

5.3.4.1 Valuation of financial assets

IFRS 9 sets out the provisions for the recognition and measurement of financial assets and liabilities, as well as certain contracts for the purchase or sale of non-financial assets. This standard replaces IAS 39 "Financial instruments: Recognition and measurement" since 1 January 2018.
On initial recognition, a financial asset is classified in one of the following measurement categories:

- Amortised cost (AC);
- Fair value through other comprehensive income for debt instruments (FVOCI);
- Fair value through other comprehensive income for equity instruments (FVOCI);
- Fair value through profit and loss (FVTPL).

The classification of an asset is based both on the business model of the Bank's financial assets and on the contractual cash flow characteristics of the financial asset, i.e. whether the contractual terms of the financial asset generate cash flows at specified dates that are solely capital and interest payments ("SPPI test").
Reclassifications only occur when the ALMAC Committee decides to modify the business model of an asset portfolio, following external or internal changes. Changes

must be significant to the Bank and demonstrable to external parties. The Bank then reclassifies all the assets concerned prospectively from the first day of the following reporting period (the reclassification date). Prior periods are not restated.

5.3.4.1.1 Financial assets and liabilities held for trading and hedging purposes

Held-for-trading financial assets or liabilities are financial assets or liabilities acquired or assumed primarily for the purpose of a short-term sale or redemption, or as part of a portfolio of financial instruments that are managed together and that have indications of a recent pattern of short-term profit taking.
These assets or liabilities are initially recognised at fair value (excluding transaction costs recognised directly in the income statement) and subsequently remeasured at fair value. Changes in fair value are recognised in the income statement under “Net income from financial instruments held for trading”. Interest received or paid on non-derivative instruments is recognised under “Interest income” or “Interest expense”. Dividends are included under “Dividend income”.
All derivative financial instruments with a positive (negative) replacement value are considered as “financial assets (liabilities) held for trading”, with the exception of hedging derivatives which are classified as “Hedging financial instruments” (see section 5.3.4.1.6). Derivatives are recorded at their fair value at the origine of the transaction and subsequently measured at fair value. Changes in fair value are recognised in “Net gains on financial instruments held for trading” for trading derivatives and in “Net income from hedge accounting” for other derivatives. Interest received or paid on-derivative instruments is recorded under “Interest income” or “Interest expense”.
The Bank has designated certain interest rate swaps as hedging items (see section 5.3.4.1.6). If the hedging relationship is terminated and the derivative is still outstanding, it is designated as held for trading or designated in a new hedging relationship. Such a designation must always be approved by the ALMAC Committee.

5.3.4.1.2 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held in 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 specific dates, to cash flows that are only payments of principal and interest on the remaining principal due.

Financial assets measured at amortised cost are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less any impairment losses.
Depreciation using the effective interest rate method is recorded in the income statement under “Interest income”. Impairment amounts are recognised in the income statement under “Net impairment of assets”.

5.3.4.1.3 Debt instruments measured at fair value through other comprehensive income.

A debt instrument is measured at fair value through other comprehensive income if the following two conditions are met:

- the financial asset is held in a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets; and
- the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the remaining principal due.

These financial assets are initially measured at fair value and subsequently remeasured at fair value. With the exception of impairment, all changes in fair value are recorded under a specific heading in shareholders’ equity.

When these assets are realised, the cumulative revaluation results, previously recognised in equity, are recognised in the income statement under the heading “Net gains or losses on financial instruments not measured at fair value through profit or loss”. Impairment amounts are recognised in the income statement under “Net impairment of assets”.
Income from positive interest-bearing instruments recognised using the effective interest rate method is included under “Interest income”.

5.3.4.1.4 Equity instruments measured through other comprehensive income

On initial recognition, the Bank may irrevocably elect to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
Only dividend income is recognised in the income statement under “Dividend income”, unless it clearly represents a refund of part of the cost of the investment (i.e. a capital reduction).
Other income is recognised in equity under “Accumulated other comprehensive income” and is never reclassified to the income statement.
This category of financial assets is not subject to impairment.

5.3.4.1.5 Financial assets valued at fair value through profit and loss.

All other financial assets, i.e. financial assets that do not meet the criteria for classification as “at amortised cost” or “at fair value through other comprehensive income”, are recognised at fair value on the balance sheet and all changes in fair value are recognised in income. These assets include derivative instruments
Changes in the fair value of securities are recognised under “Net gains on financial instruments measured at fair value through profit or loss” and interest is recognised under “Interest income”. Dividends are included under “Dividend income”.

In addition, the Bank has the option, on initial recognition, to irrevocably designate a financial asset at fair value through profit or loss if such designation eliminates or significantly reduces an inconsistency in measurement or recognition (sometimes referred to as an accounting mismatch) that would arise if not used. This category has the same valuation rules as those applied to assets measured at fair value. The same headings as defined above are used for the recognition of interest and dividends. However, changes in fair value are recognised in “Net gains on financial instruments designated at fair value through profit or loss”.

5.3.4.1.6 Hedge accounting

In order to qualify for hedge accounting and to establish the relationship between hedging instruments and hedged items, the following conditions must be met:

- the relationship includes only permissible hedging instruments and permissible hedged items;
- formal documentation about the hedging instrument and the underlying to be hedged must be prepared, describing the hedging relationship, the strategy and nature of the risk being hedged, and how the effectiveness of the relationship will be assessed;
- demonstrate that there is an economic relationship between the hedged item and the hedging instrument and that the hedged item and the hedging instrument partially or fully offset each other;
- credit risk does not have a dominant effect on the changes in value resulting from this economic link;
- the hedge ratio must reflect the actual number of hedging instruments used to hedge the actual number of hedged items.

When the Bank initially elects to hedge the interest rate risk of a debt or credit instrument with one or more interest rate swaps, the hedged financial asset is measured using the “fair value hedging” principle and changes in the fair value of the interest rate risk of that debt instrument are recognised in “Net income from hedge accounting” regardless of the type of initial valuation assigned to the debt instrument.

All hedging derivative financial instruments with a positive (negative) replacement value are considered as “Hedging financial assets (liabilities)”. Derivatives are recorded at their fair values at the inception of the transaction and subsequently measured at their fair values. Changes in fair value are recognised in “Net income from hedge accounting”. Interest received or paid on-derivative instruments is recorded under “Interest income” or “Interest expense”.

5.3.4.2 Classification

5.3.4.2.1 Equity instruments

Equity instruments that do not fall into the equity category are classified in the category “Financial assets at fair value through profit or loss” unless the Bank has decided to irrevocably classify them as “equity instruments measured through other comprehensive income” as described in section 5.3.4.1.4. An equity instrument is defined as any contract that shows a residual interest in the assets of an entity after deducting all its liabilities. A financial instrument that does not meet the definition of an equity instrument is classified as a debt instrument.

5.3.4.2.2 Debt instruments

Debt instruments include debt securities, loans, deposits, receivables from (or to) credit institutions and customers. The decision tree that determines the classification and measurement of debt instruments at initial recognition and future recognition (continuous monitoring process and potential reclassification) is based on the economic asset holding model and the SPPI (Solely Payments of Principal and Interest) (conclusive or not).

A. Business model
The term “business or management model” refers to the way in which the Bank manages its financial assets in order to generate cash flows. The Bank determines the Business model at a level that reflects how groups of financial assets are managed together to achieve a given economic objective. As a result, the Bank does not determine instrument by instrument management models, but at a higher level of aggregation. The assessment of the business model is important for debt instruments to determine whether they can be measured at amortised cost or at fair value through other comprehensive income.
There are three types of business models:

- “Hold to collect” (hereinafter “HTC”): the objective is to hold assets to collect contractual cash flows, and sales are accessory to the objective of the model. However, the Bank is not required to hold all these assets until maturity. Debt instruments included in this model are measured at amortised cost;

- "Hold to collect & sell" (hereinafter "HTCS"): the collection of contractual cash flows and sales are an integral part of achieving the objective of the business model. This model is generally associated with more sales (in frequency and higher value) than in the HTC model. Debt instruments included in this model are measured at fair value through other comprehensive income;
- Other business models include financial assets held for trading and financial assets that are not classified in the HTC or HTCS categories either because the collection of contractual cash flows is accessory to the financial asset or because the SPPI test is inconclusive.

B. "Principal and Interest" criterion ("Solely Payments of Principal and Interest" test or "SPPI" test)

The classification and measurement of debt instruments also depend on the analysis of the contractual cash flow characteristics of the instrument ("SPPI" test). The "SPPI" test is satisfied if the contractual terms of the debt instrument give rise, at specified dates, to cash flows that are only repayments of principal and interest payments on the outstanding principal.

For the purpose of this assessment, "principal" is the fair value of the financial instrument at initial recognition and "interest" reflects the time value of money, the credit risk associated with the principal remaining due for a given period of time and other risks and fees associated with a basic loan, as well as a margin.

To determine whether the "SPPI" test is met, the Group analyses the contractual terms of the instrument to assess whether it contains a term that could modify the timing or amount of the contractual cash flows so that the instrument does not meet this condition. To this end, the Group has set up a checklist to verify whether the cash flows of debt instruments represent only principal and interest payments. During this assessment, the Group considers in particular the following elements:

- A triggering event that would change the timing or amount of the contractual cash flows;
- Leverage effect;
- Prepayment or extension option;
- A term that limits the Bank's receivables to the cash flows generated by specified assets (for example, non-recourse financial assets);
- Characteristics that change the consideration for the time value of money (for example, periodic revision of the interest rate).

5.3.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment losses. The effective interest rate is the rate that discounts future cash payments or receipts over the expected life of the financial instrument or, as the case may be, over a shorter period to obtain the net carrying amount of the financial asset or liability.

The amortised cost determined using the effective interest rate method is calculated by taking into account premiums and discounts as well as commissions and transaction costs that are an integral part of the effective interest rate. Depreciation using the effective interest rate method is recorded in the income statement under "Interest income" and "Interest expense". Impairment amounts are recognised in profit and loss under "Net impairment of assets". Loans and receivables mainly include interbank and customer loans and receivables.

5.3.6 Other financial liabilities

Other financial liabilities include all other subordinated and unsubordinated financial liabilities (except derivatives) that are not classified as held for trading or designated at fair value through profit or loss.

Other financial liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Interest and accrued interest (including any difference between the net amount received and the repayment value) is recognised in profit and loss using the effective interest rate method, under "Interest expenses".

5.3.7 Fair value of financial instruments

Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the main market or the most advantageous market on the valuation date. Fair value is determined based on prices quoted in an active market (quotations established by an exchange, broker or any other source recognized by investors). When there is no market or market prices are not available, valuation techniques are used to estimate fair value at the measurement date based on current market conditions. These techniques use a maximum of observable market data, commonly used calculation methods and a variety of other factors such as time value, credit risk and liquidity risk. The fair value estimated by these techniques is therefore affected by the data used. Valuation techniques include, in particular, discounted cash flow methods, reference to the market value of other comparable instruments, option valuation models and other appropriate valuation models.

On initial recognition, the fair value of a financial instrument is the transaction price (i.e. the value of the consideration paid or received) unless another fair value can be evidenced by a price in an active market for the same instrument or by a valuation technique that is based solely on observable market data.

To determine the fair value of financial instruments, the Bank uses the following main valuation methods:

- Active market

Financial instruments are measured at fair value by reference to quoted prices in an active market when they are easily and regularly available, taking into account criteria such as transaction volumes or recent transactions. Listed securities and derivatives on organised markets (futures and options) are valued in this way.
OTC derivatives such as interest rate swaps, options and foreign exchange contracts are valued using widely accepted models (discounted future cash flow method, Black and Scholes model, etc.) that use observable market data.
The valuation of these derivatives includes a credit risk adjustment (CVA – Credit Value Adjustment; DVA – Debit Value Adjustment). The CVA consists of adjusting the fair value of derivatives to take into account the creditworthiness of the counterparty in the valuation. Similarly, the DVA reflects the effect of the Group's credit quality on the valuation of derivatives.
For valuations that use mid-market prices as the basis for determining fair value, a price adjustment is applied, for each risk position, to net open positions using the buying or selling price as the case may be.

- No active market

Most derivatives are traded on active markets.
When the price of a transaction in an inactive market does not correspond to the fair value of other observable transactions in that market for the same instrument or to the valuation with an internal model based on observable market data, this difference is recognised directly in the income statement.
However, if this difference (commonly known as "Day 1 profit and loss") is generated by a valuation model the parameters of which are not all based on observable market data, it is either recognised in profit and loss on a staggered basis over the life of the transaction, or deferred until the date on which the instrument is derecognised. In any case, any unrecognised difference is immediately recognised in profit and loss if the parameters that were not originally observable later become so, or if the fair value can be determined by reference to a price quoted on an active market involving the same instrument. For all transactions, the appropriate method for recognising this difference in the income statement is determined individually.

- No active market – Equity instruments (unlisted shares)

In the absence of recent transaction prices under normal market conditions, the fair value of unlisted shares is estimated using recognised valuation techniques such as the discounted future cash flow method, the method of applying multiples of comparable companies and the asset method.
The carrying amount of short-term financial instruments approximates their fair value.

5.3.8 Embedded derivatives

An embedded derivative is defined as a component of a composite (hybrid) instrument that includes both a derivative financial instrument and a non-derivative host contract.
This assessment applies only to financial liabilities, non-financial contracts and financial assets that do not fall within the scope of IFRS 9.

An embedded derivative must be separated from the host contract and accounted for as a derivative when:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative;
- the hybrid (compound) instrument is not held for trading.

This (embedded) derivative is valued at fair value through profit and loss in the same way as a standalone derivative. The host contract is accounted for and valued according to the principles governing the category to which it belongs.
To the extent that the separation of the embedded derivative is permitted (see above), the entire hybrid contract can be designated as a financial asset or liability at fair value through profit and loss. However, if it is not possible to measure the embedded derivative separately, the entire hybrid contract must be designated as a financial asset or financial liability at fair value through profit or loss.

5.4 Lease contracts

A lease is a contract, or part of a contract, that conveys the right to control the use of an asset for a specific period of time in return for payment of consideration.

- As Lessee

Lease contracts, with the exception of certain low-value contracts, are recognised in the balance sheet at the effective date of the contract. This requires the lessee to recognise an asset in the balance sheet in respect of the right to use the leased asset and a rental liability representing the commitments over the term of the contract.
The lease term of a contract is the non-cancellable term of the contract adjusted for renewal options that the lessee is reasonably certain to exercise and termination options the lessee is reasonably certain not to exercise.
The rental liability is initially measured at the present value of the amount of the rentals remunerating the right to use the leased asset over the term of the lease

and not yet paid at the effective date of the contract. The present value of rents paid is calculated using the lessee's marginal borrowing rate. Subsequently, the rental liability is measured by increasing its carrying amount to reflect the interest due on the rental liability (using the effective interest rate method) and decreasing its carrying amount to reflect the rent paid.
Rental liabilities are presented under "Other liabilities".
The cost of the asset recognised as a right to use comprises the initial measurement amount of the rental liability plus initial direct costs, prepayments less inducements received and restoration costs. This asset is then depreciated, in general, on a straight-line basis over the term of the contract, and impaired if necessary.
The asset recorded for the right of use is included under the same heading as "Property, plant and equipment".
Rental liabilities and the right of use may be revalued in the event of a change in the lease contract, a re-estimation of the lease term or a revision of future rentals due to changes in indexes.
Rental payments associated with leases considered as short-term or low-value contracts are expensed under "General and administrative expenses" on a straight-line basis over the term of the lease.
As a simplification measure, IFRS 16 allows lessees not to separate rental components from non-rental components and to account for rental and related non-rental components as a single rental component. The Group has not opted for this simplification measure.

- As Lessor

LAssets leased under an operating lease are maintained as fixed assets and depreciated according to the same depreciation rules applied to assets of a similar nature.
Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

5.5 Property, plant and equipment

Property, plant and equipment are recorded at their acquisition cost (including directly attributable costs) less accumulated depreciation and any impairment losses.
The Luxembourg division applies the method of accounting for fixed assets by component (mainly for buildings) and the depreciable amount is determined after deduction of its residual value.
Depreciation is calculated on a straight-line basis over the useful life of the assets concerned. The useful lives used are as follows:

NATURE OF THE ASSET OR COMPONENT

Land	**Indefinite**
Buildings, structures	**40 yrs.**
Technical installations	**10 yrs.**
General installations	**20 yrs.**
Finishings	**5 to 10 yrs.**
IT/telecoms eqpmt	**4 yrs.**
Miscellaneous eqpmt	**5 yrs.**
Office furniture	**10 yrs.**
Vehicles	**4 yrs.**

Land and works of art have an indefinite useful life and are therefore not depreciated, but can be subject to impairment losses.

At each balance sheet date, if there is any indication that an item of property, plant and equipment may have been impaired, an impairment test (by comparing the carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognised when the carrying amount of the asset exceeds its estimated recoverable amount.
The useful life and residual value of property, plant and equipment are reviewed at each balance sheet date.

5.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. This asset is initially recognised at cost if it is expected to generate future economic benefits and if the acquisition cost of the asset can be measured reliably.
Intangible assets include software acquired or developed in-house as well as goodwill acquired in a business combination.
Purchased software is amortised on a straight-line basis over a four-year period from the time it becomes usable. Software maintenance costs are expensed as incurred. However, expenditure that improves the quality of the software or helps extend its useful life is added to the initial acquisition cost. For internally generated software, development costs are amortised on a straight-line basis over the period during which the benefits of the asset are expected to be realised. Research costs are expensed directly as incurred.
Business goodwill is amortised on a straight-line basis over the period during which the benefits of the asset are expected to be received. This useful life does not exceed 20 years.
At each balance sheet date, if there is any indication that an item of intangible assets may have been impaired, an impairment test (by comparing the carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognised when the carrying amount of the asset exceeds its estimated recoverable amount. For goodwill, the recoverable amount is estimated on the basis of the change in capital under management as well as its yield.
Intangible assets are recorded at cost less accumulated amortisation and impairment losses. The useful life and residual value of intangible assets are reviewed at each balance sheet date.

5.7 Other assets

Other assets mainly include accrued income (excluding interest), deferred charges and other receivables. Also included in this item are amounts receivable from employees.

5.8 Impairment of assets

The impairment model for credit risk is based on expected credit losses (“ECL”).
The Bank recognises impairment losses based on the expected credit loss model on:

- loans and receivables from credit institutions measured at amortised cost;
- customer loans valued at amortised cost;
- debt instruments measured at amortised cost;
- debt instruments measured at fair value through other comprehensive income;
- loan commitments given and financial guarantees issued.

Expected losses are a probabilistically weighted estimate of credit losses of a financial instrument. The calculation of these losses is based, among other things, on the following parameters: the probability of default (PD), the loss given default (LGD), the amount of exposure (residual accounting) in the event of default (exposure at default or EAD) and the discount rate. The amount of expected credit losses is calculated on the basis of a weighted average of probabilised scenarios. Financial assets are classified on the basis of the extent of credit deterioration since their initial recognition into three categories:

- stage 1 (initial recognition: performing): impairment is measured at the amount of expected losses over the useful life resulting from risks of default within 12 months of the balance sheet date;
- stage 2 (significant increase in credit risk: underperforming): impairment is measured at the amount of expected losses over the life of the financial instrument;
- stage 3 (financial assets in default for which there is objective evidence of default at the balance sheet date: non-performing): impairment is measured as the difference between the asset’s carrying amount and its expected recoverable amount.

To assess the deterioration of credit risk, the risk of default at the reporting date is compared with the initial recognition of the financial asset. In order to classify its credit exposures, the Bank has decided to implement an internal rating model based on credit events for its credit portfolios.
For debt instruments, external agency ratings are mainly used and the Bank makes use of the low credit risk exception.
In the balance sheet, value adjustments for losses related to financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt instruments at fair value through other comprehensive income, the impairment loss adjustment does not reduce the carrying amount of financial assets and is recognised in other comprehensive income.
For loan commitments given and financial guarantees issued, expected credit losses are recorded as liabilities in the balance sheet under “Provisions”.
Losses are recognised in the income statement under “Net impairment of assets”.

5.8.1 Defining default

The Bank uses the same definition of default as that used for internal credit risk management purposes. This definition of default is also in line with the regulatory standards currently in force in the sector.
A financial asset is considered in default if at least one of the following two conditions is met:

- the Bank considers that payment by the debtor is unlikely without recourse to actions such as the realisation of collateral;
- the debtor has material arrears of more than 90 days.

5.8.2 Impaired financial assets (stage 3)

The level of collateral pledged is not relevant to the categorisation of financial assets in stage 3: as soon as a loan meets at least one of the two conditions mentioned above, this financial asset is considered in default and is classified in stage 3, even if the valuation of the guarantees received exceeds the amount due to the Bank.
When the expected recoveries are less than the Bank’s exposure, an ECL is recorded.

5.8.3 Restructuring due to financial difficulties

In the event of the borrower’s financial difficulties, and in order to maximise the possibilities of recovery, the Bank may, in certain specific cases and under certain conditions, accept the restructuring of a loan, which generally takes the form of an extension of the residual term of the loan or an extension or spread of certain contractual deadlines.
These loans are systematically classified in stage 2, unless the investment is considered in default, in which case it will be classified in stage 3.

5.8.4 Significant deterioration in credit risk

In accordance with the ECL model, impairment of a financial asset is measured at the amount of expected losses over the life of the financial instrument as soon as the credit risk for that financial asset has significantly deteriorated.

This assessment of the material deterioration in credit risk is a relative assessment in relation to the level of risk that was estimated at initial recognition of the financial instrument.
For the bond portfolio and interbank deposits, the significant deterioration in credit risk is assessed mainly on the basis of an external rating (or, failing that, on the basis of a corresponding internal rating):

- the Bank uses the exception for low credit risk allowed by IFRS 9, which means that instruments with an investment grade rating at the reporting date are always classified in stage 1 and are therefore assigned an ECL amounting to the amount of expected losses over the life of the instrument resulting from the risk of default within 12 months of the reporting date;
- for financial assets for which the low credit risk exception cannot be applied (i.e. assets with a rating below investment grade), the Group performs an assessment of the relative evolution of credit risk by comparing the probability of default (PD) over the life of the instrument to initial recognition with the PD at the reporting date (for an equivalent life). This assessment is carried out individually at the level of each exposure and at each reporting date.

The Group has developed an internal rating model for the loan portfolio. The evolution to this internal rating determines the level of credit risk deterioration. It is recalculated at each reporting date individually, at the level of the credit facility and changes according to credit events such as:

- a restructuring due to financial difficulties (“forborne”): a financial asset being restructured due to the borrower’s financial difficulties is always classified in stage 2, unless the loan is considered in default, in which case it is classified in stage 3;
- watch-list entry: the loans included in this list are classified in at least stage 2;
- a margin call made by the Bank (lombard loans) when it considers that the collateral provided as collateral by the counterparty is no longer sufficient;
- material arrears of more than 30 days: the Bank has aligned itself with international standards, since a transfer to stage 2 takes place when a financial asset has material arrears of more than 30 days.

Since the Bank never acquires portfolios of past due assets, all financial instruments are always classified in stage 1 at the time of initial recognition. For reports at later dates, as long as none of the criteria mentioned above are met, the asset remains in stage 1.
As soon as an instrument meets at least one of the criteria to be considered as an asset that has suffered a significant deterioration in credit risk since its initial

recognition, it is classified in stage 2 and an ECL corresponding to the amount of expected losses over the entire life of the instrument is recognised.

A financial asset is considered in default (i.e. in stage 3) when it meets the definition of default mentioned above. Transfers between categories are symmetrical, which means that a financial instrument that has migrated at a given time to stage 2 or 3 can return to stage 2 or 1 at a later reporting date if none of the migration criteria are met, provided that any probation periods, in accordance with industry regulatory standards, are met.

5.8.5 Governance and measurement of expected credit losses (ECL model)

The ECL is the result of the product of the probability of default (PD), the estimated exposure at the time of default (EAD) and the loss in the event of default (LGD). The calculation of the ECL is carried out in such a way that it reflects:

- an unbiased amount, weighted with a probability of occurrence;
- the time value of money;
- information on past events, current conditions and future macroeconomic forecasts.

The maximum period taken into account for the calculation of the ECL is the maximum contractual period (including extensions).
The lifetime ECL represents the sum of ECLs over the entire life of a financial asset, discounted at the effective interest rate. It is used for all financial instruments classified in stage 2 or higher.
The 12-month ECL represents the portion of the ECL over the lifetime resulting from a defect within 12 months of the reporting date. It is used for instruments in stage 1.
The Bank does not have Basel PD and LGD models, as it has opted for the standard approach for prudential purposes. As part of IFRS 9, the Group has developed its own PD and LGD models in order to perform ECL calculations.
Three different macroeconomic scenarios are taken into account for the calculation of the ECL. A weighting is applied to each of these 3 scenarios. The baseline macroeconomic scenario is considered to represent the most likely future forecasts. This scenario is also used for other internal and external needs.
The calculation of the ECL requires important judgments on various aspects such as, for example, the borrower's financial situation and ability to repay, the value of collateral and recovery possibilities or future macroeconomic forecasts: the most neutral approach possible is applied in this respect. In making these important judgements, the Bank has taken into account the specific characteristics of the health crisis and its related events.

5.8.6 Impairment loss

An impairment loss is a reduction in the gross carrying amount of a financial asset when there is no longer a reasonable expectation of recovery for all or part of the asset or when it has been fully or partially surrendered. This situation results in removal from the balance sheet. The Bank decides to remove an asset from the balance sheet early on an individual basis and taking into account various factors, such as:

- the financial asset is fully impaired;
- the period of time since the date of the last impairment;
- whether or not the collateral that can be realised within a normal period of time will be realised
- the probability of recovering contractual flows and the estimated time frame for any such recovery;
- the number of days since the last contractual flow received;
- the status of the loan and/or the debtor.

5.9 Provisions

A provision is recognised when:

- the Luxembourg division has a present legal or constructive obligation resulting from a past event;
- it is likely that an outflow of resources will be required to settle the obligation;
- the amount of the obligation can be estimated reliably.

When the effect of the time value of money is material, the provision is recorded at its discounted value.

5.10 Taxes

- Current taxes

Current tax assets and liabilities correspond to amounts payable or recoverable, determined on the basis of the tax rules and rates in force at the balance sheet date, as well as tax adjustments relating to previous years.

- Deferred taxes

Deferred taxes are recognised as soon as there is a temporary difference between the tax value of assets and liabilities and their carrying amount. Deferred taxes are measured using the liability method, which consists of calculating, at each balance sheet date, deferred taxes based on the tax rate in effect or which will be in effect (if known) at the time the temporary differences are reversed. Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those:

- related to the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit; or
- associated with investments in subsidiaries, affiliates and joint ventures to the extent that the date on which the temporary difference will be reversed can be controlled and it is likely that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets are recognised in respect of all tax-deductible temporary differences, tax losses carried forward and unused tax credits to the extent that it is probable that a future taxable profit will be available against which the differences can be utilised, except where the deductible temporary difference:

- related to the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit; or
- related to investments in subsidiaries, affiliates and joint ventures to the extent that this difference will not be reversed in the foreseeable future.

Current and deferred taxes are recognised in the income statement as tax income or expenses, unless they relate to items recognised in equity (revaluation to fair value of available-for-sale assets), in which case they are recognised in equity and then recognised in the income statement at the same time as the realised gains or losses.

5.11 Employee benefits

In compliance with national regulations and industry practices, the pension scheme in force in the Luxembourg division is that of a group insurance scheme, a defined contribution scheme.
For both the defined contribution plan and the residual defined benefit cases, the Luxembourg division pays the insurer the amounts calculated in accordance with the regulations at the beginning of each financial year. These bonuses are recognised as expenses for the year.
The results relating to the profit-sharing plans set up within the Luxembourg division are recognised in the income statement with a corresponding entry in shareholders' equity.

Long-term benefits include benefits such as bonuses, provided they are not expected to be paid in full within twelve months of the end of the financial year in which the employees render the related services. A provision is made for the portion expected to be paid in more than one year.

5.12 Other liabilities

Other liabilities include dividends payable, accrued liabilities (excluding interest), deferred income and other liabilities.

5.13 Interest income and expenses

Interest income and expenses with a positive interest rate are recognised in the income statement for all interest-bearing instruments using the effective interest rate method. The effective interest rate is the rate that discounts the future cash flows over the life of the financial instrument, or such shorter period as may be appropriate, so as to obtain an NPV equal to the net carrying amount of the instrument. The calculation of this rate includes all commissions received or paid in respect thereof, transaction costs and premiums or discounts. Transaction costs are additional costs directly related to the acquisition, issue or sale of a financial instrument.
Once an interest-bearing financial asset has been written down following an impairment, interest income continues to be recognised at the rate used to discount the future cash flows to NPV in order to determine the recoverable amount.
Interest income and expenses on derivatives held for trading are presented under these headings.
Accrued interest is recorded in the balance sheet in the same account as the corresponding financial asset or liability.

5.14 Dividends

Dividends are recognised once the shareholders' right to receive payment has been established.

5.15 Fees and commissions

The Luxembourg division recognises in the income statement fees and commissions resulting from various services provided to its clients. The recognition of these fees and commissions depends on the nature of these services. Commissions remunerating a service over a given period are spread, as the service is rendered or linearly, over the

duration of the operation generating the commission. This is the case for management, administration, financial services, custody and other service fees.
Fees related to the performance of a significant act, such as intermediation, placement, performance and brokerage fees, are deferred and recognised in the income statement when the act is performed.

5.16 Result from the revaluation or disposal of financial instruments

Results from trading transactions include all gains and losses resulting from changes in the fair value of financial assets and liabilities held for trading.
(Un)realised gains and losses (excluding accrued interest and dividends) on financial instruments designated at fair value through profit or loss are included in the revaluation results relating to these instruments.
Gains and losses on the sale or disposal of financial instruments not measured at fair value through profit and loss or held for trading are recognised under "Gain or losses on financial instruments not designated at fair value through profit or loss, net".

5.17 Cash and cash equivalents

The concept of cash and cash equivalents includes:

- cash;
- balances with central banks excluding the amount of minimum reserves;
- institutions' debit and credit balances at sight, except for vostro and balances guaranteeing repurchase agreements or derivatives transactions;
- loans and deposits from credit institutions with an initial maturity of less than three months.

The instruments are readily convertible into cash and are subject to an insignificant risk of change in value.
The Bank presents cash flows from operating activities using the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any timing or adjustment of past or future operating cash inflows or outflows from operations and items of income or expenses related to cash flows from investments or financing.

Tax flows, interest received and interest paid are presented in full with operating activities. Dividends received are classified as cash flow from operating activities.
Dividends paid are recorded as cash flows from financing activities.

6. Risk management

6.1 Risk management organisation

The risk management strategy is determined by the Board of Directors and reflects the strategy defined for the whole Group by the Board of Directors of the parent company, Banque Degroof Petercam S.A. The Executive Committee of Banque Degroof Petercam S.A. is responsible for its application throughout the Group. In this context, it regularly assesses the level of risks taken and carries out an annual review of all position limits.
The Executive Committee of Banque Degroof Petercam Luxembourg S.A. is responsible to the parent company and the Board of Directors for implementing this strategy by implementing a risk management policy at local and subsidiary level.
In order to implement its risk management policy, the Executive Committee of Banque Degroof Petercam S.A. has delegated some of its responsibilities to committees on which Banque Degroof Petercam Luxembourg S.A. is represented. The committees that concern Banque Degroof Petercam Luxembourg S.A. are:

- the ALMAC Committee (Asset and Liability Management Committee) is responsible for the Group's balance sheet and off-balance sheet management in order to achieve a stable and sufficient financial margin within acceptable risk limits. This committee also manages the consolidated liquidity risk;
- the Limits Committee is responsible for granting the Group new limits for all types of products to bankers and brokers. It also ensures the regular revision of existing limits.

The Risk Management department of Banque Degroof Petercam Luxembourg S.A. is responsible for day-to-day risk management. This ensures the integrity and effectiveness of the processes related to the risk management mission. The concept of risk management refers to the identification, assessment, monitoring and control/mitigation of risks.

At the Bank's request, the CSSF (Commission de Surveillance du Secteur Financier, the Luxembourg financial supervisor) has approved the total exemption of the risks on the Banque Degroof Petercam S.A. Group from the calculation of major risk limits, in accordance with part XVI, point 24 of Circular 06/273 as amended. Under the new prudential requirements set out in Regulation (EU) 575/2013, this exemption remains valid.

6.2 Liquidity risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial commitments as they become due at a reasonable cost.
This risk is managed at consolidated level by the ALMAC Committee on a monthly basis, while the Bank's day-to-day management has been delegated to the Treasury Department of the trading room, under the supervision of the Risk Management Department.
The Luxembourg division applies a prudent strategy to cash management. The Luxembourg division invests its liquid assets with the Banque Centrale du Luxembourg and in a portfolio of highly liquid bonds, which can be liquidated at any time via sale or repurchase agreements. With regard to non-sovereign bonds, the Luxembourg division applies rigorous selection criteria in terms of rating and liquidity of the security and imposes diversification of issuers in order to reduce concentration risk as much as possible. In this way it can ensure the liquidity of these portfolios, either via sales or via bi- or tripartite programmes.
The Luxembourg division requires the maintenance of monetary reserves with the Banque Centrale du Luxembourg and/or an amount of extremely liquid bonds (Highly Liquid Quality Assets) free of commitments to give it the daily liquidity necessary to cope with any withdrawals. The minimum amount for the 2020 and 2019 financial year was set at EUR 225 million.
In accordance with CSSF Circular 09/403, which requires the implementation of stress tests, the control exercised by Risk Management is based on three scenarios: day-

to-day management, management in a period of generalised market liquidity crisis and management in a liquidity crisis specific to the Luxembourg division. Cash flows must be sufficient to enable the Bank to cope with each of these three scenarios, which are monitored rigorously on a daily basis.
The Luxembourg division has put in place a liquidity management policy linked to the crisis scenarios referred to above. In the event of a generalised liquidity crisis scenario, it provides for the possibility of generating immediate liquidity through repurchase (“repo”) operations on the majority of the bonds held in the Luxembourg division’s portfolio. In the event of a liquidity crisis specific to the Luxembourg division, the policy implemented provides for the immediate liquidation of the bond portfolio.
The Liquidity Coverage Ratio (LCR) introduced under the Basel III agreements by the CRR/CRD IV package stood at 253% as at 31 December 2020 (31 December 2019: 214%) and demonstrates the Luxembourg division’s good liquidity level.
Another obligation imposed by the CRR/CRD IV package on the Luxembourg division is the monitoring of its encumbered and unencumbered assets. Each amount is the median value of the quarterly data for the previous 12 months.
It is important to note that the Bank does not have a covered bond programme. Its main sources of encumbered assets are related to its activities on the repo and securities lending market, the amount of the mandatory reserve deposited with the Banque Centrale du Luxembourg and the collateral exchanged to hedge derivative exposures.

The tables below break down the assets according to whether or not they are encumbered (median value of the data for the 4 quarters in EUR):

31.12.2020	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets of the Bank	**89,374,650**	**89,543,420**	**3,104,761,083**	**n/a**
Equity instruments	-	-	9,261,520	9,261,520
Debt instruments	22,464,381	22,633,151	1,367,197,350	1,367,197,350
Other assets	529,129	529,129	249,908,404	n/a

31.12.2019	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Assets of the Bank	**173,569,365**	**173,885,582**	**2,542,223,763**	**n/a**
Equity instruments	-	-	8,674,104	8,674,104
Debt instruments	121,197,818	121,514,035	981,339,163	983,978,557
Other assets	-	-	212,656,573	n/a

The encumbered assets are mainly composed of the amount of “required reserves” with the Banque Centrale du Luxembourg, guarantees given in the context of OTC derivative transactions in the form of cash or debt instruments and loaned debt instruments.

The guarantees received by the Luxembourg division are broken down in the following table (median value in EUR) depending on whether or not they are encumbered or likely to be so:

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Fair value of collateral received	**Fair value of collateral received available for encumbrance**	**Fair value of collateral received**	**Fair value of collateral received available for encumbrance**
Guarantees received by the reporting institution	**-**	**-**	**-**	**175,637,907**
Equity instruments	-	-	-	-
Debt instruments	-	-	-	137,649,744
Other guarantees received	-	-	-	-

As at 31 December 2019, bonds available for encumbrance were obtained through securities lending.
The carrying amount of liabilities that may result in additional charges on the assets and the carrying amount of the associated encumbered assets and guarantees are shown in the table below (median value in EUR):

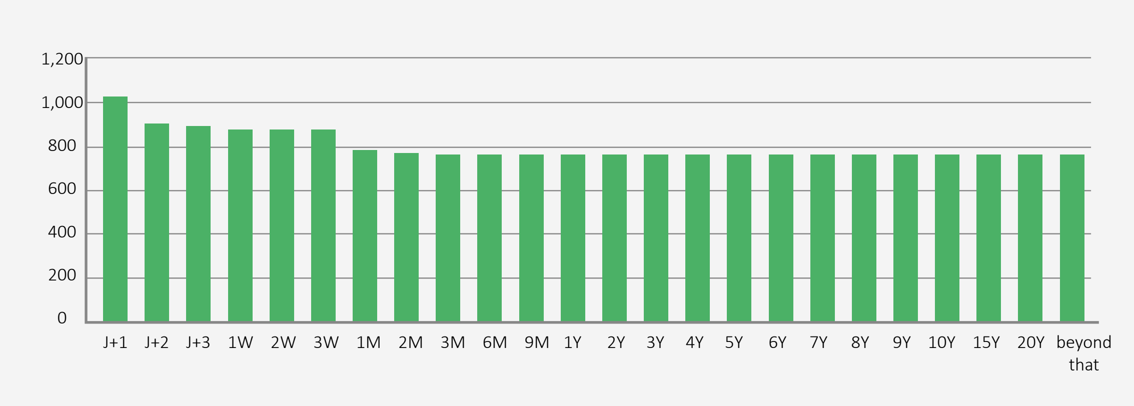
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Corresponding liabilities, contingent liabilities or loaned securities	**Encumbered assets, guarantees received**	**Corresponding liabilities, contingent liabilities or loaned securities**	**Encumbered assets, guarantees received**
Carrying amount	**129,501,000**	**89,374,650**	**211,307,273**	**173,569,365**

The bulk of the amounts relate to derivative transactions.

Liquidity risk is monitored on a daily basis by conducting liquidity stress tests. For this purpose, the Bank uses the liquidity elements of the balance sheet and off-balance sheet at date and applies stress assumptions to them. These assumptions have been selected to best reflect the most impactful effects for the Bank in terms of liquidity. The assumptions used are as follows:

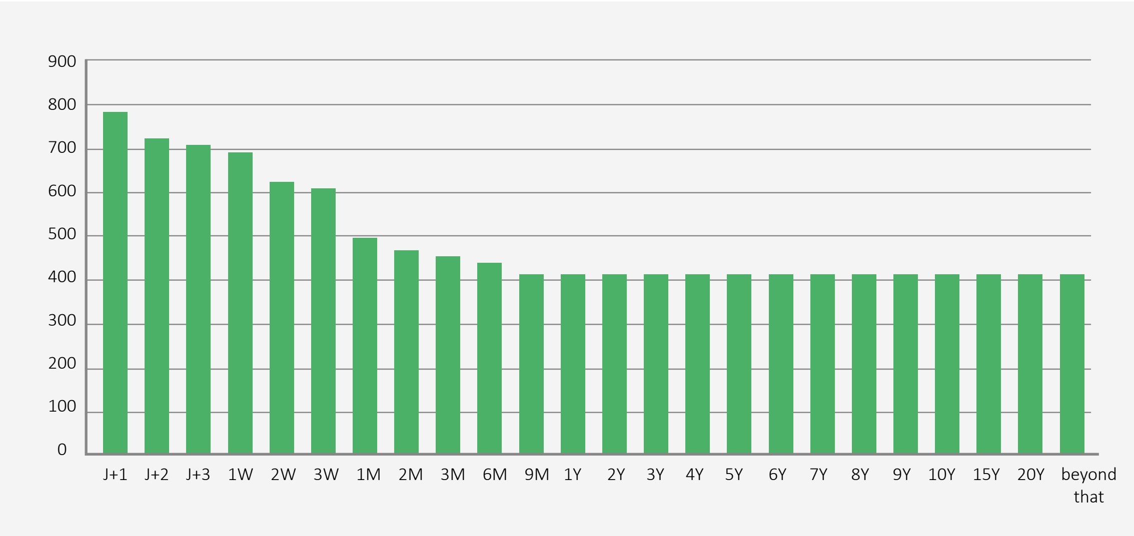
1) Outflow on D+1 of 15% of financial current accounts (excluding cash deposited by Group entities);
2) Outflow on D+2 of 35% of financial current accounts (excluding cash deposited by Group entities);
3) Outflow on D+2 of 20% of retail and corporate current accounts;
4) No renewal of deposits from banks and financials;
5) Renewal of 50% of non-financial deposits;
6) Activation of the triparty repo on D+1 with the European Central Bank (ECB);
7) Immediate stop to proprietary bond lending;
8) Liquidation of 50% of the bond portfolio on D+2 with a 15% discount;
9) Repo of the remaining 50% of the bond portfolio on D+2 without discount at maturity 1 month, then sell them with a 15% discount;
10) Maintaining credit activity based on existing repayments: 5 million per week for the first month, then neutral in terms of flows;
11) Drawdown by clients of 50% of unused authorised credit lines
(10% on D+1, 10% at 1 week, 10% at 1 month, 10% at 2 months and 10% at 3 months);
12) 10 million loss on the first repayments on the credit lines;
13) Outflow of EUR 15 million in D+1 of cash related to CSA contracts, then 10 million in D+2 and 5 million in D+3.

At 31 December 2020, the results of this scenario on BDPL's cash flows are as follows (in millions of euros):



The results of the stress test show that despite very strong and sudden client exit assumptions (50% of the sight deposits of financials customers are withdrawn in 2 days), BDPL's liquidity flows remain largely positive across all maturities, due in particular to the portfolio of bonds of very good credit and liquidity quality, making it possible to generate positive liquidity flows immediately via repo or sale.

At 31 December 2019, the results of this scenario on BDPL's cash flows are as follows (in millions of euros):



6.3 Market risk

6.3.1 Policy

Market risks are the risks of adverse changes in market factors (interest rates, share prices, exchange rates, etc.) affecting the value of the Luxembourg division's proprietary positions.
Treasury, foreign exchange and bond trading activities are monitored daily using indicators such as Value-at-Risk (VaR), interest rate sensitivity, scenario analyses and, more simply, nominal volumes.
These activities are comparable to limits set by the Executive Committee within the framework dictated by the parent company and are characterised by small amounts of assets in relation to shareholders' equity.
Under Basel III, the calculation method was chosen based on the impact of a 200 basis point interest rate movement for interest rate risk and historical VaR (indicator measuring maximum loss with a 99% confidence interval and a one-day horizon) for currency risk. These indicators are used to calculate economic capital for interest rate and foreign exchange market risks.

6.3.2 Interest rate risk

Interest rate risk results from differences between the maturities or revaluation dates of on- and off-balance sheet assets and liabilities. This is the financial risk resulting from the impact of a change in interest rates on the interest margin and on the fair value of fixed income instruments.
This risk is managed monthly by the ALMAC Committee on the basis of the maximum acceptable loss in the event of a 1% rise in interest rates, allocated by the Executive Committee of Banque Degroof Petercam S.A. to the Group's transformation activity and divided between the parent company in Brussels and the Bank in Luxembourg. This includes all balance sheet items and therefore all cash positions.
The limit defined by the Group for the Bank following a 1% interest rate movement is set at EUR 9 million maximum acceptable loss. This limit has not changed since 31 December 2019. This acceptable loss limit was previously expressed as a VBP (Value per Basis Point) limit of EUR 100,000. The Almac Group Committee decided to abolish the latter limit as it did not take into account the client liabilities. It was decided to follow the net PBV, i.e. taking into account the VBP of the liabilities, in order to be more in line with the acceptable loss. The VBP is monitored daily by Risk Management.

The following table shows the key figures relating to the exposure to interest rate risk (VBP in EUR):

2020	**31.12.2020**	**Average**	**Minimum**	**Maximum**
Interest rate risk	57,906	57,100	45,520	71,352
2019	**31.12.2019**	**Average**	**Minimum**	**Maximum**
Interest rate risk	63,232	62,348	44,854	82,722

In addition, in accordance with Basel III, a stress test compares the loss that would be recorded in the event of a parallel increase in interest rates of 2% to shareholders' equity. The result of this test was 4.6% of useful equity at 31 December 2020 (5.6% in 2019).

Since 1 January 2018, the Bank has decided to apply hedge accounting.
The hedging instruments are Interest Rate Swaps (IRS).
At inception, the Bank documents all hedging relationships. Hedging documentation includes the identification of the obligation or credit, the nature of the risk being hedged, the hedging instrument used and the method used to assess the effectiveness of the hedge. The Bank also assesses on an ongoing basis whether hedging instruments effectively offset changes in the fair value of hedged items.

6.3.3 Exchange risk

This mainly concerns the hedging and optimisation of the exchange rate risk generated by all the Bank's departments. Foreign exchange trading is prohibited.
The indicators used to monitor daily foreign exchange risk are:

- limits set in terms of nominal amounts;
- historical VaR.

The following table shows the key figures relating to the exposure to currency risk (total currency position in EUR):

(In EUR)

2020		**31.12.2020**	**Average**	**Minimum**	**Maximum**
Exchange risk	Nominal	1,205,114	1,176,730	592,488	5,142,910
2019		**31.12.2019**	**Average**	**Minimum**	**Maximum**
Exchange risk	Nominal	497,089	1,088,425	497,089	2,412,155

The limits for currency risk have been set at nominal value.

Overnight limits in absolute values:

	Overnight limit
Current currencies (limit by currency)	2,000,000
Exotic currencies (limit by currency)	250,000
TOTAL ALL CURRENCIES COMBINED	**3,000,000**

The limits on foreign exchange were changed in the 2020 financial year; there is no longer a separate limit on the weekend foreign exchange position.
Two breaches of the foreign exchange position limit were observed during 2020 in March and September, related to operational incidents. These breaches were reported in the operational incident tracking tool and additional controls have been implemented.
These incidents had no significant impact and were resolved quickly.
In addition, DPAS retains a residual position of USD 0.8 million in euro equivalent which is not included in the exchange limits that govern the activities of the Financial Markets department, however, this position is subject to specific monitoring by the Luxembourg ALM Committee.

6.4 Credit risk

6.4.1 Definition

Credit risk is the risk of loss resulting from a counterparty (institutional, legal or private person, etc.) failing to meet its contractual obligations within prescribed time limits. This risk is monitored on a regular and continuous basis according to the needs of the business. As regards counterparty limits, exposure is calculated in line with changes in market value, plus an add-on reflecting the risk of future changes in this value. This exposure is then compared with the limits granted by the Limits Committee.
As part of the entry into force of IFRS 9, the Bank now classifies each financial asset (which falls within the scope of the standard) on the basis of the extent of the increase in credit risk ("Significant Increase in Credit Risk", "SICR") since initial recognition and, based on this classification, calculates impairment losses for each financial asset based on a model of expected credit losses ("Expected Credit Loss", "ECL"). When the expected recoveries are less than the Bank's exposure, an ECL is recorded.

Credit risk is classified into three levels, also known as "stages" (see Note 5.7).
The table below details the carrying amount per stage as at 31 December 2020 and 2019 (in EUR):

31.12.2020	Stage 1	Stage 2	Stage 3
Loans and receivables from credit institutions	100.00%	-	-
Loans and receivables from customers	90.86 %	4.02%	5.12 %
Debt instruments measured at fair value through other comprehensive income	100.00 %	-	-
Debt instruments measured at amortised cost	100.00 %	-	-
Contingent liabilities and commitments	91.85 %	4.38%	3.77 %

31.12.2019	Stage 1	Stage 2	Stage 3
Loans and receivables from credit institutions	100.00%	-	-
Loans and receivables from customers	96.84%	2.14%	1.02%
Debt instruments measured at fair value through other comprehensive income	100.00%	-	-
Debt instruments measured at amortised cost	100.00%	-	-
Contingent liabilities and commitments	99.37%	0.63%	-

Since the Bank never acquires portfolios of past due assets, all financial instruments are systematically classified in stage 1 at the time of initial recognition. As soon as an instrument meets at least one of the criteria to be considered as having suffered a significant deterioration in credit risk since its initial recognition (see below), this financial instrument is classified as stage 2. A financial asset goes into stage 3 when it is considered in default.

6.4.2 Models

The models used to assess the significant increase in credit risk under IFRS 9 are based on the following principles:

Bond portfolio and interbank deposits

- Using the low credit risk exception permitted by the accounting standard, instruments with an investment grade rating at the reporting date are systematically classified as stage 1. For other financial assets, the Bank assesses the relative evolution of credit risk by comparing the probability of default (PD) over the life of the instrument with the initial recognition with the PD at the reporting date (for an equivalent life). This assessment is carried out individually at the level of each exposure and at each reporting date;
- For non-investment grade instruments, there is a transition to stage 2 as soon as at least one of the following conditions is met: the PD is three times higher than the initial PD (or twice as high if the initial PD is above a certain level), the credit spread increases by more than 100%, a forborne measure (i.e. restructuring of an instrument following financial difficulties of the counterparty), a payment arrears of at least 30 days;
- A financial asset is transferred to stage 3 as soon as it meets one of the following conditions:
  - the Bank considers that the debtor is unlikely to pay;
  - the debtor has material arrears of more than 90 days.

  In this case, the financial asset is considered in default. This definition of default is also in line with the regulatory standards currently in force in the sector.

- Similarly, a return to a more favourable stage is provided for as soon as no conditions justifying a more unfavourable stage are fulfilled, provided, however, that the probationary periods are respected.

Loans to customers

The Bank has developed an internal rating model for customer loans. The changes to this internal rating determines the level of credit risk deterioration;

- At initial recognition, all credit exposures are classified as stage 1;
- A transition to stage 2 is carried out as soon as at least one of the following credit events is reported: a forborne measure and/or entry on the watch-list (decrease in the value of the borrower's assets, non-compliance with financial ratios for companies, non-respect of contractual conditions, etc.) and/or a margin call (typically used in the context of "lombard" loans for which the securities portfolio is pledged) when the Bank considers that the credit guarantee is no longer sufficient, and/or a payment arrears of at least 30 days is reported;
- A transition to stage 3 takes place as soon as at least one of the following credit events is reported: the debtor is unlikely to pay and/or there is a payment arrears of at least 90 days;
- The Bank does not take into account the level of collateral provided in the categorisation of financial assets in stage 3: as soon as a loan meets at least one of the two conditions mentioned above, this financial asset is considered in default and is classified in stage 3, even if the valuation of the guarantees received exceeds the amount due to the Bank;
- Similarly, a return to a more favourable stage is provided for, as soon as the conditions can justify it and provided that the probation periods are respected.

Calculation of the ECL

The ECL calculation model is based on the following elements:

- The Bank does not have Basel PD and LGD models; it has opted for the standard approach for prudential purposes. For the purposes of the IFRS 9 accounting standard, PD and LGD models have been developed within the Bank in order to perform ECL calculations (see Note 5.8.1.5);

- An estimate of expected credit losses based on a calculation approach: probability of default (PD) multiplied by loss in the event of default (LGD), this is therefore a collective approach for instruments in stages 1 and 2 with, however, for loans granted to customers, the consideration of the guarantee (if applicable) on an individual basis (for each loan).In stage 3, the estimation of ECLs is systematically carried out on an individual basis, using the discounted cash flow method;
- This PD x LGD approach is applied to each financial instrument and for each residual year. The maximum period taken into account for the calculation of the ECL is the maximum contractual period (including extensions). The lifetime ECL represents the sum of ECLs over the entire life of a financial asset, discounted at the effective interest rate. It is used for all financial instruments classified in stage 2 or higher. The 12-month ECL represents the portion of the ECL over the lifetime resulting from a defect within 12 months of the reporting date. It is used for instruments in stage 1;
- Risk parameters (in particular PD and LGD) are recalculated at the end of each year, on the basis of historical data, current and forward-looking elements;
- The result is established by probabilistic weighting, i.e. the Bank takes into account 3 different macroeconomic scenarios for the calculation of the ECL.

A weighting is applied to each of these 3 scenarios. The baseline macroeconomic scenario represents the Bank's most likely future forecast. This scenario is also used for other internal and external needs.

6.4.3 Credit risk management

The amount of the Luxembourg division's exposure (EAD) to credit risk is represented by the carrying amount, net of value adjustments, of the assets, guarantees issued and unused confirmed credits granted to its clients.
The amount of the Luxembourg division's exposure to credit risk on derivative financial instruments is represented by their overall replacement cost. To reduce the credit risk on these transactions, the Luxembourg Division has signed CSA (Credit Support Annex) agreements with a majority of its counterparties.

The tables below detail the Luxembourg division's exposure to credit risk, calculated in accordance with Basel III regulations as at 31 December 2020 and 2019 (in EUR):

31.12.2020	**Net value at risk**	**Final value at risk[1]**	**Risk-adjusted assetss[2]**
Total	**2,384,061,363**	**2,047,823,708**	**455,647,814**
Loans and receivables from credit institutions	126,582,324	126,582,324	25,188,520
Loans and receivables from customers	519,610,678	282,488,598	277,839,353
Debt instruments	1,526,617,599	1,526,617,599	66,829,609
Public issuers	*580,205,876*	*580,205,876*	-
Other issuers	*946,411,723*	*946,411,723*	*66,829,609*
Equity instruments	9,550,198	9,550,198	15,771,875
Contingent liabilities and commitments	92,300,502	37,531,266	36,186,923
Derivatives held for trading	109,400,062	65,053,723	33,831,534

31.12.2019	**Net value at risk**	**Final value at risk[1]**	**Risk-adjusted assetss[2]**
Total	**2,225,366,751**	**1,853,184,266**	**479,235,521**
Loans and receivables from credit institutions	94,486,824	94,486,824	13,281,213
Loans and receivables from customers	610,717,245	331,810,191	302,181,376
Debt instruments	1,318,019,794	1,318,019,794	65,230,450
Public issuers	*543,352,897*	*543,352,897*	-
Other issuers	*774,666,897*	*774,666,897*	*65,230,450*
Equity instruments	8,668,070	8,668,070	11,136,565
Contingent liabilities and commitments	127,420,991	45,600,768	44,519,374
Derivatives held for trading	66,053,827	54,598,619	42,886,543

(1) The final value at risk takes into account credit risk mitigation techniques (mainly guarantees) as well as the off-balance sheet conversion factor.
(2) The amount of risk-adjusted assets corresponds to the final value at risk multiplied by the weighting associated with the counterparty to each exposure.

A distinction can be made among three categories of credit:

a) the granting of limits for bank counterparties

The granting of interbank limits is centralised at Group level and is based on the granting and review of limits by the Limits Committee, which brings together, on a monthly basis, officials from the parent company in Brussels and the Bank in Luxembourg.

b) the granting of customer loans for non-bank counterparties

The Bank's willingness to take on credit risk is limited. The Bank will only consider lending to private individuals up to the equivalent amount of appropriate collateral.
Corporate credit is reserved for first-class debtors.

c) the bond portfolio of the Luxembourg division

The Bank's overall bond portfolio has undergone a complete overhaul and is now divided into two portfolios corresponding to two main categories. The first category includes public sector bonds, which include sovereign issuers, government agencies, government guaranteed bonds and bonds issued by supranational issuers. The second category includes private sector bonds, which in this case consist exclusively of covered bonds issued by the banking sector. A limit of EUR 625 million in notional amounts has been granted for this second category.
As at 31 December 2020, the "public sector" portfolio stood at EUR 879.7 million (2019: EUR 734.1 million). All issuers have an investment grade rating except for commercial papers and one regional issue (German-speaking Community of Belgium) which do not have a rating.
The market value of the "private sector" portfolio, consisting mainly of covered bonds, amounted to EUR 648.4 million at 31 December 2020 (2019: EUR 582.1 million). The average rating is AAA.
DPAS does not hold any proprietary bond positions.

6.4.4 Guarantees received as part of the customer loan portfolio

Guarantees received in connection with loans to customers break down as follows (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Nature of the guarantee	**Valuation value**	**Percentage**	**Valuation value**	**Percentage**
Obligations	48,544,135	2.52%	70,592,051	3.55%
Cash	104,190,785	5.40%	133,967,960	6.74%
Mortgages	191,844,912	9.95%	250,122,461	12.59%
Other	516,895,029	26.82%	508,181,824	25.57%
Shares	428,765,018	22.24%	440,534,970	22.17%
Funds	637,551,592	33.07%	583,873,355	29.38%
Total	1,927,791,471	+100%	1,987,272,621	+100%

As at 31 December 2020 and 2019, the majority of the guarantees consist of investment fund units and shares deposited with the Bank, which represent 55.31% and 51.55% of the total guarantees, respectively. Other collateral consists mainly of cash and securities deposited outside the Bank.

The Bank has put in place a methodology to assess the degree of liquidity of the various positions taken in the pledge base. As shown in the table below, 54.45% (2019: 62.41%) of the total guarantees in the form of cash and securities are valued as highly liquid with an impact in terms of weighting in the Bank's own funds of 0% (no haircuts applied).

	31.12.2020	31.12.2019
Level of liquidity	**Percentage**	**Percentage**
Level 1: Highly liquid guarantees	54.45%	62.41%
Level 2: Medium-liquid guarantees	21.90%	19.78%
Level 3: Illiquid guarantees	23.65%	17.81%
Total	**100%**	**100%**

In the event of default, the Bank executes the guarantees in accordance with the contractual terms.

6.4.5 Overdue credits

Overdue and unimpaired loans consist solely of loans and receivables granted to customers that are either in arrears or have been terminated. The amounts shown in the table below (in EUR) correspond to amounts outstanding in the case of overdue receivables or the full amount of the loan (principal and interest) in the case of cancelled loans; the duration is the number of days since first unpaid due date or termination date respectively:

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Credits	**Guarantees[1]**	**Credits**	**Guarantees[1]**
Less than three months	23,756,221	22,423,312	34,744,809	525,428
Three months to one year	254,249	131	-	-
From one to five years	130,309	-	71,515	-
More than five years	10,427	-	-	-
Total non-performing loans	**24,151,206**	**22,423,443**	**34,816,324**	**525,428**

Among arrears "Less than three months", EUR 19,857,406 relate to credits regularised in January 2021, whereas on 31 December 2019 these arrears were mainly composed of overdrafts repaid in the first week of January 2020. During the last financial year, no credits were subject to a moratorium due to the Covid-19 crisis.

6.4.6 Derecognition (write-off)

The Bank only derecognises (writes off) on a case-by-case basis.

The Credit Committee decides on these derecognitions on a purely individual basis (for each loan), and taking into account various factors:

- whether or not the collateral can be realised within a normal period of time;
- the probability of recovering cash flows and the estimated time frame for any such recovery;
- the number of days since the last cash flow received;
- the status of the loan and/or the debtor;
- the duration (generally 5 years) from the date of the last impairment of the receivable concerned.

During the last financial year, the Bank recognised a write-off of a fully impaired receivable for which it judged that a recovery of all or part of the asset was not reasonably possible for a gross value of EUR 398,217 while the receivable of EUR 10,897 written off as at 31 December 2019 was neither written off nor impaired.

(1) The amount of guarantees received is limited to the amount of loans covered. Guarantees include cash, securities and mortgages.

6.4.7 Restructuring due to financial difficulties (forbearance)

In the event of the counterparty's financial difficulties, and in order to maximise the possibilities of recovery, the Bank may, in certain specific cases and under certain conditions, accept the restructuring of a financial instrument, which generally takes the form of an extension of the residual term of the loan or an extension or spread of certain contractual deadlines, without loss to the Bank.

As at 31 December 2020, the amount of loans renegotiated due to financial difficulties resulting in a restructuring or renegotiation of the terms and conditions of the contract was EUR 24,192,322 (2019: EUR 10,579,398).

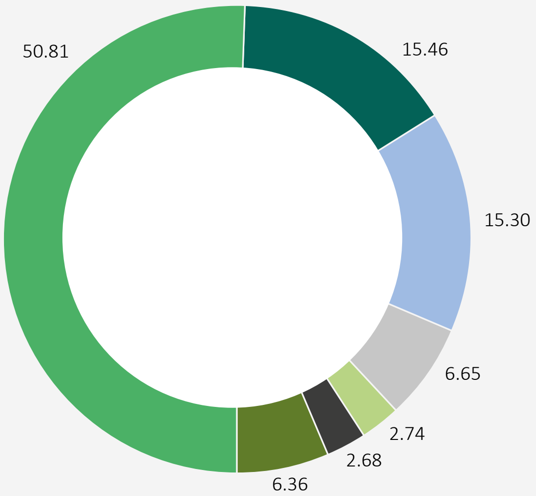
As at 31 December 2020, impairments amounting to EUR 3,682,589 (2019: EUR 3,410,506) were recognised on these loans.

6.4.8 Geographic exposure

Geographically, the Luxembourg division has no exposure to "emerging" countries and focuses its activity mainly on the European Union and certain OECD countries. The list of authorised countries is reviewed regularly.

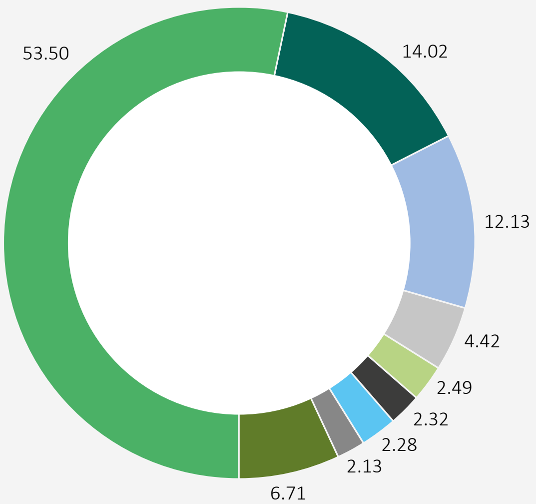
The table below shows the geographical distribution of the credit lines granted as at 31 December 2020 and 2019. The category "Other countries" includes percentages below 2%.

2020



Luxembourg	50.81%
France	15.46%
Belgium	15.30%
Switzerland	6.65%
Malta	2.74%
Jersey	2.68%
Canada	-
Monaco	-
Other countries	6.36%
TOTAL	**100.00%**

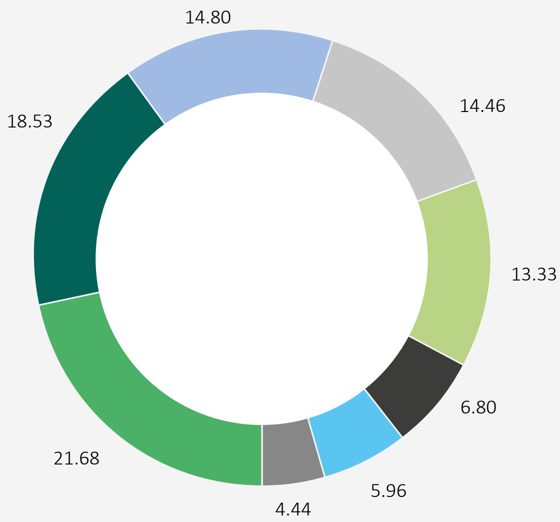
2019



Luxembourg	53.50%
Belgique	14.02%
France	12.13%
Switzerland	4.42%
Canada	2.49%
Malta	2.32%
Jersey	2.28%
Monaco	2.13%
Other countries	6.71%
TOTAL	**100.00%**

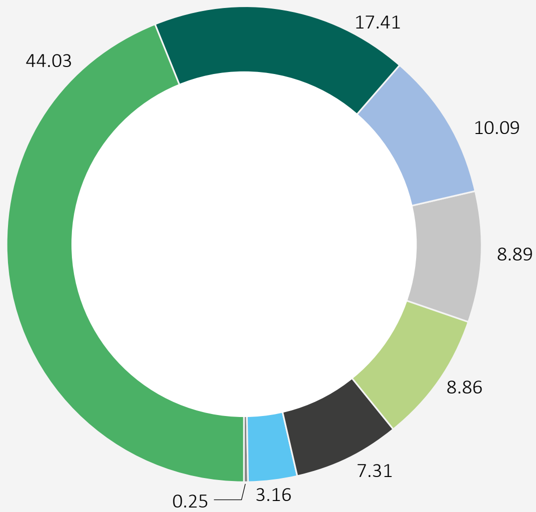
The following table shows the geographical distribution of “public sector” portfolio bonds as at 31 December 2020 and 2019.

2020



Belgium	21.68%
USA	18.53%
France	14.80%
Supranational institutions	14.46%
Spain	13.33%
Germany	6.80%
Canada	5.96%
Luxembourg	4.44%
Italy	-
TOTAL	**100.00%**

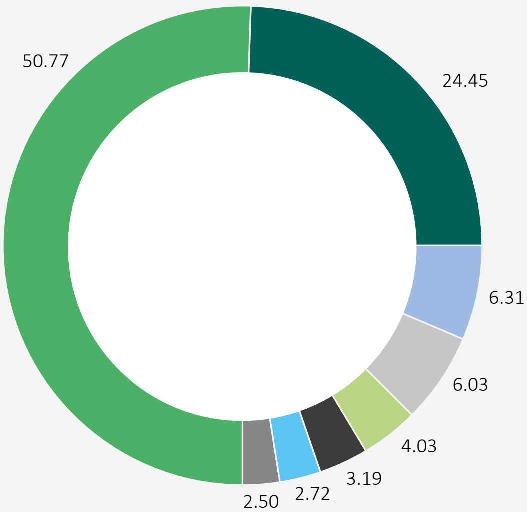
2019



Belgium	44.03%
Spain	17.41%
France	10.09%
Italy	8.89%
Supranational institutions	8.86%
Canada	7.31%
Germany	3.16%
Luxembourg	0.25%
TOTAL	**100.00%**

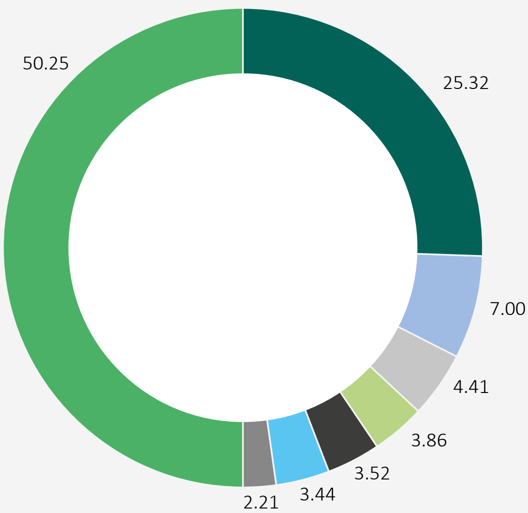
The table below shows the geographical distribution of bonds in the “private sector” portfolio.

2020



France	50.77%
Belgium	24.45%
Canada	6.31%
Norway	6.03%
Sweden	4.03%
Netherlands	3.19%
Finland	2.72%
Germany	2.50%
Austria	-
TOTAL	**100.00%**

2019



France	50.25%
Belgium	25.32%
Canada	7.00%
Sweden	4.41%
Norway	3.86%
Netherlands	3.52%
Austria	3.44%
Finland	2.21%
TOTAL	**100.00%**

6.5 Asset management risk

Private Bankers are the first level of control in terms of identifying the risks associated with their business and implementing appropriate controls. The PB Control department completes this first line of defence and ensures that Private Bankers respect the rules in place. Asset management risks are of a legal/regulatory nature (e.g. MiFID II, PSD2 obligations), contractual (e.g. specific constraints required by the client) or reputational (e.g. portfolio performance against various benchmarks). The controls carried out on the front line include, among other things, client profiling (level of authorised risk-taking, diversification of investments), the call-back procedure in the event of fund outflows, various dual-control checks or the review of various documents or reports sent to clients (Key Information Document, 10% loss reports, etc.).
Risk Management also performs second-line monitoring of the asset management activity, based in particular on the definition of Key Risk Indicators. Additional testing is carried out by Risk Management to verify the effectiveness of front-line controls and the coverage of the main risks to which the Bank is exposed.
The Executive Committee receives the results of the first line controls on a quarterly basis. From the beginning of 2021, Risk Management will also periodically report to the Executive Committee and the Audit and Risk Committee with its main conclusions and recommendations regarding the control of risks related to the asset management activity.

6.6 Return on assets

The return on the Group's assets (in EUR) calculated by comparing the result for the year with the balance sheet total is as follows:

	31.12.2020	**31.12.2019**
Total assets	3,120,274,819	2,717,653,001
Income for the year	49,990,542	40,352,459
Return on assets ratio	**1.60%**	**1.48%**

6.7 Capital management

The main objective of the Luxembourg division's capital management is to ensure that the Bank and the management company meet regulatory requirements and maintains a level of capitalisation consistent with the level of activity and the risks incurred.
Shareholders' equity CRR/CRD IV regulatory capital includes audited earnings and dividends to be distributed. Shareholders' equity at 31 December 2020 and 2019 (in EUR) is broken down as follows:

	31.12.2020	**31.12.2019**
Tier 1 capital	316,517,812	264,401,903
Total capital	**316,517,812**	**264,401,903**
Capital requirements	65,493,385	66,647,358
Ratio	**38.66 %**	**31.74 %**

Once a year, the Luxembourg division produces a report on the ICAAP (Internal Capital Adequacy Process) in accordance with the regulations in effect.
This report is approved by the Bank's Board of Directors and its Executive Committee. It certifies the adequacy of equity capital in relation to the risks incurred, even in crisis scenarios.

7. Scope of consolidation

Name	Headquarters	Proportion of share capital held as at 31 December 2020	Proportion of share capital held as at 31 December 2019
Parent company:			
Banque Degroof Petercam Luxembourg S.A.	Luxembourg		
Fully-consolidated subsidiaries:			
Degroof Petercam Insurance Broker- Luxembourg S.A., (formerly D.S Lux), DPIB	Luxembourg	100.00 %	100.00 %
Degroof Petercam Asset Services S.A., (formerly Degroof Gestion Institutionnelle- Luxembourg), DPAS	Luxembourg	100.00 %	100.00 %
Promotion Partners S.A.	Luxembourg	100.00 %	100.00 %
Immobilière Cristal Luxembourg S.A. (ICL)	Luxembourg	100.00 %	100.00 %
3P(L) S.à r.l.	Luxembourg	100.00 %	100.00 %
Associated company included by the equity method:			
Stairway To Heaven S.A.	Luxembourg	48.00 %	48.00 %
Le Cloître S.A.	Luxembourg	33.60 %	33.60 %

Since 31 December 2015, the Bank has included the following associates in its consolidation scope: Stairway To Heaven S.A., Seniorenresidenz Berdorf S.A. and Le Cloître S.A., which is held directly by Stairway To Heaven S.A. and indirectly by the Bank.
On 19 September 2018, the Extraordinary General Meeting of DPAS and the Bank approved the contribution of an investment fund administration services business line held by the Bank to DPAS with effect from 1 October 2018.
The articles of association of Degroof Petercam Insurance broker S.A. were amended on 24 June 2019. The share capital was set at EUR 125,000 represented by five thousand and forty (5,040) shares.

As part of a strategy to centralise the activities and restructure certain functions related to the administration of UCIs within the Degroof Petercam Group, the Bank, acting through its Belgian branch, transferred the activity of UCI Accounting Administration to DPAS with effect from 1 October 2018.

As of 1 October 2019, the fund custody business under Belgian law was transferred from Degroof Petercam Corporate Finance to the Belgian branch of Banque Degroof Petercam Luxembourg.

The company Promotion 777 was sold on 23 April 2019.
All conditions as listed in the consolidation principles are met.

8. Annexes to the balance sheet

8.1 Cash and sight accounts with central banks

The breakdown of "Cash and sight accounts with central banks" is as follows (in EUR):

	31.12.2020	31.12.2019
Cash	404,208	437,121
Balances with central banks other than minimum reserves	679,472,372	481,316,138
Accrued interest	-98,000	-100,000
Expected credit losses	-2,116	-1,897
Total	**679,776,464**	**481,651,362**

As at 31 December 2020 and 2019, the Bank fulfilled its obligations to hold "mandatory reserves" with the Banque Centrale du Luxembourg: the respective average amounts over the last reporting period were EUR 24,648,216 and EUR 22,353,695.

The following amounts included in cash and cash equivalents are as follows (in EUR):

	Notes[1]	31.12.2020	31.12.2019
Cash	8.1	404,208	437,121
Balances with central banks other than minimum reserves	8.1	679,472,372	481,316,138
Current accounts with credit institutions	8.6	98,456,200	80,444,748
Term loans with credit institutions	8.6	814,931	-
Overdrafts with credit institutions	8.15	-13,770,360	-13,824,435
Term deposits with credit institutions	8.15	-5,717,045	-35,998,059
Total		**759,660,306**	**512,375,513**

The total amount of cash and cash equivalents includes:

- cash;
- balances with central banks excluding the amount of minimum reserves;
- institutions' debit and credit balances at sight, except for vostro and balances guaranteeing repurchase agreements or derivatives transactions;
- loans and deposits from credit institutions with an initial maturity of less than three months.

(1) the amounts in the table are based on the balances detailed in the notes indicated.

8.2 Financial assets held for trading

Financial assets held for trading consist of the following types (in EUR):

	31.12.2020	31.12.2019
Derivatives held for trading	116,075,568	73,302,952
Bonds from other issuers	990,677	1,240,839
Shares	4	-
Accrued interest	2,155,312	1,816,371
CVA/DVA	-10,387	-9,371
Total assets held for trading	**119,211,174**	**76,350,791**

The tables below show the breakdown of derivatives held for trading (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Carrying amount	**Notional value**	**Carrying amount**	**Notional value**
Foreign exchange derivatives	**99,461,812**	**3,403,273,426**	**17,844,249**	**1,335,641,276**
over-the-counter				
Forward contracts	54,179,360	1,534,282,215	13,286,847	783,492,139
Exchange contracts	45,054,470	1,789,637,364	4,514,102	516,679,730
Vested options	227,982	20,020,439	43,300	3,992,167
organised market				
Futures	-	59,333,408	-	31,477,240
Interest rate derivatives	**13,611,363**	**1,230,029,074**	**27,303,729**	**1,464,286,843**
over-the-counter				
Exchange contracts	13,611,363	732,316,303	12,813,724	970,366,715
organised market				
Vested options	-	-	14,490,005	38,896,171
Futures	-	497,712,771	-	455,023,957
Equity derivatives	**3,002,393**	**411,555,092**	**28,154,974**	**2,139,970,097**
organised market				
Vested options	3,002,393	119,597,546	28,154,974	2,015,329,205
Futures	-	291,957,546	-	124,640,892
Total derivatives	**116,075,568**	**5,044,857,592**	**73,302,952**	**4,939,898,216**

The breakdown of fair values (excluding accrued interest), based on whether they are derived from a published market price or a valuation technique, is provided in Note 8.21.

8.3 Hedging of financial assets

To hedge the interest rate risk on certain debt instruments, the Bank applies the hedge accounting provisions of IFRS 9. Detailed information on hedged items, hedging instruments and hedge ineffectiveness is provided in Note 8.24.

Financial asset hedges consist of the following types (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Carrying amount	Notional value	Carrying amount	Notional value
Interest rate swaps	-	-	1,555,301	147,901,549
Accrued interest	-	-	-68,841	-
Total hedging instruments	**-**	**-**	**1,486,460**	**147,901,549**

8.4 Financial assets held for purposes other than trading that must be measured at fair value through profit or loss

The breakdown of FVTPL financial assets is as follows (in EUR):

	31.12.2020	31.12.2019
Equity instruments	**5,487,892**	**4,936,990**
Shares	5,487,892	4,936,990
Debt instruments	**1,462,952**	**3,634,632**
UCI units	1,462,952	3,634,632
Total financial assets held for purposes other than trading that must be measured at fair value through profit or loss	**6,950,844**	**8,571,622**

UCI units are classified as debt instruments because they do not meet the definition of equity instruments under IFRS 9; the decrease in this item is mainly due to liquidation bonus payments on 4 securities recognised in the income statement in Note 9.5 “Net income/(loss) on financial instruments mandatorily measured at fair value through profit or loss”.
In 2019, the Group pursued its strategy of developing its commercial offer in private equity products. In this context, the Bank has undertaken to acquire on its own account positions in private equity funds promoted or structured by the Group, in support of its clients. The amount of shares included in the above table correspondas to subscriptions for the year, while the residual balance of commitments is detailed in Note 9.4.

8.5 Financial assets measured at fair value through other comprehensive income

The breakdown of FVTPL financial assets is as follows (in EUR):

	31.12.2020	31.12.2019
Equity instruments	**4,062,302**	**3,731,080**
Shares	4,062,302	3,731,080
Debt instruments	**530,132,102**	**199,213,832**
Government bonds	258,962,349	89,282,175
Bonds from other issuers	271,169,753	109,931,657
Accrued interest	**457,984**	**542,880**
Total financial assets measured at fair value through other comprehensive income	**534,652,388**	**203,487,792**

FVOCI assets are recorded at fair value. The breakdown of fair values (excluding accrued interest), based on whether they are derived from a published market price or a valuation technique, is provided in Note 8.21.
Impairment tests carried out in accordance with IFRS 9 as at 31 December 2020 did not reveal any impairment to be recorded on this portfolio. Only expected credit losses classified in stage 1 (performing) were recorded in 2020 and 2019; the total amount of ECL included in accumulated other comprehensive income is EUR 41,826 and EUR 14,583, respectively.
Changes in fair value related to the interest rate risk on bonds designated as “hedged items” are recognised in accumulated other comprehensive income in the total amount of EUR-3,590,612 as at 31 December 2020 (2019: EUR 388,882). Detailed information on hedged items, hedging instruments and hedge ineffectiveness is provided in Note 8.24.
No securities lending transaction existed as at 31 December 2020 and 2019.

The table below shows the movements relating to the revaluation reserve of the FVOCI financial assets portfolio (in EUR):

	Debt instruments	Equity instruments	Total
Balance as at 31.12.2018	**-173,590**	**622,847**	**449,257**
Increase (decrease) in unrealised gross revaluation gains-FVOCI portfolio	1,095,109	187,870	1,282,979
Decrease (increase) in gross unrealised revaluation losses-FVOCI portfolio	-1,110,907	-864,426	-1,975,333
Changes in fair value related to interest rate risk	492,051	-	492,051
Expected credit losses	-7,458	-	-7,458
Deferred taxes charged to shareholders' equity	-121,525	177,741	56,216
Deferred taxes charged to the income statement	2,097	-	2,097
Balance as at 31.12.2019	**175,777**	**124,032**	**299,809**
Increase (decrease) in unrealised gross revaluation gains-FVOCI portfolio	4,618,330	332,150	4,950,480
Decrease (increase) in gross unrealised revaluation losses-FVOCI portfolio	610,873	11,317	622,190
Changes in fair value related to interest rate risk	-3,979,495	-	-3,979,495
Expected credit losses	27,243	-	27,243
Deferred taxes charged to shareholders' equity	-311,674	-85,660	-397,334
Deferred taxes charged to the income statement	-6,794	-	-6,794
Result realised on FVOCI portfolio charged to shareholders’ equity	-	-12,024	-12,024
Balance as at 31.12.2020	**1,134,260**	**369,815**	**1,504,075**

8.6 Loans and receivables from credit institutions measured at amortised cost

Interbank loans and receivables are detailed as follows (in EUR):

	31.12.2020	31.12.2019
Current accounts	125,776,875	94,491,697
Term loans	814,930	-
Reverse repo transactions	-	-
Accrued interest	-9,440	-4,848
Carrying amount before impairment	**126,582,365**	**94,486,849**
Expected credit losses	-41	-25
Total loans and receivables from credit institutions measured at amortised cost	**126,582,324**	**94,486,824**

Impairment tests carried out as at 31 December 2020 did not reveal any impairment to be recorded on interbank loans and receivables. Only expected credit losses classified in stage 1 (performing) were recorded in 2020 and 2019.

8.7 Loans and receivables from customers measured at amortised cost

Loans and receivables from customers are as follows (in EUR):

	31.12.2020	31.12.2019
Current account advances	108,817,642	145,923,450
Mortgage loans	36,665,532	48,119,466
Term loans (including Lombard loans)	379,195,068	426,142,340
Accrued interest	1,532,750	1,885,013
Carrying amount before impairment	**526,210,992**	**622,070,269**
Expected credit losses	-6,600,314	-11,353,024
Total loans and receivables from customers	**519,610,678**	**610,717,245**

The mortgage loans listed above consist of loans for real estate purposes that are mainly secured by a real estate property.
During the last financial year, the Bank recognised a write-off of a fully impaired receivable for which it judged that a recovery of all or part of the asset was not reasonably possible for a gross value of EUR 398,217 (2019: 10,897) and a payment agreement was reached for a fully impaired file for a gross value of EUR 4,989,933.

The classification of impairment losses according to the different levels and the related 2020 movements are as follows (in EUR):

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31.12.2019	**-594,094**	**-7,078**	**-10,751,852**	**-11,353,024**
Increase due to new acquisitions or new loans	-67,230	-38,235	-8,154	-113,619
Decrease due to refunds or sales	106,086	978	4,941,007	5,048,071
Modifications following changes in credit risk	-5,926	-56,269	-493,233	-555,428
Decrease due to write-off	-	-	373,942	373,942
Exchange rate differences and other movements	-251	3	-8	-256
Balance as at 31.12.2020	**-561,415**	**-100,601**	**-5,938,298**	**-6,600,314**

Stage 1 : Financial instruments without a significant increase in credit risk since initial recognition.
Stage 2 : Financial instruments with a significant increase in credit risk since initial recognition.
Stage 3 : Impaired financial assets.

The changes in the stage of credit losses and impairments between the classification at the beginning and at the end of the financial year are as follows (in EUR) for 2020 and 2019:

	31.12.2020	31.12.2019
From stage 2 to stage 1	-	-172
From stage 1 to stage 2	-10,928	-4,841
From stage 1 to stage 3	-1,809	-
Total	**-12,737**	**-5,013**

8.8 Debt instruments measured at amortised cost

Financial assets measured at amortised cost are broken down as follows (in EUR):

	31.12.2020	31.12.2019
Treasury bills and government bonds	317,820,236	451,034,234
Bonds from other issuers	649,626,321	644,845,784
Premiums / discounts	-892,985	-231,050
Changes in fair value related to interest rate risk	24,845,002	15,521,583
Accrued interest	2,239,511	2,298,332
Carrying amount before impairment	**993,638,085**	**1,113,468,883**
Expected credit losses	-78,449	-97,657
Total financial assets measured at amortised cost	**993,559,636**	**1,113,371,226**

Changes in fair value related to interest rate risk on bonds designated as “hedged items” and detailed information on hedged items, hedging instruments and hedge ineffectiveness are disclosed in Note 8.24.
No securities lending transactions existed as at 31 December 2020 and 2019.
Impairment tests performed as at 31 December 2020 and 2019 did not reveal any impairment to be recorded on the portfolio valued at amortised cost. Only expected credit losses classified in stage 1 (performing) were recorded in 2020 and 2019.

8.9 Property, plant and equipment

Property, plant and equipment can be broken down as follows (In EUR):

	Land and buildings[1]	IT equipment	Office equipment	Other equipment	Total
Net carrying amount at 31.12.2019	**35,583,574**	**1,950,781**	**647,607**	**284,152**	**38,466,114**
Acquisition value	39,232,804	5,184,512	1,759,919	771,222	46,948,457
Accumulated depreciation and impairment	-3,649,230	-3,233,731	-1,112,312	-487,070	-8,482,343
Lease contracts 31.12.2019	**-**	**37,649**	**-**	**1,638,176**	**1,675,825**
Rights of use	-	233,469	-	2,409,754	2,643,223
Depreciation of rights of use	-	-195,820	-	-771,578	-967,398
Net carrying amount at 31.12.2020	**33,850,179**	**1,343,702**	**718,120**	**-**	**35,912,001**
Acquisition value	39,300,860	4,732,115	2,475,444	-	46,508,419
Accumulated depreciation and impairment	-5,450,681	-3,388,413	-1,757,324	-	-10,596,418
Lease contracts 31.12.2020	**-**	**-**	**-**	**1,456,280**	**1,456,280**
Rights of use	-	-	-	3,091,928	3,091,928
Depreciation of rights of use	-	-	-	-1,635,648	-1,635,648

Changes in the net carrying value can be explained as follows (in EUR):

	Land and buildings	IT equipment	Office equipment	Other equipment	Total
Closing balance as at 31.12.2018	**38,692,710**	**1,963,458**	**622,249**	**297,541**	**41,575,958**
Changes in the scope of consolidation	-	-	-	-	-
Acquisitions	480,553	786,145	145,814	3,528	1,416,040
Disposals	-2,245,378	-3,987,258	-1,358,212	-32,876	-7,623,724
Amortisation/depreciation	-1,917,787	-798,822	-120,456	-10,546	-2,847,611
Impairment	-	-	-	-	-
Reversal of depreciation/amortisation following disposals	527,464	3,987,258	1,358,212	-	5,872,934
Reversal of impairment on disposal	-	-	-	26,505	26,505
Exchange difference	46,012	-	-	-	46,012
Closing balance as at 31.12.2019	**35,583,574**	**1,950,781**	**647,607**	**284,152**	**38,466,114**
Changes in the scope of consolidation	-	-	-	-	-
Acquisitions	68,055	270,988	15,665	-	354,708
Disposals	-	-723,384	-18,144	-53,218	-794,746
Amortisation/depreciation	-1,801,450	-878,067	-120,096	-7,031	-2,806,644
Impairment	-	-	-	-78,104	-78,104
Reversal of depreciation/amortisation following disposals	-	723,384	18,144	20,214	761,742
Reversal of impairment on disposal	-	-	-	8,931	8,931
Closing balance as at 31.12.2020	**33,850,179**	**1,343,702**	**543,176**	**174,944**	**35,912,001**

The residual values of fully depreciated fixed assets are estimated at zero.
During the last financial year, impairments were recorded on the Bank's works of art following appraisals by an expert.
Land has an indefinite useful life and is therefore not depreciated.

(1) The acquisition value of the land is €10,248,000 for Immobilière Cristal Luxembourg S.A.

The change in the net carrying amount of "Lease contracts" is explained as follows (in EUR):

Lease contracts	IT equipment	Cars	Total
First-time application of IFRS 16 on 1.1.2019	**233,469**	**1,622,371**	**1,855,840**
New contracts	-	991,302	991,302
Matured contracts	-	-192,826	-192,826
Amortisation/depreciation	-195,820	-928,844	-1,124,664
Reversal of depreciation/amortisation following matured/transfered contracts	-	157,266	157,266
Other	-	-11,093	-11,093
Closing balance as at 31.12.2019	**37,649**	**1,638,176**	**1,675,825**
New contracts	6,448	806,755	813,203
Matured contracts	-239,917	-	-239,917
Amortisation/depreciation	-44,097	-864,070	-908,167
Reversal of depreciation/amortisation following matured/transfered contracts	239,917	-	239,917
Other	-	-124,581	-124,581
Closing balance as at 31.12.2019	**-**	**1,456,280**	**1,456,280**

8.10 Intangible assets

Intangible assets can be broken down as follows (in EUR):

	Goodwill	Software	Total
Net carrying amount at 31.12.2019	**11,243,881**	**2,494,458**	**13,738,339**
Acquisition value	21,054,615	10,849,201	31,903,816
Accumulated amortisation	-6,783,734	-8,354,743	-15,138,477
Impairment	-3,027,000	-	-3,027,000
Net carrying amount at 31.12.2020	**9,532,305**	**1,947,775**	**11,480,080**
Acquisition value	21,054,615	10,261,461	31,316,076
Accumulated amortisation	-8,495,310	-8,313,686	-16,808,996
Impairment	-3,027,000	-	-3,027,000

Changes in the net carrying value can be explained as follows (in EUR):

	Goodwill	Software	Total
Closing balance as at 31.12.2018	**8,941,249**	**3,702,279**	**12,643,528**
Acquisitions	3,750,000	1,464,145	5,214,145
Disposals	-	-5,482,919	-5,482,919
Amortisation/depreciation	-1,447,368	-869,760	-2,317,128
Reversal of depreciation/impairment following disposals	-	5,482,919	5,482,919
Impairment	-	-1,802,206	-1,802,206
Reversal of depreciation due to disposals	-	-	-
Closing balance as at 31.12.2019	**11,243,881**	**2,494,458**	**13,738,339**
Acquisitions	-	460,829	460,829
Disposals	-	-1,048,569	-1,048,569
Amortisation/depreciation	-1,711,576	-1,007,510	-2,719,086
Reversal of depreciation/impairment following disposals	-	1,048,567	1,048,567
Impairment	-	-	-
Reversal of impairments following disposals	-	-	-
Closing balance as at 31.12.2020	**9,532,305**	**1,947,775**	**11,480,080**

In accordance with the accounting methods and principles described in Note 5.6, the Bank tests intangible assets for impairment at least at each balance sheet date or more frequently if there is any indication that an intangible asset may have declined in value.

No depreciation was recorded in the last financial year. At 31 December 2019, depreciation of EUR 1,802,206 was recognised following the discontinuation of an IT development.

The value in use has been used to estimate the value of business assets relating to the merger with Petercam (Luxembourg) S.A. concerning customer relations in the context of private banking and institutional management activities.

The valuation performed for impairment tests is based on the same model as that used for the initial determination of the value of this goodwill. This model consists of a discounting of cash flows, based on projections of revenues generated by the management of client capital, over a finite period ending in 2026. The gradual attrition of the traditional discretionary private banking client base is assumed to be 15% per year, while the annual growth of the remaining managed capital is estimated at 2%. Cash flows are discounted at the capital cost after taxes of 7.6%.

No additional depreciation has been recorded on the goodwill tested as at 31 December 2020 and 2019 other than that previously recorded on the goodwill of Petercam (Luxembourg) S.A.
The Group did not perform any impairment tests of PIAM Luxembourg as no incident showed that business was declining.

8.11 Holdings in associates accounted for by the equity method

At 31 December 2020, an amount of EUR 1,786,686 was included in the asset item “Holdings in companies accounted for by the equity method”; at 31 December 2019 the amount was EUR 1,967,328.

	31.12.2020	31.12.2019
Stairway To Heaven S.A.	-10,977	-5,427
Le Cloître S.A.	1,797,663	1,972,755
Total holdings in companies accounted for by the equity method	**1,786,686**	**1,967,328**

8.12 Other assetss

The item “Other assets” includes the following items (in EUR):

	31.12.2020	31.12.2019
Accrued income	74,924,495	64,261,172
Deferred charges	3,717,982	3,736,963
Tax receivables	902,845	631,191
VAT	2,764,343	1,519,798
Other assets	6,986,599	1,532,949
Total other assets	**89,296,264**	**71,682,073**

Accrued income is mainly commissions receivable from investment funds.
The heading “Tax receivables” includes advances on taxes other than those on income and taxes to be recovered defined according to national provisions.
The heading “Other assets” mainly includes amounts receivable on invoices issued and on securities transactions settled at the beginning of January 2021.
The Bank has opted to set up an Irrevocable Payment Commitment of 15% of the amount due to the Resolution Fund for the financial year. As at 31 December 2020, the receivable amounts to EUR 529,129 (2019: EUR 369,482) and is recorded under “Other assets”.

8.13 Financial liabilities held for trading

Details by type of financial liabilities held for trading are as follows (in EUR):

	31.12.2020	31.12.2019
Derivatives held for trading	115,889,062	74,672,413
Accrued interest	2,385,434	1,914,205
CVA/DVA	5,661	-7,307
Total financial liabilities held for trading	**118,280,157**	**76,579,311**

The tables below show the breakdown of derivatives held for trading (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Carrying amount	Notional value	Carrying amount	Notional value
Foreign exchange derivatives	**96,289,179**	**3,336,379,972**	**19,781,731**	**1,474,857,413**
Over-the-counter				
Forward contracts	58,545,181	2,108,689,253	10,604,834	803,530,560
Exchange contracts	37,516,026	1,148,336,871	9,133,597	635,857,446
Options issued	227,972	20,020,439	43,300	3,992,167
Organised market				
Futures	-	59,333,409	-	31,477,240
Interest rate derivatives	**16,597,546**	**1,349,212,319**	**26,735,708**	**1,229,708,977**
Over-the-counter				
Exchange contracts	16,597,546	851,501,249	12,245,703	735,788,849
Organised market				
Options issued	-	-	14,490,005	38,896,171
Futures	-	497,711,070	-	455,023,957
Equity derivatives	**3,002,337**	**411,090,144**	**28,154,974**	**2,139,745,192**
Organised market				
Options issued	3,002,337	119,957,547	28,154,974	2,015,329,205
Futures	-	291,132,597	-	124,415,987
Total derivatives	**115,889,062**	**5,096,682,435**	**74,672,413**	**4,844,311,582**

The breakdown of fair values (excluding accrued interest and CVA/DVA), based on whether they are derived from a published market price or a valuation technique, is provided in Note 8.21.

8.14 Financial liability hedges

To hedge the interest rate risk on certain debt instruments, the Bank applies the hedge accounting provisions of IFRS 9. Detailed information on hedged items, hedging instruments and hedge ineffectiveness is provided in Note 8.24.

Financial liability hedges consist of the following types (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Carrying amount	Notional value	Carrying amount	Notional value
Interest rate swaps	29,516,665	1,005,297,533	17,372,701	638,300,000
Accrued interest	2,274,023		1,973,154	
Total financial liability hedges	**31,790,688**	**1,005,297,533**	**19,345,855**	**638,300,000**

8.15 Deposits with credit institutions

Interbank deposits are as follows (in EUR):

	31.12.2020	31.12.2019
Demand deposits	49,654,443	23,935,364
Term deposits	9,894,235	37,693,968
Accrued interest	-5,994	21,522
Total deposits with credit institutions	**59,542,684**	**61,650,854**

8.16 Deposits to customers

Deposits from customers break down as follows (in EUR):

	31.12.2020	31.12.2019
Demand deposits	2,465,760,597	1,990,861,016
Term deposits	5,935,385	202,800,638
Accrued interest	-502,658	176,669
Total customer deposits	**2,471,193,324**	**2,193,838,323**

8.17 Provisions

Provisions break down as follows (in EUR):

	31.12.2020	31.12.2019
Provisions for disputes	400,000	300,000
Provisions for commitments and guarantees given	10,318	8,272
Long-term personnel benefits	665,366	793,560
Provisions for reserved interest on loans	120,665	-
Total provisions	**1,196,349**	**1,101,832**

Provisions for long-term employee benefits correspond to premiums whose payment is deferred over time.
Provisions for disputes are based on the best estimates available at the end of the financial year, taking into account the opinions of internal or external experts. In 2020, an allocation of EUR 1,421,884 was recorded (2019: EUR 37,247) and EUR 1,321,884 was used (2019: EUR 536,239).
Since 30 June 2020, the Bank has provided for interest receivable as well as interest earned on loans designated by the Impairment Committee.

ECLs calculated on loan commitments given and financial guarantees issued are recorded under “Provisions for commitments and guarantees given”. The classification of impairment losses according to the different levels and the related 2020 movements are as follows (in EUR):

	Stage 1	Stage 2	Total
Balance as at 31.12.2019	**8,268**	**4**	**8,272**
Increase due to new acquisitions or new loans	3,711	-	3,711
Decrease due to refunds or sales	-2,328	-	-2,328
Modifications following changes in credit risk	652	-4	648
Exchange rate differences and other movements	15	-	15
Balance at the end of the year	**10,318**	**-**	**10,318**

Stage 1: Commitments and financial guarantees without a significant increase in credit risk since initial recognition.
Stage 2: Commitments and financial guarantees with a significant increase in credit risk since initial recognition.

No impairment (stage 3) was recorded on off-balance sheet commitments in 2020 and 2019.

8.18 Current and deferred tax liabilities

Tax liabilities can be summarised as follows (in EUR):

	31.12.2020	31.12.2019
Current taxes	9,329,424	15,720,340
Deferred taxes	3,020,003	2,900,469
Total current and deferred taxes	**12,349,427**	**18,620,809**

The change in deferred taxes is due to (in EUR):

	31.12.2020	31.12.2019
Balance at beginning of year	**2,900,469**	**3,743,623**
Charge (Income) to profit and loss	-284,594	-786,938
Items directly charged to shareholders' equity	404,127	-56,216
Reclassification and revaluation of financial instruments in accordance with IFRS 9 charged to equity	-	-
Balance at the end of the year	**3,020,002**	**2,900,469**

Deferred taxes are calculated on the following temporary differences (in EUR):

	31.12.2020	31.12.2019
Property, plant and equipment, and intangible assets	2,077,077	2,354,877
Provisions	449,612	449,612
Financial assets measured at fair value through other comprehensive income	493,314	95,980
Deferred taxes	**3,020,003**	**2,900,469**

At 31 December 2020 and 2019, deferred taxes are calculated on the basis of the tax rate of 24.94%.

8.19 Other liabilities

Other liabilities comprise the following items (in EUR):

	31.12.2020	31.12.2019
Payroll and social security liabilities	6,319,664	5,551,241
Accrued expenses	77,114,156	49,553,443
Deferred income	16,094	-
Other financial liabilities	3,734,697	3,716,797
Lease liabilities	1,484,938	1,700,594
Other liabilities	9,991,662	9,918,056
Total other liabilities	**98,661,211**	**70,440,131**

The re-invoicing of support costs by Banque Degroof Petercam S.A. in the amount of EUR 17,541,061 (2019: EUR 3,235,922) is recorded under the heading “Accrued expenses”. The increase is due to the commissions paid for the execution of securities orders by the parent company on behalf of the Group’s Belgian SICAVs, the majority of which were onboarded in early 2020.
The heading “Accrued expenses” is also composed of provisions for commissions payable in the accounts of Degroof Petercam Asset Services Luxembourg S.A.
“Lease liabilities” have been recorded following the application of IFRS 16 since 1 January 2019.
As at 31 December 2020, the item “Other liabilities” is mainly composed of liabilities to VAT administration. As at 31 December 2019, this item was mainly composed of debt related to the transfer of the activity of custodian bank of UCIs under Belgian law between Banque Degroof Petercam S.A. and the Belgian branch of the Bank for amounts of EUR 4,126,714 and EUR 3,762,424, respectively.

The change in the net carrying amount of “Lease liabilities” is explained as follows (in EUR):

	IT equipment	Cars	Total
First-time application of IFRS 16 on 01.01.2019	**233,469**	**1,622,371**	**1,855,840**
New contracts	-	991,302	991,302
Matured contracts	-	-35,242	-35,242
Contractual payments	-197,276	-911,011	-1,108,287
Interest	251	5,821	6,072
Other	-	-9,091	-9,091
Closing balance as at 31.12.2019	**36,444**	**1,664,150**	**1,700,594**
New contracts	-	806,756	806,756
Matured contracts	4,449	-	4,449
Contractual payments	-45,150	-867,271	-912,421
Interest	24	5,736	5,760
Other	4,233	-124,433	-120,200
Closing balance as at 31.12.2020	**-**	**1,484,938**	**1,484,938**

8.20 Equity

The table below shows the composition of equity (in EUR):

	31.12.2020	31.12.2019
Capital subscribed	37,000,000	37,000,000
Issue premium	40,356,000	40,356,000
Legal reserve	3,700,000	3,700,000
Reserve for wealth tax	39,740,374	40,209,999
Other reserves and retained earnings	154,969,988	114,157,619
Cumulative other comprehensive income	1,504,075	299,809
Profit or loss attributable to owners of the parent	49,990,542	40,352,459
Total	**327,260,979**	**276,075,886**

The Bank's subscribed capital is represented by 740,000 shares, each with a par value of EUR 50.

Legal reserve

In accordance with the law on commercial companies, a sampling of at least 5% is charged annually on net profits, which is allocated to the creation of a legal reserve until this reserve reaches 10% of the share capital. The legal reserve has reached 10% of the share capital.

Wealth tax reserve

In accordance with paragraph 8a of the law on wealth tax, the Bank deducts the wealth tax due for the year from the amount of the wealth tax. To this end, the Bank's general meeting of shareholders allocates to a non-distributable reserve an amount corresponding to five times the amount of the wealth tax allocated.

Cumulative other comprehensive income

Accumulated other comprehensive income includes net unrealised gains and losses on financial assets measured at fair value through accumulated other comprehensive income (see Note 8.5 and 9.15). In accordance with CSSF Regulation No. 14-02, unrealised income net of tax included in revaluation reserves will be charged to a non-distributable reserve.

Other reserves and retained earnings

Other reserves and retained earnings include the impact of the transition to IFRS for an amount of EUR 16,594,740 as well as the result related to the incentive plan set up within the Group.
As at 31 December 2020, the cumulative amount related to the incentive plan included in other reserves amounts to EUR 4,211,365 (2019: EUR 4,221,078).
Other reserves also include goodwill of EUR 73,025,963 recorded in 2016 following the integration of Petercam (Luxembourg) S.A. and the reclassification of the profit and loss account to reserves of gains realised by Petercam (Luxembourg) S.A. at the time of the sale of PIAM Luxembourg to DPAS for EUR 7,547,663.

In accordance with CSSF Regulation No. 14-02, the unrealised income net of tax on securities in the portfolio "financial assets designated at fair value through profit or loss" included in the profit or loss carried forward for the 2019 financial year was charged to a non-distributable reserve in the amount of EUR 516,570 (2019: EUR 380,892) while the amounts unrealised for the financial year 2018 and realised in 2019 were reversed for an amount of EUR 612,967 (2019: EUR 883,165).

Dividends

No dividend was paid in 2020. For the financial year 2019, when approving the distribution of the 2018 profit, the general meeting of 21 May 2019 decided to pay dividends amounting to EUR 25,012,000.

8.21 Fair value of financial instruments

The carrying value and fair value of financial instruments are shown, by financial instrument category, in the table below (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS				
Cash and balances with central banks	679,776,464	679,776,464	481,651,362	481,651,362
Financial assets held for trading	119,211,174	119,211,174	76,350,791	76,350,791
Hedging of financial assets	-	-	1,486,460	1,486,460
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	6,950,844	6,950,844	8,571,622	8,571,622
Financial assets measured at fair value through other comprehensive income	534,652,388	534,652,388	203,487,792	203,487,792
Loans and receivables from credit institutions measured at amortised cost	126,582,324	126,582,302	94,486,824	94,486,824
Loans and receivables from customers measured at amortised cost	519,610,678	532,622,701	610,717,245	623,470,455
Debt instruments measured at amortised cost	993,559,636	997,418,796	1,113,371,226	1,116,308,777
Total	**2,980,343,508**	**2,997,214,669**	**2,590,123,322**	**2,605,814,083**
FINANCIAL LIABILITIES				
Financial liabilities held for trading	118,280,157	118,280,157	76,579,311	76,579,311
Financial liability hedges	31,790,688	31,790,688	19,345,855	19,345,855
Deposits from credit institutions	59,542,684	59,548,315	61,650,854	61,852,124
Customer deposits	2,471,193,324	2,471,589,185	2,193,838,323	2,193,433,517
Total	**2,680,806,853**	**2,681,208,345**	**2,351,414,343**	**2,351,210,807**

The fair value of financial instruments includes accrued interest.
For financial instruments not measured at fair value in the financial statements, the following methods and assumptions are used to determine the fair value of instruments not listed on an active market:

- the carrying amount of short-term financial instruments and of financial instruments without fixed maturities corresponds to a reasonable approximation of their fair value;
- other loans and borrowings are revalued by discounting their future cash flows, based on market interest rate curves at the balance sheet date.

The fair value of financial instruments is determined using the methods described in Chapter 5.3.7 “Fair value of financial instruments”.
The classification of financial instruments according to the fair value hierarchy is based on criteria such as the measurement of a market’s liquidity level, the average volumes of transactions recorded and the frequency of valuations.
Financial instruments are classified in one of the three following categories:

- Level 1 includes valuations based on prices published in active markets. No valuation model or technique is used.
- Level 2, which relies on valuation models and techniques using observable parameters on an active market.
- Valuations based on unobservable inputs, outside an active market, are classified in level 3.

The following tables show the classification of fair values (excluding accrued interest) according to valuation category (in EUR):

31.12.2020	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and balances with central banks	-	-	-	-
Derivatives held for trading	3,001,607	113,063,574	-	116,065,181
Other financial assets held for trading	4	990,677	-	990,681
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	153,932	5,665	6,791,247	6,950,844
Financial assets measured at fair value through other comprehensive income	495,100,378	35,031,724	4,062,302	534,194,404
Loans and receivables from credit institutions measured at amortised cost	-	126,591,743	-	126,591,743
Loans and receivables from customers measured at amortised cost	-	506,605,796	25,594,096	532,199,892
Debt instruments measured at amortised cost	865,013,638	130,165,647	-	995,179,285
Total	**1,363,269,559**	**912,454,826**	**36,447,645**	**2,312,172,030**
FINANCIAL LIABILITIES				
Derivatives	3,002,365	112,892,358	-	115,894,723
Hedging derivatives	-	29,516,665	-	29,516,665
Deposits from credit institutions	-	59,560,260	-	59,560,260
Customer deposits	-	2,472,100,452	-	2,472,100,452
Total	**3,002,365**	**2,674,069,735**	**-**	**2,677,072,100**

31.12.2019	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Cash and balances with central banks	-	481,751,362	-	481,751,362
Derivatives held for trading	42,643,731	30,649,850	-	73,293,581
Other financial assets held for trading	26,037	1,214,802	-	1,240,839
Hedging derivatives	-	1,555,301	-	1,555,301
Financial assets held for purposes other than trading that must be measured at fair value through profit or loss	152,483	7,315	8,411,824	8,571,622
Financial assets measured at fair value through other comprehensive income	179,215,032	19,998,800	3,731,080	202,944,912
Loans and receivables from credit institutions measured at amortised cost	-	94,491,672	-	94,491,672
Loans and receivables from customers measured at amortised cost	-	548,098,758	74,688,575	622,787,333
Debt instruments measured at amortised cost	873,447,510	240,562,935	-	1,114,010,445
Total	**1,095,484,793**	**1,418,330,795**	**86,831,479**	**2,600,647,067**
FINANCIAL LIABILITIES				
Derivatives	42,643,536	32,021,570	-	74,665,106
Hedging derivatives	-	17,372,701	-	17,372,701
Deposits from credit institutions	-	61,651,255	-	61,651,255
Customer deposits	-	2,194,253,071	-	2,194,253,071
Total	**42,643,536**	**2,305,298,597**	**-**	**2,347,942,133**

During the last financial year, one SICAV was reclassified from level 2 to level 1 following a review of the listing frequency and two bonds were reclassified from level 1 to level 2 following a decrease in the number of available price contributors for amounts of EUR 1,964 and EUR 35,230,575, respectively.
As at 31 December 2020 and 2019, the securities classified in level 3 are all variable-income securities; the majority of the securities are part of the "Financial assets measured at fair value through other comprehensive income" (FVOCI) portfolio and the remainder to the "Financial assets held for purposes other than trading required to be measured at fair value through profit or loss" (FVTPL) portfolio.
The FVTPL portfolio is mainly made up of securities linked to the Bank's private equity activity.

The following table shows the movements relating to the carrying amount of assets included in level 3 (in EUR):

	FVTPL Portfolio	FVOCI portfolio	Total
Closing balance as at 31.12.2018	**6,185,748**	**4,420,009**	**10,605,757**
Purchase	1,207,402	-	1,207,402
Sale	-27,689	-	-27,689
Level changes			
Transfer level 1 to level 3	364,532	2	364,534
Dissolution	-	-12,374	-12,374
Change in exchange rate	177,657	-	177,657
Revaluation of securities	504,174	-676,557	-172,383
Closing balance as at 31.12.2019	**8,411,824**	**3,731,080**	**12,142,904**
Purchase	1,053,659	-	1,053,659
Sale	-144,415	-12,245	-156,660
Impairment loss due to liquidation bonus payments	-1,481,751	-	-1,481,751
Change in exchange rate	-214,341	-	-214,341
Revaluation of securities	-833,730	343,467	-490,263
Closing balance as at 31.12.2020	**6,791,246**	**4,062,302**	**10,853,548**

The results recognised as a result of these movements are set out in the following table (in EUR):

	31.12.2020	31.12.2019
Net income- FVTPL	1,748,742	680,898
Tax on income for the financial year	-436,136	-169,816
Effect on profit(loss) for the financial year	**1,312,606**	**511,082**
Revaluation to fair value	343,467	-676,557
Other net income- FVOCI	-12,024	-12,374
Taxes charged directly to reserves	-82,662	171,819
Effect on other components of comprehensive income	**248,781**	**-517,112**
Effect on total comprehensive income	**1,561,387**	**-6,030**

8.22 Financial assets transferred

As at 31 December 2020, no financial assets have been transferred; as at 31 December 2019, the financial assets transferred and still fully recognised are only loaned debt instruments.
The amounts of bonds lent in the securities lending activity are detailed by asset category in the following table (in EUR):

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Securities lending	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets measured at fair value through other comprehensive income	-	-	3,396,633	3,396,633
Debt instruments measured at amortised cost	-	-	47,360	47,194
Total financial assets transferred	**-**	**-**	**3,443,993**	**3,443,827**

8.23 Offsetting financial assets and liabilities

The Luxembourg Division does not employ accounting offsetting practices but it has signed some “offsetting master agreements” with certain counterparties such as:

- “ISDA Master Agreement” for OTC derivative transactions;
- “Global master repurchase agreements” for repurchase and reverse repurchase transactions;
- “Global master securities lending agreements” for securities lending transactions.

Assets given or received as collateral for these financial transactions may be the following:

- cash and securities for repurchase and reverse repurchase transactions as well as for OTC derivative transactions for which the Bank has signed a credit support annex contract complementary to the ISDA contract;
- securities for securities lending transactions.

The table below sets out the financial assets subject to offsetting covered by an enforceable offsetting master agreement or a similar agreement (in EUR). Securities guarantees are reported at their valuation value.

Financial assets subject to offsetting				Offsetting potential		
	Amount before compensation	Balance sheet compensation with financial intermediaries	Net amount recognised	Financial liabilities	Collateral received	Net amount after taking account of offsetting potential
31.12.2020						
Derivatives	150,387,545	-	150,387,545	-90,818,447	-59,569,098	-
Total	**150,387,545**	**-**	**150,387,545**	**-90,818,447**	**-59,569,098**	**-**
31.12.2019						
Derivatives	33,925,416	-	33,925,416	-17,933,203	-13,146,973	2,845,240
Securities lending	3,443,993	-	3,443,993	-	-	3,443,992
Total	**37,369,409**	**-**	**37,369,409**	**-17,933,203**	**-13,146,973**	**6,289,232**

Financial liabilities subject to offsetting				Offsetting potential		
	Amount before compensation	Balance sheet compensation with financial intermediaries	Net amount recognised	Financial assets	Collateral provided	Net amount after taking account of offsetting potential
31.12.2020						
Derivatives	182,259,234	-	182,259,234	-90,818,447	-47,983,141	43,457,646
Total	**53,197,597**	**-**	**53,197,597**	**-90,818,447**	**-47,983,141**	**43,457,646**
31.12.2019						
Derivatives	53,197,597	-	53,197,597	-17,933,203	-30,490,067	4,774,327
Total	**53,197,597**	**-**	**53,197,597**	**-17,933,203**	**-30,490,067**	**4,774,327**

8.24 Hedge accounting – Fair value hedge of interest rate risk

The Bank's exposure to market risks (including interest rate risk) and its approach to managing these risks are discussed in Note 7 "Risk Management". In accordance with the management strategy in place, the Bank concludes interest rate swap agreements to hedge the interest rate risk on fixed-rate bonds using a reference interest rate (mainly Euribor). The reference rate is a component of interest rate risk that can be reliably observed and measured.

Hedge accounting is used when economic hedging relationships meet the criteria for hedge accounting. When the Bank wishes to protect itself against changes in fair value related to interest rate risk when purchasing a bond, it enters into an interest rate swap agreement whose essential characteristics correspond perfectly or almost perfectly to those of the security. The Bank prospectively assesses the effectiveness of the hedge by comparing changes in the fair value of the investment in acquired securities resulting from changes in the benchmark interest rate with changes in the fair value of the interest rate swaps used to hedge the exposure.

The hedging ratio is determined by comparing the notional amount of the derivative with the principal amount of the purchased bond or loan granted.
The Bank has identified the following main sources of inefficiency:

- the effect of counterparty credit risk and the Bank's credit quality on the fair value of the interest rate swap, which is not reflected in changes in the fair value of the hedged item due to changes in interest rates;
- differences in the timing of settlement of hedging instruments and hedged items: due to the micro hedge structures created before the implementation of hedge accounting in accordance with IFRS 9, the interest rate swap contracts already had an existing value as at 31 December 2017, unlike the benchmark bonds created on 1 January 2018, which results in a source of inefficiency. To compare the impact of changes in the fair value of swaps with that of benchmark bonds since the introduction of IFRS 9, the value of swaps is smoothed over its residual term. "Smoothing" is the market value of the hedging instrument (interest rate swap) at 31 December 2017 amortised between that date and the reporting date.

No other sources of ineffectiveness have been identified in these hedging relationships.

As at 31 December 2020 and 2019, the nominal amounts and weighted average fixed interest rates of the IRS held as fair value hedges of interest rate risk are broken down as follows by residual maturity (in EUR):

31.12.2020	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
HEDGING OF DEBT INSTRUMENTS				
Notional value	-	-	546,022,533	454,500,000
Weighted average fixed interest rate	-	-	0.26%	0.13%
LOAN HEDGING				
Notional value	-	-	-	4,775,000
Weighted average fixed interest rate	-	-	-	0.42%

31.12.2019	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
HEDGING OF DEBT INSTRUMENTS				
Notional value	-	-	359,201,549	422,700,000
Weighted average fixed interest rate	-	-	0.21%	0.38%
LOAN HEDGING				
Notional value	-	-	-	4,300,000
Weighted average fixed interest rate	-	-	-	0.46%

The following tables detail the hedging instruments, the hedged items and hedging ineffectiveness (in EUR):

31.12.2020	Notional value	Carrying amount		Changes in fair value used to calculate hedge ineffectiveness	Ineffectiveness of the hedge recognized in income [1]
		Assets	Liabilities		
DERIVATIVE INSTRUMENT HEDGES					
IRS- Hedging of debt instruments	1,000,522,533	-	31,467,816	-13,518,248	-241,328
IRS- Hedging of loans	4,775,000	-	322,872	-181,013	1,547
Total	**1,005,297,533**	**-**	**31,790,688**	**-13,699,261**	**-239,781**

31.12.2019	Notional value	Carrying amount		Changes in fair value used to calculate hedge ineffectiveness	Ineffectiveness of the hedge recognized in income [1]
		Assets	Liabilities		
DERIVATIVE INSTRUMENT HEDGES					
IRS- Hedging of debt instruments	781,901,549	1,486,460	19,205,658	-11,027,768	-1,218,951
IRS- Hedging of loans	4,300,000	-	140,197	-123,767	-4,159
Total	**786,201,549**	**1,486,460**	**19,345,855**	**-11,151,535**	**-1,223,110**

31.12.2020	Carrying amount	Accumulated fair value adjustments of the hedged item included in the carrying amount	Changes in fair value used to calculate hedge ineffectiveness	Residual adjustment following the discontinuation of hedge accounting
ACTIFS DÉSIGNÉS COMME ÉLÉMENTS COUVERTS				
Instruments measured at amortised cost	**758,755,571**	**25,147,171**	**9,505,980**	**-**
Debt instruments	753,645,489	24,845,002	9,323,420	-
Loans	5,110,082	302,169	182,560	-
Debt instruments measured at fair value through other comprehensive income	**284,202,133**	**3,590,612**	**3,979,495**	**-**
Debt instruments measured at fair value through other comprehensive income	284,202,133	3,590,612	3,979,495	-
Total	**1,042,957,704**	**28,737,783**	**13,485,475**	**-**

31.12.2019				
ASSETS DESIGNATED AS HEDGED ITEMS				
Instruments measured at amortised cost	**726,940,966**	**15,641,192**	**10,540,168**	**-**
Debt instruments	722,496,345	15,521,583	10,420,560	-
Loans	4,444,621	119,609	119,609	-
Debt instruments measured at fair value through other comprehensive income	**81,252,613**	**-388,882**	**-492,051**	**-**
Debt instruments measured at fair value through other comprehensive income	81,252,613	-388,882	-492,051	-
Total	**808,193,579**	**15,252,310**	**10,048,118**	**-**

The nominal amount of the hedging instruments that will be affected by the reform of the benchmark interest rates with a benchmark rate of IBOR and a maturity of more than 2021 is EUR 28,522,533.
The 2019 comparative information has been amended to conform to the current year's presentation.

(1) 2020: After smoothing the market value of the hedging instrument as at 31 December 2017: total estimated depreciation of EUR 77,844 and impact on the income statement for the year of EUR 25,995.
2019: After smoothing the market value of the hedging instrument as at 31 December 2017: total estimated depreciation of EUR 77,844 and impact on the income statement for the year of EUR 25,924.

9. Notes to the income statement

9.1 Interest income and expenses

Details of interest income and expenses by type of financial instrument generating interest income are as follows (in EUR):

	31.12.2020	31.12.2019
Interest income	**63,228,787**	**81,226,301**
Financial assets held for trading	44,640,982	64,511,316
Financial instrument hedges	1,039,024	262,077
Financial assets measured at fair value through other comprehensive income	602,809	532,856
Loans and receivables from credit institutions measured at amortised cost	62,489	431,427
Loans and receivables from customers measured at amortised cost	7,215,797	7,415,008
Debt instruments measured at amortised cost	4,108,499	4,629,626
Interest income on liabilities	5,559,187	3,443,991
Interest expenses	**-50,198,408**	**-67,087,138**
Financial liabilities held for trading	-38,461,269	-50,623,073
Financial instrument hedges	-5,830,518	-4,517,413
Amounts owed to credit institutions	-290,847	-325,771
Amounts owed to customers	-1,387,816	-7,019,084
Lease liabilities	-5,759	-
Interest expense on assets- Central banks	-3,044,178	-2,643,414
Interest expense on assets- other	-1,178,021	-1,958,383
Net interest margin	**13,030,379**	**14,139,163**

Negative interest gives rise to interest income mainly on customer deposits and interest expenses on other assets and debt instruments.

Interest expenses on lease liabilities results from the application of IFRS 16 as at 1 January 2019. These debts are detailed in Note 8.19.

The decrease in interest income and expenses on held-for-trading financial assets is mainly due to foreign exchange derivatives. The decrease in the net margin on these products is offset by the increase in the net results shown in Note 9.4

9.2 Dividend income

Dividends received by financial asset category are set out below (in EUR):

	31.12.2020	31.12.2019
Financial assets held for trading	17	-
Financial assets designated at fair value through profit and loss	80,511	817,070
Financial assets designated at fair value through comprehensive income	223,745	1
Total	**304,273**	**817,071**

9.3 Commissions received and paid

The commissions received and paid are distributed on the basis of the following services (in EUR):

	31.12.2020	31.12.2019
Commissions received	**341,340,275**	**293,926,491**
Investment fund activities- Custodian bank	17,462,362	14,658,870
Investment fund activities- Central government	39,386,328	35,041,467
Investment fund activities- Other	205,956,628	195,359,993
Asset management	8,193,298	7,131,831
Brokerage and securities-related activities (other than custody fees)	52,669,134	26,411,564
Custodian fees	12,168,053	10,794,542
Other	5,504,472	4,528,224
Commissions paid	**-230,232,883**	**-193,489,885**
Investment fund activities- Central government	-71,256	-78,268
Investment fund activities- Other	-185,300,649	-174,052,667
Brokerage and securities-related activities (other than custody fees)	-38,660,022	-14,135,088
Custodian fees	-4,474,323	-4,090,409
Other	-1,726,633	-1,133,453
Net fees & commissions	**111,107,392**	**100,436,606**

Since 1 October 2019, the activity of custodian bank for funds under Belgian law has been transferred from Banque Degroof Petercam S.A. to the Belgian branch of the Bank, which explains the increase in fees received from the "Custodian Bank" investment fund activities.
As at 1 October 2018, the investment fund administration services activity has been transferred from the Bank to DPAS, which explains the increase in fees received in connection with "Central administration" investment fund activities.
"Central Administrative Agent".

The section "Investment fund activities- Other" mainly includes distribution and management fees.
The increase in brokerage fees paid is due to the commissions paid for the execution of securities orders by the parent company on behalf of the Group's Belgian SICAVs, the majority of which were onboarded in early 2020, for an amount of EUR 13,492,260.
The development of other brokerage and securities-related fees received and paid is explained by the increase in the number of transactions due to the Covid-19 crisis and the onboarding of Belgian SICAVs.

9.4 Gains or losses on financial instruments held for trading, net

The table below breaks down the gains and losses on held-for-trading financial instruments by type of financial instrument (in EUR):

	31.12.2020	31.12.2019
Equity instruments and related derivatives	-435,606	-142,397
Interest rate instruments and associated derivatives	-2,537,619	-1,688,517
Foreign exchange transactions	12,543,082	6,179,913
Total	**9,569,857**	**4,348,999**

All interest on financial instruments is recorded in interest income on financial instruments held for trading. The above-mentioned gains and losses include the revaluation to fair value of these financial instruments as well as the realised results.
The increase in net foreign exchange gains is offset by the decrease in the net interest margin on these products listed in Note 9.1.

9.5 Net gains or losses on financial instruments that must be measured at fair value through profit or loss

The results on financial instruments designated at fair value through profit or loss are broken down as follows by type of financial instrument (in EUR):

	31.12.2020	31.12.2019
Equity instruments	307,574	-286,299
Debt instruments- UCI units	1,701,111	3,458,525
Total	**2,008,685**	**3,172,226**

Equity instruments relate to private equity funds.

Most of the gains recorded on UCI units at 31 December 2020 and 2019 relate to liquidation bonuses paid for Group funds and the sale of accompanying positions, respectively.

9.6 Net gains or losses on financial instruments not measured at fair value through profit or loss

The results on financial instruments not measured at fair value through profit or loss are broken down as follows by type of financial instrument (in EUR):

	31.12.2020	31.12.2019
Financial assets measured at fair value through other comprehensive income	74,400	16,615
Debt instruments measured at amortised cost	15,456	-
Disposal losses	-	-177
Total	**-89,856**	**16,438**

All interest received and paid on financial instruments is recorded in interest income. The revaluation at fair value is recognised in shareholders' equity in accumulated other comprehensive income. Only realised results related to these instruments are included in this item.

9.7 Net income from hedge accounting

Gains and losses on hedging instruments break down as follows (in EUR):

	31.12.2020	31.12.2019
Net gains or losses on hedged financial instruments for the portion attributable to interest rate risk	13,485,475	10,048,118
Potential net gains or losses on hedging derivatives	-13,699,261	-11,151,535
Net gains or losses realised on hedging derivatives	-	159,615
Total	**-213,786**	**-943,802**

Net income on the hedged financial instruments for the portion attributable to interest rate risk includes only the change in fair value related to the interest rate risk of the bonds designated as hedged items. Interest on hedged financial instruments is recognised in interest income and expenses.

Realised gains and losses on hedged bonds measured at amortised cost or at fair value through other comprehensive income are recognised in “Net gain or loss on financial instruments not measured at fair value through profit or loss”.
Net income on interest rate swaps designated as hedging items includes revaluation results and realised results; interest is recognised in interest income and expenses.
The 2019 comparative information has been amended to conform to the current year’s presentation.

9.8 Other net operating income

Other operating income or expenses, net break down as follows (in EUR):

	31.12.2020	31.12.2019
Other operating income	**6,536,528**	**6,507,533**
Rental income	1,726,879	1,781,867
Recovery of miscellaneous charges	**3,021,539**	**2,911,646**
Miscellaneous	1,788,110	1,814,020
Other operating expenses	**-88,578**	**-54,658**
Miscellaneous	-88,578	-54,658
Other net operating income	**6,447,950**	**6,452,875**

9.9 Staff expenses

Staff expenses comprise the following (in EUR):

	31.12.2020	31.12.2019
Wages and salaries	-35,891,105	-34,370,779
Social security, social insurance and supplementary insurance	-4,317,392	-4,149,201
Pension-related expenses	-1,110,035	-1,102,661
Employee benefits related to the incentive plan	9,713	327,066
Other costs	-952,096	-695,664
Total	**-42,260,915**	**-39,991,239**

Note 11 provides information on benefits granted to staff and on the profit sharing plan.
The average number of staff employed is as follows:

	31.12.2020	31.12.2019
Management	11	11
Senior executives	170	169
Employees	201	190
Total	**382**	**370**

The amount of remuneration allocated during the financial year to the members of the management bodies (Board of Directors and Executive Committee) amounts to (in EUR):

	31.12.2020	31.12.2019
Directors	-299,081	-244,238
Management	-3,815,409	-3,878,066
Total	**-4,114,490**	**-4,122,304**

As at 31 December 2019, the total amount of advances/credits granted to directors amounted to EUR 450,886 and other commitments have been granted for EUR 3,300 while no advances or commitments have been granted to directors as at 31 December 2020.
No advances or commitments were granted to members of the management body in 2020 and 2019.

9.10 General and administrative expenses

General and administrative expenses break down as follows (in EUR):

	31.12.2020	31.12.2019
Marketing, advertising and public relations	-399,638	-655,504
Professional fees	-6,302,084	-7,408,689
Operating leases	-2,115,734	-2,079,157
IT and telecommunications expenses	-9,716,768	-8,255,425
Repair and maintenance	-392,728	-610,485
Other general and administrative expenses	-11,897,605	-15,442,424
Total	**-30,824,557**	**-34,451,684**

Other general and administrative expenses mainly include representation and travel expenses, supplies and documentation, training expenses, and contributions and insurance other than those related to staff.
At 31 December 2020, the contribution of EUR 904,665 to the national resolution fund (2019: EUR 900,469) and the provision of EUR 88,413 to the deposit guarantee fund (2019: EUR 104,119) are also included in this item.
For leases registered in accordance with IFRS 16 from 1 January 2019, the Bank recognises depreciation on rights of use rather than rentals received, as described in Note 5.4 of the accounting principles. As at 31 December 2019, the “Operating leases” item includes lease payments associated with leases considered as low-value contracts.
The re-invoicing of support costs by Banque Degroof Petercam S.A. in the amount of EUR 4,762,930 (2019: EUR 7,983,048) is recorded in “Other general and administrative expenses”: the change is mainly due to the decrease in IT costs.
Fees recognised for services invoiced to the Bank during the year by the audit firm are as follows (excluding VAT, in EUR):

	31.12.2020	31.12.2019
Legal and contractual audit of the consolidated annual accounts	-357,700	-375,706
Other insurance services	-5,000	-
Tax advisory services	-	-35,132
Other services	-18,715	-40,413
Total	**-381,415**	**-451,251**

9.11 Depreciation of intangible assets and property, plant and equipment

During the financial period ended 31 December 2020, depreciation of property, plant and equipment amounted to EUR 3,714,812 (2019: EUR 3,972,275) and amortisation of intangible assets amounted to EUR 2,719,086 (2019: EUR 2,317,128).
A breakdown of this depreciation and amortisation by asset category is given in notes 8.9 and 8.10.

9.12 Provisions

In 2020, provisions for litigation were allocated for an amount of EUR 1,421,884 (2019: EUR 37,247).
The allocation to a provision for ECLs calculated on loan commitments given and financial guarantees was EUR 2,046 at 31 December 2020 (2019: EUR 4,292).
In 2020, allocations to a provision for reserved interest on loans were recorded for an amount of EUR 120,665 (2019: EUR 0).

9.13 Net impairment of assets

Net impairment losses on assets break down as follows (in EUR):

	31.12.2020	31.12.2019
Interbank loans and receivables	-228	1,083
Loans and receivables from customers	1,164,493	-119,166
Debt instruments measured at fair value through other comprehensive income	-27,243	7,458
Debt instruments measured at amortised cost	19,208	-41,264
Intangible assets	-	-1,648,303
Property, plant and equipment	-78,104	-
Total	**1,078,126**	**-1,800,192**

Details of changes in impairment on loans and receivables are provided in Note 8.16.

9.14 Income tax expense

The net tax expense is explained as follows (in EUR):

	31.12.2020	31.12.2019
Income taxes for the year	14,523,117	11,010,216
Deferred taxes	-284,594	-786,936
Tax on income for the financial year	**14,238,523**	**10,223,280**
Reversal of previous years' provisions	-2,146,688	38,025
Net income tax expense	**12,091,835**	**10,261,305**

As at 31 December 2020 and 2019, the amounts of deferred taxes are due to balance sheet movements included under the heading “Current and deferred tax liabilities” (Note 8.18) in the amount of EUR 151,378 and EUR 659,576, respectively, and to movements relating to the revaluation reserve (Note 8.5) in the amount of EUR 6,794 and EUR 2,097.

The following table shows the reconciliation (in EUR) of the standard tax rate in Luxembourg of 24.94% with the Bank’s effective tax rate.

	31.12.2020	31.12.2019
Earnings before taxes	62,082,377	50,613,764
Tax rate applicable at the end of the year	24.94%	24.94%
Notional tax on profit	**15,483,345**	**12,623,073**
Effect of tax rate differences in other jurisdictions	889	-5,884
Tax effect of non-deductible expenses	114,930	210,689
Tax effect of non-taxable income	-469,517	-850,423
Deductible tax expenses	277,501	-277,501
Effect of other items	-1,168,625	-1,476,674
Tax on income for the financial year	**14,238,523**	**10,223,280**
Average effective tax rate	**22.93 %**	**20.20 %**

9.15 Other comprehensive income items

Other components of comprehensive income consist of results not recognised through profit and loss.
As at 31 December 2020 and 2019, other comprehensive income consists solely of unrealised gains and losses on the revaluation of the portfolio of financial assets measured through other comprehensive income shown in the table below in EUR. These results recognised directly in equity (Note 9.5) are likely to be recognised in the income statement in a subsequent financial year.

	31.12.2020	31.12.2019
Debt instruments	**958,483**	**349,369**
Fair value adjustment before taxes	5,180,475	1,409,544
Transfer from reserve to pre-tax profit		
Reversal of the reserve following transfers / repayments	48,728	-1,425,341
Changes in fair value related to interest rate risk	-3,979,495	492,051
Expected credit losses	27,243	-7,458
Taxes charged directly to the income statement	-6,794	2,097
Taxes charged directly to reserves	-311,674	-121,524
Equity instruments	**245,783**	**-498,817**
Fair value adjustment before taxes	354,784	-676,557
Transfer from reserve to pre-tax profit		
Reversal of the reserve following transfers / repayments	11,317	-
Taxes charged directly to reserves	-85,660	177,740
Result realised on FVOCI portfolio charged to shareholders' equity	-12,024	-
Total other comprehensive income	**1,204,266**	**-149,448**

10. Rights and commitments

10.1 Assets in open custody

Assets in open custody are basically transferable securities that have been entrusted for safekeeping by clients, regardless of whether or not the holder's free disposition is limited or whether the securities are covered by an asset management agreement with the Luxembourg division. These assets are measured at fair value.
The Luxembourg division's assets in open custody as at 31 December 2020 and 2019 amounted to EUR 72,644,710,509 and EUR 62,247,901,934, respectively. The increase in assets is mainly due to the fact that during the last financial year Banque Degroof Petercam Luxembourg S.A. became the custodian bank for new Group SICAVs under Belgian law.

10.2 Guarantees given

As at 31 December 2020, the Bank had issued bank guarantees totalling EUR 9,157,493 and completion guarantees amounting to EUR 3,471,850 (2019: EUR 7,848,404 and EUR 7,420,525 respectively).
As at 31 December 2020, the amounts of cash and securities given as collateral amounted to EUR 47,973,699 and EUR 22,383,648, respectively, in the context of derivative transactions for own account and for the account of customers (2019: EUR 30,846,848 and EUR 22,232,444).

10.3 Guarantees received

Total guarantees received in the form of assets, sales of assets and guarantees in connection with loans granted to clients, securities lending and derivative transactions amounted to EUR 653,660,784 as at 31 December 2020 (2019: EUR 638,047,165). Among these guarantees, EUR 649,796,148 (2019: EUR 632,855,830) consist of mortgages and pledges of cash and securities.

10.4 Commitments

The Bank is committed to meet the credit lines granted to customers for which the unused amount as at 31 December 2020 was EUR 68,027,790 (2019: EUR 100,022,946).
As at 31 December 2020, other commitments, including commitments to subscribe to private equity funds (note 7.4), amounted to EUR 11,653,686 (2019: EUR 12,137,390).
As at 31 December 2020, the amount of fiduciary transactions was EUR 82,869,612 (2019: EUR 109,312,168).

The Law on measures for the resolution, reorganisation and liquidation of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes ("the Law"), transposing into Luxembourg law Directive 2014/59/EU establishing a framework for the reorganisation and resolution of credit institutions and Directive 2014/49/EU on deposit guarantee and investor compensation schemes, was adopted on 18 December 2015.

The deposit guarantee and investor indemnification system in force until now, run by the AGDL (Association pour la Garantie des Dépôts Luxembourg) will be replaced by a new contribution-based deposit guarantee and investor compensation system. The new system will guarantee all eligible deposits of a single depositor up to EUR 100,000 and investments up to EUR 20,000. The law also provides that deposits deriving from specific transactions, fulfilling a social purpose or linked to particular life events will be protected over and above EUR 100,000 for a period of 12 months.

The amount of financial resources of the Luxembourg Resolution Fund (FRL) must reach, by the end of 2024, at least 1% of the guaranteed deposits, as defined in Article 1, number 36 of the Law, of all credit institutions authorised in all participating Member States. This amount will be collected from credit institutions through annual contributions during the years 2015 to 2024.

The target level of the financial resources of the FGDL (Fonds de Garantie des Dépôts Luxembourg or Luxembourg Deposit Guarantee Fund) has been set at 0.8% of the member institutions' guaranteed deposits as defined in Article 163 no. 8 of the Act and was reached at the end of 2018 through the annual contribution.

When the 0.8% level is reached, Luxembourg credit institutions continue to contribute for a further 8 years in order to provide an additional cushion of 0.8% of the guaranteed deposits as defined in Article 163 No. 8 of the Law.
During the year, the Bank paid annual contributions to the FGDL of EUR 88,413 (2019: EUR 104,119) and to FRL of EUR 1,064,312 (2019: EUR 1,059,375).

11. Employee benefits and stock-based remuneration plans

11.1 Post-employment benefits

Post-employment benefits consist of defined contribution pension plans. The contributions expense during this financial year was EUR 1,110,035 (2019: EUR 1,102,661).

11.2 Group incentive plans

Banque Degroof Petercam S.A. has issued several incentive plans in recent years, for the benefit of either the directors or senior managers of the Banque Degroof Petercam Group, or both simultaneously, in order to increase their loyalty and align their interests with those of the Banque Degroof Petercam Group. These plans are drawn up in accordance with local legal provisions. The corresponding proceeds for the financial year of EUR 9,713 in 2020 are recognised in equity (2019: EUR 327,066).

The incentive plans issued include plans that will be settled in cash and plans that will be settled in shares. Over the past two years, the Bank has not issued any plans.

12. Related parties

Parties related to the Luxembourg division are the associated companies, members of the Board of Directors and other managers of the Bank and its subsidiaries ("Key Executives") as well as close family members of the aforementioned persons or any company controlled or significantly influenced by one of the aforementioned persons.
The tables below summarise, by nature, the transactions that have been carried out with related parties of the Banque Degroof Petercam S.A. Group (in EUR):

31.12.2020

Balance sheet	Parent company	Key executives	Associates	Other related parties	Total
Current account advances	3,102,811	-	17,363,912	1,064,584	21,531,307
Term loans	814,931	-	-	-	814,931
Other assets	670,728	-	-	3,825,153	4,495,881
Total assets	**4,588,470**	**-**	**17,363,912**	**4,889,737**	**26,842,119**
Term deposits	450,000	7,547,216	1,747,010	11,685,088	21,429,314
Other liabilities	42,483,626	-	-	8,951,299	51,434,925
Total liabilities	**42,933,626**	**7,547,216**	**1,747,010**	**20,636,387**	**72,864,239**
Guarantees given	**61,225**	**-**	**3,471,850**	**-**	**3,533,075**
Guarantees received	**-**	**-**	**17,358,948**	**-**	**17,358,948**

Income statement	Parent company	Key executives	Associates	Other related parties	Total
Financial expenses	-393	-3,349	-	-8,334	-12,076
Fees and commissions	-101,418,043	-	-	-33,377,751	-134,795,794
Staff expenses	-	-4,114,490	-	-	-4,114,490
Other	-4,762,930	-	-	-161,340	-4,924,270
Total expenses	**-106,181,366**	**-4,117,839**	**-**	**-33,547,425**	**-143,846,630**
Interest income	3	0	551,956	187,008	738,967
Fees and commissions	18,133	3,226	-	11,249,060	11,270,419
Dividends	-	-	-	-	-
Other	679,650	-	3,591	323,950	1,007,191
Total revenues	**697,786**	**3,226**	**555,547**	**11,760,018**	**13,016,577**

31.12.2019

Balance sheet	Parent company	Key executives	Associates	Other related parties	Total
Current account advances	4,868,360	886	-	25,000	4,894,246
Term loans	-	-	17,379,728	-	17,379,728
Other assets	-	-	-	2,859,472	2,859,472
Total assets	**4,868,360**	**886**	**17,379,728**	**2,884,472**	**25,133,446**
Term deposits	5,690,211	3,627,342	823,585	37,362,806	47,503,944
Repos	-	-	-	0	0
Other liabilities	27,650,149	-	-	4,973,872	32,624,021
Total liabilities	**33,340,360**	**3,627,342**	**823,585**	**42,336,678**	**80,127,965**
Guarantees given	**61,225**	**3,300**	**7,420,525**	**-**	**7,485,050**
Guarantees received	**-**	**453,300**	**17,379,728**	**-**	**17,833,028**
Other commitments	**-**	**450,000**	**-**	**-**	**450,000**

Income statement	Parent company	Key executives	Associates	Other related parties	Total
Financial expenses	-4,965	-9,768	-	-23,041	-37,774
Fees and commissions	-84,878,611	-	-	-31,053,245	-115,931,856
Staff expenses	-	-4,122,304	-	-	-4,122,304
Other	-8,145,273	-	-	-354,023	-8,499,296
Total expenses	**-93,028,849**	**-4,132,072**	**-**	**-31,430,309**	**-128,591,230**
Interest income	1,428	4,396	781,768	204,238	991,830
Fees and commissions	219,332	172,434	1,825	6,239,176	6,632,767
Dividends	-	-	-	-	-
Other	30,668	-	49,917	310,855	391,440
Total revenues	**251,428**	**176,830**	**833,510**	**6,754,269**	**8,016,037**

All transactions with related parties included in the above tables were carried out under normal market conditions.
Key management personnel costs break down as follows (in EUR):

	31.12.2020	31.12.2019
Short-term personnel benefits	-3,503,042	-3,814,974
Post-employment employee benefits	-312,367	-307,329
Employee benefits related to the incentive plan	-	-327,066
Total	**-3,815,409**	**-3,795,237**

13. Geographic information

The Bank and its main subsidiaries are based in Luxembourg.
The following tables summarise the main information on the Group in terms of the countries where the subsidiaries are domiciled (in EUR):

31.12.2020

	Average number of FTE employees	Net revenues	Profit or loss before tax	Taxes on income
Luxembourg	379	138,688,622	60,601,399	11,746,794
Belgium	3	3,476,272	1,480,978	345,041
Total	**382**	**142,164,894**	**62,082,377**	**12,091,835**

31.12.2019

	Average number of FTE employees	Net revenues	Profit or loss before tax	Taxes on income
Luxembourg	368	128,194,188	50,740,572	10,318,788
Belgium	2	245,388	-126,808	-57,483
Total	**370**	**128,439,576**	**50,613,764**	**10,261,305**

14. Post-balance sheet events

There are no subsequent events that could have an impact on these financial statements.

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