QUINTET Private Bank (Europe) S.A.
(Formerly KBL European Private Bankers S.A.)
43, boulevard Royal
L-2955 Luxembourg

R.C.S. Luxembourg: B 006.395

Financial statements, Management report and Report of the independent auditor as at 31 December 2019

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The quantitative tables in the following pages may sometimes show small differences due to the use of concealed decimals. These differences, however, do not in any way affect the true and fair view of the financial statements of the Bank. Similarly, the value zero '0' in the following tables indicates the presence of a number after the decimal, while '-' represents the value nil.

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Board of Directors of
Quintet Private Bank (Europe) S.A.
43 boulevard Royal
L-2955 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Quintet Private Bank (Europe) S.A. (the "Bank" and Formerly KBL European Private Bankers S.A.), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out hereafter:

1. <u>Impairment on loans and advances to customers</u>

   Description
   At 31 December 2019, the gross loans and advances to customers of the Bank amount to EUR 1,055 million against which an impairment allowance of EUR 17 million is recorded (see note 14 to the financial statements).

   We considered this as a key audit matter as the measurement of impairment under IFRS 9 requires complex and subjective judgments and estimates by the Bank's management. The Bank uses the following methods to assess the required impairment allowance:
   - For defaulted loans and advances, impairment is assessed individually on a regular basis;
   - The expected credit loss (ECL) allowance is measured for all loans and advances based on the principles laid down by IFRS 9 and adapted by the Bank in its ECL calculation process, model and tool.

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

   - The use of judgments and estimates for the allocation of loans and advances within the 3 buckets (stage 1, stage 2, stage 3) foreseen by IFRS 9;
   - Accounting interpretations and modelling assumptions used to build the models that serve as a basis to calculate the ECL;
   - Inputs and assumptions used to estimate the impact of multiple economic scenarios;
   - The use of judgment and assumptions regarding the amount and timing of future cash flows as well as the value and recoverability of related collateral for defaulted loans and advances.
   - Refer to the notes 12, 14 and 21 of the financial statements.

   How the matter was addressed in our audit

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

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

We also performed the following substantive audit procedures:

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

2. <u>Impairment on investments in subsidiaries</u>

Description
At 31 December 2019, the gross investments in subsidiaries amount to EUR 1,323 million against which an impairment of EUR 221 million is recorded (see Note 39 to the Financial Statements). The basis of impairment of investment in subsidiaries is presented in the accounting policies in Note 2c to the financial statements.

We considered this area as a key audit matter because the determination of recoverable amounts of the Bank's investments in subsidiaries relies on management's estimates of future cash flows and their judgment with respect to the subsidiaries' future performance in accordance with latest available financial forecasts.

How the matter was addressed in our audit

We performed the following main procedures:

- We obtained and evaluated the assessment prepared by the Management of the carrying value of investments in subsidiaries, and the calculation of impairment allowances for the investments in subsidiaries where management believes it is required;
- We assessed the forecasts of future cash flows prepared by the Management, evaluated the assumptions and compared the estimates to externally available industry, economic and financial data;
- With the assistance of our valuation specialists, we assessed the assumptions and methodologies used by the Management to determine the recoverable amount of the investment in subsidiaries;
- Additionally, we also compared the carrying values of the Bank's investment in subsidiaries for which audited financial statements were available with their respective net asset values;
- We discussed with Management the subsidiaries' performance and their outlook.

Other information

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

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

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

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

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

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

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the Board of Directors on 21 March 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 14 years

The Management’s report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remain independent of the Bank in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 70bis paragraph 1 of the law of 17 June 1992 relating to the annual and consolidated accounts of credit institutions governed by the laws of Luxembourg, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

Luxembourg, 31 March 2020

STATEMENT OF PROFIT AND LOSS

In EUR thousand	Notes	31/12/2019	31/12/2018
Net interest income	4, 34	48,166	44,748
Dividend income	5, 34	8,964	37,047
Net gains/losses on financial instruments measured at fair value through profit or loss	6	11,213	20,746
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	7	8,327	-529
Net fee and commission income	8, 34	40,475	43,222
Other net income	9, 34	131,865	-1,528
GROSS INCOME		**249,011**	**143,706**
Operating expenses	10, 34	-163,541	-161,228
Staff expenses	11, 29	-93,875	-101,514
General administrative expenses	38	-61,515	-50,763
Other	25, 26, 27	-8,151	-8,950
Impairment	12, 20, 21, 34	-25,176	-2,943
Gains / (losses) on non-current assets held-for-sale, not qualifying as discontinued operations	1	-	-2,514
PROFIT / (LOSS) BEFORE TAX		**60,293**	**-22,978**
Income tax (expenses) / income	13	-	25
PROFIT / (LOSS) AFTER TAX	**31**	**60,293**	**-22,953**

STATEMENT OF COMPREHENSIVE INCOME

in EUR thousand	31/12/2019	31/12/2018
PROFIT / (LOSS) AFTER TAX	**60,293**	**-22,953**
OTHER COMPREHENSIVE INCOME	**5,965**	**-20,262**
Items that may be reclassified subsequently to profit or loss	**7,357**	**-17,901**
Debt instruments at fair value through other comprehensive income	7,357	-17,901
Revaluation at fair value (including on hedged items)	*17,927*	*-24,215*
Net realised gains / losses on sales	*-8,231*	*444*
Impairment	-	-
Income tax (expenses) / income	*-2,339*	*5,869*
Items that will not be reclassified to profit or loss	**-1,392**	**-2,360**
Remeasurements of defined benefit pension plans	-951	-1,731
Remeasurements (gross)	*-951*	*-1,731*
Income tax (expense)/income on remeasurements	-	-
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	-441	-629
Revaluation at fair value	*-583*	*-851*
Income tax (expenses) / income	*142*	*221*
TOTAL COMPREHENSIVE INCOME	**66,258**	**-43,215**

The notes refer to the ‘Notes to the financial statements’, which form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

ASSETS (In EUR million)	Notes	31/12/2019	31/12/2018
Cash and balances with central banks and other demand deposits	17, 34, 36	964	3,074
Financial assets	14, 16, 17, 18, 19, 34, 36	6,435	5,131
Held-for-trading	14, 16, 22	261	309
Designated at fair value through profit or loss	14, 16	-	-
Non-trading mandatorily at fair value through profit or loss	14, 16	42	36
At fair value through other comprehensive income	14, 16	3,021	2,560
At amortized cost	14, 16	3,108	2,212
Hedging derivatives	14, 16, 22	3	14
Tax assets	24, 36	14	16
Current tax assets		0	-
Deferred tax assets		14	16
Investment in subsidiaries and associates	39	1,103	875
Investment properties	26	-	11
Property and equipment	26	24	57
Intangible assets	25	108	104
Other assets	23, 36	53	65
Non-current assets held-for-sale	1	7	10
TOTAL ASSETS		**8,706**	**9,342**

EQUITY AND LIABILITIES (In EUR million)		31/12/2019	31/12/2018
Financial liabilities	14, 16, 17, 34	7,239	8,032
Held-for-trading	22	240	265
At amortized cost		6,887	7,679
Hedging derivatives	22	111	88
Provisions	27, 29	11	12
Other liabilities	28	171	142
TOTAL LIABILITIES		**7,421**	**8,186**
TOTAL EQUITY	30	**1,285**	**1,157**
Out of which Common Equity Tier 1 instruments issued		*770*	*708*
TOTAL EQUITY AND LIABILITIES		**8,706**	**9,342**

The notes refer to the ‘Notes to the financial statements’, which form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In EUR million	Issued and paid-up share capital	Share premium	Revaluation reserve	Remeasu-rement of defined benefit pension plans	Reserves	Profit/ Loss	**Total equity**
2019							
Balance as at 31/12/2018	**221.2**	**487.2**	**5.3**	**-8.4**	**474.5**	**-23.0**	**1,156.9**
Impact of adopting IFRS16 (Note 2e)	-	-	-	-	-	-	-
Balance as at 01/01/2019	**221.2**	**487.2**	**5.3**	**-8.4**	**474.5**	**-23.0**	**1,156.9**
Transfer of previous year result to the reserves (Note 30)	-	-	-	-	-23.0	23.0	-
Dividends and profit-sharing	-	-	-	-	-	-	-
Result on equities at fair value through other comprehensive income option (with no recycling in the profit or loss of the period)	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	6.9	-1.0	-	60.3	66.3
Capital increase (Note 30)	11.9	50.1	-	-	-	-	62.0
Balance as at 31/12/2019	**233.1**	**537.4**	**12.2**	**-9.4**	**451.5**	**60.3**	**1,285.1**

In EUR million	Issued and paid-up share capital	Share premium	Revaluation reserve	Remeasu-rement of defined benefit pension plans	Reserves	Profit/ Loss	**Total equity**
2018							
Balance as at 31/12/2017	**221.2**	**487.2**	**33.2**	**-6.7**	**595.5**	**39.3**	**1,369.8**
Impact of adopting IFRS 9	-	-	-9.4	-	-130.3	-	-139.7
Balance as at 01/01/2018	**221.2**	**487.2**	**23.8**	**-6.7**	**465.2**	**39.3**	**1,230.0**
Transfer of previous year result to the reserves (Note 30)	-	-	-	-	9.2	-9.2	-
Dividends and profit-sharing	-	-	-	-	-	-30.0	-30.0
Result on equities at fair value through other comprehensive income option (with no recycling in the profit or loss of the period)	-	-	-0.1	-	0.1	-	0.0
Total comprehensive income for the year	-	-	-18.4	-1.7	-	-23.0	-43.2
Balance as at 31/12/2018	**221.2**	**487.2**	**5.3**	**-8.4**	**474.5**	**-23.0**	**1,156.9**

The notes refer to the ‘Notes to the financial statements’, which form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

In EUR million	Notes	31/12/2019	31/12/2018
Profit /(loss) before tax		60.3	-23.0
Adjustments for:			
Impairment of securities, amortisation and depreciation of property and equipment, intangible assets and investment properties	*10, 12*	*19.7*	*8.1*
Profit/loss on the disposal of investments	*9*	*-129.9*	*0.0*
Change in impairment for losses on loans and advances	*12*	*13.1*	*2.8*
Change in other provisions	*10*	*0.6*	*1.0*
Unrealised foreign currency gains and losses		*-6.1*	*-6.0*
Cash flows from / (used in) operating activities, before tax and changes in operating assets and liabilities		**-42.4**	**-17.1**
Changes in operating assets [(1)]		-1,256.9	636.4
Changes in operating liabilities [(2)]		-373.5	-616.1
Income taxes		-1.0	-1.6
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES		**-1,673.8**	**1.5**
Purchase of subsidiaries or business units		-62.3	-20.2
Proceeds from sale of subsidiaries or business units	1, 9	4.5	137.4
Purchase of intangible assets	25	-0.5	-0.1
Purchase of investment property	26	-	-8.1
Proceeds from sale of investment property	9, 26	14.3	-
Purchase of property and equipment	26	-2.5	-2.4
Proceeds from sale of property and equipment	9, 26	27.4	0.8
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**-19.1**	**107.5**
Share capital increase	30	62.0	-
Purchase/sale of treasury shares		-	-
Issue/repayment of non-subordinated debt	14	221.7	14.8
Issue/repayment of subordinated debts	14	-1.2	-1.3
Dividends paid and profit-sharing		-	-30.0
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**282.5**	**-16.5**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [(3)]		**-1,410.5**	**92.5**
CASH AND CASH EQUIVALENTS AS AT 01/01		**1,702.2**	**1,609.7**
Net increase/decrease in cash and cash equivalents		-1,410.5	92.5
CASH AND CASH EQUIVALENTS AS AT 31/12		**291.8**	**1,702.2**
ADDITIONAL INFORMATION			
Interest paid during the year		-105.8	-92.9
Interest received during the year		129.3	100.0
Dividends received (including equity method)	5	9.0	37.0
COMPONENTS OF CASH AND CASH EQUIVALENTS		**291.8**	**1,702.2**
Cash and balances with central banks (including mandatory reserve with the central bank)		826.0	2,891.5
Loans and advances to banks repayable on demand		1,269.2	480.9
Deposits from banks repayable on demand		-1,803.5	-1,670.1
Of which: not available [(4)]		41.0	47.6

(1) Including Loans and advances to banks and customers, securities, derivatives and other assets.

(2) Including deposits from banks and customers, bonds issued, derivatives and other liabilities.

(3) Cash includes cash and deposits payable on demand; cash equivalents are short-term investments that are very liquid, easily convertible into a known cash amount and subject to a negligible risk of a change in value.

(4) Cash and cash equivalents not available mainly comprise of the mandatory reserve held with the Luxembourg Central Bank and the 'margin' accounts held with clearing houses (futures markets, etc.).

The notes refer to the 'Notes to the financial statements', which form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – General

Quintet Private Bank (Europe) S.A. (hereafter 'Quintet' or the 'Bank') is specialised in private banking. In support of and complementary to this activity, Quintet has also developed several niche activities specific to its various markets.

On 16 January 2020, KBL European Private Bankers S.A. was renamed "Quintet Private Bank (Europe) S.A.". KBL Luxembourg, the group's private bank in the Grand Duchy, was rebranded as "Quintet Luxembourg", which is a trading name of Quintet Private Bank (Europe) S.A. At the same time, KBL España was rebranded as "Quintet España".

The business purpose of Quintet is to carry out all banking and credit activities. In addition, Quintet is allowed to carry out all commercial, industrial or other transactions, including real estate transactions, in order to achieve its main business purpose, either directly or through participation, or in any other manner, these provisions to be understood in the widest manner possible. Quintet may carry out any activity which contributes in any way to the achievement of its business purpose. The Bank's main activities are described in Note 3a.

Quintet is a public limited liability company (*société anonyme*) incorporated in Luxembourg and having its registered office at: 43, boulevard Royal, L-2955 Luxembourg.

Since July 2012, Quintet Group is more than 99.9% owned by Precision Capital S.A., a Luxembourg-based company governed by Luxembourg law representing the interests of a group of Qatari private investors. The registered office of Precision Capital S.A. is located at 15, boulevard Roosevelt, L-2450 Luxembourg.

The Bank prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as a consolidated management report, which are available at its head office.

The Bank's consolidated financial statements are consolidated in the Precision Capital's consolidated financial statements. Precision Capital's consolidated financial statements and management report are available at its head office. Precision Capital's consolidated financial statements are consolidated in the Pioneer Holding S.A.'s consolidated financial statements. The registered office of Pioneer Holding S.A. is located at 15, boulevard Roosevelt, L-2450 Luxembourg.

As of 31 December 2019, Quintet's non-consolidated financial statements include those of the Spanish branch opened on 7 April 2010.

<u>Bank Am Bellevue</u>

On 20 August 2019, Quintet announced the signing of an agreement to acquire the Zurich-based Bank am Bellevue, the wealth management business of the Bellevue Group, a diversified financial services company listed on the SIX Swiss Exchange.

The transaction is expected to be approved by the relevant regulatory authorities in the second quarter of 2020.

<u>European Fund Administration</u>

In 2019, the shareholders of EFA and EFA Partners agreed on the liquidation of the holding company EFA Partners as well as on a rebalancing of the participating interests of EFA between the founding shareholders. This transaction generated a positive result presented in Note 9.

Sale and lease back of the buildings occupied by the Bank

During 2019, for the streamlining of buildings' management, the Bank transferred its Luxembourg headquarters to its subsidiary KBL Immo S.A. through a contribution in kind and concluded a leaseback contract.

Determination of net realized profit and lease accounting have been established in accordance with the provisions of the new standard IFRS16 - *leases* applicable to sale and leaseback transactions. Impacts are detailed in the Notes 9 and 26.

Non-current assets held-for-sale (HFS) not qualifying as discontinued operations

In accordance with IFRS 5, a property, located in South of France, owned by the Bank following a foreclosure is disclosed separately in a single line item as 'Non-current assets held-for-sale' as at 31 December 2019. The Bank has decided to sell this property in a short term according to market opportunities.

The valuation of this property materially declined in the second half of 2018. The Bank impaired the assets in a single line item of the statement of profit and loss as 'Gains / (losses) on non-current assets held-for-sale – not qualifying as discontinued operations'. There was no additional impairment during 2019.

As at 31 December 2018, the Bank owned a second property, located at Luxembourg and previously occupied by Puilaetco Dewaay Luxembourg. This property has been sold in the course of 2019 with a profit of EUR 11m (please refer to Note 9).

KBL Richelieu and KBL Monaco Private Bankers

On 1 December 2017, Quintet signed a preliminary agreement for the sale of its subsidiaries KBL Richelieu in France and KBL Monaco Private Bankers to Société Générale de Banque au Liban, a universal banking group. The transaction has been closed in early July 2018.

In 2018, the sale of both entities has generated a net gain presented in other income, please refer to Note 9.

Note 2a – Statement of compliance

These financial statements were approved by the Board of Directors of Quintet on 26 March 2020.

Quintet's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Given its activity, Quintet is not impacted *de facto* by IFRS 4 on insurance contracts.

The financial statements provide comparative information in respect of the previous financial year.

In preparing the financial statements under IFRS, the Board of Directors is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements.

Note 2b – Changes in accounting policies since the previous annual publication that may impact Quintet

Standards effective for Quintet Private Bank (Europe) S.A from 1 January 2019:

- IFRS 16 Leases (issued on 1 January 2016 and effective for annual periods beginning on or after 1 January 2019) (Refer to Note 2e)
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation (issued on 1 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 1 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures (issued on 1 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement (issued on 1 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015–2017 Cycle:
- IFRS 3 Business Combinations - Previously held Interests in a joint operation (issued on 1 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation (issued on 1 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity (issued on 1 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation (issued on 1 December 2017 and effective for annual periods beginning on or after 1 January 2019).

New standards and interpretations issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which Quintet Private Bank (Europe) S.A has not early adopted:

- IFRS 17 Insurance Contracts (issued on 1 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 1 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 and IAS 8 – Definition of Material (issued on 1 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 – Definition of a Business (issued on 1 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 1 September 2016 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 1 September 2014 with effective period not yet determined).

None of the above standards are expected to have any material impact on the financial statements when adopted.

Note 2c – Significant accounting policies

a. Foreign currency translation

Quintet Private Bank (Europe) S.A.'s financial statements are presented in EUR, which is also its functional currency.

Quintet Private Bank (Europe) S.A. maintains a multi-currency accounting system under which any transaction is registered in its original foreign currency.

In preparing the financial statements, assets and liabilities in foreign currencies are translated into EUR. Monetary items denominated in foreign currencies are converted at the closing rate prevailing at the reporting date; differences arising from such conversion are recorded in the statement of profit and loss. Non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated at the historical exchange rate prevailing at the date of the transaction. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rate at the date when the fair value is determined and translation differences are reported together with changes in fair value.

Income and expense items denominated in foreign currencies are recognised in the statement of profit and loss using exchange rates that approximate the rates at the dates of the transactions (e.g. average monthly exchange rates).

b. Financial assets and liabilities

b.1. General principles of recognition and derecognition of financial instruments

A financial instrument is recognised in the statement of financial position when and only when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when and only when the contractual rights to receive cash flows from the asset have expired or Quintet Private Bank (Europe) S.A. transfers the financial asset.

A financial liability is derecognised when and only when the contractual liability is settled, cancelled or expires.

Transactions whose contractual terms require delivery of the asset within a time frame established by regulation or convention in the marketplace concerned ("regular way purchases and sales of financial assets") are recognised at trade date, which is the date that Quintet Private Bank (Europe) S.A. commits to purchase or sell the asset.

Any variation in the fair value of the asset to be received during the period from the transaction date to the payment date is recognised in the same way as for the asset acquired. The change in fair value is recognised in the statement of profit and loss for assets classified as financial assets at fair value through profit or loss and in equity for those classified as fair valued through other comprehensive income. For assets measured at amortized cost, there is no fair value recognized.

Pursuant to the provisions of IFRS 9 on derecognition, the Bank keeps securities lent in its securities portfolio, but securities borrowed are not recorded on the statement of financial position. Similarly, the securities transferred through repurchase agreements are kept in the securities portfolio but those under reverse repurchase agreements are not recorded on the statement of financial position.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described hereafter. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value

is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

b.2. Categories of financial assets and financial liabilities

In accordance with IFRS 9, the Bank classified its financial assets in the following categories (Note 14):
- Fair value through profit or loss (FVPL),
- Fair value through other comprehensive income (FVOCI),
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

b.2.1. Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instrument depend on:
- The Bank's business model for managing the asset,
- The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instrument into one of the following three measurement categories.

- *Financial assets at fair value through profit or loss (FVPL)*

Financial assets at fair value through profit or loss
include held-for-trading assets, any assets that do not meet the criteria for amortized cost or FVOCI and other financial assets initially designated at fair value through profit or loss. The gain or loss are presented in the period in which it arises within the statement of profit and loss.

Held-for-trading assets are those acquired principally for the purpose of selling them in the near term and those which are part of a portfolio with indications of recent short-term profit-taking. A gain or loss on a financial instrument measured at fair value through profit or loss that is not part of hedging relationship is recognised in profit or loss and presented in the statement of profit and loss in the period in which it arises. All derivative assets are considered as being held-for-trading unless designated as effective hedging instruments. Other assets initially designated at fair value through profit or loss are valued in the same way as held-for-trading assets, even if there is no intention of short-term profit taking. The designation at FVPL for financial assets may be used when application of this option reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

- *Financial assets at Fair value through Other comprehensive Income (*FVOCI)

The Bank applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets,
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of profit and loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

- *Financial assets at amortized cost*

Financial assets are classified at amortized cost if both of the following characteristics are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

These instruments are mainly composed of debt securities and loans and advances. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 37. Interest income from these financial assets is included in interest and similar income using the effective interest rate method. Some financial assets measured at amortized cost are hedged under a fair value hedge strategy and in this case the fair value adjustment is recognised on the carrying amount of the financial asset.

Business model assessment
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of other business models and measured at FVPL.

Factors considered by the Bank in determining the business model for a group of assets include experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risk are assessed and managed and how managers are compensated. The Bank business model for all loans and advances is held to collect the contractual cash flows. The ALM portfolio is held under either business model to Hold to collect or collect and sell.

The solely payments of principal and interest (SPPI) test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments cash flows represent solely payments of principal and interest (the 'SPPI' test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to be solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

b.2.2. Equity instruments

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 'Financial Instruments: Presentation' and are not held-for-trading. Such classification is determined on an instrument by instrument basis (Note 14).

Gains or losses on these equity instruments are never recycled to profit. Dividends are recognised in statement of profit and loss when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

b.2.3. Financial liabilities

- *Financial liabilities at fair value through profit or loss* encompass *held-for-trading liabilities* and *financial liabilities initially designated at fair value through profit or loss*. *Held-for-trading liabilities* are liabilities held mainly with the intention of repurchasing them in the near term. All derivative liabilities are considered as being held-for-trading unless designated as effective hedging instruments.

  Financial liabilities initially designated at fair value through profit or loss are those liabilities accounted for under the 'fair value option'. This category is currently only used for unit-linked financial liabilities of insurance subsidiaries.

- *Other financial liabilities* are all other financial instruments not at fair value through profit or loss.

- *Hedging derivatives* are the derivatives designated in hedging relationships for which hedge accounting is applied.

b.3. Evaluation of financial instruments

Financial assets and liabilities are initially recognised at fair value and are then measured in accordance with the principles governing the IFRS 9 category in which they are placed.

Assets measured at amortized cost using the effective interest rate (hereinafter "EIR") method, that is the rate that precisely discounts the future cash inflows or outflows to obtain the carrying amount. Instruments without a fixed maturity are measured at cost.

The *financial assets at fair value through Other Comprehensive Income* are measured at fair value with changes in fair value recognised in equity ('Revaluation reserve') until the sale or impairment of these instruments. In the latter cases, the cumulative result of the revaluation is transferred from equity to the statement of profit and loss of the period, except for equity instruments under FVOCI option.

For equity instruments with election of fair value option, there is no reclassification of gains and losses upon disposal. Any impairment losses and reversal of impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments continue to be recognised in profit of loss as other income when the Bank's right to receive payment is established.

The *financial assets and liabilities at fair value through profit or loss* are measured at fair value with changes in fair value recognised in the statement of profit and loss.

b.4. Impairment of financial assets

Overview of ECL principles

IFRS9 requires a forward-looking ECL approach. To that purpose, the Bank records allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 37.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 37.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 37.

Based on the above process, the Bank classifies its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 37). The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted effective interest rate (EIR). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of Expected Credit Loss (ECLs)

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The calculation methodology of ECL are outlined in Note 37.

When estimating the ECLs, the Bank considers three scenarios as disclosed in Note 37. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of some revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 27. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities is explained below.

The calculation methodology is summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast exposure at default (hereinafter 'EAD') and multiplied by the expected loss given default (hereinafter 'LGD') and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The methodology is similar to the one explained above, including the use of multiple scenarios, but probability of defaults (hereinafter 'PDs') and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired (as defined in Note 37), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit and loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the statement of profit and loss upon derecognition of the assets.

Forward looking information
In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs (refer to Note 37 for further information).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 37.

b.5. Hedge accounting

The Bank has elected to continue to apply the hedge accounting requirements as defined per IAS 39.

The Bank applies micro-hedge accounting when all the following conditions are met: the hedging relationship must be designated at inception and formally documented, the hedge is expected to be highly effective, and it must be possible to reliably measure the effectiveness of the hedge, forecast transactions (for cash flow hedges) must be highly probable and the hedge is measured on an ongoing basis and is determined actually to have been highly effective throughout the periods covered by the financial statements for which the hedge was designated.

Fair value hedge accounting is used by the Bank to cover the exposure of a financial instrument (mainly participating interests in foreign currency, financial assets at fair value through other comprehensive income and certain financial liabilities) to changes in fair value attributable to changes in interest rates or exchange rates. In this case those derivatives designated as hedging instruments (mainly interest rate swaps and cross-currency interest rate swaps) are measured at fair value with changes in fair value recognised in the statement of profit and loss. Furthermore, the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged element and is also recognised in the statement of profit and loss. If the hedged item is a financial asset at fair value through other comprehensive income, applying hedge accounting leads to splitting the change in the instrument fair value between the portion addressed by the hedge relationship, recognised in the statement of profit and loss, and the portion that relates to unhedged risks, recognised in the revaluation reserve in equity.

Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, and for debt instruments, the cumulative change to the carrying amount of the hedged instrument (relating to hedged risks) is transferred to the statement of profit and loss *prorata temporis* until the instrument expires.

Cash flow hedge accounting is used by the Bank to recognise hedges of the exposure to variability in cash flows of highly probable forecast transactions. In this case:

- highly probable forecast transactions are anticipated sales of financial instruments recognised within assets (hedges may relate both to debt and equity instruments);
- hedging instruments are forward sales;
- main hedged risk is interest rate risk.

Currently, there are no hedging operations designated as cash flow hedge.

Hedging instruments are measured at fair value with changes in fair value recognized as follows: the portion of the gain or loss that is determined to be an effective hedge is recognised in other comprehensive income; the ineffective portion is recognised in the statement of profit and loss. Hedge accounting is to be discontinued if the hedge accounting criteria are no longer met. In this case, the hedging instruments is to be treated as held-for-trading instruments and measured accordingly. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. It is also necessary to assess, retrospectively, whether the hedge was highly effective over the previous one month period. The hedge accounting documentation includes the method and results of the hedge effectiveness assessments.

Foreign currency financing of a net investment in a foreign entity is accounted for as a hedge of that net investment. Translation differences (taking account of deferred taxes) on the financing are recorded in equity, along with translation differences on the net investment.
However, the Bank currently does not hold any net investment in a foreign entity to which this approach is applied.

c. Repurchase agreements and reverse repurchase agreements

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are reported in financial assets at amortised cost due from banks. The advances are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy of the category to which they relate. The proceeds from the sale of the investments are reported financial liabilities at amortised cost due to banks. The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in the interest caption.

d. Intangible assets

Intangible assets acquired are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

The purchase of a portfolio of customers generally includes the transfer of the client assets under management to the Bank and the recruitment of all or part of the account officers in charge of client relationships.
This type of intangible assets is amortized on a straight-line basis over its estimated useful life, typically 15 years.

When the recognition criteria are met and when the amounts are not immaterial, software is recognised as an intangible asset. Internal and external expenses incurred during the development phase of internally generated strategic software are recognised in assets and amortized using the straight-line method over the estimated useful life. The average annual rate is 25%. However, the useful life of the core banking system has been estimated at 10 years (average annual rate: 10%).

Research expenses for these projects and all expenses that relate to non-strategic projects are recognised directly in the statement of profit and loss.

e. Property, equipment and right-of-use assets

Property and equipment are initially recognised at cost.

Property and equipment, of which the use is limited in time, are depreciated using the straight-line method over their estimated useful lives.

<u>Overview of average depreciation rates</u>

Type of investment	*Depreciation rate*
Land	Non depreciable
Buildings	2%-3%
Technical installations	5%-10%
Furniture	25%
IT hardware	25%
Vehicles	25%
Works of art	Non depreciable

An impairment loss must be recognised if the carrying value exceeds the recoverable value (which is the greater of the asset's value in use and its fair value less costs of disposal).
When property or equipment is sold, the realised gains or losses are recognised in the statement of profit and loss. If property or equipment is destroyed, the carrying amount to be written off is immediately recognised in the statement of profit and loss.

Right-of-use assets are presented together with property and equipment in the statement of financial position – refer to the accounting policy in Note "g leased assets (as lessee)" below. Right-of-use assets are depreciated on a straight-line basis over the lease term.

f. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is recognised only when it is probable that future economic benefits associated with the investment property will flow to Quintet and if its cost can be measured reliably.

Investment properties are measured at cost less any accumulated depreciation and impairment (when the market value is below the cost value). They are depreciated using the straight-line method over their estimated useful life (average rate: 2% - 3%).

g. Leased assets (as lessee)

In line with IFRS 16, the Bank is required to decide whether a contract is (or contains) a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:
- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank,
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- the Bank has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Bank also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options enforceable against the lessor reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in fixed payments in substance.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases, which are leases with initial term not longer than 12 months, and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term (Notes 4 and 10).

h. Pensions

In addition to the general and legally prescribed retirement plans, the Bank maintains a certain number of complementary systems in the form of both defined contribution and defined benefit pension plans. Defined benefit plans are those under which the Bank has a legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits for the current and past periods. Defined contribution plans are those under which the Bank has no further legal or constructive liability beyond the amount it pays into the fund.

In the case of defined benefit pension plans, the pension cost in the statement of profit and loss and liability on the statement of financial position are calculated in accordance with IAS 19 (as revised in 2011), based on the Projected Unit Credit Method, which sees each period of service as giving rise to an additional unit of benefit entitlement. The calculations are made each year by independent actuaries.

The components of the defined benefit cost are recognized according to the following principles:

(i) Service cost and net interest on the net defined benefit liability / asset are recognized in the statement of profit and loss,
(ii) Remeasurements of the net defined benefit liability / asset are recognized in

other comprehensive income. Remeasurements include:

- actuarial gains and losses stemming from the remeasurement of the defined benefit obligation,
- the return of plan assets after deducting the portion included in net interest as determined in (i), and
- any change in the effect of the asset ceiling – also excluding any amount included in net interest as determined in (i).

Remeasurements recognized in other comprehensive income are not reclassified to the statement of profit and loss in subsequent periods.

In the case of defined contribution plans, the contributions payable are expensed when the employees render the corresponding service which generally coincides with the year in which the contributions are actually paid.

i. Tax assets and tax liabilities

These statement of financial position headings include both current and deferred tax assets and liabilities.

Current tax is the amount expected to be paid or recovered, using the tax rate which has been enacted or substantively enacted at the statement of financial position date.

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of an asset or liability and its tax base. They are valued using the tax rates in effect for the periods when the assets are realised or the liabilities settled, on the basis of the tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits and for all deductible temporary differences between the carrying value of the assets and liabilities and their tax base, to the extent that it is probable that future taxable profit will be available against which these losses, tax credits and deductible temporary differences can be utilised.

Where required by IAS 12, tax assets and liabilities are offset.

j. Provisions

A provision is recognised when and only when the following three conditions are met:

- Quintet has a present obligation (at the reporting date) as a result of a past event,
- it is more likely than not that an outflow of resources embodying economic benefits will be required to settle this obligation, and
- the amount of the obligation can be estimated reliably.

k. Financial guarantees

Financial guarantees contracts are initially recognised at fair value and subsequently measured at the higher of (i) the amount initially recognized less, when appropriate, cumulative amortisation and (ii) the Bank’s best estimate of the expenditure required to settle the present obligation at the reporting date.

The premium received is recognised in the statement of profit and loss in Net fees and commission income on a straight-line basis over the life of the guarantee.

l. Equity

Equity is the residual interest in the assets of Quintet after all its liabilities have been deducted.

Equity instruments have been differentiated from financial instruments in accordance with the provisions of IAS 32.

The acquisition cost of Quintet treasury shares that have been or are being purchased is deducted from equity. Gains and losses realised on sale or cancellation of treasury shares are recognised directly in equity.

The revaluation reserve for financial assets measured at fair value through other comprehensive income is included in equity until any impairment or sale. In such a case, the gains and losses are transferred to the statement of profit and loss of the period.

The “defined benefit remeasurement reserve” relating to the recognition of certain pension costs is also included in equity. This reserve will however never be subsequently recycled into the statement of profit and loss.

As regards to cash flow hedges and hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity.

m. Write offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

n. Non-current assets held-for-sale

The Bank classifies assets as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortized. The net gain or loss arising from remeasurement and impairments on non-current assets held-for-sale is shown in a single line item of the statement of profit and loss as 'Assets HFS – not qualifying as discontinued operations'.

The gains/ loss on disposal are presented in Other net income.

o. Investment in subsidiaries and associates

Subsidiaries and associates are measured at cost following IAS 27 and IAS 28. Impairment tests are performed once a year.

p. The effective interest rate method

Interest income is recorded using the EIR method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the statement of financial position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re- estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

q. Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

r. Revenue

Quintet recognises revenue relating to ordinary activities if and only if the following conditions are met:

- it is probable that the economic benefits associated with the transaction will flow to Quintet, and
- the amount of revenue can be measured reliably.

The specific conditions below must also be met before recognising the related revenue:

<u>Net interest income</u>

Interest is recognised *prorata temporis* using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

All interests paid and received on financial instruments, including held-for-trading derivatives, are recorded under the heading "Net interest income".

<u>Dividends</u>

Dividends are recognised when the right of the shareholder to receive the payment is established. They are presented under the heading "Dividend income" in the statement of profit and loss irrespective of the IFRS category of the related assets.

<u>Rendering of services</u>

Revenue from services (fee and commission income) is recognised by reference to the stage of completion at the statement of financial position date, i.e. :

- Asset based fees (execution only, advisory only and all-in management fees) are recognized over time.
- Transaction based fees (clearing and settlements, other cash & banking services) are recognized in point in time.

According to this method, the revenue is recognised in the periods when the services are provided.

Note 2d – Significant accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, which by definition will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgment or complexity and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimations techniques used in measuring ECL is further detailed in Note 37, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk,
- choosing appropriate models and assumptions for the measurement of ECL,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Leases – estimating the incremental borrowing rate

According to IFRS 16, the Incremental Borrowing Rate (IBR) is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

At Quintet, the 'fund transfer pricing grid' calculated by the Quintet ALM department has been assessed to be an appropriate reference of the IBR. For the IBR needs, Quintet uses two main components of the 'Fund transfer pricing' (FTP):

- the market interest rate that is the swap rate (considered as risk-free rate) of the funding,
- the Quintet credit spread is the remuneration of the counterparty risk which is estimated based on similar issuer.

Going concern

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

Note 2e – IFRS 16 – first time application

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the inception date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability (Note 4) and the depreciation expense on the right-of-use asset (Note 10).

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged compared to IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operational and financial leases.

Transition to IFRS 16

IFRS16 offers a range of transition options. The banks elects to use several practical expedients:

- The standard is applied retrospectively without restating comparative information and therefore the cumulative effect on initially applying the Standard as at 1 January 2019;
- Right-of-use asset at the date of the initial application is remeasured for an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments;
- Lease contracts for which the lease terms end within 12 months as of the date of initial application or less than five thousand euros are not considered within IFRS 16 application.

ASSETS (In EUR million)	**31/12/2018**	**Application of IFRS16**	**01/01/2019**
Cash and balances with central banks and other demand deposits	3,074	-	3,074
Financial assets	5,131	-	5,131
Tax assets	16	-	16
Investment in subsidiaries and associates	875	-	875
Investment properties	11	-	11
Property and equipment	57	2	58
Intangible assets	104	-	104
Other assets	65	-	65
Non-current assets held-for-sale	10	-	10
TOTAL ASSETS	**9,342**	**2**	**9,344**

EQUITY AND LIABILITIES (In EUR million)	**31/12/2018**	**Application of IFRS16**	**01/01/2019**
Financial liabilities	8,032	-	8,032
Provisions	12	-	12
Other liabilities	142	2	144
TOTAL LIABILITIES	**8,186**	**2**	**8,187**
TOTAL EQUITY	**1,157**	**-**	**1,157**
TOTAL EQUITY AND LIABILITIES	**9,342**	**2**	**9,344**

Note 3a – Operating segments by business segment

Revenue and costs attributed to a segment reflect direct and indirect income from clients as well as allocated costs linked to this segment business as implemented in accounting management in 2019.

Quintet Private Bank distinguishes between the following primary segments:

- The **'PRIVATE BANKING'** segment includes the wealth management activities provided to Quintet Luxembourg private clients.

- The **'GLOBAL INSTITUTIONAL SERVICES'** segment includes services provided to institutional clients. This segment includes custodian bank, fund domiciliation and administration activities, paying agent activities, central securities depository Clearstream / Euroclear activities, as well as intermediation and portfolio management services for Quintet Luxembourg institutional clients.

- The '**OWN ACCOUNT & GROUP ITEMS**' segment includes support activity provided by Quintet Group to the network of subsidiaries, acting in its capacity as parent company, all other elements not directly linked to the previous two segments, and extraordinary elements not directly linked to other business segments. 'Own Account' includes activities such as bullions, bond and structured products own account, ALM free capital portfolio revenues, etc. (not directly private client-related). 2019 was impacted by revenue from the sale of Real-Estate assets.

Statement of profit and loss **In EUR million**	**PRIVATE BANKING**		**GLOBAL INSTITUTIONAL SERVICES**		**OWN ACCOUNT & GROUP ITEMS**		**Quintet**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net interest income	12.0	14.4	17.3	16.5	18.9	13.8	48.2	44.7
Dividend income	0.3	1.2	0.4	0.9	8.3	35.0	9.0	37.0
Net gains/losses on financial instruments measured at fair value through profit or loss	0.4	3.6	4.4	5.1	6.4	12.0	11.2	20.7
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	0.0	-0.2	0.0	-0.1	8.3	-0.2	8.3	-0.5
Net fee and commission income	20.3	21.5	22.3	24.1	-2.2	-2.5	40.5	43.2
Other net income	0.0	-0.2	-0.1	-0.1	132.0	-1.1	131.9	-1.5
GROSS INCOME	**33.1**	**40.4**	**44.3**	**46.3**	**171.7**	**56.9**	**249.0**	**143.7**
Operating expenses	-38.8	-39.8	-31.3	-32.6	-93.5	-88.9	-163.5	-161.2
Impairment	-13.5	-3.2	0.2	0.0	-11.9	0.3	-25.2	-2.9
Assets HFS - not qualifying as disc. operations	0.0	-2.5	0.0	-	0.0	0.0	-	-2.5
PROFIT/LOSS BEFORE TAX	**-19.1**	**-5.1**	**13.2**	**13.8**	**66.3**	**-31.7**	**60.3**	**-23.0**
Income tax (expense) / income	0.0	-	0.0	-	0.0	0.0	-	0.0
PROFIT/LOSS AFTER TAX	**-19.1**	**-5.1**	**13.2**	**13.8**	**66.3**	**-31.6**	**60.3**	**-23.0**

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the annual accounts.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Note 3b – Operating segments by geographic sector

The Bank carries out most of its activities in Western Europe.

Note 4 – Net interest income

In EUR thousand	31/12/2019	31/12/2018
Breakdown by portfolio		
Interest income	**1,727,617**	**863,494**
Financial assets at fair value through other comprehensive income	52,552	48,645
Financial assets at amortized cost	41,767	20,912
Interest income on liabilities at amortized cost	13,025	10,226
Other	31	-
Sub-total of interest income from financial instruments not measured at fair value through profit or loss	*107,376*	*79,783*
Financial assets held-for-trading	1,598,297	763,542
Net interest on hedging derivatives	21,943	20,169
Non-trading financial assets mandatorily at fair value through profit or loss	1	0
Interest expense	**-1,679,451**	**-818,746**
Financial liabilities at amortized cost	-44,387	-39,301
Interest expense on assets at amortized cost	-9,531	-3,182
Other	-	-23
Sub-total of interest expense on financial instruments not measured at fair value through profit or loss	*-53,919*	*-42,507*
Financial liabilities held-for-trading	-1,573,641	-725,863
Net interest on hedging derivatives	-51,825	-50,376
Interest expense for leasing arrangements	-66	-
Net interest income	**48,166**	**44,748**

Note 5 – Dividend income

In EUR thousand	31/12/2019	31/12/2018
Participating interests	7,899	34,102
Equity instruments at fair value through other comprehensive income	0	265
Non-trading financial assets mandatorily at fair value through profit or loss	1,065	2,680
Dividend income	**8,964**	**37,047**

Note 6 – Net gains/losses on financial instruments measured at fair value through profit or loss

In EUR thousand	31/12/2019	31/12/2018
Held-for-trading	9,545	9,293
Non-trading financial instruments mandatorily at fair value through profit or loss	2,242	11,371
Other financial instruments designated at fair value	-	-12
Fair value adjustments in hedge accounting (micro-hedging)	-573	94
Fair value of hedged items	*-31,887*	*-13,032*
Fair value of hedging items	*31,313*	*13,127*
Net gains/losses on financial instruments measured at fair value through profit or loss	**11,213**	**20,746**

Note 7 – Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss

In EUR thousand	31/12/2019	31/12/2018
At fair value through other comprehensive income	**8,231**	**-447**
Debt securities	8,231	-447
At amortized cost	**96**	**-82**
Debt securities	96	-7
Loans and advances	0	-75
Net realised gains/losses on financial assets and liabilities not measured at fair value through profit or loss	**8,327**	**-529**

Note 8 – Net fee and commission income

In EUR thousand	31/12/2019	31/12/2018
Fee and commission income	**66,990**	**76,903**
Asset management	48,127	57,066
Securities transactions	15,508	17,208
Other	3,355	2,629
Fee and commission expense	**-26,515**	**-33,681**
Asset management	-21,838	-28,334
Securities transactions	-3,783	-4,722
Other	-894	-625
Net fee and commission income	**40,475**	**43,222**

Note 9 – Other net income

In EUR thousand		31/12/2019	31/12/2018
Other net income		**131,865**	**-1,528**
Of which:	Contribution in kind of headquarters office to KBL Immo	92,232	-
	Sale of real estate	35,200	441
	EFA partners & EFA shares rebalancing	2,466	-
	Net proceeds from precious metals transactions	954	312
	Rental compensation related to the sale of real estate in Monaco	319	-2,452
	Net wealth tax	-520	-1,091
	Disposal of subsidiaries: KBL Monaco / KBL Richelieu	-	1,988

Note 10 – Operating expenses

Operating expenses include staff costs, amortisation and depreciation of investment properties, amortisation and depreciation of property and equipment and intangible assets, changes in provisions and general administrative expenses.

General administrative expenses include in particular repair and maintenance expenses, advertising expenses, rent, professional duties, IT costs and various (non-income) taxes.

In EUR thousand	31/12/2019	31/12/2018
Staff expenses	-93,875	-101,514
General administrative expenses	-61,515	-50,763
Depreciation and amortisation of property and equipment, intangible assets and investment properties	-7,594	-7,943
of which depreciation of right-of-use assets	*-1,663*	-
Net provision allowances	-557	-1,008
Operating expenses	**-163,541**	**-161,228**

Note 11 – Staff

	31/12/2019	31/12/2018
Total average number of persons employed (in full-time equivalents - FTE)	**565**	**630**
Breakdown by business segment [(1)]		
Private Banking	190	259
Global Institutional Services	162	186
Own Account and Group items	213	185

[(1)] The breakdown of commercial, administrative and support staff has been made on the same basis than for drawing up Note 3a on operating segments by business segment.

Note 12 – Impairment

In EUR thousand	31/12/2019	31/12/2018
(Impairment)/reversal of impairment of:		
Cash balances with central banks and other demand deposits	**85**	**-35**
At fair value through other comprehensive income	**-134**	**-172**
Stage 1	-134	-172
At amortized cost	**-13,128**	**-2,736**
Stage 1	275	68
Stage 2	-1	22
Stage 3	-13,401	-2,826
Investments in subsidiaries	**-12,000**	**-**
Impairment	**-25,176**	**-2,943**

More detailed information on impairment is provided in Note 37.

Impairment on investments in subsidiaries

In EUR thousand	31/12/2019	31/12/2018
Total	**12,000**	**-**
(Impairment)/reversal of impairment of:	12,000	
Equity instruments	12,000	-
On participating interests	**12,000**	**-**

See also Note 20 – Impairment of financial assets at fair value through other comprehensive income

The values of participating interests and purchased portfolios of customers are subject to an impairment test which is performed at least annually, in the course of the fourth quarter. Recoverable values are primarily measured from a Dividend Discount Model (DDM) valuation method which, in practice, represents an estimation of fair value less costs of disposal (the related fair value estimates correspond to 'level 3' fair values under the fair value hierarchy described in IFRS 13). Other cross-check methods such as the 'Net asset value + multiple of Assets under management' might be used to corroborate the results of the DDM method.

DDM methodology

Future dividends input in the DDM model are estimated according to the following methodology:

- for the period covering the next five years, dividends are based on the five-year Business Plan presented by the subsidiaries to the Group Executive Committee,
- for the period beyond the fifth year, a terminal value is calculated based on a long term (LT) growth rate of dividends,
- Transformation margin at group level is reallocated to the entities proportionally to the deposits. Proportional capital consumption linked to this transformation activity is also deducted from the valuation.

Key assumptions

Key assumptions used in the DDM are the following:

- the Discount rate,
- the LT growth rate.

The Discount rate used in the DDM calculations is determined from the Group current cost of capital as estimated from the *Capital Asset Pricing Model* (CAPM).
The CAPM estimates the cost of capital as the sum of the current risk-free rate and an equity premium, the latter being adjusted to reflect current market expectations of the return required for the specific asset (β factor).

Inputs used in the model are adjusted to reflect current market situation and relies as much as possible on relevant observable data:

- risk free rates are measured from current long dated (10 years) government bond yields in the country where the participation operates,
- the β factor is directly derived from current observable market data for a selection of listed peers,
- consistently with generally accepted market methodologies used in business valuations, the standard Equity Risk premium is estimated from historical data on a country-by-country basis (source Duff & Phelps).

Discount rates used in the 2019 impairment tests range from 6.5% to 7.3%.

LT growth rates used in the DDM is a combination of:

- 'Real GDP Growth rates' (i.e. excluding the inflation component) as published in the European Commission Eurostat database (2021 forecasts by country)
- ECB inflation forecast.

LT growth rates used in the 2020 impairment tests is capped to 2%.

Note 13 – Income tax (expenses) / income

In EUR thousand	31/12/2019	31/12/2018
Total	**-**	**25**
Breakdown by type	**-**	**25**
Current tax	-	25
Deferred tax	-	-
of which: losses carried forward	-	-
Breakdown by major components:		
Result before tax excluding branches	63,085	-20,914
Luxembourg income tax rate	24.94%	26.01%
Income tax calculated at the Luxembourg income tax rate	**-15,733**	**5,440**
Plus/minus tax effects attributable to:		
Tax-free income	2,558	14,509
Other non-deductible expenses	-531	-1,115
Adjustments related to prior years	-	-19,468
Unused tax losses and unused tax credits	-	-31,748
Other (1)	13,707	32,407
Income tax adjustments	**15,733**	**-5,408**
Total	**-**	**25**

(1) *Represents the taxable base multiplied by the applicable tax rate after taking into consideration fiscal adjustments.*

Details of tax assets are given in Note 24.

In 2002, under Article 164 bis of the Luxembourg Income Tax Law (LIR), the Bank obtained approval for the fiscal consolidation of its subsidiaries: Kredietrust Luxembourg S.A. and KBL Immo S.A.

Further to the approval of the Luxembourg tax authorities dated of 6 June 2017, Banque Puilaetco Dewaay Luxembourg S.A. has also joined the fiscal consolidation group of Quintet as from the year 2017.

The deferred tax assets not recognised in the statement of financial position of Quintet excluding branches as of 31 December 2019 amount to EUR 115.9 million (31 December 2018: EUR 143.1 million).

Note 14 – Classification of financial instruments: breakdown by portfolio and by product

- Financial instruments are classified into several categories ("portfolios"). Details of these various categories and the valuation rules linked to them are given in Note 2c, point b dealing with financial assets and liabilities.
- The statement of financial position analyses below have been conducted at the dirty price.

CARRYING AMOUNTS
In EUR million

31/12/2019

ASSETS	Held-for-trading	Non-trading mandatorily at fair value through profit or loss	At fair value through OCI	At amortized cost	Hedging derivatives	Total
Loans and advances to credit institutions	**-**	**-**	**-**	**1,314**	**-**	**1,314**
Loans and advances to others than credit institutions	**-**	**-**	**-**	**1,039**	**-**	**1,039**
Consumer credits	-	-	-	22	-	**22**
Mortgage loans	-	-	-	365	-	**365**
Term loans	-	-	-	346	-	**346**
Current accounts	-	-	-	190	-	**190**
Other	-	-	-	116	-	**116**
Equity instruments	**0**	**41**	**16**	**-**	**-**	**57**
Debt instruments issued by	**67**	**2**	**3,005**	**756**	-	**3,829**
- government bodies	-	0	2,121	522	-	**2,643**
- credit institutions	54	-	393	146	-	**593**
- corporates	13	2	490	88	-	**593**
Financial derivatives	**193**	**-**	**-**	**-**	**3**	**196**
Total	**261**	**42**	**3,021**	**3,108**	**3**	**6,435**
Of which reverse repos	-	-	-	1,096	-	**1,096**

CARRYING AMOUNTS
In EUR million

31/12/2018

ASSETS	Held-for-trading	Non-trading mandatorily at fair value through profit or loss	At fair value through OCI	At amortized cost	Hedging derivatives	Total
Loans and advances to credit institutions	**-**	**-**	**-**	**694**	**-**	**694**
Loans and advances to others than credit institutions	**-**	**-**	**-**	**831**	**-**	**831**
Consumer credits	-	-	-	4	-	**4**
Mortgage loans	-	-	-	337	-	**337**
Term loans	-	-	-	250	-	**250**
Current accounts	-	-	-	164	-	**164**
Other	-	-	-	76	-	**76**
Equity instruments	**0**	**34**	**17**	**-**	**-**	**51**
Debt instruments issued by	**68**	**2**	**2,543**	**688**	-	**3,300**
- government bodies	-	0	1,771	400	-	**2,171**
- credit institutions	57	-	235	160	-	**452**
- corporates	12	2	537	128	-	**678**
Financial derivatives	**240**	**-**	**-**	**-**	**14**	**254**
Total	**309**	**36**	**2,560**	**2,212**	**14**	**5,131**
Of which reverse repos	-	-	-	390	-	**390**

CARRYING AMOUNTS
In EUR million

31/12/2019

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortized cost	Total
Deposits from credit institutions	**-**	**-**	**2,718**	**2,718**
Deposits from others than credit institutions	-	-	**3,928**	**3,928**
Current accounts/demand deposits	-	-	3,314	3,314
Time deposits	-	-	614	614
Other deposits	-	-	-	**-**
Debt securities issued	**-**	**-**	**241**	**241**
Not subordinated	-	-	241	241
Certificates of deposits	-	-	190	190
Convertible debt securities	-	-	-	-
Non-convertible debt securities	-	-	51	51
Other	-	-	-	-
Subordinated	-	-	0	0
Financial derivatives	**226**	**111**	**-**	**337**
Short sales	**15**	**-**	**-**	**15**
Equity instruments	-	-	-	**-**
Debt instruments	15	-	-	**15**
Total	**240**	**111**	**6,887**	**7,239**
Of which repos	-	-	-	**-**

CARRYING AMOUNTS
In EUR million

31/12/2018

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Financial liabilities at amortized cost	Total
Deposits from credit institutions	**-**	**-**	**3,161**	**3,161**
Deposits from others than credit institutions	-	-	**4,497**	**4,497**
Current accounts/demand deposits	-	-	3,451	3,451
Time deposits	-	-	1,046	1,046
Other deposits	-	-	-	**-**
Debt securities issued	**-**	**-**	**21**	**21**
Not subordinated			20	20
Certificates of deposits	-	-	15	15
Convertible debt securities	-	-	-	-
Non-convertible debt securities	-	-	4	4
Other	-	-	-	-
Subordinated	-	-	1	1
Financial derivatives	**265**	**88**	**-**	**353**
Short sales	**-**	**-**	**-**	**-**
Equity instruments	-	-	-	**-**
Debt instruments	-	-	-	**-**
Total	**265**	**88**	**7,679**	**8,032**
Of which repos	-	-	271	**271**

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the carrying amounts and fair values of the financial assets and liabilities not measured at fair value. Loans and advances to credit institutions have a short-term maturity (mainly less than 3 months) and loans and advances to other than credit institutions mainly carry a variable interest rate justifying that carrying amounts and fair value of financial assets are considered to be equal.

In EUR million	Carrying amount		Fair value	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
ASSETS				
Loans and advances to credit institutions	**1,314**	**694**	**1,314**	**694**
Loans and advances to others than credit institutions	**1,039**	**831**	**1,039**	**831**
Consumer credits	22	4	22	4
Mortgage loans	365	337	365	337
Term loans	346	250	346	250
Current accounts	190	164	190	164
Other	116	76	116	76
Debt instruments	**756**	**688**	**765**	**695**
LIABILITIES				
Deposits from credit institutions	**2,718**	**3,161**	**2,718**	**3,161**
Deposits from others than credit institutions	**3,928**	**4,497**	**3,928**	**4,498**
Current accounts/demand deposits	3,314	3,451	3,314	3,451
Time deposits	614	1,046	614	1,047
Other deposits	-	-	-	-
Debt securities issued	**241**	**21**	**242**	**21**
Not subordinated	241	20	241	20
Certificates of Deposits	190	15	191	15
Convertible debt securities	-	-	-	-
Non-convertible debt securities	51	4	51	4
Other	-	-	-	-
Subordinated	0	1	0	1

FAIR VALUE HIERARCHY

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) price in active and executable market for identical assets or liabilities;
- Level 2: quoted price on market for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

31/12/2019
In EUR million

ASSETS	**Level 1**	**Level 2**	**Level 3**	**Total**
Held-for-trading	**14**	**239**	**8**	**261**
Equity instruments	-	0	0	**0**
Debt instruments	0	60	7	**67**
Derivatives	14	179	-	**193**
Designated at fair value through profit or loss	**-**	**-**	**-**	**-**
Non-trading mandatorily at fair value through profit or loss	**-**	**0**	**42**	**42**
Equity instruments	**-**	0	41	**41**
Debt instruments	-	-	2	**2**
At fair value through other comprehensive income	**1,772**	**1,232**	**16**	**3,021**
Equity instruments	-	-	16	**16**
Debt instruments	1,772	1,232	-	**3,005**
Hedging derivatives	-	**3**	-	**3**

LIABILITIES	**Level 1**	**Level 2**	**Level 3**	**Total**
Held-for-trading	**15**	**218**	**7**	**240**
Equity instruments	-	-	-	**-**
Debt instruments	-	8	7	**15**
Derivatives	15	211	-	**226**
Hedging derivatives	**-**	**111**	**-**	**111**

31/12/2018
In EUR million

ASSETS	**Level 1**	**Level 2**	**Level 3**	**Total**
Held-for-trading	**21**	**276**	**12**	**309**
Equity instruments	-	0	0	**0**
Debt instruments	0	56	12	**68**
Derivatives	21	219	-	**240**
Designated at fair value through profit or loss	**-**	**-**	**-**	**-**
Non-trading mandatorily at fair value through profit or loss	**-**	**0**	**36**	**36**
Equity instruments	**-**	0	34	**34**
Debt instruments	-	-	2	**2**
At fair value through other comprehensive income	**1,391**	**1,152**	**17**	**2,560**
Equity instruments	-	-	17	**17**
Debt instruments	1,391	1,152	-	**2,543**
Hedging derivatives	-	**14**	-	**14**

LIABILITIES	**Level 1**	**Level 2**	**Level 3**	**Total**
Held-for-trading	**20**	**244**	**-**	**265**
Equity instruments	-	-	-	**-**
Debt instruments	-	-	-	**-**
Derivatives	20	244	-	**265**
Hedging derivatives	**-**	**88**	**-**	**88**

Transfers between the level 1 and level 2 categories

31/12/2019

In EUR million

ASSETS	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Held-for-trading	**-**	**-**
Equity instruments	**-**	**-**
Debt instruments	**-**	**-**
	-	**-**
At fair value through other comprehensive income	**166**	**100**
Equity instruments	**-**	**-**
Debt instruments	**166**	**100**
	-	**-**
LIABILITIES	**-**	**-**
Held-for-trading	**-**	**-**
Equity instruments	**-**	**-**
Debt instruments		

31/12/2018

In EUR million

ASSETS	**From Level 1 to Level 2**	**From Level 2 to Level 1**
Held-for-trading	**-**	**0**
Equity instruments	-	-
Debt instruments	-	0
At fair value through other comprehensive income	**2**	**597**
Equity instruments	-	-
Debt instruments	2	597
LIABILITIES		
Held-for-trading	**-**	**-**
Equity instruments	-	-
Debt instruments	-	-

All transfers between categories (i.e. those between level 1 and level 2 detailed in the above tables and those into or out of level 3 detailed in the tables dedicated to the Level 3 fair value measurements here below) are the result of the internal Fair Value Hierarchy process run by the Bank.

All transfers disclosed are deemed to have occurred at the end of the reporting period. Transfers are thus measured at the closing fair values of the related items.

Level 3 financial instruments measured at fair value

In EUR million	**Held-for-trading**	**Non-trading mandatorily at fair value through profit or loss**	**At fair value through other comprehensive income**	**Total**
Balance as at 01/01/2019	**12**	**36**	**17**	**65**
Changes in fair value for the year	-	2	-1	2
- recognised in the statement of profit and loss	-	2	-	2
- recognised in the other comprehensive income	-	-	-1	-1
Purchases / Capital increases	0	5	-	5
Sales / Capital decreases	-3	-1	-	-4
Transfers into / out of level 3	-9	-	-	-9
Transfer of IFRS category	-	-	-	-
Balance as at 31/12/2019	**1**	**42**	**16**	**59**
Total gains / losses recognised in the statement of profit and loss, that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period	0	2	-1	2

In EUR million	Held-for-trading	Non-trading mandatorily at fair value through profit or loss	At fair value through other comprehensive income	Total
Balance as at 01/01/2018	**3**	**43**	**1**	**47**
Changes in fair value for the year	0	11	-1	10
- recognised in the statement of profit and loss	0	11	-	11
- recognised in the other comprehensive income	-	-	-1	-1
Purchases / Capital increases	6	-	-	6
Sales / Capital decreases	-	-2	-	-2
Transfers into / out of level 3	3	-	-	3
Transfer of IFRS category	-	-16	16	0
Balance as at 31/12/2018	**12**	**36**	**17**	**65**
Total gains / losses recognised in the statement of profit and loss, that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period	0	11	-1	10

Level 3 positions mainly include investments in Private Equity structures, holdings in unlisted equity instruments and other participating interests. Most significant positions (which are mandatorily at fair value through P&L except equity investments for which the Bank has elected to present fair value changes in other comprehensive income) are further commented here below.

Private Equity holdings include three main positions whose global fair value recognized in the statement of financial position at year-end amounts to EUR 23.2 million.

The first one (EUR 15.3 million) consists in shares in a company whose investment objective is to build a balanced portfolio of properties in order to derive benefits from changes in the demand for and supply of wood products and biomass. The company currently owns forests and a farm in Eastern Europe. Its net asset value (NAV) is measured on a yearly basis and published in audited financial statements. The valuation of the underlying assets of the fund (i.e. the biological and tangible assets) is performed by two independent appraisers appointed by the Board of Directors of the company (in accordance with the Private Placement Memorandum). Methodologies used by the appraisers to fair value the underlying assets range from 'market comparison' approaches (where fair value is derived from most recent valuations / transactions observed on similar assets in the same area, adjusted for the main differences identified between the proxy asset and the target asset to be fair valued) to pure 'income approaches' (DCF method). The DCF computation is based on the latest business plan prepared by the company managers and on assumptions, which include, among others, the discounting rate used, inflation rates, exit yield, sales growth targets, crop productivity levels and costs.

DCF Model is based on several assumptions among which (i) expectations that the biomass market will gradually reach maturity over the coming years and (ii) the liberalization of the gas market to take place in the area where the entity operates, and which should lead to significant increase of gas prices. Agriculture crop yields are also expected to record a gradual increase in productivity levels, following expected improvement of the soil quality through intensive sub-soiling and plowing activities. Energy crop yields have been estimated based on technical studies. Discount rates used by the appraiser to compute the DCF valuation are based on a weighted average cost of capital set at 8.7% for the forests and 8.6% for the farm activities. For the key assumptions of timber price, biomass price, food and energy crops productivity and discounting rates that have significant impact on fair value of forest properties and farm activities, sensitivity analyses were performed.

Those analyses led to company NAV per share estimates, which ranged from EUR 36.55 to EUR 44.88.

The business model being not fully mature, the break-even point is not yet reached by the company. Therefore, Quintet Group management decided to adjust the value of this investment to EUR 35.92 per share, which is, consistently with the valuation method applied in 2018, the low value of the DCF valuation performed by the external evaluator adjusted to take into accounts the financial impacts of 2019 events.

The Bank irrevocably elected to apply the fair value in OCI option for this investment.

The second investment (EUR 2.9 million) is a structure with a fixed maturity in 2026. Investment policy is to develop a portfolio of retail parks. Once these assets being fully operational, they are sold to long-term investors and proceeds are returned to shareholders. The majority of the parks currently held by the company are operational and generate revenues. Some are still under development.

This private equity holding is now fully invested and starting its divestment mode: up to now, three retail parks have already been sold with substantial capital gains. Latest information received from the company indicates that business performance is strong in terms of net operating cash flows. After reviewing those business developments, the Group management decided to adjust the fair valuation of its interest in the company to reflect the latest official external valuation (March 2019) adjusted by the subsequent share capital distribution. This led to a fair value per share of EUR 4.38 at year-end.

During 2019, the Bank has invested (EUR 5 million) into a structure investing in European Leverage Loans with a fixed maturity in 2024. As at year-end, unaudited NAV per share has a valuation of EUR 1,001.85.

Other participating interests mainly include two holdings for a global fair value of EUR 32.7 million.

The first one (EUR 22.9 million) relates to an interest in a company offering securities settlement services. Until 2017, in absence of external observable inputs, the valuation was derived from the net asset value, based on the latest financial information received from the company or market. Since 2018, there has been an increased level of information available following significant transactions made by other shareholders. Moreover, the company sent information about its valuation to its shareholders. IFRS13 'Fair value measurement' states that the use of relevant observable inputs should be maximized, and the use of unobservable inputs minimized. Consequently, a new valuation method has been developed based on transactions that occurred since 2018. A market multiple is now applied to the latest amount of the net asset value available. This led to a fair valuation of EUR 1,596.43 by share at year-end.

The other position is a participating interest in a stock exchange Group (EUR 9.8 million). For this holding, the Bank retained the valuation performed by an independent valuer appointed by the company.

Valuation estimates were computed using three different approaches: a discounted cash flow approach (DCF), a market multiple, and, for a part of its activity, transaction multiples. Average fair value stemming from the different models was then estimated to be EUR 2,603 per share; this figure has been used to fair value the position in the Bank's financial statements as of 31 December 2019.

Note 15 – Financial assets at fair value through other comprehensive income and at amortized cost: breakdown by portfolio and quality

(in EUR million)	At fair value through other comprehensive income	At amortized cost	TOTAL
31/12/2019			
Equity instruments	**16**	**-**	**16**
Debt securities	**3,005**	**756**	**3,760**
Stage 1	**3,005**	**756**	**3,760**
Gross amount	3,006	756	**3,762**
Expected Credit Losses	-2	0	**-2**
Loans and advances	-	**2,353**	**2,353**
Stage 1	**-**	**2,282**	**2,282**
Gross amount	-	2,283	2,283
Expected Credit Losses	-	-1	-1
Stage 2	**-**	**41**	**41**
Gross amount	-	41	41
Expected Credit Losses	-	0	0
Stage 3	**-**	**29**	**29**
Gross amount	-	45	45
Expected Credit Losses	-	-16	-16
Total	**3,021**	**3,108**	**6,129**

(in EUR million)	At fair value through other comprehensive income	At amortized cost	TOTAL
31/12/2018			
Equity instruments	**17**	**-**	**17**
Debt securities	**2,543**	**688**	**3,231**
Stage 1	**2,543**	**688**	**3,231**
Gross amount	2,544	688	**3,232**
Expected Credit Losses	-1	0	**-2**
Loans and advances	-	**1,525**	**1,525**
Stage 1	**-**	**1,464**	**1,464**
Gross amount	-	1,465	**1,465**
Expected Credit Losses	-	-1	**-1**
Stage 2	**-**	**50**	**50**
Gross amount	-	50	**50**
Expected Credit Losses	-	0	**0**
Stage 3	**-**	**11**	**11**
Gross amount	-	17	**17**
Expected Credit Losses	-	-6	**-6**
Total	**2,560**	**2,212**	**4,772**

Note 16 – Financial assets and liabilities: breakdown by portfolio and residual maturity

In EUR million

ASSETS	Held-for-trading assets	Non-trading at fair value through profit or loss	At fair value through OCI	At amortized cost	Hedging derivatives	Total
31/12/2019						
Less than or equal to 1 year	197	**0**	1,198	1,932	0	**3,328**
More than 1 but less than or equal to 5 years	41	-	1,130	738	1	**1,910**
More than 5 years	23	42	692	438	2	**1,197**
Total	**261**	**42**	**3,021**	**3,108**	**3**	**6,435**

ASSETS	Held-for-trading assets	Non-trading at fair value through profit or loss	At fair value through OCI	At amortized cost	Hedging derivatives	Total
31/12/2018						
Less than or equal to 1 year	245	**-**	762	1,189	2	**2,198**
More than 1 but less than or equal to 5 years	59	0	1,201	755	5	**2,020**
More than 5 years	4	36	596	269	7	**912**
Total	**309**	**36**	**2,560**	**2,212**	**14**	**5,131**

In EUR million

LIABILITIES	Held-for-trading (HFT) liabilities	Hedging derivatives	Liabilities at amortized cost	Total
31/12/2019				
Less than or equal to 1 year	202	7	6,853	**7,061**
More than 1 but less than or equal to 5 years	12	64	35	**111**
More than 5 years	26	40	-	**66**
Total	**240**	**111**	**6,887**	**7,239**
31/12/2018				
Less than or equal to 1 year	239	11	7,679	**7,929**
More than 1 but less than or equal to 5 years	22	51	0	**73**
More than 5 years	3	26	-	**30**
Total	**265**	**88**	**7,679**	**8,032**

Note 17 – Offsetting of financial assets and liabilities

A financial asset and a financial liability shall be offset, and the net amount presented in the statement of financial position when, and only when the Bank:

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Bank currently has no legally enforceable right which satisfies the above conditions. It follows that all amounts presented on the face of the statement of financial position are gross amounts.

The Bank however frequently enters into Master Netting Agreements ("MNA") with its counterparties to manage the credit risks associated primarily with (i) repurchase and reverse repurchase transactions, (ii) securities borrowing / lending and (iii) over-the-counter derivatives.
These arrangements may also be supplemented by collateral agreements.

Offsetting rights provided for by such MNA are generally conditional upon the occurrence of some specific future events (typically the events of default, insolvency or bankruptcy of the counterparty). They are thus not current, which prevents the Bank from setting the related assets and liabilities off on the statement of financial position.
Similarly, the rights of set off relating to the cash and other financial instrument collateral are also conditional upon the default of the counterparty.

The financial impact of the MNA potential offsetting opportunities are disclosed in the following tables. Only Global Master Repurchase Agreements (GMRA) for repurchase agreements and International Swaps and Derivatives Association Master Agreement (ISDA) for over-the-counter derivatives have been considered.

The effect of Master Netting Agreements relating to securities lending and borrowing has not been reported because, as underlined in the Bank's significant accounting policies (Note 2c), those transactions are not recognized on the statement of financial position (i.e. securities lent are not derecognized from the statement of financial position and securities borrowed are not recognized within assets). Notes 18 and 19 give additional information on those activities and on the related financial collateral received / pledged.

ASSETS (in EUR million)	**Impact of Master Netting Agreements**			
31/12/2019	Gross amounts of financial assets presented on the statement of financial position	Netting potential / financial liabilities	Financial collateral received (securities and cash)	Net amount
Cash and balances with central banks and other demand deposits	964	-	-	964
Financial assets				
Hedging and trading derivatives	196	-148	-39	10
Held-for-trading assets (excluding derivatives)	67	-	-	67
Designated at fair value through profit or loss	-	-	-	-
Non-trading mandatorily at fair value through profit or loss	42	-	-	42
At fair value through other comprehensive income	3,021	-	-	3,021
At amortized cost	3,108	-	-1,096	2,012
Total	**7,399**	**-148**	**-1,134**	**6,116**

LIABILITIES (in EUR million)	**Impact of Master Netting Agreements**			
31/12/2019	Gross amounts of financial liabilities presented on the statement of financial position	Netting potential / financial assets	Financial collateral pledged (securities and cash)	Net amount
Financial liabilities				
Hedging and trading derivatives	337	-148	-160	29
Held-for-trading liabilities (excluding derivatives)	15	-	-	15
Liabilities measured at amortized cost	6,887	-	-	6,887
Total	**7,239**	**-148**	**-160**	**6,931**

ASSETS (in EUR million)	**Impact of Master Netting Agreements**			
31/12/2018	Gross amounts of financial assets presented on the statement of financial position	Netting potential / financial liabilities	Financial collateral received (securities and cash)	Net amount
Cash and balances with central banks and other demand deposits	3,074	-	-	3,074
Financial assets				
Hedging and trading derivatives	254	-201	-40	14
Held-for-trading assets (excluding derivatives)	68	-	-	68
Designated at fair value through profit or loss	-			
Non-trading mandatorily at fair value through profit or loss	37	-	-	37
At fair value through other comprehensive income	2,560	-	-	2,560
At amortized cost	2,212		-390	1,822
Total	**8,204**	**-201**	**-430**	**7,574**

LIABILITIES (in EUR million)	**Impact of Master Netting Agreements**			
31/12/2018	Gross amounts of financial liabilities presented on the statement of financial position	Netting potential / financial assets	Financial collateral pledged (securities and cash)	Net amount
Financial liabilities				
Hedging and trading derivatives	353	-201	-127	25
Held-for-trading liabilities (excluding derivatives)	-	-	-	-
Liabilities measured at amortized cost	7,679	-	-269	7,410
Total	**8,032**	**-201**	**-396**	**7,435**

Note 18 – Securities lending and securities given in guarantee

The Bank regularly carries out transactions in which the assets transferred do not qualify for derecognition under IFRS 9. The securities are generally transferred under full ownership and the counterpart is thus able to re-use them in other operations.

This mainly concerns the following operations:

- repurchase agreements (‘repo’),
- securities given as collateral (in particular for securities borrowing or to guarantee credit lines received).

These transactions can be broken down as follows:

In EUR million **31/12/2019**	**Repo (**)** **Debt instruments**	**Other (*)** **Debt instruments**
Held-for-trading financial assets	-	1
At fair value through other comprehensive income	-	1,077
At amortized cost	-	425
Designated at fair value through profit or loss	-	-
Total financial assets not derecognised	**-**	**1,503**
Other (*)	-	-
Total	**-**	**1,503**

In EUR million 31/12/2018	Repo (**) Debt instruments	Other (*) Debt instruments
Held-for-trading financial assets	-	4
At fair value through other comprehensive income	195	1,501
At amortized cost	75	385
Designated at fair value through profit or loss	-	-
Total financial assets not derecognised	**270**	**1,890**
Other (*)	-	-
Total	**270**	**1,890**

(*) The item 'Other' relates to securities borrowed or received as collateral for other operations.

(**) The carrying amount of debts associated with repo operations is available in Note 14.

Note 19 – Securities received in guarantee

The Bank mainly receives securities as collateral in relation to its reverse repurchase agreement operations and securities lending operations.
These securities are generally transferred under full ownership and the Bank is able to re-use them in other operations.

The fair value of these guarantees can be broken down as follows:

In EUR million	31/12/2019	31/12/2018
Reverse repurchase agreements	1,179	402
Collateral received for securities lending	-	-
Total	**1,179**	**402**
Of which, transferred to:		
Collateralised deposits other than repurchase agreements	494	402
Repurchase agreements	-	-

Note 20 – Impairment of financial assets at fair value through other comprehensive income

Changes in the ECL amount	Financial assets at fair value through other comprehensive income			
In EUR million	Stage 1	Stage 2	Stage 3	**TOTAL**
Balance as at 01/01/2019	**1**	**-**	**-**	**1**
New assets originated or purchased	1	-	-	**1**
Assets derecognized or repaid	-1	-	-	**-1**
Change in credit risk	0	-	-	**0**
Amounts written off	-	-	-	**-**
Other	0	-	-	**0**
Balance as at 31/12/2019	**2**	**-**	**-**	**2**

Changes in the ECL amount	Financial assets at fair value through other comprehensive income			
In EUR million	Stage 1	Stage 2	Stage 3	**TOTAL**
Balance as at 01/01/2018	**1**	**-**	**-**	**1**
New assets originated or purchased	1	-	-	**1**
Assets derecognized or repaid	0	-	-	**0**
Change in credit risk	0	-	-	**0**
Amounts written off	-	-	-	**-**
Other	0	-	-	**0**
Balance as at 31/12/2018	**1**	**-**	**-**	**1**

See Note 12 - Impairment

Note 21 – Impairment of financial assets at amortized cost

Changes in the ECL amount (in EUR million)	Financial assets at amortized cost			
	Stage 1	Stage 2	Stage 3	**TOTAL**
Balance as at 01/01/2019	**2**	**0**	**6**	**7**
New assets originated or purchased	3	-	-	**3**
Assets derecognized or repaid	-3	0	0	**-3**
Change in credit risk	0	0	13	**13**
Amounts written off	-	-	-3	**-3**
Other	0	0	0	**0**
Balance as at 31/12/2019	**1**	**0**	**16**	**17**

Changes in the ECL amount (in EUR million)	Financial assets at amortized cost			
	Stage 1	Stage 2	Stage 3	**TOTAL**
Balance as at 01/01/2018	**2**	**128**	**4**	**134**
New assets originated or purchased	1	-	-	**1**
Assets derecognized or repaid	-2	0	0	**-2**
Change in credit risk	0	0	3	**3**
Amounts written off	-	-	-1	**-1**
Other	0	-128	0	**-128**
Balance as at 31/12/2018	**2**	**0**	**6**	**7**

In EUR million	**31/12/2019**	**31/12/2018**
Total	**17**	**7**
Breakdown by counterparty	**17**	**7**
Debt securities with credit institutions	0	0
Debt securities other than with credit institutions	0	0
Loans and advances with credit institutions	0	0
Loans and advances other than with credit institutions	17	7

Note 22 – Derivatives

The notional value of the foreign exchange contracts represents the nominal to be delivered.

Held-for-trading

(in EUR million)	2019 Fair value Assets	2019 Fair value Liabilities	2019 Notional value	2018 Fair value Assets	2018 Fair value Liabilities	2018 Notional value
Total	**193**	**226**	**73,786**	**240**	**265**	**82,412**
Interest rate	**69**	**76**	**61,022**	**40**	**54**	**68,564**
OTC options	0	0	7	0	0	2
OTC other	69	76	60,983	40	54	68,518
Organized market options	-	-	-	-	-	-
Organized market other	-	-	32	-	-	44
Equity	**15**	**15**	**1,393**	**36**	**36**	**717**
OTC options	1	1	19	15	15	118
OTC other	-	-	-	0	0	11
Organized market options	14	15	1,287	21	20	528
Organized market other	-	-	86	-	-	60
Foreign exchange and gold	**109**	**135**	**11,372**	**164**	**174**	**13,130**
OTC options	0	0	61	-	-	-
OTC other	109	135	11,178	164	174	13,111
Organized market options	0	0	2	0	0	2
Organized market other	-	-	130	-	-	17
Commodity	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**

Hedging

(in EUR million)	2019 Fair value Assets	2019 Fair value Liabilities	2019 Notional value	2018 Fair value Assets	2018 Fair value Liabilities	2018 Notional value
Total Fair value hedges	**3**	**111**	**1,751**	**14**	**88**	**1,607**
Interest rate	**1**	**72**	**1,311**	**10**	**56**	**1,256**
OTC options	0	-	1	0	-	1
OTC other	1	72	1,310	10	56	1,255
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-
Foreign exchange and gold	**2**	**39**	**439**	**4**	**33**	**351**
OTC options	-	-	-	-	-	-
OTC other	2	39	439	4	33	351
Organized market options	-	-	-	-	-	-
Organized market other	-	-	-	-	-	-

Note 23 – Other assets

The heading ‘Other assets’ covers various short-term receivables such as coupons that clients bring to Quintet to be cashed, the value of which has already been paid, commissions and fees and precious metals assets.

Note 24 – Tax assets

In EUR million	31/12/2019	31/12/2018
Current tax assets	**0**	**-**
Deferred tax assets	**14**	**16**
Losses carried forward	18	18
Provisions	-	-
Financial instruments at fair value through other comprehensive income	-4	-2
Other		-
Tax assets	**14**	**16**

Details of tax assets are given in Note 13.

Changes in deferred tax assets and liabilities are not equal to the deferred tax charge recognised in the statement of profit and loss during the year. This is mainly due to the deferred tax linked to the recognition in the revaluation reserve of fair value changes of the instruments FVOCI.

Note 25 – Intangible assets

CHANGES

In EUR million	Purchased portfolio of customers	Software developed in-house	Software purchased	Total
Balance as at 01/01/2019	**84**	**20**	**0**	**104**
Acquisitions	-	6	0	**6**
Disposals	-	-	-	**-**
Depreciation	-	-3	0	**-3**
Impairment	-	-	-	**-**
Allowances	-	-	-	**-**
Reversals	-	-	-	**-**
Other	-	-	-	**-**
Balance as at 31/12/2019	**84**	**23**	**1**	**108**
Of which: cumulative amortisation and impairment	-	-7	-3	-10
Balance as at 01/01/2018	**84**	**19**	**1**	**104**
Acquisitions	-	3	0	**3**
Disposals	-	-	-	**-**
Depreciation	-	-3	0	**-3**
Impairment	-	-	-	**-**
Allowances	-	-	-	**-**
Reversals	-	-	-	**-**
Other	-	-	-	**-**
Balance as at 31/12/2018	**84**	**20**	**0**	**104**
Of which: cumulative amortisation and impairment	-	-4	-3	-7

Note 26 – Property, equipment, right-of-use assets and investment properties

In EUR million	31/12/2019	31/12/2018
Property and equipment	**24**	**57**
of which right-of-use leased assets	12	-
Investment properties		
Net carrying value	-	11
Fair value	-	7
Investment properties – Rental income	**-**	**1**

Investment properties' fair values disclosed above are based on valuations obtained from independent valuers who hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

The estimates are primarily derived from recent transactions and other local market data observable in the areas where the properties are located. Related fair values are thus to be classified within the level 2 category under the IFRS 13 fair value hierarchy.

CHANGES (in EUR million)	Land and buildings		IT equipment		Other equipment		Total property and equipment		Investment properties
	Owned	Leased	Owned	Leased	Owned	Leased	Owned	Leased	
Balance as at 31/12/2018	**45**	**-**	**3**	**-**	**9**	**-**	**57**	**-**	**11**
Application of IFRS16	-	-	-	2	-	-	**-**	**2**	-
Balance as at 01/01/2019	**45**	**-**	**3**	**2**	**9**	**-**	**57**	**2**	**11**
Acquisitions	1	12	1	-	1	**-**	**3**	**12**	-
Disposals	-45	-	-	-	0	**-**	**-45**	**-**	-11
Depreciation	-1	-1	-1	-1	0	**-**	**-3**	**-2**	0
Impairment	-	-	-	-	-	**-**	**-**		-
Allowances	-	-	-	-	-	**-**	**-**	**-**	-
Reversals	-	-	-	-	-	**-**	**-**	**-**	-
Other	-	-	-	-	0	**-**	**0**	**-**	-
Balance as at 31/12/2019	**0**	**11**	**2**	**1**	**9**	**-**	**11**	**12**	**-**
Of which: cumulative amortisation and impairment	0	-1	-5	-1	-2	-	-7	-2	-

CHANGES (in EUR million)	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment properties
Balance as at 01/01/2018	**47**	**3**	**9**	**59**	**6**
Acquisitions	1	1	0	2	8
Disposals	-1	-	-	-1	-
Depreciation	-3	-1	0	-5	0
Impairment	-	-	-	-	-
Allowances	-	-	-	-	-
Reversals	-	-	-	-	-
Other	0	-	0	0	-3
Balance as at 31/12/2018	**45**	**3**	**9**	**57**	**11**
Of which: cumulative amortisation and impairment	-52	-4	-3	-58	-2

In 2019, the Bank transferred as a contribution in kind the buildings it occupies in Luxembourg to its subsidiary KBL Immo S.A. and concluded a leaseback contract. This operation has to be accounted in accordance to the sale and leaseback transactions of IFRS 16.

The Bank has neither commitment nor option to repurchase the buildings. Lease term is 5 years without enforceable option to extend the period.

In accordance with IFRS16, the right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the

Bank. Accordingly, the Bank recognised only the amount of the disposal gain that relates to the rights transferred to the new owner-lessor.

The net amount of the buildings transferred as a contribution in kind was EUR 52m (gross amount EUR 105m and cumulated depreciation for EUR 53m), of which EUR 42m previously classified within 'Land and buidings' and EUR 11m previously classified within 'Investment properties'. Disposal gain, excluding tax and various fees, amounts to EUR 92m. Initial right-of-use asset amounts to EUR 8m and lease debt to EUR 33m.

Note 27 – Provisions

Changes (in EUR million)	Pensions & other post-employment defined benefit obligation	Other long-term employee benefits	ECL on guarantees and credit commitments	Pending legal disputes	Other provisions	**Total**
Balance as at 01/01/2019	**5**	**3**	**2**	**2**	**0**	**12**
Changes affecting the statement of profit and loss						
Allowances	0	0	-	1	1	**2**
Reversals	-	-1	-	0	0	**-1**
New assets originated or purchased	-	-	1	-	-	**1**
Assets derecognized or repaid	-	-	-1	-	-	**-1**
Change in credit risk	-	-	0	-	-	**0**
Other changes	0	0	0	-1	0	**-1**
Balance as at 31/12/2019	**5**	**3**	**1**	**1**	**1**	**11**
Of which, Stage 1			*0*			*0*
Stage 3			*1*			*1*

Changes (in EUR million)	Pensions & other post-employment defined benefit obligation	Other long-term employee benefits	ECL on guarantees and credit commitments	Pending legal disputes	Other provisions	**Total**
Balance as at 01/01/2018	**3**	**4**	**2**	**1**	**0**	**10**
Changes affecting the statement of profit and loss						**1**
Allowances	0	1	-	1	-	**2**
Reversals	-	-	-	0	0	**0**
New assets originated or purchased	-	-	0	-	-	**0**
Assets derecognized or repaid	-	-	0	-	-	**0**
Change in credit risk	-	-	0	-	-	**0**
Other changes	1	-2	0	0	0	**0**
Balance as at 31/12/2018	**5**	**3**	**2**	**2**	**0**	**12**
Of which, Stage 1			*0*			*0*
Stage 3			*1*			*1*

- The net liabilities related to staff pension funds (see Note 29) and restructuration plans are also included in this item.
- Specific impairment for credit commitments: provisions accounted for to cover risk on given guarantees, more precisely on credits for which the Bank acts as sub-participant.
- Provisions for pending legal disputes: provisions recorded to cover legal disputes with private and professional counterparties, including lawyers' fees.
- Other provisions: other provisions than the above-mentioned provisions.

For most of the provisions recorded, no reasonable estimate can be made of when they will be used. The main litigation cases are the following:

Madoff litigation

In December 2008, Bernard L. Madoff's massive Ponzi scheme was discovered. Bernard L. Madoff Investment Securities LLC ("BLMIS") and its "feeder funds" were put into liquidation.

The liquidator of BLMIS considers that certain investors in BLMIS knew or should have known that BLMIS was fraudulent. The liquidator therefore launched a claim to recover payments made by BLMIS to these investors (so called "claw-back actions"). As the liquidator started claw-back actions against the feeder funds, the liquidators of these funds have in their turn started similar proceedings against Quintet and other defendants before the New York Courts and the BVI Courts. The BVI Courts rejected the liquidators' restitution claim against Quintet and other defendants judging that they acted in good faith. The liquidators appealed this judgement of the BVI court before the Privy Council in London. The Privy Council rejected the liquidator's appeal on all points subject to the appeal. Therefore, the actions before the BVI courts have been dismissed voluntarily by the liquidators. Finally, proceedings before the New York Court are still pending and Quintet as well as the other defendants will now try to dismiss these proceedings.

As in these cases the risk is in principle borne by the clients, provisions have only been made for the legal costs.

Litigation with a Dutch client

InsingerGilissen (IG) and Quintet are facing a dispute with a client. In first instance, IG had a favourable judgment. However, in appeal, the judgment was favourable to the client. To date, it is not possible to determine a potential amount of compensation. IG successfully appealed the latter decision before the High Court of Justice. The Court of Appeal will need to reassess the case, taking into account the decision of the High Court of Justice.

Note 28 – Other liabilities

The heading 'Other liabilities' in particular covers mainly accrued expenses and various items payable in the short term such as coupons and redeemable securities as paying agent.

This caption also includes the lease liabilities for the lease agreements to be accounted for in accordance with IFRS16 which amounts to EUR 34.3 million (EUR 1.8 million as at 1/1/2019, date of the first-time application of the standard), discounted for future cash flow.

Maturity analysis of lease liabilities undiscounted future cash flow:

In EUR million

31/12/2019	Less than or equal to 1 year	More than 1 but less than or equal to 5 years	More than 5 years
Lease liabilities	**8**	**26**	**2**

Note 29 – Long term employees benefits

Retirement benefit obligations

In addition to the legally prescribed plans, Quintet maintains various complementary pension plans, of both the defined contribution and defined benefit kinds.

Defined benefit plans may be either employer-funded or employee funded schemes. The employer-funded plans provide retirement benefits linked to service and final salary. Investment earnings applied to employee contributions are subject to a minimum guaranteed return.
The plans are funded via insurance arrangement with a third party to which the Bank pays regular premiums.

DEFINED BENEFIT PLANS In EUR million	31/12/2019	31/12/2018
Defined benefit plan obligations		
Value of obligations as at 01/01	**13**	**16**
Current service cost	0	0
Interest cost	0	0
Past service cost and gains / losses arising from settlements	-	-
Actuarial (gains)/losses	1	1
stemming from changes in demographic assumptions	-	-
stemming from changes in financial assumptions	1	0
experience adjustments	0	1
Benefits paid	-3	-5
Out of which: amounts paid in respect of settlements	-	-
Plan participant contributions	0	0
Other	-	-
Value of obligations as at 31/12	**11**	**13**
Fair value of plan assets		
Fair value of assets as at 01/01	**9**	**13**
Actual return on plan assets	0	0
Interest income	0	0
Return on plan assets (excluding interest income)	0	0
Employer contributions	0	0
Plan participant contributions	0	0
Benefits paid	-3	-5
Out of which: amounts paid in respect of settlements	-	-
Other	-	-
Fair value of assets as at 31/12	**7**	**9**
Effect of the asset ceiling		
Effect of the asset ceiling as at 01/01	**0**	**0**
Interest on the effect of asset ceiling	0	0
Change in the effect of asset ceiling	0	0
Other	**-**	**-**
Effect of the asset ceiling as at 31/12	**0**	**0**
Funded status		
Plan assets in excess of defined benefit obligations	-5	-4
Unrecognised assets	0	0
Unfunded accrued / prepaid pension cost	**-5**	**-4**

In EUR million	31/12/2019	31/12/2018
Changes in net defined benefit pension liability or asset		
Unfunded accrued / prepaid pension cost as at 01/01	**-4**	**-3**
Net periodic pension cost recognized in the statement of profit and loss (excl. tax impact arising from settlements)	0	0
Remeasurements recognized in OCI (excl. change in tax provision)	-1	-1
Employer contributions	0	0
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	0	-
Unfunded accrued / prepaid pension cost as at 31/12	**-5**	**-4**
Changes in the tax provision relating to current deficits on external plans		
Recognized provision as at 01/01	**0**	**0**
Change in the provision recognized through OCI	0	0
Pension payments by employer	0	0
Gains and losses arising from settlements	-	-
Recognized provision as at 31/12	**0**	**0**
Changes in the remeasurement reserve in equity		
Recognized reserve as at 01/01	**-8**	**-7**
Remeasurement recognized in OCI	-1	-2
Transfers	**-**	**-**
Recognized reserve as at 31/12	**-9**	**-8**
AMOUNTS RECOGNIZED IN COMPREHENSIVE INCOME		
Amounts recognised in the statement of profit and loss		
Current service cost	0	0
Net interest on the defined benefit liability/asset	0	0
Past service cost	-	-
Gains and losses arising from settlements	-	-
Other	-	-
Net pension cost recognized in the statement of profit and loss	**0**	**0**
Amounts recognized in other comprehensive income		
Actuarial gains/losses on the defined benefit obligation	-1	-1
Actual return on plan assets (excluding amounts included in interest income)	0	0
Change in the effect of the asset ceiling	0	0
Change in the tax provision	0	0
Total other comprehensive income	**-1**	**-2**
Actual return on plan assets	**+0.17%**	**-1.41%**
Breakdown of plan assets	**100%**	**100%**
Fixed income		
Quoted market price in an active market	90%	95%
Unquoted	-	-
Equities		
Quoted market price in an active market	1%	1%
Unquoted	-	-
Alternatives		
Quoted market price in an active market	-	-
Unquoted	-	-
Cash	8%	4%
Other	1%	-

Plan assets do not include any investment in a transferable security issued by the bank, as in 2018.

In EUR million	31/12/2019	31/12/2018
Significant actuarial assumptions used:		
Defined benefit obligation The rate used to discount the post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds with similar maturities than the pension commitments.		
Discount rate	0.30% to 0.77%	0.57% to 1.57%
DBO sensitivity to changes in discount rate		
Scenario DR -1%	1	1
Scenario DR +1%	-1	-1
Expected rate of salary increase (including inflation)	1,50% to 3.00%	3.00%
Scenario SR -1%	-	-
Scenario SR +1%	-	-
Maturity profile of the DBO		
Weighted average duration of the DBO (in years)	9	7
Expected contributions for next year	**0**	**0**

Defined contribution plans In EUR million	31/12/2019	31/12/2018
Amount recorded in the statement of profit and loss	-5	-4

Other long-term benefits

Some senior staff members participated to a Long-Term Incentive Plan (LTIP) set up for selected senior management members. An early termination has been decided in 2019.

Liability recognized as end of 2019 relating to the final settlement amounts to EUR 0.3 million (2018: EUR 0.8 million).

Note 30 – Equity

As of 31 December 2019, the subscribed and paid-up capital is EUR 233.1 million (31 December 2018: EUR 221.2 million), represented by 25,069,878 ordinary shares without par value (31 December 2018: 23,794,431) and by 4,336 non-voting preference shares without par value (31 December 2018: 4,336). The share premium as at 31 December 2019 is EUR 537.4 million (31 December 2018: EUR 487.2 million).

Two capital increases occurred in 2019:

- The Board of Directors held on 18 August 2019 approved the increase of the subscribed capital and share premium by EUR 32,000,000 by subscription of 658,295 new ordinary shares by Precision Capital S.A.
- The Board of Directors held on 20 December 2019 approved the increase of the subscribed capital and share premium by EUR 30,000,000 by subscription of 617,152 new ordinary shares by Precision Capital S.A.

Holders of preference shares are entitled to receive an initial dividend of EUR 0.25 per share, as established in the Bank's articles of incorporation, and are therefore guaranteed a minimum annual return. If there are no profits, this dividend entitlement is carried forward to subsequent periods. Any profits remaining once this first dividend has been paid are shared out between all shareholders, whether they hold ordinary or preference shares, in such a way that both categories of shareholders ultimately receive an identical dividend. The Bank is indebted towards preference shareholders for year 2018.

Article 35 of the Bank's articles of incorporation specifies that the net liquidation profit, after the charges payment, will be used to firstly refund the non-voting preference shareholders. The remaining balance will be allocated on equal basis to ordinary shareholders.

In accordance with the Luxembourg law on limited companies, at least 5% of the profit of the year has to be allocated to the legal reserve. This allocation ceases to be mandatory as soon as the legal reserve amounts to 10% of the capital.

As at 31 December 2019 and before the proposed allocation of the 2019 result (Note 31), the legal reserve is EUR 22.1 million (31 December 2018: EUR 22.1 million) representing 9.5% of the paid-up capital.
The free reserves amount to EUR 428.7 million (31 December 2018: EUR 505.4 million), the AGDL reserve amounts to EUR 0.7 million (31 December 2018: EUR 0.9 million), and the reserve for the reduction of net wealth tax is nil (31 December 2018: nil). The retained earnings amount to EUR 0 (31 December 2018: -53.9 million).

In number of shares	**31/12/2019**	**31/12/2018**
Total number of shares issued	**25,074,214**	**23,798,767**
Ordinary shares	25,069,878	23,794,431
Preference shares	4,336	4,336
Of which: those that entitle the holder to a dividend payment	25,074,214	23,798,767
Of which: shares representing equity under IFRS	25,074,214	23,798,767

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	Ordinary shares	**Preference shares**	**Total**
Balance as at 01/01/2019	**23,794,431**	**4,336**	**23,798,767**
Movement	1,275,447	-	1,275,447
Balance as at 31/12/2019	**25,069,878**	**4,336**	**25,074,214**

Note 31 – Result allocation proposal

At its meeting on 26 March 2020, the Board of Directors proposes to allocate the 2019 net result of EUR 60,292,959.78 as follows:

(i) allocation of EUR 1,185,725.60 to the legal reserve in order to reach 10% of the paid-up capital after the 2019 share capital increase;

(ii) allocation of EUR 59,107,234.18 to the retained earnings.

On 14 April 2020, this allocation will be submitted for the approval of the Annual General Meeting.

Note 32 – Loans commitments, financial guarantees and other commitments

In EUR million	**31/12/2019**	**31/12/2018**
Confirmed irrevocable credits, unused	175	175
Financial guarantees given	90	93
Total	**265**	**268**

Note 33 – Assets under management and custody

Total assets under management related to clients in the private banking sector (including frozen and low yielding assets) as at 31 December 2019 amount to EUR 6.0 billion (2018: EUR 5.6 billion).

Total assets under custody (investment funds and institutionals) related to 'Institutional & Professional Services' clients as at 31 December 2019 amount EUR 21.4 billion (2018: EUR 18.1 billion).

Note 34 – Related party transactions

'Related parties' refers to the parent company of Quintet, its subsidiaries and key management personnel. Transactions with related parties are carried out under conditions equivalent to those applicable to transactions subject to conditions of normal competition.

In EUR million	31/12/2019	31/12/2018
Cash, cash balances with central banks and other demand deposits	**21**	**30**
of which financial assets with Quintet Group	21	30
Financial assets	**219**	**155**
of which financial assets with Pioneer Holding [1]	*76*	*50*
with Precision Capital	-	*0*
with Quintet Group	*144*	*86*
Held-for-trading	29	18
At amortized cost	191	137
Investment in subsidiaries and associates	**1,103**	**875**
Financial liabilities	**3,161**	**3,680**
of which financial liabilities with Pioneer Holding [1]	*899*	*1,170*
with Precision Capital	*13*	*4*
with Quintet Group	*2,249*	*2,506*
Held-for-trading	7	14
At amortized cost	3,154	3,665
Hedging derivatives	-	-
Statement of profit and loss	**-16**	**29**
of which statement of profit and loss with Pioneer Holding [1]	*-12*	*-6*
with Precision Capital	*0*	*-1*
with Quintet Group	*-4*	*35*
Net interest income	-13	-3
Dividends	8	34
Net fee and commission income	-5	-10
Other net income	0	0
Operating expenses	6	7
Impairment of financial assets not measured at fair value through profit or loss	0	0
Impairment of investments in subsidiaries	-12	-
Nominal amount of loan commitments, financial guarantees and other commitments given	145	195
of which off-balance sheet items with Quintet Group	*145*	*195*

[1] Pioneer Holding amounts include transactions with the ultimate beneficial owner as a private client.

WITH KEY MANAGEMENT PERSONNEL In EUR million	31/12/2019 Amount	31/12/2019 Number of persons	31/12/2018 Amount	31/12/2018 Number of persons
Amount of remuneration to key management personnel of Quintet on the basis of their activity, including the amounts paid to former key management personnel	9	26	14	21
Credit commitments given (undrawn amount outstanding)	-	-	-	-
Loans outstanding	-	-	1	2
Guarantees given outstanding	-	-	-	-
Expenses for defined contribution plans	1	13	0	9

Note 35 – Solvency

The table below gives the solvency ratios calculated in the framework of the EU Parliament & Council, Capital Requirement Regulation (CRR 2013/575).

In EUR million	31/12/2019	31/12/2018
Regulatory capital	**1,159**	**1,033**
Tier 1 capital	**1,159**	**1,032**
Capital and reserves	1,221	1,182
Intangible assets	-108	-104
Profit or loss eligible	60	-23
Remeasurement of defined benefit plans	-9	-8
Fair value changes of instruments measured at fair value through other comprehensive income	12	5
Deferred tax assets	-14	-16
Asset value adjustment	-4	-3
Significant investments in relevant entities	-	-
Tier 2 capital	**0**	**0**
Preference shares	0	0
Subordinated liabilities	0	0
Risk weighted assets	**2,893**	**2,959**
Credit risk	2,453	2,418
Market risk	225	306
Credit value adjustment	13	16
Operational risk	203	219
Solvency ratios		
Basic solvency ratio (Tier 1 ratio)	**40.07%**	**34.90%**
Solvency ratio (CAD ratio)	**40.07%**	**34.90%**

Note 36 – Maximum credit risk exposure and collateral received to mitigate the risk

Maximum credit risk exposure **In EUR million**	**31/12/2019**	**31/12/2018**
Assets	**8,570**	**9,168**
Balances with central banks and other demand deposits	960	3,071
Financial assets	6,435	5,131
Held-for-trading	261	309
Designated at fair value through profit or loss	-	-
Non-trading mandatorily at fair value through profit or loss	42	36
At fair value through other comprehensive income	3,021	2,560
At amortized cost	3,108	2,212
Hedging derivatives	3	14
Investment in subsidiaries and associates	1,103	875
Tax assets	14	16
Other assets	53	65
Non-current assets held-for-sale	7	10
Off-balance sheet items	**265**	**268**
Confirmed irrevocable credits, unused	175	175
Financial guarantees	90	93
Maximum credit risk exposure	**8,836**	**9,435**

For the instruments measured at fair value, the amounts disclosed above represent the current credit risk exposure and not the maximum credit risk that could apply as a consequence of future changes in the estimates made.

Collateral and guarantee received to mitigate the maximum exposure to credit risk **In EUR million**	**31/12/2019**	**31/12/2018**
Mortgage loans collateralized by immovable property	**325**	**220**
Residential	249	111
Commercial	75	110
Other collateralized loans	**1,560**	**739**
Cash	81	109
Rest (including securities received in reverse repo operations)	1,479	630
Financial guarantees received	**705**	**427**
Collateral and guarantee received to mitigate the maximum exposure to credit risk	**2,589**	**1,385**

The amount and type of collateral required depend on the type of business considered and the Bank's assessment of the debtor's credit risk. The main types of collateral received are as follows:

- cash,
- securities (in particular for reverse repo operations and securities lending),
- other personal and/or collateral guarantees (mortgages).

These guarantees are monitored on a regular basis to ensure their market value remains adequate as regards the assets they are intended to cover. If a guarantee is noted to be insufficient, margin calls are made in accordance with the agreements signed with the various counterparties concerned.

Following the Bank's request, the CSSF has approved an exemption from including in its calculation of the large risks exposures, in accordance with Part IV, article 400 of the EU No 575/2013, the risks to which the Bank is exposed towards its subsidiaries. This exemption is not eligible towards Precision Capital and Pioneer Capital. The exposures on related parties are disclosed in Note 34.

Note 37 – Risk management

This note aims to disclose the '*nature and risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks*', as required by IFRS 7. The information is presented by risk type as proposed by the standards.

1. Credit risk

1.1. QUALITATIVE INFORMATION

1.1.1. Origin of credit risk

The credit risks arising from financial instruments mainly originate from:

- lending to private clients (mainly Lombard loans and Mortgage loans). Risk in this activity is largely mitigated by a strong collateral policy, implying limited unsecured exposures,
- positions in ALM portfolios,
- uncommitted lines covering the trading activity and counterparty exposures with banks (forex, money markets, swaps, reverse repo, securities lending, derivatives, etc.),
- the granting of uncommitted lines to clients of the Global Institutional & Professional Services (GIPS) Function in Luxembourg (mainly UCI), to cover temporary overdrafts,
- the acceptance of securities used as collateral in repo transactions.

1.1.2. Credit allocation decision-making process / governance

In Luxembourg, all lending/investment decisions, as all decisions to grant uncommitted lines, are the responsibility of the Executive Committee or one of the other competent bodies designated under the delegation of authority based on specific criteria. This delegation of powers always requires the involvement of at least two people from different entities, to ensure that there is no risk of conflict of interest.

Each new credit proposal submitted to the Luxembourg Credit Committee or Group Credit Committee is accompanied by an opinion issued by Group Credit Risk Control, based on an analysis of the financial situation and creditworthiness of the borrower and of the structure of collateral.

Internal processes ensure the identification of related counterparties, in order to monitor concentration risk on debtors/group of debtors. Group structures are moreover permanently updated by the Group Credit Risk Control.

1.1.3. Credit policy

The credit policy defines the framework within which loan activities to customers are managed in the Quintet Group. It is reviewed/updated on an annual basis. The last version was validated by the Board Risk Committee[1] ("BRC") in December 2019.

1.1.4. Measurement/monitoring of credit risk

Credit risk related to lending activities, investment portfolios or trading activities has to remain within the general framework set in the Risk Appetite Statement validated by the Board Risk Committee. Therefore, specific indicators are monthly reported to the Group Risk Committee (GRC) and quarterly to the BRC. Special attention is set on concentration risk, being on single issuers, single banking counterparties or countries.
Group Credit Risk Control has its own system for country and concentration limits, approved by the Executive Committee and by the Board Risk Committee. This system allows the definition of limits adapted to the size of the Bank and to its risk appetite. During 2019, the control has been transferred to Financial Risk & Reporting team.

At a regulatory level, Quintet Group uses the standardised Basel III methodology to calculate credit risk.

[1] The Board Risk Committee or BRC is a sub-committee of the Board of Directors dedicated to risk issues

1.1.4.1. Loans

In terms of the day-to-day monitoring of lending transactions, the loan administration systems automatically monitor the loans and guarantees schedule, which allows any overdraft or collateral shortfall to be detected and the appropriate corrective actions to be taken swiftly.

On a quarterly basis, a global reporting of all lending exposures is performed, detailing the portfolio by loan type, customer type, countries, maturities and performing status. It also presents information on the effective loan-to-values for the collateralized exposures.

The files for which a specific monitoring is requested are included in the Watch list that is discussed monthly in the Luxembourg Credit Committee and Group Credit Committee.

1.1.4.2. Investment portfolios

Investment proposals are submitted by the Group ALM Function. All proposals have to respect the concentration limits, defined by issuer type (Sovereigns, Corporates and Banks), as well as the concerned country limits. The Group Financial Risk & Reporting department checks the availability under those limits before any investment and may advise against any investment based on its own credit risk assessment, supported by comments provided by the international rating agencies and analysis of the published financial statements.

Group Risk Control automatically monitors debtors' ratings, as reported by rating agencies, and informs the entities concerned accordingly. Various types of standard or specific reports are also drawn up in order to monitor any deterioration in the quality of the portfolio.

Any overdraft of issuer concentration limits, due to rating downgrades, is communicated monthly to the GRC and quarterly to the BRC.

1.1.4.3. Interbank transactions

The set-up and monitoring of interbank limits, which are mainly concentrated in the Luxembourg Dealing Room, is a major activity of Group Risk Control. It covers:

- The maintenance of maximum limits, in line with principles validated by the BRC.

  This system defines interbank limits which are commensurate with the size of the Bank and its risk appetite. It fully integrates the Large Exposures regulation. Loans outstanding are allocated to lines according to a standard "marked-to-market + add on" approach.

  Their update is triggered by changes in one of the influencing factors (ratings, tier 1 capital...).

- The set-up of operational limits (that can only be smaller than maximum limits) that are necessary to adequately allocate interbank sub-limits across the different products (Money Market, Repo, Securities Lending…) is processed in accordance with the different desks.

  The monitoring of exposures and their compliance with operational limits is monitored on a daily basis by the Group Risk Control department.

1.1.4.4. Collateral monitoring

The management and supervision of collateral received for secured transactions, in addition to contract management, is handled by a dedicated entity of the Function 'Operations'. Specific guidelines, validated by the Executive Committee, set rules on concentration by counterparties and by securities accepted as collateral, as well as risk correlation limits (correlation between the counterparty and the collateral). The respect of these rules is monitored on a daily basis by the Group Risk Control department.

1.1.4.5. Country limits

The framework for the definition and monitoring of country limits covers all types of country risks (in particular that of contagion) and not only the risk of transferability.

Lines are allocated to the Bank for credit activities, bonds investments and trading room activities as and when required. As for counterparty risk, Group Risk Control is responsible for independent monitoring, on a daily basis, of the respect of the country limits.

1.1.4.6. Concentration monitoring

As mentioned here above, issuer concentration limits are defined per individual or group of counterparts. These limits are assigned to sovereigns, banks and corporates, using a methodology derived from the country limit framework and consider additional financial criteria. Issuer concentration limits are divided into sub-limits which preserve diversification both in terms of maturity and products.

The issuer concentration limits are updated by Group Financial Risk & Reporting team and monitored.by Group Risk Control. Exception reports are escalated to the GRC.

1.1.5 Measurement of Credit Risk

The Bank's independent Credit Risk Department operates its internal Credit quality monitoring process. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Expected Credit Losses are computed using methodologies based on materiality and maturities. ECL calculations incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

1.1.5.1. IFRS 9 stages

The IFRS9 approach is based on the definition of three stages, each associated with the expected risk of default of the instrument and defining a level of impairment provisioning to be booked.

- Stage 1: At the origination of non-impaired instruments, an impairment provision equal to the expect credit loss over the coming 12-month is booked. The instrument is considered as *performing*.
- Stage 2: After a significant increase of the instrument credit risk, the booked impairment provision is increased from the 12-month expected credit loss to the remaining lifetime expected credit loss of the instrument. The instrument is considered as *underperforming*.
- Stage 3: The instrument has incurred losses and is now considered as *non-performing*. The booked impairment provision remains equal to its remaining lifetime expected credit loss.

1.1.5.2. Credit risk grading

For credit risk assessment, two approaches:

- For interbank and debt issuing counterparties, the assessment relies on external rating.
- For the remaining counterparties (the customer base), the assessment is based on the continuous monitoring of the loan book by the Credit Risk Control function and the concept of watch list.

The following credit risk grades are based on "worst of two best" principle, using external ratings from rating agencies S&P's and Moody's.

Counterparty type	Group' credit risk grades	Assigned PD (%)
Corporate		
	AAA	0.01
	AA	0.02
	A	0.03
	BBB	0.16
	BB	0.77
	B	4.38
	CCC	32.87
	D	100.00
Financial Institutions		
	AAA	0.01
	AA	0.02
	A	0.07
	BBB	0.37
	BB	1.00
	B	3.35
	CCC	18.18
	D	100.00
Sovereigns		
	AAA	0.01
	AA	0.03
	A	0.08
	BBB	0.23
	BB	0.67
	B	3.26
	CCC	38.33
	D	100.00

Note for Intragroup IFRS9 approach:

The same Financial Institution approach is used for intragroup IFRS9 exposures valuation. All Group entites are considered as BBB external rating for computation purposes.

1.1.5.3 Significant Increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk as follows:

- For interbank and debt issuing counterparties, the assessment relies on the term structure of the cumulative probability of default constructed from transition matrices updated with forward-looking estimates of market conditions.
- For the remaining counterparties (the customer base), the assessment is based on the continuous monitoring of the loan book by the Credit Risk Control function and the concept of watch list.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset. Overall, the following indicators are considered:

Qualitative & quantitative indicators	**Debt securities**		**Loans**		
	Corporate	Government	Corporate	Government	Household
Relative change in PD	P	P	N	N	N
Changes in external credit rating	S	S	N	N	N
Practical expedient – 30 days past due rebuttable presumption	N	N	B	B	B
Number of days past due – other than 30 days	P	P	B	B	B
Modification or forbearance	N	N	S	S	S
Watch list	S	S	P	P	P
Practical expedient – low credit risk exemption	P	P	P	P	P

P: is used as a primary indicator, or
S: is used as a secondary indicator, or
B: is used but only as a backstop (application of 30 days backstop remains subject to expert judgement based on consideration of specific facts and circumstances for loans with Corporates and Households), or
N: is not used:

- as explained above, the PD indicators (including external credit rating) are not internally used for loans and advances.
- as explained below, the Bank is using a restrictive indicator than the 30 days past due indicator for debt securities.

1.1.6. Definition of default and credit impaired assets

If the Bank aligned its definition of default and credit impairment with the relevant regulatory requirements, some internal default definitions have been adapted to the specificities of the following counterparty types, notably:

- Market securities

After 10 days past due the expected payment (interest and/or capital), GCRC, based on market and other information available on the bond and the issuer, recommends the classification as defaulted (with 30 days past due as backstop).

- Interbank exposures

After 10 days past due the expected payment (interest and/or capital), GCRC, based on market and other information available on the bond and the issuer, recommends the classification as defaulted (with 30 days past due as backstop subject to expert judgment).

- Non-Interbank exposures

A default with regard to an obligor shall be considered to have occurred when:
- there is an exposure for which the obligor is considered unlikely to pay its credit obligations at any level of the Group without realizing its security, or;
- there is a material exposure where the obligor is past due more than 90 days on any material credit obligation to the Group (the notion of unlikeliness to pay, as per article 178.3 of CRR).

For retail credit facilities, all exposures of an obligor in default may be treated individually; that is, contagion does not necessarily apply to all the obligor’s exposures.

1.2 EXPECTED CREDIT LOSS MEASUREMENT: EXPLANATION OF INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES

1.2.1.Measurement of ECL

For the calculation of ECL amounts and rates, three approaches are followed:

- For the most material exposures (investment portfolio and loan portfolio), the ECL is calculated by decomposing the cashflow structure of the exposure and postulating a number of defaults along its lifeline; that is, the PD, EaD, and LGD are assessed for each of the postulated default scenarios along the lifeline of the exposure.

- For exposures with undefined maturities, ECL are estimated by postulating a maturity horizon of 12 months, on the basis of the exposure at the reporting date.
- For revolving exposures, a loss rate approach is followed.

These approaches are extended to off-balance sheet exposures, to cover the whole spectrum of exposures in the application range of IFRS 9.

1.2.2. Forward Looking information incorporated in the ECL models

Both the assessment of credit risk (for non-low risk exposures) and the estimation of the expected credit losses (ECL) rely on the term structure of the cumulative default probability that can be constructed from a migration matrix, computed on the basis of three scenarios representing favourable, baseline and unfavorable market conditions, i.e. forward-looking assumptions.

The relative weights given to these scenarios, by a dedicated committee of experts, is in turn used to compute the average migration matrix from which the expected term structure of cumulative probability of default is computed. On that basis, the credit risk will be assessed and the ECL calculated. The weights will be refreshed on a quarterly basis.

Here below are the 12-month probabilities o default, per sector and rating ,per scenario.

	Banks & Financials			**Corporates**			**Sovereigns**		
	P55	**P75**	**P95**	**P55**	**P75**	**P95**	**P55**	**P75**	**P95**
AAA	0.01%	0.01%	0.03%	0.01%	0.01%	0.03%	0.01%	0.01%	0.03%
AA	0.02%	0.03%	0.06%	0.02%	0.02%	0.05%	0.03%	0.04%	0.08%
A	0.07%	0.07%	0.29%	0.03%	0.03%	0.12%	0.08%	0.10%	0.23%
BBB	0.37%	0.37%	1.36%	0.16%	0.17%	0.56%	0.23%	0.29%	0.65%
BB	1.00%	1.11%	3.43%	0.77%	0.92%	2.43%	0.67%	0.78%	2.22%
B	3.35%	3.77%	11.44%	4.38%	5.47%	11.60%	3.26%	4.04%	9.06%
CCC-C	18.18%	22.41%	51.93%	32.87%	39.98%	60.32%	38.33%	47.12%	74.25%

P55, P75 and P95 representing respectively the favourable, baseline and unfavourable scenarios.

1.2.3.Sensitivity analysis

The review and validation of the sensitivity analysis related to the IFRS9 computation are under the responsibility of the Macro Economic Scenarios Committee (MESCo).

Macroeconomic scenarios enter the credit risk assessment and expected credit loss estimates at various levels, depending on the nature of the exposure to be assessed. Three main inputs are decided upon by way of assigning weights to precalibrated scenarios. These are

- the CDS spread levels,
- the returns on financial assets,
- the returns on properties.

- the CDS spread levels

CDS spread levels are indicators of credit risk levels on the reference entity as felt by the market. For the purpose of IFRS 9 calculations, Moody’s 5-year median CDS spreads are considered as reflecting the market credit risk on counterparties with a given rating (AAA, AA, A, BBB, BB, B, CCC-C) and belonging to a specific sector (Banks, Corporates, Sovereigns).

- the returns on financial assets

Scenarios describing returns on financial assets as held in portfolios securing loans have been calibrated with the help of the AM department (expert judgment). The parameters listed below have been retained. The favourable and baseline scenarios consider a constant rate of return whereas the negative scenario simulates a market downturn within the coming year. The shock magnitude has deliberately been kept limited to account for the fact that Lombard loans are subject to margin calls which are not simulated in IFRS 9 models.

Negative scenario parameters	
Shock magnitude	-10 %
Shock length (yearly basis)	1
Plateau length (yearly basis)	3
Recovery speed (yearly basis)	0.25
Probability of occurrence	20%
Baseline scenario parameters	
Rate of return	3 %
Probability of occurrence	30 %
Favourable scenario parameters	
Rate of return	5%
Probability of occurrence	50 %

- the returns on properties

Scenarios describing returns on properties, for the main markets on which the Group subsidiaries are exposed, have been calibrated by them based on the available market observations and advice from the local regulator.

Scenario	Parameter	Luxembourg
Negative	Probability of occurrence	15%
	Shock magnitude	-30%
	Shock length (yearly basis)	2
	Plateau length (yearly basis)	0.50
	Recovery speed (yearly basis)	0.25
Baseline	Probability of occurrence	55%
	Rate of return	3.40%
Positive	Probability of occurrence	30%
	Rate of return	6%
Sum of probabilities		**100%**

1.3. QUANTITATIVE INFORMATION

1.3.1. Breakdown of credit risk exposures

The distribution of the credit risk exposures by products is as follows:

Information on performing and non-performing exposures

31/12/2019 In EUR million	**Total Amounts**	**Performing**	**Non-performing**	***N-P of which: defaulted***	***N-P of which: impaired***
Debt securities	**756.0**	**756.0**	**-**	***-0.2***	**-**
Central banks	-	-	-	-	-
General governments	522.2	522.2	-	*-0.1*	-
Credit institutions	145.8	145.8	-	*-0.0*	-
Other financial corporations	34.3	34.3	-	*-0.0*	-
Non-financial corporations	53.6	53.6	-	*-0.0*	-
Loans and advances	**3,329.5**	**3,285.0**	**44.5**	***-1.4***	***-15.8***
Central banks	822.2	822.2	-	*-0.1*	-
General governments	0.9	0.9	-	*-0.0*	-
Credit institutions	1,451.9	1,451.9	-	*-0.6*	-
Other financial corporations	543.4	539.2	4.2	*-0.6*	*-1.3*
Non-financial corporations	302.5	275.2	27.3	*-0.1*	*-9.0*
Households	208.7	195.6	13.0	*-0.1*	*-5.5*
Total Debt instruments at Amortised Cost	**4,085.5**	**4,041.0**	**44.5**	***-1.6***	***-15.8***
Debt securities	**3,006.1**	**3,006.1**	**-**	***-1.5***	**-**
General governments	2,122.0	2,122.0	-	*-1.1*	-
Credit institutions	393.6	393.6	-	*-0.3*	-
Other financial corporations	140.8	140.8	-	*-0.0*	-
Non-financial corporations	349.6	349.6	-	*-0.1*	-
Loans and advances	**-**	**-**	**-**	**-**	**-**
Total Debt instruments at Fair Value Through OCI	**3,006.1**	**3,006.1**	**-**	***-1.5***	**-**
Debt securities	**1.6**	**1.6**	**-**	**-**	**-**
Central banks	-	-	-	-	-
General governments	0.0	0.0	-	-	-
Credit institutions	-	-	-	-	-
Other financial corporations	-	-	-	-	-
Non-financial corporations	1.6	1.6	-	-	-
Loans and advances	**-**	**-**	**-**	**-**	**-**
Total Debt instruments at strict locom or FVTPL or through Equity not subject to impairment	**1.6**	**1.6**	**-**	**-**	-
Total Debt Instrument other than held for Trading or trading	**7,093.2**	**7,048.7**	**44.5**	***-3.1***	***-15.8***
Loan commitments given	598.9	598.9	0.0	*0.1*	-
Financial guarantees given	89.8	87.8	2.0	*0.0*	*1.4*
Other Commitments given	-	-	-	-	-
Off Balance Sheet Exposures	**688.8**	**686.7**	**2.0**	***0.1***	*1.4*

31/12/2018 In EUR million	Total Amounts	Performing	Non-performing	*N-P of which: defaulted*	*N-P of which: impaired*
Debt securities	**687.8**	**687.8**	**-**	**-**	**-**
Central banks	-	-	-	-	-
General governments	400.3	400.3	-	-	-
Credit institutions	159.7	159.7	-	-	-
Other financial corporations	71.4	71.4	-	-	-
Non-financial corporations	56.3	56.3	-	-	-
Loans and advances	**4,603.5**	**4,586.6**	**16.9**	***16.9***	***16.9***
Central banks	2,888.8	2,888.8	-	-	-
General governments	0.9	0.9	-	-	-
Credit institutions	877.0	877.0	-	-	-
Other financial corporations	358.8	351.9	6.9	*6.9*	*6.9*
Non-financial corporations	227.5	218.9	8.5	*8.5*	*8.5*
Households	250.5	249.0	1.5	*1.5*	*1.5*
Total Debt instruments at Amortised Cost	**5,291.3**	**5,274.3**	**16.9**	***16.9***	***16.9***
Debt securities	**2,544.4**	**2,544.4**	**-**	**-**	**-**
General governments	1,772.0	1,772.0	-	-	-
Credit institutions	235.6	235.6	-	-	-
Other financial corporations	269.7	269.7	-	-	-
Non-financial corporations	267.3	267.3	-	-	-
Loans and advances	**-**	**-**	**-**	**-**	**-**
Total Debt instruments at Fair Value Through OCI	**2,544.4**	**2,544.4**	**-**	**-**	**-**
Debt securities	**1.6**	**1.6**	**-**	**-**	**-**
Central banks	-	-	-	-	-
General governments	0	0	-	-	-
Credit institutions	-	-	-	-	-
Other financial corporations	-	-	-	-	-
Non-financial corporations	1.6	1.6	-	-	-
Loans and advances	**-**	**-**	**-**	**-**	**-**
Total Debt instruments at strict locom or FVTPL or through Equity not subject to impairment	**1.6**	**1.6**	**-**	**-**	-
Total Debt Instrument other than held for Trading or trading	**7,837.3**	**7,820.4**	**16.9**	***16.9***	***16.9***
Loan commitments given	708.2	708.2	-	-	-
Financial guarantees given	93.3	87.6	5.8	*5.8*	-
Other Commitments given	-	-	-	-	-
Off Balance Sheet Exposures	**801.5**	**795.7**	**5.8**	***5.8***	-

1.3.2. Specific loan impairment

The valuation of potential losses and the adjustment of specific impairments are carried out quarterly by Group Credit Risk Control. The Group Credit Committee decides on any adjustment for the first three quarters of the year, while it is the responsibility of the Executive Committee for the fourth quarter.

Below are listed the IFRS9 impairments:

Debt Securities

31/12/2019 in EUR million	**Assets without significant increase in credit risk since initial recognition (Stage 1)**			**Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)**			**Credit-impaired assets (Stage 3)**		
	<= 30 days	**> 30 days <= 90 days**	**> 90 days**	**<= 30 days**	**> 30 days <= 90 days**	**> 90 days**	**<= 30 days**	**> 30 days <= 90 days**	**> 90 days**
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-

31/12/2019 in EUR million	**Assets without significant increase in credit risk since initial recognition (Stage 1)**			**Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)**			**Credit-impaired assets (Stage 3)**		
	<= 30 days	**> 30 days <= 90 days**	**> 90 days**	**<= 30 days**	**> 30 days <= 90 days**	**> 90 days**	**<= 30 days**	**> 30 days <= 90 days**	**> 90 days**
Loans and advances	***0***	***0***	***0***	***0***	***1.7***	**0**	**0**	**0**	**11.1**
Central banks	**-**	**-**	**-**	**-**	***32.7***	**-**	**-**	**-**	**26.2**
General governments	**-**	**-**	**-**	**-**	-	-	-	-	-
Credit institutions	**-**	**-**	**-**	**-**	-	-	-	-	-
Other financial corporations	**-**	**-**	**-**	**-**	-	-	-	-	-
Non-financial corporations	**-**	**-**	**-**	**-**	20.6	-	-	-	2.8
Households	**-**	**-**	**-**	**-**	9.4	-	-	-	18.3
Loans and advances by product, by collateral and by subordination									
On demand [call] and short notice [current account]	-	-	-	-	0.0	-	-	-	0.7
Credit card debt	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repurchase loans	-	-	-	-	-	-	-	-	-
Other term loans	*20.8*	-	-	-	32.7	-	-	-	25.5
Advances that are not loans	-	-	-	-	-	-	-	-	-
of which: Loans collateralized by immovable property	-	-	-	-	30.1	-	-	-	11.2
of which: other collateralized loans	*0.8*	-	-	-	2.5	-	-	-	14.2

of which: credit for consumption	*20.0*	-	-	-	-	-	-	-	0.0
of which: lending for house purchase	-	-	-	-	1.5	-	-	-	0.2
of which: project finance loans	-	-	-	-	-	-	-	-	-

Main variations are explained as follows:

31/12/2019 in EUR million	**Opening Balance**	**Increase due to origination and acquisition**	**Decrease due to derecognition**	**Changes due to change in credit risk (net)**	**Decrease in allowance account due to write-offs**	**Other adjustments**	**Closing balance**
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**-3.0**	**-4.0**	**3.8**	**0.3**	-	**-0.0**	**-2.8**
Debt securities	**-1.6**	**-1.1**	**0.8**	**0.3**	**-**	**-0.0**	**-1.7**
General governments	-1.1	-0.8	0.5	0.2	-	**-0.0**	**-1.2**
Credit institutions	-0.2	-0.2	0.1	0.1	-	**-0.0**	**-0.3**
Other financial corporations	-0.1	-0.0	0.1	0.0	-	**0.0**	**-0.1**
Non-financial corporations	-0.1	-0.1	0.1	0.0	-	**-0.0**	**-0.1**
Loans and advances	**-1.3**	**-2.8**	**3.0**	**0.1**	**-**	**-0.0**	**-1.1**
General governments	-0.0	-0.0	0.0	-	-	-	**-0.0**
Credit institutions	-0.4	-1.0	1.0	0.0	-	**0.0**	**-0.4**
Other financial corporations	-0.8	-1.6	1.8	0.0	-	**-0.0**	**-0.6**
Non-financial corporations	-0.1	-0.1	0.1	0.0	-	**-0.0**	**-0.1**
Households	-0.0	-0.1	0.1	0.0	-	**0.0**	**-0.1**
Allowances for debt instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**-0.0**	**-**	**0.0**	**-0.0**	-	**-0.0**	**-0.0**
Loans and advances	-0.0	-	0.0	-0.0	-	-0.0	-0.0
Credit institutions	-	-	-	-	-	**-**	**-**
Other financial corporations	-0.0	-	0.0	-0.0	-	**-0.0**	**-0.0**
Non-financial corporations	-	-	-	-	-	**-**	**-**
Households	-0.0	-	0.0	-0.0	-	**-0.0**	**-0.0**
Allowances for credit-impaired debt instruments (Stage 3)	**-5.7**	**-**	**0.1**	**-13.5**	**3.4**	**-0.0**	**-15.8**
Loans and advances	-5.7	-	0.1	-13.5	3.4	-0.0	-15.8
Other financial corporations	-4.5	-	0.0	-0.1	3.3	**-0.0**	**-1.3**
Non-financial corporations	-0.0	-	-	-9.0	-	**-**	**-9.0**
Households	-1.2	-	0.0	-4.3	0.0	**0.0**	**-5.5**
Total allowance for debt instruments	**-8.7**	**-4.0**	**3.9**	**-13.2**	**3.4**	**-0.0**	**-18.7**
Commitments and financial guarantees given (Stage 1)	0.3	0.3	-0.5	-0.0	-	**0.0**	**0.1**
Commitments and financial guarantees given (Stage 3)	1.5	0.5	-0.4	-0.2	-	**0.0**	**1.4**
Total provisions on commitments and financial guarantees given	**1.8**	**0.8**	**-0.9**	**-0.2**	**-**	**0.0**	**1.5**

Debt Securities

31/12/2018 in EUR million	Assets without significant increase in credit risk since initial recognition (Stage 1)			Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Credit-impaired assets (Stage 3)		
	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-

Loans and advances

31/12/2018 in EUR million	Assets without significant increase in credit risk since initial recognition (Stage 1)			Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)			Credit-impaired assets (Stage 3)		
	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days	<= 30 days	> 30 days <= 90 days	> 90 days
Loans and advances	***0***	***0***	***0***	***0***	***1.7***	***0***	***0***	***0***	***11.1***
Central banks	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	2.3
Non-financial corporations	-	-	-	-	-	-	-	-	8.6
Households	-	-	-	-	1.7	-	-	-	0.3
Loans and advances by product, by collateral and by subordination									
On demand [call] and short notice [current account]	-	-	-	-	0	-	-	-	0.1
Credit card debt	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repurchase loans	-	-	-	-	-	-	-	-	-
Other term loans	-	-	-	-	1.7	-	-	-	11.0
Advances that are not loans	-	-	-	-	-	-	-	-	-
of which: Loans collateralized by immovable property	-	-	-	-	1.2	-	-	-	11.0
of which: other collateralized loans	-	-	-	-	0.5	-	-	-	-
of which: credit for consumption	-	-	-	-	-	-	-	-	0
of which: lending for house purchase	-	-	-	-	1.2	-	-	-	0.2
of which: project finance loans	-	-	-	-	-	-	-	-	-

Main variations are explained as follows:

31/12/2018 in EUR million	Opening Balance	Increase due to origination and acquisition	Decrease due to derecognition	Changes due to change in credit risk (net)	Decrease in allowance account due to write-offs	Other adjustments	Closing balance
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**-2.9**	**-2.2**	**2.0**	**0.1**	-	**0**	**-3.0**
Debt securities	**-1.5**	**-0.9**	**0.4**	**0.4**	**-**	**0**	**-1.6**
General governments	-1.1	-0.7	0.3	0.4	-	**0**	**-1.1**
Credit institutions	-0.2	-0.1	0	0	-	**0**	**-0.2**
Other financial corporations	-0.1	-0	0	-0	-	**0**	**-0.1**
Non-financial corporations	-0.1	-0.1	0	0	-	**-0**	**-0.1**
Loans and advances	**-1.4**	**-1.3**	**1.6**	**-0.3**	**-**	**0**	**-1.3**
General governments	0	-	0	-0	-	-	**-0**
Credit institutions	-0.8	-0.6	1.3	-0.3	-	**-0**	**-0.4**
Other financial corporations	-0.6	-0.6	0.3	-0	-	**0**	**-0.8**
Non-financial corporations	-0	-0	0	-0	-	**-0**	**-0.1**
Households	-0	-0	0	0	-	**-0**	**-0**
Allowances for debt instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**-128.4**	**-**	**0.1**	**-0.1**	-	**128.4**	**-0**
Loans and advances	-128.4	-	0.1	-0.1	-	128.4	-0
Credit institutions	-128.4	-	0.1	-0.1	-	**128.4**	**-**
Other financial corporations	-0	-	0	0	-	**-0**	**-0**
Non-financial corporations	-0	-	0	0	-	**-0**	**-**
Households	-0	-	0	-0	-	**0**	**-**
Allowances for credit-impaired debt instruments (Stage 3)	**-4.4**	**-**	**0.4**	**-3.2**	**1.5**	**0**	**-5.7**
Loans and advances	-4.4	-	0.4	-3.2	1.5	0	-5.7
Other financial corporations	-1.5	-	0.3	-3.3	-	**-0**	**-4.5**
Non-financial corporations	-1.5	-	0	0	1.5	**-**	**-0**
Households	-1.4	-	0.1	0.1	-	**0**	**-1.2**
Total allowance for debt instruments	**-135.7**	**-2.2**	**2.5**	**-3.2**	**1.5**	**128.4**	**-8.7**
Commitments and financial guarantees given (Stage 1)	0.3	0.1	-0.3	0.2	-	**-0**	**0.3**
Commitments and financial guarantees given (Stage 3)	1.2	-	-	0.2	-	**-**	**1.5**
Total provisions on commitments and financial guarantees given	**1.6**	**0.1**	**-0.3**	**0.4**	**-**	**-0**	**1.8**

The loan/loss ratio is as follows:

Loan/Loss ratio (*)	2019	2018
L&R from customers	145bps	34bps
Financial assets FVOCI	<0%	<0%

(*) The loan/loss ratio is defined as the net variation of specific and general impairments on average loan portfolio over the year.

1.3.3. Concentration of risks

1.3.3.1. By rating

- **Financial assets designated at fair value through profit or loss**

Book value
In EUR million

Rating **31/12/2019**	**Total Watch list**	**Standard**	**Total**
NR	1.6	-	1.6
Total	**1.6**	**0.0**	**1.6**

Book value
In EUR million

Rating **31/12/2018**	**Total Watch list**	**Standard**	**Total**
BBB	1.6	-	1.6
NR	0.0	-	0.0
Total	**1.6**	**0.0**	**1.6**

- **Financial assets at fair value through other comprehensive income**

Book value
In EUR million

Rating **31/12/2019**	**Total Watch list**	**Standard**	**Total**
AAA	-	84.3	84.3
AA+	-	64.2	64.2
AA	-	344.9	344.9
AA-	-	450.6	450.6
A+	-	316.7	316.7
A	-	186.6	186.6
A-	-	409.2	409.2
BBB+	-	568.8	568.8
BBB	-	171.8	171.8
BBB-	5.1	393.1	398.2
BB	9.2	-	9.2
Total	**14.4**	**2,990.2**	**3,004.6**

Book value
In EUR million

Rating 31/12/2018	Total Watch list	Standard	Total
AAA	-	107.2	107.2
AA+	-	42.6	42.6
AA	-	307.0	307.0
AA-	-	253.3	253.3
A+	-	389.1	389.1
A	-	161.7	161.7
A-	-	308.5	308.5
BBB+	-	501.6	501.6
BBB	-	38.2	38.2
BBB-	9.9	409.8	419.7
BB	13.7	-	13.7
NR	-	0.4	0.4
Total	**23.6**	**2,519.4**	**2,543.0**

- **Financial assets at amortised cost (debt securities)**

In EUR million

Rating 31/12/2019	*NPL / Impaired*	*Standard*	*Total*
AAA	-	71.6	71.6
AA+	-	79.8	79.8
AA	-	173.7	173.7
AA-	-	183.5	183.5
A+	-	40.7	40.7
A	-	128.0	128.0
A-	-	41.3	41.3
BBB+	-	37.1	37.1
Total	-	755.8	755.8

In EUR million

Rating 31/12/2018	*NPL / Impaired*	*Standard*	*Total*
AAA	-	78.7	78.7
AA+	-	59.8	59.8
AA	-	113.8	113.8
AA-	-	103.6	103.6
A+	-	77.0	77.0
A	-	144.8	144.8
A-	-	22.0	22.0
BBB+	-	71.5	71.5
BBB	-	8.0	8.0
BBB-	-	8.2	8.2
Total	**-**	**687.5**	**687.5**

- **Loans and advances**

Loans and advances positions are not rated

Loans and advances

31/12/2019	NPL/Impaired	Performing	Total
Banks and other Financial Institutions	219.2	1,520.4	1,739.6
Customers	191.1	306.8	497.9
Sub_total	**410.3**	**1,827.2**	**2,237.5**
Other L&R and intercompanies	63.7	51.2	114.9
Total	**474.0**	**1,878.4**	**2,352.4**

which Banks and Financial Institutions

Book value
In EUR million

Rating **31/12/2019**	**Total Loans**	**Reverse Repo**	**Total**
AAA	0.8	-	0.8
A+	131.7	173.4	305.1
A	1.6	491.0	402.6
A-	-	431.4	431.4
BBB+	4.9	-	4.9
NR	504.7	-	504.7
Total	**643.7**	**1,095.8**	**1,739.6**

Loans and advances

31/12/2018	NPL/Impaired	Performing	Total
Banks and other Financial Institutions	397.0	582.1	979.1
Customers	139.5	319.8	459.4
Sub_total	536.5	901.9	1,438.5
Other L&R and intercompanies	49.5	37.0	86.4
Total	**586.0**	**938.9**	**1,524.9**

Of which Banks and Financial Institutions

Book value
In EUR million

Rating **31/12/2018**	**Total Loans**	**Reverse Repo**	**Total**
A+	130.8	-	130.8
A	27.0	204.0	231.0
A-	4.8	186.5	191.3
NR	426.1	0	426.1
Total	**588.7**	**390.5**	**979.1**

1.3.3.2. Financial Securities by country

Country
in EUR Million

31/12/2019	Financial assets at amortised cost (debt securities)			Financial assets at fair value through other comprehensive income			Financial assets designated at fair value through profit or loss		
	On_watchlist	Standard	Total	On_watchlist	Standard	Total	On_watchlist	Standard	Total
AUSTRIA	-	5.3	5.3	-	6.8	6.8	-	-	-
BELGIUM	-	68.2	68.2	-	26.8	26.8	0.0	-	0.0
BERMUDA	-	-	-	-	23.3	23.3	-	-	-
CANADA	-	51.3	51.3	-	25.8	25.8	-	-	-
CAYMAN ISLANDS	-	-	-	-	38.2	38.2	-	-	-
CHINA	-	-	-	-	40.3	40.3	-	-	-
FINLAND	-	38.7	38.7	-	6.3	6.3	-	-	-
FRANCE	-	186.2	186.2	-	191.5	191.5	1.6	-	1.6
GERMANY	-	10.2	10.2	-	7.6	7.6	-	-	-
GUERNSEY	-	-	-	-	-	-	-	-	-
IRELAND	-	97.3	97.3	-	19.4	19.4	-	-	-
ISRAEL	-	-	-	-	40.8	40.8	-	-	-
ITALY	-	-	-	-	376.8	376.8	-	-	-
JAPAN	-	-	-	-	71.5	71.5	-	-	-
JERSEY	-	-	-	-	23.5	23.5	-	-	-
KUWAIT	-	-	-	-	38.6	38.6	-	-	-
LATVIA	-	10.3	10.3	-	5.1	5.1	-	-	-
LITHUANIA	-	10.8	10.8	-	48.5	48.5	-	-	-
LUXEMBOURG	-	31.0	31.0	-	88.2	88.2	-	-	-
MEXICO	-	15.7	15.7	-	48.9	48.9	-	-	-
MONACO	-	-	-	-	-	-	-	-	-
NETHERLANDS	-	20.2	20.2	5.1	86.3	91.4	-	-	-
NEW ZEALAND	-	-	-	-	20.3	20.3	-	-	-
NORWAY	-	11.0	11.0	-	-	-	-	-	-
POLAND	-	-	-	-	93.5	93.5	-	-	-
PORTUGAL	-	-	-	-	147.5	147.5	-	-	-
QATAR	-	-	-	-	166.2	166.2	-	-	-
SINGAPORE	-	-	-	-	12.2	12.2	-	-	-
SLOVAKIA	-	17.4	17.4	-	46.3	46.3	-	-	-
SLOVENIA	-	-	-	-	20.8	20.8	-	-	-
SOUTH KOREA	-	6.3	6.3	-	175.6	175.6	-	-	-
SPAIN	-	31.4	31.4	-	592.0	592.0	-	-	-
SUPRANATIONAL	-	52.6	52.6	-	74.6	74.6	-	-	-
SWEDEN	-	16.2	16.2	-	13.4	13.4	-	-	-
UNITED ARAB EMIRATES	-	10.3	10.3	-	133.7	133.7	-	-	-
UNITED KINGDOM	-	13.3	13.3	-	59.9	59.9	-	-	-
UNITED STATES OF AMERICA	-	30.5	30.5	-	50.3	50.3	-	-	-
AUSTRIA	-	5.3	5.3	-	6.8	6.8	-	-	-
Other below EUR 10m	-	16.4	16.4	9.2	163.0	172.2	-	0.0	0.0
Total	**-**	**755.8**	**755.8**	**14.4**	**2,990.2**	**3,004.6**	**1.6**	**0.0**	**1.6**

Country
in EUR Million

31/12/2018	Financial assets at amortised cost (debt securities)			Financial assets at fair value through other comprehensive income			Financial assets designated at fair value through profit or loss		
	On_watchlist	**Standard**	**Total**	**On_watchlist**	**Standard**	**Total**	**On_watchlist**	**Standard**	**Total**
AUSTRALIA	-	-	-	-	12,6	12.6	-	-	-
AUSTRIA	-	11.2	11.2	-	-	-	-	-	-
BELGIUM	-	18.0	18.0	-	31.1	31.1	0.0	-	0.0
BERMUDA	-	-	-	-	31.2	31.2	-	-	-
CANADA	-	50.4	50.4	-	42.1	42.1	-	-	-
CAYMAN ISLANDS	-	-	-	-	74.6	74.6	-	-	-
CHILI	-	-	-	-	56.2	56.2	-	-	-
CHINA	-	-	-	-	39.7	39.7	-	-	-
CZECH REPUBLIC	-	22.3	22.3	-	83.7	83.7	-	-	-
DENMARK	-	-	-	-	7.8	7.8	-	-	-
FINLAND	-	22.8	22.8	-	5.1	5.1	-	-	-
FRANCE	-	136.7	136.7	-	226.8	226.8	1.6	-	1.6
GERMANY	-	6.1	6.1	-	20.4	20.4	-	-	-
HONG KONG	-	-	-	-	13.2	13.2	-	-	-
IRELAND	-	103.3	103.3	-	53.5	53.5	-	-	-
ISRAEL	-	-	-	-	31.9	31.9	-	-	-
ITALY	-	-	-	-	268.9	268.9	-	-	-
JAPAN	-	-	-	-	55.6	55.6	-	-	-
KOREA, REPUBLIC OF	-	6.3	6.3	-	54.8	54.8	-	-	-
KUWAIT	-	-	-	-	17.6	17.6	-	-	-
LITHUANIA	-	-	-	-	49.5	49.5	-	-	-
LUXEMBOURG	-	32.0	32.0	-	27.1	27.1	-	-	-
MEXICO	-	24.1	24.1	5.0	20.8	25.7	-	-	-
MONACO	-	-	-	-	-	-	-	-	-
NETHERLANDS	-	25.1	25.1	5.0	95.4	100.3	-	-	-
NEW ZEALAND	-	-	-	-	19.6	19.6	-	-	-
NORWAY	-	11.1	11.1	-	-	-	-	-	-
POLAND	-	-	-	-	120.6	120.6	-	-	-
PORTUGAL	-	-	-	-	124.3	124.3	-	-	-
QATAR	-	-	-	-	116.1	116.1	-	-	-
SLOVAKIA	-	17.4	17.4	-	46.1	46.1	-	-	-
SLOVENIA	-	-	-	-	35.9	35.9	-	-	-
SPAIN	-	62.2	62.2	-	344.0	344.0	-	-	-
SUPRANATIONAL	-	47.9	47.9	-	78.5	78.5	-	-	-
SWEDEN	-	16.7	16.7	-	23.2	23.2	-	-	-
SWITZERLAND	-	-	-	-	-	-	-	-	-
Other (below EUR 10 Million)	-	73.9	73.9	13.7	291.9	305.6	-	0.0	0.0
Total	**-**	**687.5**	**687.5**	**23.6**	**2,519.4**	**2,543.0**	**1.6**	**0.0**	**1.6**

1.3.3.3. Loans and advances by Country

Loans and advances
In EUR million

31/12/2019	NPL/Impaired	Performing	Total
Banks and other Financial Institutions	219.2	1,520.4	1,739.6
Customers	191.1	306.8	497.9
Sub_total	**410.3**	**1,827.2**	**2,237.5**
Other L&R and intercompanies	63.7	51.2	114.9
Total	**474.0**	**1,878.4**	**2,352.4**

Loans and advances
In EUR million

31/12/2018	NPL/Impaired	Performing	Total
Banks and other Financial Institutions	397.0	582.1	979.1
Customers	139.5	319.8	459.4
Sub_total	536.5	901.9	1,438.5
Other L&R and intercompanies	49.5	37.0	86.4
Total	**586.0**	**938.9**	**1,524.9**

Book value - In EUR million

Country	L&R Banks and other Financial Institutions		**L&R Banks and other Financial Institutions**	**L&R Customers**
31/12/2019	Other L&R	Reverse Repo	**Total**	**Total**
AUSTRIA	-	-	**-**	**3.4**
BELGIUM	22.1	-	**22.1**	**72.9**
CANADA	-	-	**-**	**0.0**
FRANCE	38.7	615.1	**653.8**	**213.5**
GERMANY	0.0	-	**0.0**	**0.4**
GUERNSEY	75.5	-	**75.5**	**-**
IRELAND	16.8	-	**16.8**	**0.0**
ISRAEL	-	-	**-**	**0.0**
ITALY	0.0	-	**0.0**	**1.9**
JAPAN	-	-	**-**	**0.0**
LUXEMBOURG	130.4	-	**130.4**	**46.1**
MEXICO	-	-	**-**	**0.0**
MONACO	77.9	-	**77.9**	**42.5**
NETHERLANDS	4.8	-	**4.8**	**0.9**
POLAND	-	-	**-**	**0.0**
PORTUGAL	-	-	**-**	**1.6**
QATAR	-	-	**-**	**0.0**
SPAIN	34.8	431.4	**466.2**	**78.7**
SWITZERLAND	29.6	-	**29.6**	**12.9**
UNITED ARAB EMIRATES	-	-	**-**	**1.8**
UNITED KINGDOM	213.2	49.4	**262.5**	**10.7**
UNITED STATES OF AMERICA	0.0	-	**0.0**	**1.6**
Other below EUR 10m	0.0	-	**0.0**	**9.2**
Total	**643.7**	**1,095.8**	**1,739.6**	**497.9**

Book value - In EUR million

Country **31/12/2018**	L&R Banks and other Financial Institutions Other L&R	 Reverse Repo	**L&R Banks and other Financial Institutions** **Total**	**L&R Customers** **Total**
AUSTRALIA	0.0	-	**0.0**	**0.0**
AUSTRIA	-	-	**-**	**3.4**
BELGIUM	5.8	-	**5.8**	**53.2**
BERMUDA	0.0	-	**0.0**	**-**
CANADA	-	-	**-**	**0.0**
CAYMAN ISLANDS	0.1	-	**0.1**	**-**
CHINA	-	-	**-**	**0.0**
DENMARK	-	204.0	**204.0**	**-**
FINLAND	-	-	**-**	**-**
FRANCE	75.9	-	**75.9**	**146.7**
GERMANY	4.8	-	**4.8**	**0.3**
HONG KONG	0.0	-	**0.0**	**-**
IRELAND	0.0	-	**0.0**	**0.0**
ISRAEL	-	-	**-**	**0.0**
ITALY	0.0	-	**0.0**	**0.0**
JAPAN	-	-	**-**	**0.0**
LUXEMBOURG	119.0	-	**119.0**	**42.6**
MEXICO	-	-	**-**	**0.0**
MONACO	117.9	-	**117.9**	**42.4**
NETHERLANDS	19.2	-	**19.2**	**0.9**
NEW ZEALAND	-	-	**-**	**0.0**
POLAND	-	-	**-**	**0.0**
PORTUGAL	-	-	**-**	**1.5**
QATAR	-	-	**-**	**50.0**
SLOVAKIA	0.0	-	**0.0**	**-**
SLOVENIA	-	-	**-**	**-**
SPAIN	45.9	186.5	**232.3**	**100.0**
SWEDEN	0.0	-	**0.0**	**0.0**
SWITZERLAND	36.4	-	**36.4**	**4.1**
UNITED ARAB EMIRATES	-	-	**-**	**2.0**
UNITED KINGDOM	163.3	-	**163.3**	**6.3**
VENEZUELA	-	-	**-**	**0.0**
Other below EUR 10m	0.3	-	**0.3**	**6.1**
Total	**588.7**	**390.5**	**979.1**	**459.4**

1.3.3.4. Modification of financial assets

- **foreborne exposures management**

Group Credit Risk Control sets and maintains an internal procedure for forborne and non performing exposures (last update November 2019), based on the relevant EBA guidelines (October 2018).

- Recognition of Forborne exposures

The Bank considers the loan as forborne where both of the following conditions are met:

1. the credit quality of the transaction is or threatens to be downgraded;
2. the bank is forced to soften its usual loan and/or pricing requirements (i.e. make concessions) to ensure maintained affordability of the credit.

The credit quality downgrade is based on a list of criterias established based on both Corporate and Private clients' specificities.

- Viable versus non-viable forbearance

The bank considers the following factors when assessing the viability of the forbearance measure:

- the Bank can demonstrate that the borrower can afford the forbearance solution, i.e. full repayment is expected;
- the resolution of outstanding arrears is fully or mostly addressed and a significant reduction in the borrower's balance in the medium to long term is expected.

Also, additional internal controls are implemented for situations where new forbearance measures have to be granted for already forborne exposure, to ensure that they are viable.

- Contagion of Forborne exposures

The forborne status is applied at transaction level, even though the credit quality downgrade may be assessed at the obligor/group level. This means a debtor experiencing financial difficulties may have one forborne loan alongside with other not forborne loan facilities.

- Cure from Forborne status

As forborne exposure can be performing or non-performing, requirements for reclassifying non-performing forborne exposures into performing forborne exposures comprise the completion of a "cure period" of one year from the date the forbearance measures were extended and a requirement for the debtor's behaviour to demonstrate that concerns regarding full repayment no longer exist.

To be cured, all of the following criteria should be satisfied:

1. the exposure is not considered as impaired or defaulted;
2. there is no past-due amount on the exposure;
3. the borrower has settled, by means of regular payments, an amount equivalent to all those previously past due or a total equal to the amount written off as part of the forbearance measures, or the borrower has otherwise demonstrated its ability to comply with the post-forbearance conditions.

Additionally, where a debtor has other exposure(s) to the bank which are not the subject of a forbearance arrangement the Bank should consider the performance (i.e. presence of arrears) of these exposures in its assessment of the borrower's ability to comply with post-forbearance conditions.

Once forborne exposures are classified as performing, either because they have met the conditions for being reclassified from the non-performing category or because the granting of forbearance measures did not lead to the classification of the exposure as non-performing, they will continue to be identified as forborne until all the following conditions have been met.

1. an analysis of the financial condition of the debtor showed that the transactions no longer met the conditions to be considered as non-performing;
2. a minimum of two years has elapsed since the later of the date of the concession or the date of reclassification from non-performing;
3. the borrower has made regular payments of more than an insignificant aggregate amount of principal or interest during at least half of the probation period;

- Efficiency and effectiveness of forbearance

Efficiency and effectiveness of the forbearance activity of the Bank is monitored on an annual basis in a specific report, by:

- monitoring the quality of the forbearance activities to make sure they are not used to delay an assessment that the exposure is uncollectable

- monitoring the efficiency of forbearance granting process and duration of the decisionmaking process
- monitoring the effectiveness of forbearance measures by monitoring of forbearance cure rate, rate of exposure being reclassified as non-performing, cash collection rate and write-off

- **Impacts on financial assets**

Risk of default of such assets after modification is assessed at reporting date and compared with the risk under the original terms at initial recognition.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Group restructuring activities and their respective effect on the Group financial performance:

In EUR million 31/12/2019	Exposures with forbearance measures	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions
Loans and advances	**30.7**	**28.0**	**2.7**	**-1.1**
Other financial corporations	29.2	28.0	1.2	-1.1
Households	1.5	-	1.5	-
Total Debt Instruments other than Held for Trading	**30.7**	**28.0**	**2.7**	**-1.1**
Loan commitments given	**-**	**-**	**-**	**-**

In EUR million 31/12/2018	Exposures with forbearance measures	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions
Loans and advances	**26.7**	**25.5**	**1.2**	**-1.0**
Other financial corporations	25.1	24.1	1.0	-1.0
Households	1.7	1.4	**-**	-0.0
Total Debt Instruments other than Held for Trading	**26.7**	**25.5**	**1.2**	**-1.0**
Loan commitments given	**-**	**-**	**-**	**-**

2. Market Risk: Trading Risk

2.1. QUALITATIVE INFORMATION

2.1.1. Origin of trading risk

Quintet Group trading activities are mainly focused on Treasury activities consisting in managing Group operational liquidity, optimizing short term liquidity replacement and managing short term interest rate risks (currency swaps and interest rate swaps but also short term placements).

- The mission of the trading activity is mainly to grow activities along as a support activity of both Wealth management and Global Institutional & Professional Services (GIPS). As such, the risk appetite for taking own position is limited and the overall positions are strictly controlled by a whole set of limits.
- As Liquidity Management Competence Centre for the Group, the Global Treasury is also centralising (within regulatory constraints) and redistributing the (excess) liquidity generated by Wealth Management across the Group and GIPS activities in Luxembourg. It is handling all the financial transactions which are not processed through the Group Platform. This activity is MIFID compliant and products are mainly non sophisticated products.
- In principle, positions are taken with a view to support the "customer" business of the Group and are monitored by Group Risk Control. Positions taken for trading purposes rely on a conservative philosophy and are carried out on an accessory basis. They are subject to strict rules in terms of limits and products.

2.1.2. Trading risk policy

The Group is specialized in private banking through a network of “pure play” private banks. In this regard, risk-taking is mainly done to support its activities :

Treasury activity, oriented towards client service, is based on deposits and conventional linear derivatives (mostly currency swaps and interest rate swaps) and collateralized operations (mostly reverse repurchasing agreements).

Treasury activity is driven by the interest rates (IR) volatility, the diversification and market opportunities.

FX and precious metal activity is also oriented towards client service and is mainly based on spot and forward transactions. Overall total limit for this activity is broadly limited to EUR 23m (o/w EUR 20m at Quintet level) - including Bullions activity.

Structured product activity, the Bank acts as private bank by offering a specialized service to the increasingly demanding customers. Before being marketed, all of these products must obtain the prior approval of the " SPODAC " Committee of Authorization and Supervision of new products, whose primary role is to assess the various risks (market, credit, operational, legal, etc..) underlying the marketing of these structures.
NB. The Bank is allowed to keep limited amount of positions on its book as a benchmark or to offer a secondary market to client.

Most of the instruments used by the Dealing Room are plain vanilla.

2.1.3. Trading decision making process / governance

Trading activities have been gradually concentrated in Luxembourg, no trading activities are allowed in the subsidiaries (with the exception of BSCo). This organisation enables subsidiaries to focus on commercial operations and hence limits the risks at their level. Professional lines available to subsidiaries on non-group counterparties have been curtailed to an absolute minimum. According to the Risk Appetite Statement, the primary limits are granted by the Board Risk Committee.

Foreign exchange and bullion trading activities are oriented towards client service. Small residual forex positions (average the daily outstanding FX and bullion is approximately EUR 3 million since beginning of 2019) are tolerated and monitored against nominal overnight and intraday limits.

Mitigation and control framework:
Market Risk Control daily monitors the end of day exposures using a set of primary (overall absolute exposure) and secondary limits (currency limits) on nominal amount to ensure diversification of the risk. Currencies with high volatilities and too narrow FXS markets are not allowed.

The intraday exposure is also monitored on a daily basis and limited to a certain percentage of a dedicated intraday limit. In addition HVAR is also developed for the FX activities and is used as a risk indicator.

2.1.4. Measurement and monitoring of trading risk

The system of primary limits in place at Quintet is based on:

- nominal amounts for the Forex and Structured Products activities, 30Days P&L Stop Loss.
- 10 bpv, Historical Value at Risk (HVaR) , 30Days P&L Stop Loss and stressed HVaR limits for activities subject to interest rate risk (Treasury and Bond Desks)

These primary limits are supplemented by a structure of secondary limits allowing a more detailed analysis of the trading risks. Those secondary limits consist in concentration limits by currency and by time bucket as well as in limits by issue and issuer, based on their rating or on their market liquidity.

2.1.5. Concentration Risk

Issuer concentration risk is strictly governed by conservative limits restricting the trading in non-investment grade debts and in illiquid equities, which leads to a well diversified trading portfolio.

The evolution of exposures related to each activity compared with their respective limits (primary and secondary), as well as the economic results and highlights, are reported daily to the Heads of ALM & Treasury, Global Markets and Group Risk Control Function. They are also weekly reported to the Quintet Executive Committee, on a monthly basis to the Group Risk Committee (ExCo level) and on a quarterly basis to the Group Board Risk Committee.

2.2. QUANTITATIVE INFORMATION

As at 31/12/2019, the usage of limits in the Trading activities is as follows (Quintet Group):

In EUR million		Limit	Oustanding 31/12/2018	Maximum observed in 2019	Average observed in 2019	Oustanding 31/12/2019
Treasury	**10 bpv (1)**	**2.5**	2.4	2.7	1.8	2.3
	HVar	**3**	1.8	3.1	1.9	2
	Stressed Hvar	**7.5**	2.4	5.7	3.7	4.9

(1) BPV 10 bps oustanding corresponds to the sum in abs value of the BPV 10 bps in each currency

In EUR million	Limit in Nominal Amount	Oustanding 31/12/2018	Maximum observed in 2019	Average observed in 2019	Oustanding 31/12/2019
Forex (bullions included)	**20.0**	2.4	41.6	3	1.7
Structured Product	**110.0**	71.9	75.7	63.5	53.9

Limits unchanged vs previous years, confirmed through the framework as it has been discussed and validated in BRC early september 2019.
To be noted though, an additional stressed Hvar has been set up using 2010 full year as Stressed period.

3. Market Risk: ALM Risk

3.1. Qualitative information

3.1.1. Origin of ALM risks

The core activities of a private bank entails little ALM risk compared to a retail bank: most of the client assets under management are securities or funds which are off-balance sheet items inducing no ALM risks. Most short-term client cash deposits offer variable rates linked with money market rates and the same applies to Lombard/mortgage loans to customers. When fixed rates are granted for loans, hedging swaps are contracted.

As a consequence, ALM risks are mainly entailed by security portfolios set up within the frame of the ALM policy being:

- portfolios of high grade bonds, dedicated to the reinvestment of the free capital, and of the most stable part of fixed rate sight deposits and saving accounts;
- portfolios dedicated to the reinvestment of other stable liquidities, looking for the right balance between interest rate risk, credit spread risk and return.

The ALM equity risk is induced by an investment portfolio invested in direct lines of equities or in UCI shares. The portfolio held in Quintet (Luxembourg) is managed along Group ALCO's guidelines.

Quintet Group is not exposed to any ALM forex risk as no active foreign exchange exposure is taken (assets are funded in their respective currencies).

3.1.2. ALM decision making process/governance

The ultimate responsibility for the ALM activity of Quintet Group is held by the monthly Group ALCO Committee, which is an Executive Committee extended to the representatives of the Group ALM & Treasury Function, of the Group Risk Control Function, of Global Markets, of Finance, in addition to the Chief Investment Officer.

The ALCO validates a.o. strategies in terms of management of the gap between resources and utilisations, in terms of Return on Equity enhancement, management of the structural liquidity and mitigation of the related risks.

Those strategies are proposed by the Group ALM & Treasury Function which has the responsibility for the preparation of the ALCO meetings, a.o. for the topics which are submitted to its decisions. The Function is also in charge of the day-to-day implementation of the ALCO decisions. When they have a Group dimension, it has to ensure their implementation within the limits of the governance constraints in place.

Under this structure, the Group Risk Control Function endorses a role of second level control entity, issuing opinions on the proposals and monitoring the risks related to the ALM activity on a recurring basis.

3.1.3. ALM policy

A document entitled '*Investment Policy and ALM framework*' describes a.o. the ALM objectives, governance and constraints (credit risk, liquidity, …). It is in line with the Risk Appetite Statement expressed by the Board of Directors (see below).

3.1.4. Measurement and monitoring of ALM risks

The Risk Appetite Statement, at least reviewed on a yearly basis, expresses the Board of Directors' risk appetite for ALM interest rate risk, credit spread risk and equity risk, mainly through limits on Value at Risk indicators, sensitivity measures and global outstanding at Quintet Group level.

Regarding the interest rate risk, the following limits apply:

- the regulatory worst impact of interet rate risk on EVE (basis point value) limit for all banking book positions set up at 14,5% of Tier 1 which amounts to EUR 1.159m.
- The Interest Rate Value at Risk 99% - 1 year, which amounts to EUR 33.3m for Quintet as at 31 December 2019 (31 December 2018: EUR 13.6m). The related Risk Appetite limit has been set for Quintet Group to EUR 115m (exposure of EUR 51.0m as at 31 December 2019).

Regarding Earnings at Risk, the following limits apply:

(i) an interest earning at risk indicator reflecting the outcome of the worst case scenario (between parallel shifts by 100 bpv, 200 bpv, or scenarios of up, short up, down, short down, steepening, flattening movements) of the interest rate curve, which amounts to EUR -23.4m (as at end of 2017) at consolidated level, for a Risk Appetite limit of EUR -60m.

Regarding the equity (price) risk, the Risk Appetite is expressed in terms of maximum Value at Risk and maximum size for listed equities and for alternative equity investments for the whole Group.

The Equity Value at Risk 99% - 1 year amounts to EUR 19.4m for Quintet as at 31 December 2019 (31 December 2018: EUR 17.6m). The Risk Appetite limit has been set for Quintet Group at EUR 75m (for an exposure of EUR 29.5m as at 31 December 2019).

3.1.5. ALM Hedging policy.

In order to manage interest rate risk exposure and ensure it remains within the limits of the risk appetite, different hedging strategies are deployed:

- fixed rate loans granted to customers in Luxembourg and Belgium are hedged using 'micro hedge' interest rate swaps that replicate the cash flows of the fixed rate credit. These micro hedge transactions are pooled and returned in the market on aggregated basis. The hedging efficiency (both retrospective and prospective) of this market transaction are monitored weekly against dedicated limits (o.w. 80% to 125% efficiency)
- according to ALM investment policy the Bank may choose to secure the margin over floating rate funding with interest rate swaps or cross currency interest rate swaps either through the purchase of an Synthetic Asset Swap or in connection with an existing bond position. For these transaction, the hedging instrument perfectly match the cash flows of the hedged instrument and the efficiency of the hedging relation monitored on a monthly basis
- in addition to the above, hedging relation may be put in place in the context of debt issued by the bank (either through EMTN program). These hedging relation can take the form of cross currency interest rate swaps or equity swaps in the case of structured notes where the optional pay-off of the note is swapped in the market against a floating rate.

3.2. QUANTITATIVE INFORMATION

3.2.1. Interest rate

The sensitivity of the economic value of the statement of financial position to interest rates (impact of a parallel increase by 1% of the interest risk curve) is as follows for Quintet:

In EUR million

100 bpv as at 31/12/2019	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total 100 bpv	Carrying amount
Financial assets	**-2**	**-6**	**-17**	**-32**	**-74**	**-132**	**6.435**
Held for trading	1	-0	-2	-5	-2	**-9**	**261**
Designated at fair value through p/L	-					**-**	**-**
Non trading assets mandatorily at fair value through P!L	0	-0	-	-	-	**-0**	**42**
Financial assets at fair value through OCI	-1	-4	-11	-20	-42	**-78**	**3.021**
Financial assets at amortised cost	-2	-2	-4	-7	-33	**-48**	**3.108**
Hedging Derivatives	-0	-	0	1	3	**4**	**3**
Financial liabilities	**1**	**6**	**15**	**28**	**56**	**106**	**7.239**
Held for trading	-1	1	3	7	15	**24**	**240**
Designated at fair value through p/L	-					**-**	**-**
Measured at amortised cost	5	4	5	3	4	**20**	**6.887**
Subordinated liabilities	0					**0**	**0**
Hedging Derivatives	-3	0	8	18	38	**61**	**111**
Gap	**-2**	**-1**	**-2**	**-4**	**-18**	**-26**	

In EUR million **100 bpv as at 31/12/2018**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Total 100 bpv**	**Carrying amount**
Financial assets	**-5**	**-5**	**-21**	**-31**	**-59**	**-120**	**5,131**
Held for trading	-1	-0	-2	-6	-13	**-22**	309
Designated at fair value through p/L	-	-	-	-	-	**-**	-0
Non trading assets mandatorily at fair value through P!L	-	-0	-	-	-	**-0**	36
Financial assets at fair value through OCI	-0	-3	-13	-15	-35	**-67**	2,560
Financial assets at amortised cost	-1	-2	-5	-9	-11	**-28**	2,212
Hedging Derivatives	-3	-0	-0	-	-	**-3**	14
Financial liabilities	**17**	**3**	**10**	**25**	**52**	**107**	**8,032**
Held for trading	1	0	2	8	16	**27**	265
Designated at fair value through p/L	-	-	-	-	-	**-**	-
Measured at amortised cost	16	3	-	-	-	**18**	7,680
Subordinated liabilities	-	-	-	-	-	**-**	-
Hedging Derivatives	0	0	8	17	35	**61**	88
Gap	**12**	**-1**	**-10**	**-6**	**-7**	**-13**	

The sensitivity of the interest margin of Quintet to the interest rates (impact of a parallel increase by 1% of the interest rate risk curve) is as follows:

In EUR million **Sensitivity 100 bpv Shift 31/12/2019**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Total Impact**
Financial assets	28.8	7.0	6.8	7.3	8.8	58.7
Financial liabilities	-57.3	-1.7	-1.3	-1.7	-2.1	-64.2
Net Impact	-28.5	5.3	5.5	5.5	6.7	**-5.4**

In EUR million **Sensitivity 100 bpv Shift 31/12/2018**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Total Impact**
Financial assets	40.0	7.2	5.9	7.7	8.6	69.5
Financial liabilities	-46.8	-4.0	-4.0	-5.2	-6.0	-66.0
Net Impact	-6.8	3.2	1.9	2.5	2.7	**3.4**

3.2.2. Equity risk

3.2.2.1. Sensitivity of equity risk

Regarding the equity risk, the impact of a decrease by 25% on both the statement of profit and loss (impairment) and the equity gross FVOCI reserve (excluding Equity instruments at cost) is as follows for Quintet:

In EUR thousand **31/12/2019**	**Current situation** (1)	***Impact of a markets' decrease by 25%***	**Stock after decrease**
Marked-to-Market value	56.887	-14.222	42.665
Gain/Loss	12.550	-14.222	-1.672
Equity impact (gross FVOCI reserve)	-882	-4.011	-4.893
Statement of profit and loss impact (impairment)	13.432	-10.211	3.221

In EUR thousand **31/12/2018**	**Current situation** (1)	***Impact of a markets' decrease by 25%***	**Stock after decrease**
Marked-to-Market value	51,081	*-12,770*	38,311
Gain/Loss	10,892	*-12,770*	-1,878
Equity impact (gross FVOCI reserve)	-299	*-4,157*	-4,455
Statement of profit and loss impact (impairment)	11,191	*-8,614*	2,577

3.2.2.2. Concentration of equity risk

The decision to increase/decrease the proportion of equity in the ALM portfolio is taken at the ALCO level (within the limits agreed by the BRC) taking into consideration macro and fundamental analysis as well as convictions from the Group Asset Allocation Committee.
Such analysis also influences the relative weights of Europe, USA and Emerging Markets. Within the various regions, an adequate sectorial diversification is looked for. Concentration limits are expressed in absolute amounts and in percentage of daily volume traded.
Next to the strategic investment policy, the Bank also acts as seed investor when new home investment funds are launched.

The equity portolio represents a total exposure of EUR 56.9m as at 31/12/2019 (EUR 51.1m as at 31/12/2018). In more details :

In EUR million

REGION / NATURE	**31/12/2019**
Europe (Equity Funds + direct lines)	56.7
Europe (Diversified Funds)	0.0
Europe (Fixed Income Funds)	0.2
TOTAL	56.9
Other Equities	-
Total Equities portfolios	56.9

In EUR million

REGION / NATURE	**31/12/2018**
Europe (Equity Funds + direct lines)	32.1
Europe (Diversified Funds)	0.0
Europe (Fixed Income Funds)	0.2
TOTAL	32.3
Other Equities	18.8
Total Equities portfolios	51.1

4. Liquidity risk

4.1. QUALITATIVE INFORMATION

4.1.1. Origin of Liquidity risk

The Bank as a Group has a large and stable funding base due to the natural accumulation of deposits from its two core businesses: Private Banking and Global Institutional & Professional Services (GIPS), which on the other hand consume relatively few liquidity resources. The overall funding gap is structurally and globally positive and Quintet Group is a net lender recycling structural liquidity positions in the interbank market.

4.1.2. Liquidity decision making process/governance

Like for Assets and Liabilities Management, the Group ALCO Committee has the final responsibility for the Liquidity Management of the Bank. The Group ALM Function proposes strategies for the management of long term liquidity (putting, a.o. a strong emphasis on ECB eligible as well as Basel III eligible bonds), while the short term liquidity management is delegated to the Treasurer within strict limits (see trading risk above).

The Group Risk Control Function acts as a second level control entity, issuing opinions on investment proposals and monitoring liquidity risk on a daily basis (through a set of indicators briefly described in section 4.1.4).

4.1.3. Liquidity policy

The current policy applied by Quintet Group is to centralise the placement of all liquidity surpluses at the Head Office level. However, when local regulatory constraints exist (large exposures regime, liquidity constraints), the subsidiaries' liquidity is collateralized or is reinvested in local ALM portfolios under the supervision of both Group ALM and Group Risk Control Functions.

At the Head Office, the stable part of global funding is reinvested in ALM portfolios following a conservative strategy (a.o. respecting minimum European Central Bank/Basel III eligibility and rating criteria) and the unstable part of global funding is replaced in the short-term interbank market, largely through reverse repo transactions.

4.1.4. Measurement and monitoring of liquidity risk

The Board Risk Committee has expressed its Risk Appetite in terms of liquidity risk, by imposing limits on the Basel III ratios (LCR and NSFR), on deposits outflows and on the Liquidity Excess resulting from internal stress tests. The latter are run on a quarterly basis with the aim to assess the ability of Quintet Group to survive a severe liquidity crisis during a 3-month time period without affecting its business model.

As the excess liquidity throughout the Group is centralised at Quintet'sTreasury Department (under regulatory constraints), Quintet's operational liquidity situation is daily monitored by the Market Risk Control department through operational liquidity indicators and reported to the Treasurer. Main operational indicators are:

- a contractual liquidity gap of up to five days, as if the activity was to be continued (no stress test). This report is also sent to the BCL;
- the stock of available liquid assets;
- a daily estimate of the Basel III Liquidity Coverage Ratio, which stood at more than 140% as at 31 December 2019 (for a regulatory limit of 100%);
- the value of quantitative indicators, which can potentially trigger the Liquidity Contingency Plan (the Plan consists in various actions depending on the gravity - minor, major - of the liquidity crisis).

As far as structural liquidity indicators are concerned, the 'Private Banking customers Loan-to-Deposit ratio (LTD)' is computed on a monthly basis. As at 31 December 2019, it stood at 25.6%, confirming the excellent liquidity situation of Quintet as natural deposit collector.

4.2. Quantitative information

4.2.1. Maturity analysis of liquid stock

The maturity analysis of financial assets held for managing liquidity risk (unencumbered marketable assets) is as follows:

In EUR million

Marketable assets **31/12/2019**	**Stock of available assets**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**
Initial stock of available assets		**3,034.7**	**3,362.0**	**2,488.9**	**2,051.2**	**945.0**
HQLA eligible	2,501.8	351.9	-816.8	-261.6	-914.7	-860.5
Marketable securities	532.9	-24.5	-56.3	-176.0	-191.6	-84.5
Total	3,034.7	327.3	-873.1	-437.6	-1,106.3	-945.0
Residual stock of available assets	**3,034.7**	**3,362.0**	**2,488.9**	**2,051.2**	**945.0**	**0.0**

In EUR million

Marketable assets **31/12/2018**	**Stock of available assets**	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**
Initial stock of available assets		**1,159.3**	**3,097.9**	**2,395.4**	**1,865.8**	**661.4**
HQLA eligible	1,074.1	1,536.6	-726.9	-415.5	-841.1	-627.3
Marketable securities	85.2	402.1	24.3	-114.1	-363.3	-34.2
Total	1,159.3	1,938.6	-702.5	-529.6	-1,204.4	-661.4
Residual stock of available assets	**1,159.3**	**3,097.9**	**2,395.4**	**1,865.8**	**661.4**	**0.0**

4.2.2. Maturity analysis of financial assets and liabilities

The analysis by remaining contractual maturity for financial assets and liabilities is as follows:

In EUR million 31/12/2019	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Undetermined	Total
Cash and balances with central banks and other demand deposits	**964**	**-**	**-**	**-**	**-**	**-**	**964**
Financial assets	**2,182**	**1,146**	**1,033**	**877**	**1,142**	**58**	**6,435**
Held-for-trading	114	84	26	15	23	-	261
Non-trading financial assets mandatorily at fair value through profit or loss	0	-	-	-	2	41	42
Designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	435	764	612	518	676	16	3,021
Financial assets at amortised cost	1,633	299	395	343	438	-	3,108
Hedging derivatives	0	-	1	0	2	-	3
Other assets	**-**	**-**	**-**	**-**		**1,307**	**1,307**
TOTAL ASSETS	**3,145**	**1,146**	**1,033**	**877**	**1,140**	**1,364**	**8,706**

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Undetermined	Total
Financial liabilities	**6,822**	**239**	**66**	**45**	**66**	**0**	**7,239**
Held-for-trading	159	43	3	9	26	-	240
Designated at fair value through profit or loss	-	-	-	-	-	-	-
Measured at amortised cost (excluding subordinated liabilities)	6,658	194	35	-	-	0	6,887
Subordinated liabilities	0	-	-	-	-	-	0
Hedging derivatives	4	3	28	36	40	-	111
Other liabilities	**-**	**-**	**-**	**-**	**-**	**182**	**182**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**1,285**	**1,285**
TOTAL LIABILITIES	**6,822**	**239**	**66**	**45**	**66**	**1,467**	**8,706**
GAP	**-3,676**	**907**	**967**	**832**	**1,074**	**-103**	

Of which derivatives:

In EUR million
31/12/2019

Cashflows by bucket

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total	Carrying amount EUR million
Inflows	**9,035**	**3,504**	**22**	**15**	**11**	**12,587**	**193**
Interest rate	382	316	22	15	11	746	69
Equity	0	0	0	-	-	0	15
Currency	8,654	3,188	-	-	-	11,841	109
Outflows	**-8,973**	**-3,555**	**-20**	**-14**	**-8**	**-12,569**	**-226**
Interest rate	-373	-323	-20	-14	-8	-737	-76
Equity	0	0	0	0	0	0	-15
Currency	-8,600	-3,232	0	0	0	-11,833	-135
Gap - Derivatives	**62**	**-51**	**3**	**1**	**3**	**18**	

In EUR million 31/12/2018	**Less than 3 months**	**Between 3 months and 1 year**	**Between 1 year and 3 years**	**Between 3 years and 5 years**	**More than 5 years**	**Undetermined**	**Total**
Cash and balances with central banks and other demand deposits	**3,074**	**-**	**-**	**-**	**-**	**-**	**3,074**
Financial assets	**888**	**1,311**	**1,157**	**863**	**861**	**51**	**5,131**
Held-for-trading	108	137	32	27	4	-	309
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	0	-	2	34	36
Designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	72	691	752	449	580	17	2,560
Financial assets at amortised cost	707	482	368	386	269	-	2,212
Hedging derivatives	-	2	4	1	7	-	14
Other assets	**-**	**-**	**-**	**-**	**-**	**1,138**	**1,138**
TOTAL ASSETS	**3,962**	**1,311**	**1,157**	**863**	**861**	**1,189**	**9,342**

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Undeter mined	Total
Financial liabilities	**7,244**	**686**	**22**	**51**	**30**	**-**	**8,032**
Held-for-trading	127	113	3	19	3	-	265
Designated at fair value through profit or loss	-	-	-	-	-	-	-
Measured at amortised cost (excluding subordinated liabilities)	7,113	567	0	-	-	-	7,679
Subordinated liabilities	-	-	-	-	-		
Hedging derivatives	5	6	18	32	26	-	88
Other liabilities	**-**	**-**	**-**	**-**	**-**	**153**	**153**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**1,157**	**1,157**
TOTAL LIABILITIES	**7,244**	**686**	**22**	**51**	**30**	**1,311**	**9,342**
GAP	**-3,283**	**625**	**1,135**	**812**	**832**	**-122**	

Of which derivatives:

In EUR million
31/12/2018

Cashflows by bucket

	Less than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 years and 5 years	More than 5 years	Total	Carrying amount EUR million
Inflows	**9,610**	**3,582**	**13**	**12**	**11**	**13,229**	**240**
Interest rate	19	5	13	12	11	**62**	**40**
Equity	0	0	-	-	-	**0**	**36**
Currency	9,590	3,577	0	-	-	**13,167**	**164**
Outflows	**-9,562**	**-3,630**	**-**	**-**	**-**	**-13,192**	**-265**
Interest rate	-0	-0	-0	-	-	**-1**	**-54**
Equity	-0	-0	-	-	-	**-**	**-36**
Currency	-9,562	-3,629	-	-	-	**-13,191**	**-174**
Gap - Derivatives	**48**	**-48**	**13**	**12**	**11**	**37**	

4.2.3. Concentration risk

The concentration risk the Bank is facing in terms of liquidity is twofold:

- potential concentration in assets in which the excess liquidity is reinvested: this risk is monitored according to the credit risk limit system (as described above);
- potential concentration in funding sources: this risk is monitored through 2 indicators that are quarterly reported to the BRC :

  . relative weight of the top 20 private client deposits for Quintet Group,

  . list of all significant counterparties in terms of funding sources (>1% of total liabilities, according to Basel III definition).

5. Currency risk.

The operations of the Bank are for the most part denominated in EUR and USD. The Bank has very limited risk appetite for currency risk which translates into small forex limits of EUR 20 mln at consolidated level. The Bank's strategy is to replace the foreign currency client's deposit either directly in the market or to swap them against EUR or USD through foreign currency swaps. The residual currency position is monitored on a daily limits against the above mentioned currency limits which are declined per entity.

Note 38 – Audit fees

in EUR thousand	31/12/2019	31/12/2018
Statutory audit of the financial statementsStandard audit services	427	540
Other assurance services	83	223
Total	**510**	**763**

Note 39 – Significant subsidiaries and associate

As at 31 December 2019, the list of the consolidated companies in which the Bank has a significant holding of at least 20% of the capital is as follows:

NAME AND HEAD OFFICE	CAPITAL HELD	EQUITY Excluding result of the year (2)		RESULT (2)	
Brown, Shipley & Co, Ltd – U.K. (3)	100.00%	122,879,079	GBP	1,395,730	GBP
KBL Immo S.A. – Luxembourg	100.00%	200,584,416	EUR	16,407,899	EUR
Merck Finck Privatbankiers AG – Germany	100.00%	80,980,978	EUR	151,506	EUR
European Fund Administration S.A. – Luxembourg (1)	31.67%	22,548,202	EUR	-4,497,088	EUR
Kredietrust Luxembourg S.A. – Luxembourg	100.00%	7,397,220	EUR	5,209,338	EUR
InsingerGilissen Bankiers. – The Netherlands (3)	100.00%	239,892,300	EUR	952,296	EUR
Puilaetco Dewaay Private Bankers S.A. – Belgium	100.00%	116,921,345	EUR	-479,476	EUR
Banque Puilaetco Dewaay Luxembourg S.A. – Luxembourg	100.00%	14,143,544	EUR	2,799,445	EUR
KBL España Asset Management S.G.I.I.C. S.A.	100.00%	2,211,818	EUR	-403,380	EUR
KBL España Capital Markets A.V. S.A.	100.00%	498,618	EUR	149,016	EUR

(1) : percentage of direct and indirect holdings.
(2) : provisional, social, local GAAP figures.
(3) : Local GAAP = IFRS ; equity excluding reserves on the portfolio evaluated at fair value through other comprehensive income and cash flow hedge effects.

Note 40 – Deposit guarantee scheme

References : Directive 2014/49/EU and Directive 2014/59/EU

These directives are transposed into Luxembourg law by the law of 18 December 2015.

In Luxemburg, the national deposit guarantee scheme (DGS) is represented by the FGDL (Fonds de garantie des dépôts Luxembourg, see the website www.fgdl.lu). The purpose of the FGDL is to protect clients of the member institutions in case that a bank goes bankrupt.

Quintet is a FGDL member. As a member account holders (natural persons and legal entities) in Quintet Luxembourg and in the Quintet España branch are protected by the FGDL up to maximum of EUR 100,000 per person/account (additional guarantees are in place for temporary deposits, see the FGDL website for details).

In case of failure, FGDL ensures compensation of depositors within 7 days.

In order to be compliant with the legislation, Quintet has since 31 December 2013 implemented a system which is able to produce a Single Customer View (SCV) file including data about all eligible cash depositors along with the customers references. The Quintet system is tested twice a year. This set of information is requested by the CSSF in order to facilitate the reimbursement of depositors in case of the bank's failure.

Each year, Quintet Luxembourg pays a contribution to the FGDL for its financing.

As for the investor protection, the Luxembourg investor compensation scheme (SIIL: Système d'Indemnisation des Investisseurs Luxembourg) covers investors (natural persons and legal entities) in the scope of the legislation (law of 18 December 2015).

The investment transactions made by the same investor are covered up to an amount equivalent to EUR 20,000.

Quintet Luxembourg is also an SIIL member, in this scope, eligible investors in Quintet are covered.

Note 41 – Events after the statement of financial position date

The development of the COVID-19 virus into a pandemic over the course of the first quarter of 2020 has created an unprecedented environment both operationally and in financial markets. In this context, Quintet has taken all necessary steps to ensure the health and safety of staff and clients, and the continued smooth running of the business. It is too early to perform a detailed assessment of the impact on Quintet. Nevertheless, it is expected that the financial market environment will affect Quintet's fee and net interest income through, respectively, reduced assets under management levels and reduced margins on client cash holdings given the reduced interest rates enacted as part of stimulus measures. Furthermore, measures to ensure operational continuity and the health and safety of staff and clients will add to operating expenses but this impact is expected to be more than offset by cost saving measures being implemented to compensate revenue shortfall. Finally, as of the date of this report, Quintet does not expect a significant increase in credit losses. Altogether, given that Quintet enjoys strong solvency and liquidity levels well above regulatory requirements, the Bank's sustainability in the coming year and beyond is not expected to be affected.

Also to be noted is the fact that the Board of Directors on 12 March 2020 approved the increase of the subscribed capital and share premium by EUR 50,000,000 by subscription of 975,555 new ordinary shares by Precision Capital S.A., as further support to Quintet's growth ambitions by its majority shareholder.

With the exception of the above, there was no other significant event requiring an update to the notes, or adjustments that would have a material impact on the financial statements as at 31 December 2019.

2019

ANNUAL REPORT

QUINTET
PRIVATE BANK

EUROPEAN NETWORK

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www.quintet.com

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CONTENTS

MESSAGE FROM THE CHAIRMAN

On March 22, 2020, Quintet Private Bank lost a visionary leader, an inspiring colleague and a man of great intelligence, integrity and honor.

Jürg Zeltner, Group CEO and a member of the Board of Directors, passed away far too soon, at the age of 52. He is survived by his beloved wife and two children.

Quintet's Board of Directors, shareholders, management and 2,000 employees extend our deepest sympathies to Jürg's family. We miss his presence as a partner, colleague and friend, who made an invaluable contribution in defining a long-term growth strategy for our firm, together with his senior colleagues.

On March 23, 2020, the Board of Directors approved the nomination of Jakob Stott as Jürg's successor. Jakob had already led the bank since early December 2019, after being named Wealth Management CEO in the summer of 2019.

In his capacity as Group CEO and member of the Board of Directors, subject to regulatory approval, Jakob is ensuring that Quintet continues to pursue its strategic plans – which remain unchanged and endorsed by the Board and Quintet's shareholders – and maintains its enduring focus on doing the right thing for the individuals and families it serves.

Even as the world grapples with unprecedented challenges, that focus remains steadfast. As the pandemic spread, our firm took all necessary steps to ensure the health and safety of our staff and clients, with no interruption to our business activities.

Extremely well positioned from a capital and liquidity perspective, Quintet is a secure partner, which combines agility and stability. We are here to stay and grow – as a firm and with our clients.

Jan Maarten de Jong
Chairman of the Board of Directors

WELCOME

Thank you for your interest in Quintet Private Bank.

At the time of writing this letter, in late March, our firm was in mourning following the untimely passing of Jürg Zeltner, my predecessor as Group CEO – and my longtime friend and partner.

Jürg was an intelligent and enormously driven person. He had incredible charisma. He was fun. He loved his family. He loved life. I shall miss him terribly.

At that same moment, our 2,000 people were working from home, at contingency sites, in split teams – further apart than at any time in Quintet's history but also closer together than ever before.

At Quintet – known until recently as "KBL European Private Bankers" – we have been serving families for generations, across good times and bad. I am proud to lead a firm with so many truly dedicated colleagues, who work tirelessly to nurture deep relationships with their existing clients and earn the trust of new ones.

Our initial response to the global pandemic demonstrates how our employees work together, as one firm, to serve people with an entrepreneurial mindset – no matter what they do or where they come from. And that, even in the most extraordinary circumstances, we focus on the interests of our clients

Yet we know the world does not need another bank; it needs a *better* bank.

How will we be better?

SIMPLICITY

At this unprecedented moment in history, life has never been more complex. We are committed to being a better bank by cutting through complexity and creating simplicity. Simplicity for every client in the way they are served by us – by managing complexity on their behalf.

That does not mean we plump for simple answers; instead, we strive to meet the needs of people who refuse to settle for old-fashioned trade-offs.

We believe that no one should have to choose between pursuing profit and protecting the planet. Between global insight and personalized service. Between security and growth. Between technological efficiency and human understanding. Or between being advised and being heard.

That is why, for example, we have prioritized ESG investing, incorporating environmental, social and governance factors in all our investment practices, in line with our commitment as a signatory to the United Nations-supported Principles for Responsible Investment.

We are convinced that this is the right approach for our clients, the community and future generations. By refusing to settle for old-fashioned trade-offs and taking a broader view of potential risks and opportunities, we help our clients build stronger portfolios *and* foster beneficial change – reflecting their core values and our own. That's part of being a better bank.

AGILITY

Changes in our industry since the financial crisis, including the emergence of very large banks, have at times created an unhealthy distance between banks and bankers vis-à-vis their clients.

Such large institutions have many advantages, including large workforces, capital, infrastructure and broad capabilities. But size has its disadvantages, too.

At large organizations, energy is often wasted on debates about revenue sharing and negotiations over internal service-level agreements. Bureaucracy gets in the way of collaboration. Time that could be devoted to clients is lost managing the complexity of the organization itself.

The bigger the firm, the more difficult it can be to maintain client focus.

At Quintet, we aim to be a better bank by striking the right balance: small enough to be agile but large enough to give our clients access to the world. We combine a local presence in 50 cities across Europe with truly global insight, and provide objective advice based on each client's personal circumstances and life goals – whether that means efficient access to liquidity, securing a legacy or embracing new ideas to make their wealth grow.

We seek to be the bank where everyone is not only focused on, but is obsessed with, client experience. And where the way we organize ourselves – with less complexity and greater agility – helps us focus on what matters most: the interests of our clients.

PURPOSE

"Quintet," our new name, stands for the idea that human beings can achieve extraordinary things, and true harmony, when they align behind a common purpose.

"Quintet" speaks to who we are as a firm and how we deliver value: Like a musical ensemble, we bring together different viewpoints and diverse perspectives – working together across functions, departments and markets – so we can meet our clients' needs and deliver performance.

Our management processes further ensure that our actions reflect our words. Compensation decisions are based not just on financial figures but also to what extent each Quintet employee lives up to our


Photo: Monika Ritterhaus

shared values. And every meeting starts with the same question: How will the experience of our clients improve as a result of this discussion?

If, at Quintet, we can be the bank that is better at such collaboration – internally and with external parties, with an open-architecture approach and where the focus is always on "what is best for the client" and not "which products we prefer to offer" – we have a substantial opportunity to win the trust of a greater number of individuals and families.

Quintet can be a better bank, benefitting from the speed, agility and decisiveness that come with smaller size. We gain a competitive edge by ensuring that our people always work together in the best interests of the client – building bridges between their business, family and wealth needs, and extending both expert investment expertise and long-term financial planning.

In short, we want to become the bank where people come together to make the seemingly impossible possible.

Our name speaks to this idea: "Quintet," of course, draws inspiration from classical music, where harmony is born from collaboration.

So we are proud to form a partnership with the West-Eastern Divan Orchestra, which has, over the past 20 years, come to represent this mindset. We have taken their philosophy and fused it with our own.

At the West-Eastern Divan Orchestra, musicians from across the Middle East come together to produce great music. As human beings, they have reasons to disagree about many things. As musicians, however, they unite to produce music of the highest quality – collaborating with each other, against all odds.

They listen to each other with empathy and not only accept but *embrace* their differences.

We are very proud that this wonderful orchestra and Maestro Daniel Barenboim are partners and ambassadors of our firm.

INVESTING IN THE FUTURE

Our transformation is of course not only about culture, although we know it forms a huge part of the backbone of everything we do.

We are making major investments in new products, in our investment processes, and in digital solutions in the areas that matter most to our clients – such as lending and onboarding – that also help us become an even more agile organization.

We are also expanding geographically. We have acquired Bank am Bellevue in Switzerland and look forward to launching our business in the Nordic region, subject to regulatory approval. We will access opportunities in emerging markets and in Asia, while growing our existing businesses.

Most importantly, we will continue to invest in our people, whether current or future colleagues, because we know that relationships matter more than transactions – and that the quality and commitment of our people is the most important driver of our success.

“WE ARE INVESTING IN PRODUCTS, PROCESSES AND, MOST OF ALL, OUR PEOPLE”

We believe that we can be a better bank with a differentiated approach. And we are convinced our ideas can support our ambition to become the most trusted partner, helping clients to invest in the life they want for themselves and their families. For a richer life, however they define it.

We are fortunate to have a strong management team that is unified behind the Quintet philosophy. Equally, we are grateful for the commitment of our Board of Directors and shareholders. Backed by such support, we will implement our transformation over the next few years, while remaining financially strong.

I hope our ideas resonate with you, and invite you to discover a bank that listens carefully, thinks ahead and delivers performance. So you can focus on what really matters to you and your family. Discover a partner that strives to earn your trust – and a seat at your kitchen table, where life’s most important decisions are made

Find out more by visiting www.quintet.com or by contacting us at any of our 50 offices.

Sincerely,

Jakob Stott
Group CEO and member of the Board of Directors

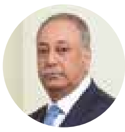
WE ARE THE MOST TRUSTED FIDUCIARY OF FAMILY WEALTH AND EARN TRUST BY AN UNWAVERING COMMITMENT TO DOING THE RIGHT THING

Nothing is more important than our fiduciary responsibility to do what is right for our clients and their families, who entrust us with their wealth. That is why we are in business and what drives us each day. By listening carefully, thinking ahead and delivering performance, we earn their trust – and a seat at their kitchen table, where life's most important decisions are made.

DIRECTORS & MANAGEMENT

BOARD OF DIRECTORS

JAN MAARTEN DE JONG
Chairman



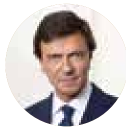
GEORGE NASRA
Vice Chairman

ALFRED BOUCKAERT
Director

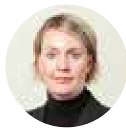
[1]YVES FRANCIS
Director

ANNE RUTH HERKES
Director

ANTOINE MARCOLIN
Director



MARCO MAZZUCCHELLI
Director



ANNE REULAND
Director

[2]JAKOB STOTT
Group CEO

PETER VANDEKERCKHOVE
Director

ALBERT WILDGEN
Director

[1]*As of January 19, 2020*
[2]*As of March 23, 2020, subject to regulatory approval*

AUTHORIZED MANAGEMENT COMMITTEE

[1]JAKOB STOTT
Grouo CEO

SIEGFRIED MARISSENS
Secretary General

COLIN PRICE
Group COO

ANTHONY SWINGS
Group Chief Risk Officer

NICHOLAS HARVEY
Group CFO

MARIA LEISTNER
Group Chief Legal Officer

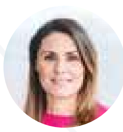
[1]*As of March 23, 2020, subject to regulatory approval*

AFFILIATE CEOS

[1]EMMANUEL FIEVET
Quintet Switzerland

ALAN MATHEWSON
Brown Shipley

RAFAEL GRAU
Quintet España



LUDIVINE PILATE
Puilaetco

OLIVIER DE JAMBLINNE DE MEUX
Puilaetco Luxembourg

MATTHIAS SCHELLENBERG
Merck Finck

[2]SØREN KJAER
Quintet Luxembourg

PETER SIERADZKI
InsingerGilissen

[1]*As of March 23, 2020, subject to regulatory approval*
[2]*As of March 23, 2020*

GROUP MANAGEMENT

MELANIE BABB
Group Head of Finance

PAULO BRUGGER
Group Head of Asset Liability Management & Treasury

DONNA BURNS
Group Head of Human Resources

BRYAN CRAWFORD
Co-Group Head of Global Products & Solutions

PHILIP HIGSON
Group Head, Family Office

OLIVIER HUBERT
Group Head of Tax

QUENTIN LIMBOURG
Group Head of Project Management Office

ÉRIC MANSUY
Group Chief Information Technology & Operations Officer

STEPHAN MATTI
Group Head of Financial Intermediaries

OLGA MILER
Group Head of Marketing

FRANÇOIS MONMIGNAUT
Group Head of MIS & Procurement

NICHOLAS NESSON
Group Head of Corporate Communications

[1]JAN JOOST MAAS
Group Head of Compliance

BILL STREET
Group Chief Investment Officer

THIERRY THOUVENOT
Group Head of Internal Audit

SEBASTIAN VICEDOM
Group Head of Strategy and M&A

[1]*As of March 16,2020, subject to regulatory approval*

Independent auditors responsible for external audit: Ernst & Young S.A.

OUR PURPOSE

TO BE THE MOST TRUSTED FIDUCIARY OF FAMILY WEALTH.

WE EARN YOUR TRUST BY AN UNWAVERING COMMITMENT TO DOING THE RIGHT THING.

WE GROW AND PROTECT YOUR WEALTH AS WE WOULD OUR OWN. OUR WORTH IS MEASURED BY THE IMPACT WE DELIVER.

WE ADD INSIGHT AND REDUCE COMPLEXITY. WE ADD SECURITY AND REDUCE WORRY.

2019 IN REVIEW

JANUARY

Quintet unveils its 2019 global investment outlook at a series of press and client events across its network

Merck Finck announces the hiring of 12 private bankers

Quintet Luxembourg organizes a charity drive for the Luxembourg non-profit *Stëmm vun der Stroos*

Brown Shipley is named one of the Wealth Net's Top Financial Planning Companies

Puilaetco celebrates the 150th anniversary of its founding, hosting over 1,500 clients at a series of high-profile events in Brussels

FEBRUARY

Quintet participates in a mission to Spain led by the Luxembourg government

Merck Finck announces a strategic partnership with DSER GmbH for digital projects

MARCH

Brown Shipley hires Nick Cringle for the newly created role of Northwest Region Manager

Quintet España launches the Precision Absolute instrument in Spain

APRIL

Quintet announces its 2018 financial results

Quintet Luxembourg sponsors the Wonderfair 2019 luxury exhibition in Luxembourg

Brown Shipley is named the "Best UK Private Bank – Credit Provider" at the WealthBriefing European Awards

MAY

Quintet celebrates the 70th anniversary of its founding in Luxembourg

Quintet announces the appointment of Jürg Zeltner as Group CEO and Jakob Stott as CEO, Wealth Management

The Richelieu Equity Family SC fund ranked by the French newspaper *Le Monde* among the top 5 "family" funds

For the second year in a row, Puilaetco ranks second in the Extel Award as Best Asset Manager; three of its asset managers are ranked in the top five

JUNE

Quintet expands in the United Kingdom with the acquisition of NW Brown

Quintet unveils its midyear global investment outlook

Brown Shipley appoints Rory Tapner as Chairman of its Board of Directors

Ludivine Pilate is appointed CEO of Puilaetco

InsingerGilissen receives PWM's "Best Private Bank for Digital Culture – Europe" award

JULY

Merck Finck strengthens its presence throughout Germany by hiring 15 new private bankers

AUGUST

Quintet signs an agreement to acquire Bank am Bellevue in Zurich

Robert Farnworth is appointed Client Director in the Court of Protection & Personal Injury specialist team at Brown Shipley

SEPTEMBER

Colin Price is appointed Group Chief Operating Officer

Bill Street is appointed Group Chief Investment Officer

Quintet Luxembourg sponsors the World Tennis Legends Tournament

Quintet Luxembourg participates in the Lëtz Go Gold solidarity race organized by the Fondatioun Kriibskrank Kanner

OCTOBER

Kris Tegg is appointed Head of Offering and Distribution

Emmanuel Fievet is appointed CEO of Quintet Luxembourg

Olga Miler is appointed Group Head of Marketing

Søren Kjaer is appointed CEO, Nordics, as the group unveils plans to expand to the Nordic region

Brown Shipley successfully closes the acquisition of NW Brown

NOVEMBER

Quintet Luxembourg organizes a charitable donation drive for the Luxembourg Red Cross

Puilaetco Luxembourg sponsors Luxembourg Art Week for the fifth consecutive year

Shanti Kelemen is appointed Investment Director at Brown Shipley

Puilaetco signs the *Women in Finance* Charter, promoting diversity and inclusion in the financial sector

InsingerGilissen is named the best private bank in the Netherlands at the IEX Gouden Stier awards

DECEMBER

Mike Davis and Daniel Cordery are appointed to Brown Shipley's London office

Stephan Matti is appointed Group Head of Financial Intermediaries

KEY CONSOLIDATED FIGURES

(Consolidated figures as of December 31)	2016	2017	2018	2019
RESULTS (in € million)				
Operating income	465.9	487.9	444.8	**443.1**
Operating expenses	-451.1	-446.1	-433.6	**-470.5**
Impairments	0.2	1.0	-1.7	**-13.3**
Share in results of associated companies	1.1	0.1	-0.1	**-1.5**
Gains/(losses) on non-current assets held-for-sale, not qualifying as discontinued operations	-	-	-2.5[4]	**-**
Pre-tax profit (from continuing operations)	16.1	42.9	7.0	**-42.2**
Income taxes	-10.1	-4.2	-6.2	**-1.5**
Discontinued operations, net of tax	-	-3.6[2]	-	**-**
Net consolidated profit, group share	6.0	35.2	0.8	**-43.7**
FINANCIAL RATIOS (in %)				
Common equity tier one ratio	16.0%[1]	17.2%	17.2%	**18.0%**
Tier one ratio	16.0%[1]	17.2%	17.2%	**18.0%**
Solvency ratio	16.0%[1]	17.2%	17.2%	**18.0%**
Regulatory capital/balance sheet total	5.9%	5.3%	4.6%	**4.7%**
Loan-to-deposit ratio	27.2%	29.3%	24.7%	**32.8%**
ROAE	0.6%	3.2%	0.1%	**-4.1%**
ROAA	0.1%	0.3%	0.0%	**-0.3%**
ROA	0.1%	0.3%	0.0%	**-0.4%**
Cost/income ratio	96.8%	91.4%	97.5%	**106.2%**

(Consolidated figures as of December 31)	2016	2017	2018	2019
BALANCE SHEET TOTAL (in € billion)	11.0	11.5	13.0	**12.2**
ASSETS				
Loans and advances to credit institutions (incl. on demand)	1.5	0.7	1.0	**1.5**
Loans and advances to others than credit institutions	2.1	2.5	2.6	**3.2**
Equity and debt instruments	5.4	4.3	4.4	**4.7**
LIABILITIES				
Deposits from credit institutions	1.1	0.6	0.7	**0.6**
Deposits from others than credit institutions	8.1	8.6	10.5	**9.8**
of which, subordinated debt	0.0	0.0	0.0	**0.0**
Total equity	1.1	1.1	1.1	**1.1**
PRIVATE BANKING ASSETS UNDER MANAGEMENT (in € billion)	36.4	45.3	39.5	**45.9**
Volume impact	+1.1%	+0.7%	-0.9%[3]	**-0.7%**
Price impact	+2.4%	+4.3%	-6.8%[3]	**+15.7%**
ASSETS UNDER CUSTODY (in € billion)	26.2	27.5	26.5	**31.4**
INSTITUTIONAL ASSETS UNDER MANAGEMENT (in € billion)	5.1	8.6	6.6	**4.2**

(1) Simulated ratio including Bank Insinger de Beaufort (see note 44 of the 2016 Consolidated Accounts).
(2) IFRS 5 "Non current Assets Held for Sale and Discontinued Operations" application on former KBL Monaco, KBL Richelieu, S.C.I. KBL Immo I and S.C.I. KBL Immo III (see note 1 and 2d of the 2017 Financial Statements).
(3) Volume/price impact excluding divestment of KBL Richelieu/KBL Monaco.
(4) Please refer to note 1 of the 2018 Financial Statements.

The complete financial statements of Quintet and Quintet Luxembourg are available on the company's website. The Pillar III disclosures report will be published in first half of 2020 on the website of Quintet.
www.quintet.com

WE GROW AND PROTECT OUR CLIENTS' WEALTH AS WE WOULD OUR OWN. OUR WORTH IS MEASURED BY THE IMPACT WE DELIVER

We do more than manage wealth and make investment calls; we partner with people to help them live the life they want for themselves and their families. We recognize that it is a privilege – and a great responsibility – to protect and grow our clients' assets by investing on their behalf. That is why we safeguard their wealth as we would our own, always putting their well-being first.

CONSOLIDATED MANAGEMENT REPORT

GENERAL COMMENTS ON THE RESULTS AND THE BALANCE SHEET

Quintet Private Bank is making very significant investments in the future – including in great people, product development, sales marketing and geographic expansion to support the firm's long-term growth, in line with its ambitious strategy – and the group's 2019 financial results reflect that.

At the end of the 2019, Quintet's consolidated balance sheet totaled €12.2 billion. This decrease compared to 2018 (€13 billion) is primarily due to lower interbank and customer deposits at almost all group entities. Despite this contraction, which mainly impacted the portion of excess liquidity deposited on the asset side at central banks, the structure of the firm's financial position remains healthy and largely comparable to the previous year.

The group's solvency ratio is solid, and remains well above the regulatory threshold imposed by the European Central Bank at 18% (2018: 17.2%). Quintet's strong capital position is a reflection of Quintet's majority shareholder strong support to Quintet's growth ambitions through capital injections of €62 million in 2019, followed by a further €50 million in the first quarter of 2020.

The group has developed a clear growth strategy with the launch of a range of commercial and organizational projects that account for most of the year-end loss of €-43.7 million (net profit of €0.8 million in 2018). Such investments in the firm's future will support long-term growth in areas such as net new money generation and assets under management, as well as significantly improved bottom-line performance over time.

The net interest margin improved by 10% to €82.1 million against €74.7 million for the previous year, when the Treasury desk took advantage of opportunities on the secured interbank market.

Against a volatile and adverse macroeconomic environment, Quintet maintained the level of net commissions of the previous year (€292.7 million at the end of 2019 versus €296 million at the end of 2018).

Operating expenses, marked by ongoing strategic projects, increased by almost 9% to €470.5 million (€433.6 million in 2018), especially in professional and consultancy fees, as well as in staff expenses. Finally, Quintet impaired certain loans and financial assets for €13.3 million in 2019 (€1.7 million in the previous year).

For detailed figures, please refer to the consolidated financial statements.

https://www.quintet.com/en-GL/Pages/Annual-reports

TRAINING & DEVELOPMENT

Training and development are central to further enhancing our client services and improving overall client experience.
That's why we invest in the skills and development of our people and recruit experienced professional staff. Indeed, all our people – from the mailroom to the boardroom – are contributing to our ability to better serve each individual client.

Across the group's footprint, Quintet promotes internal mobility, creating opportunities for relevant staff to transfer their knowledge and skills within the organization.

Likewise, we strongly encourage cross-border cooperation, organizing events that bring together staff from multiple markets. Such meetings facilitate the sharing of local experience and insight – and the creation of shared strategies to better serve all our clients, no matter where they are based.

SOCIAL COMMITMENT

With some 2,000 employees across 50 European cities, our group has a unique opportunity to make a difference in local communities. Today, we continue to reinforce our commitment to corporate social responsibility, supporting various worthy causes throughout Europe.

At Quintet, we believe in doing well for our clients and doing good in our communities.
By contributing resources, time and capital to

laudable causes and important ideas, we serve as an agent of positive social change.

Our current CSR commitments include support for organizations such as:

- Autism Foundation in Luxembourg
- The Wood Street Mission in the UK
- Goods to Give in Belgium

We further support various staff-nominated causes across the communities we serve. In Belgium and Germany, we support multiple organizations that work with terminally ill, sick, handicapped and deprived children. Quintet also provides ongoing funding for a broad range of non-profit cultural organizations such as the Luxembourg Philharmonic and the Solistes Européens, Luxembourg.

In addition to direct financial support, our group strongly encourages staff to participate in initiatives that benefit local communities. Such staff-supported initiatives include Relay For Life, where some 50 employees took part in this 24-hour relay race in Luxembourg to raise funds for cancer research

GROUP EMPLOYEES

As of 31 December 2019, Quintet employed 1,976 staff, compared to 1,898 at the end of 2018. Of those 1,976 staff, approximately 65% work in subsidiaries outside Luxembourg.

GLOBAL INSTITUTIONAL SOLUTIONS

Services to professional and institutional clients have been a pillar of our business for many years. While the institutional and professional segment in Luxembourg is of course especially substantial, our reach extends far beyond the fund industry and the borders of the Grand Duchy. Overall, the institutional and professional services segment is vitally important to our medium and long-term success.

Two years ago, Quintet Luxembourg upgraded its organizational structure in order to strengthen its institutional and professional business model. Since then, this business line, Global Institutional Solutions (GIS) has been uniting, under the same roof, all the marketing and support functions focused on providing full, high-quality custodian and execution services to a sophisticated client base seeking customized solutions.

The GIS business line includes all activities and services for non-private clients and consists of several desks and entities which operate together in a highly competitive environment, dominated by the international British and American players and marked by ever more stringent regulatory constraints, such as increased supervision of the sub-custodian networks for custodian banks and enhanced monitoring of the activities delegated to management companies.

Throughout the year, GIS, thanks to its client-focused organizational structure, worked hard to provide a comprehensive offering of impeccable and tailor-made services to meet the needs of small and medium-sized management companies, private banks, insurance and life-insurance companies, as well as external asset managers and family offices, whether they are based in Luxembourg or elsewhere in the world. Since the beginning of 2018, GIS has acquired almost €5 billion in new assets under custody from new relationships and existing clients.

Within GIS, our Business Development team is the first point of contact for our future institutional and professional clients, with its three desks of multilingual, highly experienced specialists who have in-depth knowledge of client needs, whether the client is a fund promoter, insurer, external asset manager or family office. A team of 11 Client Relationship Managers is responsible for day-to-day relationship management and operational support for existing institutional and professional clients, effectively assisted by a back-office known for its experience and competence. Their ability to meet client needs completes the wealth management value chain by positioning Quintet Luxembourg as a true "one-stop shop." Today, Client Relationship Managers serve more than 350 institutional and professional clients representing more than 8,000 structures and portfolios. It has more than €24 billion in assets under custody.

The Client Support & Monitoring team, responsible in particular for monitoring investment restrictions on the UCI for which Quintet Luxembourg is the custodian bank and for supervising the creation and execution of operational workflows, also responds to any operational questions from the client in close collaboration with the operational production lines.

Our offering is not limited to the fund industry. It also includes all the private banking support services and provides external asset managers and family offices with cutting-edge tools such as customised reporting available on a specially developed IT platform. In addition, we provide small and medium-sized banks with access to the financial markets, financial intermediation and global custody services, with recognized excellence in third-party funds and precious metals.

To succeed in a rapidly changing legal environment to which fund promoters must adapt constantly, our Legal Support team provides high-quality assistance in setting up investment structures and updating legal documentation (full and simplified prospectus, KIID, articles of association, etc.) throughout the entire life cycle of the fund. The team provides the client with its extensive experience and knowledge of the fund industry and helps with the legal analysis of any new product. As a full member of GIS, the Legal Support team has a comprehensive understanding of the legal needs and constraints facing external asset managers, family offices and banks. It is therefore able to offer assistance that often goes beyond the purely legal framework.

GLOBAL MARKETS, TREASURY, FX AND BULLION

Global Markets, a Group Competence Center, is tasked with providing integrated one-stop-shop solutions to meet the financial market needs of Quintet clients across all segments: from affluent, HNWI and UHNWI private clients to external asset managers, family offices and institutions.
In line with this, Global Markets offers execution for a full range of products listed and traded over the counter.

With our expertise, we completed over 27,000 fixed-income transactions on behalf of private and institutional clients in 2019, while also consolidating our position as a buy-side client with keenly monitored market pricing.

> GLOBAL MARKETS COMPLETED OVER 27,000 FIXED- INCOME TRANSACTIONS IN 2019

Our fund-execution business remains a key inflection point with our private and institutional clients. We offer our clients a universe of more than 35,000 funds, managed by 500 transfer agents. In 2019, we handled more than 100,000 trades for a volume of more than €8 billion. In addition, we manage high volumes in ETF through our care-order service. We executed almost 65,000 equity and derivative orders for a volume of more than €6.5 billion.

As our asset allocation teams constantly adjust their fund recommendations, Global Markets seeks to deliver efficient and accurate execution through enhanced technology and connectivity.

The Treasury team offers our clients deposit rates on the money markets in a wide range of currencies.

On the currency front, Global Markets' clients mainly trade in the G7 currencies. We nevertheless offer a full range of spot, forward and swap solutions on all currencies, deliverable and non-deliverable, for both private and institutional clients.

Global Markets has long-standing expertise in precious metals. We actively trade gold, silver, platinum and palladium, both physically (bars and coins) and in forward contracts. We also offer secure custody services.

KTL: ASSET MANAGEMENT ACTIVITIES

Established in Luxembourg in 1987, Kredietrust Luxembourg (KTL) is the 100%-owned asset management subsidiary of Quintet. Based on a diversified model, KTL is particularly active in three areas:

- Management of investment funds under the commercial brand "Rivertree"
- Investment fund services
- Investment research, analysis and recommendations

ASSET MANAGEMENT

Rivertree Investment Funds is the commercial brand that englobes the in-house fund range of Quintet and its affiliates. The fund range consists of sub-funds covering equity, mixed and rate strategies among others through Lux UCITS Rivertree Bond, Rivertree Equity and Rivertree Fd. In addition, there is a limited fund range of multi-management and delegated funds offered under the name "Essential Portfolio Selection" and alternative funds under "Zephyr'07-S.A. SICAV-SIF."

INVESTMENT FUND SERVICES

THIRD-PARTY MANAGEMENT COMPANY

- Assistance with fund governance
- Risk management
- Provision of customized solutions
- Domiciliation services
- Fund creation
- Fund registration

TRANSFER AGENT

- Register for account opening, managing KYC documentation, AML procedures, transaction monitoring
- Booking of subscriptions and redemptions, confirmation of execution, estimation of the balance of subscriptions and redemptions recorded
- Booking of corporate actions on funds, management of entry and exit fees
- Transfer of ownership between registrars
- Settlement of amounts confirmed and amounts received

ADMINISTRATIVE AGENT

NAV calculation and verification

- Production and verification of fiscal data
- Productions of UCITS-KIIDs/PRIIPs-KID

INVESTMENT RESEARCH, ANALYSIS, STRATEGY AND RECOMMENDATIONS

The following teams, overseen by the Group Chief Investment Officer, are focused on carrying out specific missions to support Quintet investment research activities (members of the teams are split across affiliates):

- Group Investment Research (GIR), the coordinating entity for investment research activities throughout the group, including defining the group investment universe
- Group Asset Allocation Committee (GAAC), which oversees the tactical asset allocation process for managed portfolios within the group
- Group Equity Research Team (GERT), which analyzes and issues a list of preferred European small and mid-caps; European and US large-cap stock selection has been outsourced to expert external providers
- Group Macroeconomic Team (GMAT), the internal provider of input and insight to the GAAC on macroeconomic trends
- Group Corporate Team (GCOR), which provides bottom-up fixed-income analysis, with a focus on credit
- Group Thematic Ideas Team (GTI), the key internal provider of broad, top-down equity research, such as thematic ideas, regional equity market analysis and overall styles
- Group Fund Selection Team (GFST), clients which focuses on identifying the optimal external funds within their category in order to meet clients' investment needs
- Group Forex and Commodities Team (GFOX), a provider of research and insight on currencies and commodities
- Group Investment Advisory Team (GIAT), a "pivot" in the conviction chain that ensures that ideas and insight are cascaded and incorporated by Group Investment Research

> "OUR INVESTMENT EXPERTS COME TOGETHER ACROSS OUR 50-CITY NETWORK TO SHARE THEIR EXPERTISE"

In addition to these services, KTL provides portfolio management services for institutional clients.

CENTRAL UCI ADMINISTRATION

LUXEMBOURG, EUROPE'S UNRIVALLED LEADER

On 30 November 2019, the total net assets of collective investment undertakings and specialized investment funds amounted to €4,670 billion compared to €4,192 billion at the end of November 2018, a substantial increase of 11.4%. Over the same period, the increase in the financial center's net assets was €478 billion.

The number of UCI structures and sub-funds fell in 2019, by 157 and 125 respectively. Like in 2018, Specialized Investment Funds (SIF) attracted fewer new fund promoters to Luxembourg (-4.73%) while their net assets rose by 14.23% compared to November 2018.

To this can be added the Reserved Alternative Investment Funds (RAIF). Launched in July 2016, this type of alternative investment vehicle has enriched the Luxembourg landscape. Since launch, every investment fund promoter has had the choice between an investment vehicle directly regulated by the CSSF (SIF, SICAR, Part II funds) or the RAIF, which is regulated and supervised indirectly.

At the end of 2016, six months after launch, there were 28 RAIF, a number that had risen to 294 at the end of 2017 and reached 575 at the end of November 2018. One year later, the number of RAIF has almost doubled, totaling 885 structures. This continuous success is explained by the fact that the initiator of the vehicle does not need a double level of regulation, i.e. regulation of the vehicle (AIF) and of the manager (AIFM).

Luxembourg remains Europe's unrivalled leader and the world's second-largest investment fund domicile (after the United States), both in assets (see above) and vehicles with a total of 3,779 structures and 14,827 sub-funds.

The top three countries of origin of fund promoters remain the same as the previous year (market share as a percentage of total net assets): the United States (20.5%), the United Kingdom (18.4%) and Germany (14%) followed very closely by Switzerland (13.9%).

Thanks to the promotional support of its professional association (ALFI) and the governmental agency for the development of the financial center (LFF), Luxembourg has successfully positioned itself as the leader for the cross-border distribution of investment funds, with more than 60% of UCITS distributed internationally domiciled in Luxembourg.

Moreover, a growing number of Asian and Latin American countries recognize UCITS as a stable, high-quality, well-regulated investment product with significant levels of investor protection. As a result, the world's most-renowned fund promoters and managers have chosen Luxembourg as a base to domicile or manage their UCITS, with a clearly defined global distribution strategy.

Capitalizing upon the introduction of the AIFMD, alternative funds continue to grow by offering investment strategies in the broader sense, including non-listed companies, real estate, hedge funds, microfinance, alternative energy and socially responsible investment, etc.

EVOLUTION OF ASSETS ADMINISTERED BY KTL

As of 31 December 2019, the net assets of 72 UCI structures totaling 224 sub-funds were worth €10.04 billion, up slightly on the end of 2018. Over the same period, a significant number of new relationships were established with promoters worldwide.

EUROPEAN FUND ADMINISTRATION S.A.

Since 1998, KTL has subcontracted its fund accounting, registrar and transfer agent functions to a specialist company called European Fund Administration (EFA), of which Quintet is one of the founding shareholders.

At the end of 2019, EFA was administering more than 2,400 funds containing total net assets of €138 billion for 167 clients from 22 countries.

For more than 20 years, EFA has been the leader in fund administration. Its mission is to provide a wide range of tailor-made services to a sophisticated clientele. These services include calculating the NAV, accounting and valuation of portfolios, acting as transfer agent and registrar and also providing tax and reporting solutions for UCITS, UCI and alternative investment funds. In 2007, EFA launched EFA Private Equity, a business line dedicated to real estate and venture capital/ private equity-type funds.

In 2018, EFA strengthened this department (now known as Private Asset Services) with the arrival of a team of experts with experience acquired in various major banks in Luxembourg. In addition, this entity is expanding and concentrating its skills under one roof by focusing on leading-edge services for alternative investment fund equity classes, such as private equity funds, real estate funds and debt funds. This dedicated business line is specialized in all types of private assets, funds and other structures, regulated or non-regulated, in Luxembourg and in any other jurisdiction.

EFA Private Asset Services offers middle- and back-office outsourcing solutions for a large range of complex structures. EFA aims to become the benchmark for services offered in the growth sector of private assets by creating real added value that will necessarily require investing in people and technology.

2019 IN REVIEW: AFFILIATES

BROWN SHIPLEY

Brown Shipley is a UK-authorized private bank, with a strong dating back to 1810, focused on providing clients with fully integrated wealth management services incorporating wealth planning, investment management and lending.

Significant corporate developments in 2019 included the appointment of Rory Tapner – former Chief Executive of Coutts, with over 20 years of board experience at financial services firms – as Chairman of the Board of Directors. Tapner and the Board closely advise on the growth of the business.

In October 2019, we completed the acquisition of NW Brown & Co Limited, a wealth manager based in Cambridge and Norwich. This is part of our growth strategy to add further scale and unlock additional regional opportunities. This acquisition increased total Brown Shipley AuM to GBP 9 billion.

Throughout 2019, we successfully continued to grow assets under management via the development of new and existing client relationships. We maintained a strong focus on enhancing our level of client service, including by leveraging technological developments to complement the high level of personal service we deliver. This included a major IT upgrade in partnership with Lombard Odier to manage our investment management and lending services, which includes a dedicated client application called "My Brown Shipley."

BROWN SHIPLEY
A QUINTET PRIVATE BANK

INSINGERGILISSEN

Following the 2017 merger of Insinger de Beaufort and Theodoor Gilissen, 2019 was the second full calendar year of operations for Amsterdam-headquartered InsingerGilissen. We were able to execute our strategy as planned and generate financial results in line with expectations. Most notably, we welcomed many new clients and saw a rise in AuM. We were delighted to be named "Best Private Bank in the Netherlands" at the IEX Gouden Stier Awards for the second year in a row.

Based on ongoing client feedback monitoring, average private client satisfaction in 2019 stood at 8 out of 10 and personal service at 8.8. Our Net Promotor Score rose to 28, compared to 16 in 2018.

Throughout the year, our Innovation Lab approach led to tangible improvements in the digital customer journey, including a new app and a user-friendly way to effectively prepare annual review meetings. Based on this approach, PWM named us "Best Private Bank for Digital Culture – Europe." At the same time, we introduced a new approach to discretionary asset management, offering such clients further institutional investment options, cost advantages and a better digital experience.

As a leading private and custodian bank, InsingerGilissen effectively and independently guides clients in making important financial decisions during every phase of their life. By delivering refreshing financial solutions and great service, the bank actively supports clients in shaping their own future, creating new beginnings at each important step they take in their life. In this endeavor, InsingerGilissen helps raise industry standards, step by step and over and over again.

insinger gilissen
A QUINTET PRIVATE BANK

MERCK FINCK

Munich-headquartered Merck Finck offers a wide range of solutions for its HNWI clients. With 16 offices and some 300 employees across Germany, we have built strong relationships founded upon mutual trust and 150 years of experience.

In 2019, Merck Finck implemented a major milestone with an Electronic Account Opening Process (EAOP) including digital signature. We started a continuous improvement process to enhance processes implemented in customer relationship management and EAOP. In parallel, we introduced a new website with additional capabilities and updated ebanking services for our clients. We offer our clients a digital platform, used by the client advisor, to diversify their liquidity at different banks.

We are pursuing a hybrid business model. Our investments in enhanced and customer-oriented digital infrastructure help us to achieve this.

2019 was also a year of growth, with over 30 relationship managers appointed across our branches, and new colleagues joining our head office in areas such as risk management.

Michael Krume, member of the management board, retired at the end of 2019.

The quality of our work was again recognized with awards such as one from international attorneys and auditors Rödl & Partner for our "Investor-friendly transparency and information policy 2020."

MERCK FINCK
A QUINTET PRIVATE BANK

PUILAETCO (BELGIUM)

A trusted partner for four generations, our private bank offers efficient personalized and responsible wealth management solutions.

Headquartered in Brussels, with offices in seven other cities in Belgium, Puilaetco is committed to offering its clients a holistic investment approach. Building upon a commitment to excellence and high-added-value services that began in 1868, we embrace the spirit of change required by a constantly evolving environment, including by investing in digital solutions.

In this and everything we do, our goal is to preserve and grow the wealth of our clients – today, tomorrow and for generations to come. Puilaetco aims to become the best-known Belgian private bank, close to its clients thanks to passionate professionals supported by state-of-the-art technology.

Our more than 200 staff provide long-term, holistic wealth management services and open-architecture investment solutions for our HNWI clients, who benefit from a wide range of personalized services, including wealth planning; investment management; credit; fine art collection management; and sustainable investing, through a partnership with Triodos Bank.

A client-focused organization with over €10 billion in assets under management, Puilaetco continues to develop, strengthening existing relationships, attracting new clients and looking to the future with confidence.

PUILAETCO
A QUINTET PRIVATE BANK

PUILAETCO LUXEMBOURG

KBL *epb*, the bank's shareholder and parent, changed its name to Quintet in January 2020. At the same time, Puilaetco Dewaay Luxembourg became Puilaetco Luxembourg, its new commercial brand.

All major equity markets were very profitable in 2019, especially Europe and the US, where Puilaetco Luxembourg invested most of its clients' assets in long positions (the bank does not practice short selling).

The results of client portfolio management were very satisfactory in every investment strategy and more than compensated for performance in 2018.

However, the bank remained cautious when investing in a changing world. The profound changes that took place in the world in 2018, and continued in 2019, such as social upheaval in France, are examples of this phenomenon.

During the year, the bank continued to focus on its core business, managing the wealth of its private clients. In October, a new Head of Compliance was appointed to maintain and adapt the bank's high level of compliance to this challenging environment of evolving regulations.

The bank returned to the proprietary credit business and recorded very good results, granting Lombard credits of up to €3 million on its own and up to €10 million with the help of its parent company. The Head of Risk appointed in October 2018 supported this process, with a view to prudently managing the bank's balance sheet. Loans that are not on the bank's own books are arranged directly by its shareholder.

Deposits grew by some 18% in 2019 compared to the previous year, mainly due to the markets but also a substantial volume effect. Operating income at the end of the year was €3.4 million (up 3% compared to 2018), while net income was €2.8 million (down 15% compared to 2018) due to prudent restructuring costs. Effective cost control helped the bank to close the year with a cost-to-income ratio of 69% (as in 2018 and better than 2017).

PUILAETCO
LUXEMBOURG
A QUINTET PRIVATE BANK

QUINTET ESPAÑA

Established in 2010 as a branch of Quintet Private Bank, Quintet España is headquartered in Madrid with offices in Murcia, Las Palmas and Valencia. We offer clients the flexibility of developing wealth management relationships managed from Spain with the ability to domicile assets in the Quintet market of their choice.

2019 was a year of consolidation in the Spanish market with a high level of opportunities and significant growth potential in private banking. Within a competitive sector like ours, we have managed to expand our business through the acquisition of clients with a clear private banking profile. We have increased our contact network and improved our service to clients by developing and strengthening our position for the future.

Our clients are high net worth individuals for whom we provide customized asset management services with the objective of analyzing each client's complete profile in order to offer a holistic wealth management solutions that take account of more than purely financial factors.

Working closely with our colleagues in Luxembourg and across Europe, we continue to identify further opportunities for cross-border collaboration, enhancing our ability to provide clients with both deep insight into the Spanish market and a broader international perspective.

QUINTET ESPAÑA PRIVATE BANK

QUINTET LUXEMBOURG

Quintet Luxembourg is a leading private bank in the Grand Duchy, staffed by 300 professionals, including 50 private bankers.

For more than 70 years, we have served as a trusted wealth management partner that strives to meet the evolving needs of our clients each day and for generations to come.

Under the leadership of CEO Søren Kjaer, we provide a wide range of holistic services, including wealth planning and structuring, credit, asset management, global market access, and institutional and professional services.

We offer deep local insight and – through Quintet's 50-city network of boutique private banks – global perspective.

Each private client benefits from a long-term, one-to-one relationship with a private banker who listens to their needs and understands their experience before proposing open-architecture solutions that are structured to meet their individual requirements.

Institutional and professional clients, in turn, benefit from access to tailored investment vehicles, a world-class dealing room, independent asset management and a network of sub-custodian banks of the highest quality from a single point of entry: their relationship manager.

While clients can always count on a personal relationship with their private banker, a range of services are also available via myQuintet and myQuintetpro, the bank's online platforms.

QUINTET LUXEMBOURG PRIVATE BANK

QUINTET SWITZERLAND

Quintet Private Bank (Switzerland) AG, a member of Quintet Private Bank, serves wealthy individuals and families with diverse long-term needs.

The launch of Quintet Switzerland, subject to regulatory approval, will follow the closing of the acquisition of Zurich-based Bank am Bellevue, the wealth management business of the Bellevue Group.

Quintet Switzerland, located in the heart of Zurich's financial center, will expand Bank am Bellevue's base of domestic and international clients, leveraging the country's status as a global wealth management hub and Quintet's own network of leading European private banks.

Under the leadership of CEO Emmanuel Fievet and with some 40 staff at launch, half of whom formerly served at Bank am Bellevue, Quintet Switzerland aims to carve a niche in this highly competitive space by combining the agility that comes with smaller size and the group's financial resources and reach.

The Swiss firm is actively recruiting additional staff and intends to double its current headcount by the end of 2020, placing particular emphasis on identifying experienced relationship managers who share its commitment to earning the trust of the individuals and families it serves – and a seat at their kitchen table, where life's most important decisions are made.

Quintet Switzerland aims to define a new standard of convenience in private banking by combining a highly personalized approach with state-of-the-art digital services. With firm in-house investment convictions and open architecture, clients always have access to the solutions that are right for them.

QUINTET
SWITZERLAND
PRIVATE BANK

WE ADD INSIGHT AND REDUCE COMPLEXITY

Our clients count on our expert insight, provided by a diverse team of experienced professionals who balance firm convictions and an open-architecture approach – ensuring that each client has access to the solutions that are right for them. Through such objective investment advice and organizational agility, we cut through complexity and focus on meeting the needs of the individuals and families we serve.

NON-FINANCIAL & DIVERSITY INFORMATION

In line with European Commission Directive 2014/95/EU on the disclosure of non-financial and diversity information, Quintet is pleased to provide its annual report of environmental, social and governance-related initiatives and impacts, complementing the information provided in the group's 2019 consolidated and non-consolidated reporting.

Whenever possible, the information and data contained in this report encompass the activities of the group as a whole.

Given that the group's headquarters are in Luxembourg, where some 35% of its staff is based, particular emphasis is placed on Quintet's environmental, social and governance-related initiatives and impacts in the Grand Duchy.

SUSTAINABILITY & RESPONSIBILITY

In a period marked by rapid social change and deepening environmental concerns, sustainability – in every sense of the word – has never been more important for companies everywhere, no matter where they are based or their sector or activity.

Given the low level of public trust in financial services organization, in particular – especially in the wake of the global financial crisis – such firms have a unique opportunity to demonstrate to their stakeholders (including but not limited to clients, employees and the community at large) that they act responsibly.

At Quintet, we are committed to doing well for our clients, doing right by our people and doing well in the communities in which we operate. That commitment is shared across our group and brought to life our 2,000 staff based in some 50 European cities. As a fully compliant company, we ensure that we are a sustainable, trusted and committed partner for our clients, truly integrated in our communities.

Founded in Luxembourg more than 70 years ago and with centuries of collective heritage, we know that our group must continue to change with the times to bring that commitment to life. We are therefore pleased to report, for the third time, our environmental, social and governance- related initiatives and impacts – recognizing that such reporting can and must grow richer over time.

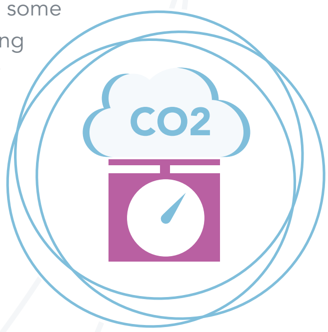
ENVIRONMENTAL IMPACT

In every market in which we operate, Quintet is making a sustained effort to reduce its carbon footprint, including by minimizing electricity usage, maximizing the recycling of paper and other waste, privileging public transportation and seeking local solutions insofar as possible.

In Luxembourg, the Real Estate & Logistics department develops, executes and follows up on such environmental impact initiatives, acting under the supervision of the Group COO.

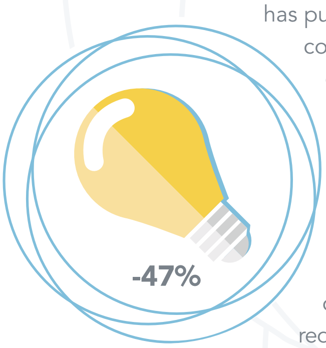
Carbon footprint: In September 2016, the group entered into a partnership with Egencia, a business travel solutions provider. Consequently, we are now able to track, trace and seek to reduce our carbon footprint at group level and at each affiliate.

At the same time, our policy is to favor and actively promote business-related travel by public transportation (including train, bus and some occasions carpooling), including by subsidizing the cost of daily commuting for employees who opt for such public transportation through, for example the "M-Pass" program for Luxembourg-based employees in neighboring countries such as Belgium and France.



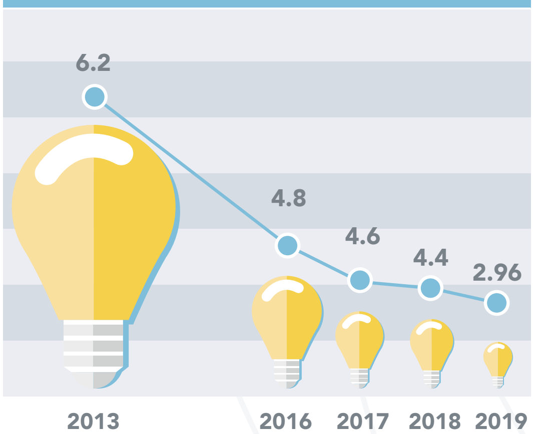
FLIGHT CARBON FOOTPRINT BY CO2 EMISSIONS IN KG BY QUINTET ENTITY	
	2019
Quintet Luxembourg	**104,572**
Merck Finck	**36,136**
Brown Shipley	**15,708**
InsingerGilissen	**7,995**
Puilaetco (Belgium)	**1,573**

Electricity consumption: Over the past several years, reflecting increasing awareness of the environmental impact of electricity consumption, Quintet – in Luxembourg and across the group's operation – has put in place measures to reduce consumption. In Luxembourg, for example, electricity consumption has been reduced by 47% since 2013.

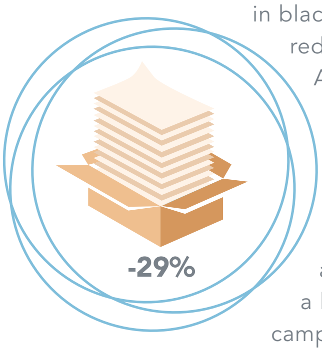


The decrease in electricity consumption at Quintet in Luxembourg in 2019 is due to the outsourcing of data centers and the reduction in the number of buildings.

ELECTRICITY CONSUMPTION, IN KWH, AT QUINTET LUXEMBOURG (MILLIONS)



Paper usage: In line with best practices, printers at every group entity are preconfigured to print in black and white and recto-verso, reducing paper and ink usage. All entities also use FSC-certified paper, ensuring that the wood within the product is from FSC-certified material, recycled material or controlled wood. The group also developed and put in place a long-term internal awareness campaign to reduce unnecessary and/or excessive printing. Consequently, the consumption of A4 paper in Luxembourg declined steadily.



FSC A4 PAPER CONSUMPTION AT QUINTET LUXEMBOURG IN 2019

	2017	2018	2019
Quintet Luxembourg	4,300,000	3,749,000	2,668,455

Waste treatment: In Luxembourg, Quintet earned SuperDrecksKëscht®fir Betriber status 11 years ago, reflecting the organization's sustained commitment to the responsible treatment of waste, including the fact that some 50 tons of organic waste is annually converted into a source of industrial heating. The country's Environmental Administration, the Chamber of Commerce, confers this status based on the sustainable management of waste in line with environmental standards.

QUINTET IS A SIGNATORY TO THE "ZERO SINGLE USE PLASTIC" CHARTER

SuperDrecksKëscht®fir Betriber status is certified according to the international norm ISO 14024: 2000. The treatment and recycling of waste by companies with such certification integrates the requirements of the norm ISO 14024.

In March 2019, Quintet signed the "Zero Single Use Plastic" charter of IMS Luxembourg in order to abolish single-use plastic and at the same time to reduce waste. This project led to the eradication of disposable plastic utensils (plates, cups, cutlery and straws, for example) in our canteen. Likewise, we set up a reusable food container called "Eco Box" for takeaways, removed plastic bottles from dispensers and implemented new centralized sorting bins. A "Zero Waste" conference was organized to raise employee awareness of waste reduction.

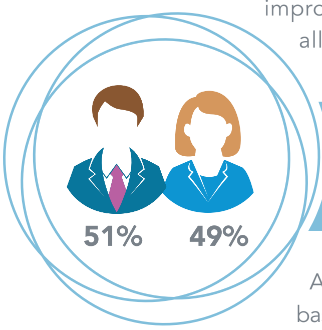
SOCIAL RESPONSIBILITY

In every market in which we operate, our group recognizes diversity as a source of strength, invests in the life-long professional development of our people, and commits to contributing to the well-being of the local community.

In each of our markets, the local HR department, supported by Group HR, develops, executes and follows up on policies and strategies to measure and promote staff diversity, and leads staff training and professional development activities. Corporate social responsibility activities are typically led by HR and Corporate Communications, with oversight by senior management and/or a committee dedicated to CSR actions, which must be in line with the established Group CSR Policy. Such budgets are allocated locally.

Diversity: Quintet is an equal-opportunity employer, which is committed to ensuring that every employee – no matter their gender, their age, their sexual orientation, the color of their skin or their physical abilities - is treated with the respect and fairness that everyone deserves.

At the group's headquarters and across our pan-European network, we place special emphasis on improving gender parity, over time, at all levels of organization.



APPROXIMATELY 50% OF LUXEMBOURG-BASED STAFF ARE FEMALE

Approximately 50% of Luxembourg-based staff are female, while an average of 36% of staff at each affiliate are female. Meanwhile, staff in Luxembourg (Quintet, KTL and Puilaetco Luxembourg) are highly multicultural, including 28 different nationalities, led by French (38%), Belgians (35%) and Luxembourgers (12%). On average, affiliates employ staff of 13 different nationalities.

The average age of a Quintet group employee is 45, reflecting the level of experience typically required for staff in this sector of activity; our employees have served at the group, on average, for 11 years.

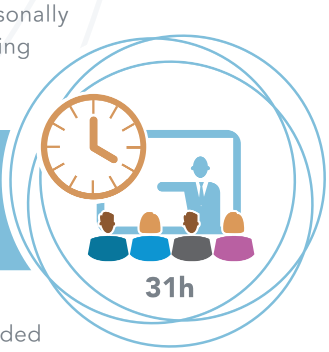
COMPOSITION OF QUINTET ENTITIES BY AGE, SENIORITY, GENDER & NATIONALITY

	Age	Seniority	Men	Women	Nat.
Quintet Private Bank	44.6	11	335	319	28
Merck Finck	48	12.2	169	138	12
Brown Shipley	42.1	8	226	168	20
Puilaetco	45.9	11.2	119	87	6
InsingerGilissen	48	13	252	113	20
Quintet España	41	3.9	24	13	1
Puilaetco Luxembourg	49.2	18.6	20	6	4

The group actively seeks to hire, train and promote younger employees. In Luxembourg, relevant actions include an initiative known as the "Kaleidoscope Program," a two-year, customized integration program that allows high-achieving recent graduates to explore key departments of the bank and gain a uniquely comprehensive understanding of the financial services sector. This program, initiated more than 30 years ago, has produced generations of executives, with some five participants having taken part in 2019.

Training, development & well-being: Training is an imperative for all Quintet staff, no matter their age or experience, especially given the rapid pace of change in the private banking sector. At Quintet, we provide our people with ongoing opportunities to grow personally and professionally as part of a leading private banking group.

NUMBER OF ANNUAL TRAINING HOURS, PER EMPLOYEE, AT PUILAETCO (2019)



In 2019, Quintet Luxembourg provided approximately 19,700 training hours to 745 staff members. The bank allocated over €700,000 to the ongoing development of its staff.

Brown Shipley introduced leadership training sessions to equip managers with the tools and confidence to manage and lead their team. The training provided participants with an understanding of leadership and how it differs from management and explored the leadership behaviors that will strengthen themselves and their teams.

Since 2008, Quintet Luxembourg has employed a full-time Social Assistant, who, in cooperation with the HR department, works with staff to help them address personal challenges and supports them in developing solutions.

Quintet promotes flexibility and recognizes the importance of work-life balance. In Luxembourg, more than one-quarter of all staff work part-time, and remote access is increasingly proposed as a solution – on a periodic basis, in line with relevant regulations – particularly for working parents.

To that end, the bank launched in 2017 a three-month pilot to evaluate opportunities to expand its remote access program. In July 2018, further to this pilot, Quintet launched a remote-access policy that permits eligible staff to work from home up to 24 days per year (for a full-time employee) regardless of their country of residence. In 2019, at Quintet Luxembourg, total remote access reached approximately 10,556 hours by 197 staff members.

Across the group, investments are made on an ongoing basis in employee well-being, including significant enhancements to the physical office space in Luxembourg. Whether it is providing baskets of fresh fruit, employee changing rooms and showers, regular staff movie nights or all-staff holiday parties, the group rewards its people for their hard work, dedication and client-centricity.

Corporate social responsibility: With 2,000 employees based in some 50 cities in Europe, Quintet has a unique opportunity to make a difference in local communities and to be a benchmark socially responsible financial institution everywhere we operate. Moreover, at Quintet, we believe we meet the needs of all our stakeholders by acting as a positive and effective influence in local communities. By contributing resources and capital to worthy causes and initiatives, we serve as an agent of positive social change.

In 2019, Quintet donated approximately €50,000 to charitable associations in Luxembourg, including the Fondatioun Kriibskrank Kanner, which accompanies children fighting cancer or a rare and life-threatening disease and their families; the Luxembourg Autism Foundation; Jonk Entrepreneuren, which facilitates youth entrepreneurship; ALAN maladies rares; UNICEF Luxembourg; and many other causes. Quintet also provides ongoing financial support to a broad range of non-profit cultural organizations, such as the Luxembourg Philharmonic and the Solistes Européens, Luxembourg. Whenever possible, Quintet facilitates opportunities for its staff to participate in charitable initiatives.

Outside the Grand Duchy, Quintet affiliates are likewise very active in their local community, including by sponsoring children's welfare initiatives (Puilaetco), cultural initiatives (Merck Finck, InsingerGilissen and Puilaetco), and various fundraisers to support local charities (Brown Shipley).

COMPLIANCE NORMS & POLICIES

As outlined in Appendix 2, Compliance Risk, Compliance is responsible for implementing all measures designed to prevent Quintet from suffering damage or loss, whether financial or otherwise, due to a failure to comply with existing regulations. The operating procedures of this function – in terms of objectives, responsibilities and powers – are laid down in the Compliance Charter drawn up by the Compliance department and approved by the Authorized Management Committee and the Board of Directors.

The Compliance Charter:

- Defines the position of Compliance in the bank's organizational chart
- Recognizes the right of Compliance to open investigations into any of the bank's activities

- Defines the responsibilities and reporting lines of the Chief Compliance Officer
- Describes the relationships with Risk Management and Internal Audit
- Defines the applicable conditions and circumstances for calling on external experts
- Establishes the right of the Chief Compliance Officer to contact directly and on his own initiative the Chairman of the Board of Directors or, where appropriate, members of the Audit Committee or the Compliance Committee, as well as the CSSF

The core focus of the Compliance function covers:

- The fight against money-laundering and terrorism financing
- Prevention of market abuse and personal transactions
- Integrity of the markets in financial instruments
- Investor protection
- Data protection, including banking secrecy
- Avoidance and management of conflicts of interest
- Prevention of the use of the financial sector by third parties to circumvent their regulatory obligations
- Management of compliance risks linked to cross-border activities
- Professional ethics (codes of conduct, compliance manual, etc.) and the fight against fraud and corruption

The following primary Compliance policies, guidelines and standards – available via the group's Intranet – are applicable across the Quintet group:

- Compliance Charter
- Compliance Policy
- Code of Protection of Whistle Blowers
- Conflict of Interest Policy
- Conduct of Business Policy
- Code of Conduct
- Anti-corruption and Bribery Policy
- Cross-border Policy
- AML Group Standard
- Group Investor Protection Policy
- Market Abuse Policy
- Policy Relating to the Exercise of Mandates by Employees

Via various compulsory training sessions, every Quintet employee has been made fully aware of their role in the fight against money-laundering and terrorism financing.

WE ADD SECURITY AND REDUCE WORRY

Our clients prize efficient access to liquidity to fund their future, ideas that will make their wealth grow and experts who will guide them. With the freedom to seize a world of opportunities, they enjoy the peace of mind that comes with knowing their partner is as solid as a rock – with a strong shareholder, a robust capital base, ECB regulated and a commitment to delivering on every promise we make.

NON-CONSOLIDATED MANAGEMENT REPORT

GENERAL COMMENTS ON THE RESULTS AND THE BALANCE SHEET

At the end of 2019, Quintet Luxembourg's balance sheet totaled €8.7 billion. This decrease compared to 2018 (€9.3 billion) is mainly due to lower interbank and customer deposits. Despite this contraction, which mainly affected the portion of excess liquidity deposited at central banks on the asset side, the structure of the financial position remains healthy and comparable to the previous year.

Solvency is solid and remains well above the regulatory threshold imposed by the European Central Bank at 40.1% (2018: 34.9%).

Although affected by the implementation of a new commercial and organizational strategy, Quintet Luxembourg recorded a 2019 profit of €60.3 million compared to a loss of €-23.0 million in 2018.

Net interest margin improved by almost 8% to €48.2 million against €44.7 million for the previous year, when the Treasury desk took advantage of opportunities on the secured interbank market, while net commissions were slightly down (€40.5 million at the end of 2019 versus €43.2 million at the end of 2018).

Quintet Luxembourg received fewer dividends than the previous year (€9.0 million in 2019 compared to €37.0 million in 2018), partly due to a one-off dividend related to real estate transactions in 2018.

During 2019, the bank made several sales and transfers of its buildings owned or occupied in Luxembourg. Those operations generated a profit of €127.4 million under the heading "other income."

Operating expenses, marked by ongoing strategic projects in 2019 and a plan to right size the workforce in 2018, amounted to €163.5 million in 2019 compared to €161.2 million in 2018.

Finally, Quintet Luxembourg impaired certain financial assets and loans for €25.2 million in 2019 (€2.9 million in the previous year).

For detailed figures, please refer to the non-consolidated financial statements.

https://www.quintet.com/en-GL/Pages/Annual-reports

APPENDICES

APPENDIX 1

DEPOSIT GUARANTEE

Directive 2014/49/EU and Directive 2014/59/EU were transposed into Luxembourg law by the law of 18 December 2015.

In Luxembourg, the national deposit guarantee scheme (DGS) is represented by the FGDL ("Fonds de garantie des dépôts Luxembourg," see the website www.fgdl.lu).

The purpose of the FGDL is to protect clients of the member institutions in case a bank goes bankrupt.

Quintet is an FGDL member. As a member, account holders (natural persons and legal entities) in Quintet Luxembourg and in the Quintet Spain branch are protected by the FGDL up to a maximum of €100,000 per person/account (additional guarantees are in place for temporary deposits, see the FGDL website for details).

In case of failure, FGDL ensures compensation of depositors within 7 days.

In order to be compliant with this legislation, Quintet has since December 31, 2013, implemented a system which is able to produce a Single Customer View (SCV) file including data about all eligible cash depositors along with the customer references. The Quintet system is tested twice a year. This set of information is requested by the CSSF in order to facilitate the reimbursement of depositors in case of the bank's failure.

Each year, Quintet Luxembourg pays a contribution to the FGDL for its financing.

In 2019, Quintet Luxembourg paid €170,666 for the FGDL (2018: €391,727) and €2,498,855 for the Luxembourg Resolution Fund (2018: €2,496,595).

Considering the amount paid for the FGDL during the current year, the same amount of €170,666 was transferred back from unavailable to available reserves.

As for investor protection, the Luxembourg investor compensation scheme (SIIL: "Système d'indemnisation des investisseurs Luxembourg") covers investors (natural persons and legal entities) in the scope of the legislation (law of 18 December 2015). The investment transactions made by the same investor are covered up to an amount equivalent to €20,000.

Quintet Luxembourg is also an SIIL member, in the scope of which eligible investors in Quintet are covered.

APPENDIX 2

COMPLIANCE RISK

Compliance is responsible for implementing all measures designed to prevent Quintet from suffering damage or loss, whether financial or otherwise, due to a failure to comply with existing regulations.

The tasks of Group Compliance encompass the identification and management of compliance risks, as well as the implementation of an awareness-raising policy. Its monitoring includes corrective measures, internal reporting, and liaising with the Public Prosecutor and the CSSF in the field of anti-money laundering. It actively supports management bodies in the control and management of these risks.

Its core focus is:

- Investor protection (MiFID, customer complaints, avoidance and management of conflicts of interest, etc.)
- Prevention of market abuse, money laundering and terrorism financing
- Professional ethics (codes of conduct, compliance manual, etc.) and fraud prevention
- Staff and group adherence to regulatory obligations
- Prevention and management of compliance risks linked to cross-border business
- Advice, prevention and control in the various areas of intervention form the core work of Compliance, which also monitors compliance risks and their

management across the Quintet network through cooperation between local and Luxembourg-based teams

Furthermore, the Board Compliance & Legal Committee (BCLC) is informed of, and regularly monitors, the adequacy of Compliance measures. This committee is delegated by the Board and meets on a quarterly basis.

2.1. ADVICE AND PREVENTION

Compliance continues to advise and support the bank's various business lines. It regularly supports commercial initiatives and the questions that can arise from them. Compliance is also involved in the bank's client acceptance and revision procedure.

It should be noted that Compliance takes part in the validating of new products and services for their marketing to clients. The goal of this process, which incorporates support materials such as brochures and term sheets, is to ensure that clients understand products and their risks and make informed investment decisions which comply with existing regulations. This process was strengthened by the entry into force of MiFID II.

Compliance is also associated with various regulatory projects. Compliance participates in the group-wide high-level assessment analysis and provides the workstreams with appropriate regulatory roadmaps, as well as a group regulatory dashboard consolidating all applicable requirements. In 2019, Compliance played a major role in anchoring the systems designed for conformity with the MiFID II and PRIIPs regulations and significant time has been taken to design an AML risk appetite statement to clearly demonstrate the group's zero tolerance for any breach in that matter.

In addition to its ongoing monitoring and support of subsidiaries, the group continued to support the roll out of the Compliance Awareness program across the whole of Quintet.

This program is mainly based upon a systematic and structured multi-annual approach with training sessions, depending on the person's level of exposure to Compliance risks. The program is accompanied by regular information for employees and managers on Compliance risks according to what is topical (internal or external).

The Group Compliance Normative Committee meets regularly. It gathers together a number of local Heads of Compliance to examine new group norms and standards, ensuring best practices. This committee advises the Group Executive Committee. In 2019, this saw the revision of the current anti-money laundering standard and the refresh of the other codes and policies.

Compliance continued to strengthen practices across Quintet through forums and regular exchanges with Compliance Officers in our European network.

2.2. CONTROL

Compliance continued to maintain its Control function. Its second-level control framework is part of the bank's general internal control framework. In addition to refining and strengthening certain tests, the Compliance Monitoring entity continued to oversee its Compliance Monitoring Programme (CMP). This tool maps compliance risks and regularly checks that these risks are under control. If necessary, suggestions for improving the plan are put forward. Since 2016, the plan has been drawn up based on the results of a Compliance Risk Assessment exercise. This methodology for evaluating compliance risk targets a more refined and better documented risk analysis to better allocate compliance resources to the biggest risks.

The correct execution of these controls by our subsidiaries is monitored from Luxembourg, with support provided as necessary. Specialized anti-money laundering tools are now in place at all Quintet entities. These solutions improve the review processes for the group's clients, whether new or existing, both by analyzing client behavior (before and after), and by screening the client database and international lists of persons subject to legal action or restrictive measures.

An external professional tool specialized in the detection of market abuse and insider trading is in place while also being used to automate checks to ensure that the Best Execution policy is adhered to when processing client orders.

Quintet is constantly adapting its control procedures and reiterating to staff the ongoing need to protect clients. Group Compliance carries out regular checks in the group's various subsidiaries.

APPENDIX 3

RISK MANAGEMENT

3.1 MISSION & ACHIEVEMENTS

On 1 July 2019, a major milestone in the Utopia project – the outsourcing of Quintet's IT & (part) of Operations to the Swiss private bank Lombard Odier – was achieved with the successful migration of Brown Shipley onto the Lombard Odier IT platform.

In 2019, the ICAAP, ILAAP and Recovery Plan were substantially improved following new regulatory guidelines as well as ECB recommendations. The overall Risk Control Framework and key Risk Policies have also been reviewed and validated.

In 2019, quantitative developments hinged on two axes: (i) the development of the computational risk control infrastructure and (ii) regulatory-driven topics. These include the extension of the Risk Control data-warehouse facilities (automation, data coverage and quality), the development of a model for non-maturity deposits, and the formalization of a model risk framework.

In terms of operational risk, the main improvements in 2019 were the finalization of the roll-out of the Risk and Control Self-Assessment (RCSA) and the launch of an Operational Risk Monitoring Programme. In parallel, the specifications for the design of a new operational risk tool were implemented and tests are ongoing.

In terms of Information Risk, the further development of an independent second line of defense - working in close collaboration with IT Security and the Data Protection Officer – was pursued in 2019 and the development of a dedicated Information Risk Framework (including a proper risk appetite) is ongoing.

Finally, the Group Data Protection programme delivered the following achievements:

- New governance for tagging MS files containing personal data, the new data protection directives for HR training as well as for third-party relationships
- The reinforcement of the first line of defense with a systematic functional reporting to Group Data Protection Controller
- The execution of new data protection controller activities based on CARPA methodology and risk exposure
- The selection and roll-out of a new data protection IT tool for the group
- The consolidation of group data protection heatmaps/key indicators for escalation to the Board

3.2 STRUCTURE & ORGANIZATION

Risk Control entities fulfill a second line of defense role, the first line being assumed by the entities at the source of risk. In this context, they ensure that each key risk the group may be exposed to is properly identified, measured, monitored and reported.

As at 31 December 2019, Group Risk Control in Luxembourg was organized into five departments with a total of 29.5 full-time employees (FTEs).

The objective of the **Group Information Risk Control department** is to act as a second line of defense for controlling risk related to digital assets.

The department (2.8 FTEs) is in charge of developing and maintaining the Information Risk Control Framework, to implement related policies, to monitor control implementation and to ensure adequate reporting over its activities to dedicated instances (Group Information Security & Risk Committee/Board Risk Committee).

At group level, the department is in charge of coordinating Group Information Security Risk management directions among the local representatives.

The **Group Data Protection department** (3 FTEs) was reinforced over 2019, and is in charge of:

- Enforcing the provisions of the European regulation on the protection of personal data ("GDPR") within the group

- Informing, providing independent advice and guidance to the Quintet group entities and functions
- Monitoring compliance with regulation
- Acting as the point of contact for data subject right exercises and complaints
- Acting as the point of contact for the lead supervisory authority (breaches, high-risk notification, projects, audit).

The **Credit Risk Control department**, with 4 FTEs, is in charge of monitoring credit risk for Luxembourg and the group, which arises from the following activities:

- Lombard & mortgage lending to private clients in support of the bank's core private banking activity
- Committed and uncommitted credit lines granted to investment funds in support of Global Institutional Solutions activity
- The department also covers the monitoring of country risks, is involved in defining and complying with criteria for accepting securities taken as collateral, and acts as secretary for the Group Credit Committee

The Lending Management department, with 5.6 FTEs, reports to the Head of Credit Risk Control. Lending Management is in charge of:

- The implementation of loans by the parent company (especially the drafting of the loan documentation, as well as the complete setting up of the securities in accordance with the credit decision)
- The risk monitoring of each parent company loan facility during its lifetime
- The secretarial support for the Luxembourg and group credit committees and act as secretary for the Luxembourg credit committee.

The **Operational Risk Control department**, with 4.8 FTEs, has the following responsibilities:

- Provides group entities with a loss event reporting tool for recording operational incidents in a database: (i) challenge reporting, root cause analysis and mitigating action plan and (ii) initiate case study analysis
- Conducts/reviews Risk Control Self Assessments
- Steers the insurances' program for the group
- Acts as member of various committees involving discussions on operational risks (i.e. the new Operational Risk Committee, the New Product & Service Approval Committee, the Group Information Security Committee, the Business Continuity Management Steering Committee)

The **Financial Risk & Reporting department** (9.3 FTEs) covers various attributions:

- It monitors and escalates market risk (interest rate, price, currency, real estate, and liquidity risks) carried by the entire balance sheet, including both ALM and Trading activities to the different levels of management from Global Markets/ALM senior management to the Board Risk Committee. Group Liquidity Risk, including the reporting and the interpretation and implementation of the EU regulatory requirements, is also under the Financial Risk & Reporting responsibilities. Among others, the department participates to the local Asset and Liability Management Committees (ALCOs) of the different subsidiaries, to ensure that local decisions are taken in compliance with Group ALCO Policy.
- The department is also taking over: (i) the portfolios of fixed-income investments, in the context of the reinvestment of excess liquidity; (ii) counterparty risk linked to money-market transactions contracted between Global Markets and a network of banking counterparties; and (iii) credit risk carried by the network of sub-custodians.
- The department is in charge of risk modelling and quantitative analysis. It designs and implements all risk models (market, credit and operational VaRs,

internal stress test, product scoring, ECL, etc.) and provides quantitative support to other group and local functions The department is as well responsible for the risk data management, designing and maintaining an efficient risk database and reporting tool.

- The department covers transversal risk matters, such as internal and regulatory risk reporting (i.e. monthly/quarterly risk reports, ICAAP, Recovery Plan, etc.) and regulatory watch in addition to the risk-related projects through the group.

Total resources in Quintet Group Risk Control are 62 FTEs. In light of the non-materiality of certain risks in the subsidiaries (absence of trading activities; ALM activities tightly framed and controlled by the roup; limited liquidity risk), most of their resources are dedicated to managing and controlling client, credit and operational risks.

RESULT ALLOCATION PROPOSAL

At its meeting on 26 March 2020, the Board of Directors proposes to allocate the 2019 net result of €60,292,959.78 as follows:

(i) Allocation of €1,185,725.60 to the legal reserve in order to reach 10% of the paid-up capital after the 2019 share capital increase

(ii) Allocation of €59,107,234.18 to the retained earnings

On 14 April 2020, this allocation will be submitted for approval at the Annual General Meeting

COMPOSITION OF THE BOARD OF DIRECTORS

The Ordinary General Meeting of April 24, 2019, approved the renewal of the mandates of the following directors:

- Anne-Ruth Herkes
- Anne Reuland
- Alfred Bouckaert
- Maurice Lam
- Antoine Marcolin

DECLARATION ON THE CONFORMITY OF THE 2019 CONSOLIDATED ACCOUNTS

We, Jakob Stott, Group CEO, and Nicholas Harvey, Group Chief Financial Officer, confirm, to the best of our knowledge, that the consolidated accounts, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the consolidated assets, liabilities, financial position and consolidated profit or loss of the Quintet group, and that the consolidated management report includes a fair review of the development and performance of the business and the position of the Quintet group together with a description of the principal risks and uncertainties that the group faces.

Luxembourg; March 26, 2020

Jakob Stott
Group CEO

Nicholas Harvey
Group Chief Financial Officer

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