

PROSPECTUS DATED 26 SEPTEMBER 2018



**BANQUE INTERNATIONALE À LUXEMBOURG, SOCIÉTÉ ANONYME**

*(Incorporated with limited liability in Luxembourg)*

**€300,000,000 1.500 per cent. Senior Non Preferred Notes due 2023**

The issue price of the €300,000,000 1.500 per cent. Senior Non Preferred Notes due 2023 (the “**Senior Non Preferred Notes**”) of Banque Internationale à Luxembourg, société anonyme (the “**Bank**”, “**Issuer**” or “**BIL**”) is 99.747 per cent. of their principal amount.

According to the terms and conditions of the Senior Non Preferred Notes (the “**Conditions**”), the Senior Non Preferred Notes constitute direct, unconditional, unsecured and senior (*chirographaires*) obligations of the Issuer and rank within the senior and unsecured liabilities of the Issuer; (i) *pari passu* and without any preference among themselves, (ii) *pari passu* with any other obligations or instruments of the Issuer that rank equally with the Senior Non Preferred Notes, (iii) senior to the Issuer’s Subordinated Obligations (as defined in the Conditions); and (iv) junior to the Issuer’s Statutory Ordinary Senior Liabilities (as defined in the Conditions).

Upon the insolvency of the Issuer or if any order is made or resolution passed for the Liquidation (as defined in the Conditions) of the Issuer, save as may be provided by mandatory applicable legislation in relation to creditors’ rights, the holders of the Senior Non Preferred Notes (the “**Noteholders**”) will have a right to payment under the Senior Non Preferred Notes (i) only after, and subject to, payment in full in respect of Statutory Ordinary Senior Liabilities or any claims benefiting from statutory preferences or otherwise ranking in priority to the Senior Non Preferred Notes; and (ii) in full, in priority to claims in respect of Subordinated Obligations and other claims otherwise ranking junior to the Senior Non Preferred Notes.

The Senior Non Preferred Notes will bear interest from 28 September 2018 (the “**Issue Date**”) at the rate of 1.500 per cent. per annum payable annually in arrear on 28 September in each year commencing on 28 September 2019. Payments on the Senior Non Preferred Notes will be made in euros without deduction for or on account of taxes imposed or levied by Luxembourg to the extent described under “Terms and Conditions of the Senior Non Preferred Notes—Taxation”.

Unless previously redeemed or purchased and cancelled, the Senior Non Preferred Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on the Maturity Date. Upon the occurrence of a Tax Event or an MREL Disqualification Event (each as defined in the Conditions), the Issuer may, at its option, redeem all, but not some only, of the Senior Non Preferred Notes at their principal amount, together with any accrued and unpaid interest (if any) thereon to (but excluding) the date fixed for redemption, subject to such redemption being permitted by the applicable MREL Regulations (as defined in the Conditions) and subject to the Issuer obtaining Supervisory Permission (as defined in the Conditions) therefor, if required. In the event that an MREL Eligibility Event, a Rating Methodology Event an Alignment Event or a Tax Event (each as defined in the Conditions) occurs and is continuing, the Issuer may substitute all (but not some only) of the Senior Non Preferred Notes or vary the terms of all (but not some only) of the Senior Non Preferred Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Notes (as defined in the Conditions), subject to obtaining Supervisory Permission, if required.

Application has been made to the *Commission de Surveillance du Secteur Financier* of Luxembourg (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (as amended, the “**Luxembourg Act**”) to approve this document as a prospectus (the “**Prospectus**”) and to the Luxembourg Stock Exchange for the listing of the Senior Non Preferred Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange’s regulated market. The CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of Article 7(7) of the Luxembourg Act.

The Senior Non Preferred Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”), and are subject to United States tax law requirements. The Senior Non Preferred Notes are being offered outside the United States by the Managers (as defined in the section below entitled “**Subscription and Sale**”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Senior Non Preferred Notes will be in bearer form and in denominations of €100,000. The Senior Non Preferred Notes will initially be in the form of a temporary global note (the “**Temporary Global Note**”), without interest coupons, which will be deposited on or around the Issue Date with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the “**Permanent Global Note**”, together with the Temporary Global Note, the “**Global Note**”), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Senior Non Preferred Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Senior Non Preferred Notes in definitive form in denominations of €100,000 and with interest coupons attached. See “*Overview of Provisions Relating to the Senior Non Preferred Notes in Global Form*”.

The Senior Non Preferred Notes are expected to be rated BBB by Standard & Poor’s Credit Market Services France S.A.S. (“**Standard & Poor’s**”) and BBB+ by Fitch France S.A.S. (“**Fitch**”). As of the date of this Prospectus, each of Standard & Poor’s and Fitch is established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended) (the “**CRA Regulation**”). As such each of Standard & Poor’s and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

**Bookrunner**

**CREDIT SUISSE**

**Joint Lead Managers**

**BIL**

**CREDIT SUISSE**

**Co-Manager**

**DZ BANK AG**

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## IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purposes of the Luxembourg Act. When used in this Prospectus, “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Managers named under “*Subscription and Sale*” below (the “**Managers**”) that this Prospectus contains all information regarding the Issuer and the Senior Non Preferred Notes which is (in the context of the issue of the Senior Non Preferred Notes) material; such information is true and accurate in all material respects and is not misleading; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Senior Non Preferred Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Managers.

Save for the Issuer, no other party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Senior Non Preferred Notes. No Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Senior Non Preferred Notes or their distribution.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Senior Non Preferred Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Issuer's consolidated subsidiaries taken as a whole (the “**BIL Group**”) since the date of this Prospectus or that the information contained in this Prospectus is true subsequent to the date hereof or that any other information supplied in connection with the Senior Non Preferred Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the BIL Group.

Neither this Prospectus nor any other information supplied in connection with the offering of the Senior Non Preferred Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Senior Non Preferred Notes should purchase any Senior Non Preferred Notes. Each investor contemplating purchasing any Senior Non Preferred Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Senior Non Preferred Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Senior Non Preferred Notes.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Senior Non Preferred Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Senior Non Preferred Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor the Managers represent that this Prospectus may be lawfully distributed, or that the Senior Non Preferred Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Senior Non Preferred Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Senior Non Preferred Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Senior Non Preferred Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Senior Non Preferred Notes. For a description of certain restrictions on offers, sales and deliveries of Senior Non Preferred Notes and on distribution of this Prospectus and other offering material relating to the Senior Non Preferred Notes, see “*Subscription and Sale*”.

In particular, the Senior Non Preferred Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Senior Non Preferred Notes may not be offered, sold or delivered within the U.S. or to U.S. persons.

**Prospective investors should have regard to the factors described in the section headed “*Risk Factors*” herein.**

Each potential investor in the Senior Non Preferred Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should assess, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Senior Non Preferred Notes, the merits and risks of investing in the Senior Non Preferred Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Senior Non Preferred Notes and the impact the Senior Non Preferred Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Senior Non Preferred Notes, including where the currency for principal or interest payments is different from the potential investor’s currency (see also – “*Risk Factors – Risks related to the market generally – Exchange rate risks and exchange controls*” below);
- (d) understands thoroughly the terms of the Senior Non Preferred Notes and is familiar with the behaviour of any relevant financial markets; and
- (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Senior Non Preferred Notes are legal investments for it, (2) Senior Non Preferred Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Senior Non

Preferred Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Senior Non Preferred Notes under any applicable risk-based capital or similar rules.

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**EUR**", "**€**" or "**euro**" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Prospectus is to be read in conjunction with all information which is deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such information is incorporated in and forms part of the Prospectus.

In the United Kingdom, this Prospectus may be distributed only to, and may be directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this document or any of its contents.

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Senior Non Preferred Notes has led to the conclusion that: (i) the target market for the Senior Non Preferred Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Senior Non Preferred Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Senior Non Preferred Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Senior Non Preferred Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Senior Non Preferred Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIPs Regulation**") for offering or selling the Senior Non Preferred Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Senior Non Preferred Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

In connection with the issue of the Senior Non Preferred Notes, Credit Suisse Securities (Europe) Limited (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may

**over allot Senior Non Preferred Notes or effect transactions with a view to supporting the price of the Senior Non Preferred Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Senior Non Preferred Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Senior Non Preferred Notes and 60 days after the date of the allotment of the Senior Non Preferred Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.**

## **RISK FACTORS**

*In purchasing Senior Non Preferred Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Senior Non Preferred Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Senior Non Preferred Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Senior Non Preferred Notes.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Senior Non Preferred Notes are also described below.*

*Investing in the Senior Non Preferred Notes involves significant risks. Investors should reach their own investment decision only after consultation with their own financial and legal advisers about risks associated with an investment in the Senior Non Preferred Notes and the suitability of investing in the Senior Non Preferred Notes in light of the particular characteristics and terms of the Senior Non Preferred Notes and of the investors' particular financial circumstances. As part of making an investment decision, an investor should make sure it thoroughly understands the terms of the Senior Non Preferred Notes. A potential investor should also carefully consider the risk factors and the other information contained in this Prospectus, and the other information included and incorporated by reference in this Prospectus before deciding to invest in the Senior Non Preferred Notes. All investors should make their own evaluations of the risks associated with an investment in the Senior Non Preferred Notes and consult their own professional advisers if necessary. The market price of the Senior Non Preferred Notes could decline due to the realisation of these risks, and investors could lose part or all of the value of their investments.*

*Words and expressions defined in the Conditions have the same meanings in this risk factor section.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Senior Non Preferred Notes**

Like other banks, the Issuer faces financial risk in the conduct of its business, such as credit risk, operational risk and market risk (including liquidity risk).

#### ***Credit risk***

As a credit institution, the Issuer is exposed to the creditworthiness of its customers and counterparties. The Issuer may suffer losses related to the inability of its customers or other counterparties to meet their financial obligations. Nevertheless, counterparties classified as Investment Grade represent a large majority of BIL's total exposure.

The Issuer has developed a sound and robust Global Risk Management framework with an important component linked to the credit risk in line with the regulatory requirements and the market standards. Nevertheless, the Issuer cannot assume that it will not have to make significant additional provisions for possible bad and doubtful debts in future periods.

The Bank is using the Advanced Internal Rating Based approach for calculating its capital requirements and its solvency ratios.



### ***Market risk***

Market risks are all the risks linked to the fluctuations of market prices, including, principally, exposure to loss arising from adverse movements in interest rates, credit spreads, foreign exchange rates, commodity prices, stemming from the Issuer's capital market activities. Due to the nature of its activity, the Issuer is prevented from assuming significant exposure to market risk. It does not act as a market maker and therefore has very small exposure mainly linked to its short-term cash management. Market risks generated by the commercial businesses are generally hedged and residual risks are handled by the asset and liability management function.

### ***Operational risk***

Operational risk is the risk of financial or non-financial impact resulting from inadequate or failed internal processes or systems, from people's failings or from external events. The definition includes IT (notably cyber-risk), clients, products and business practices, etc. but excludes strategic risk. The operational risk management ("ORM") framework relies on several key components, which include the systematic collection of operational risk events, the yearly self-assessment of risks and controls in all activities, the management of information security and business continuity, as well as the management of group common insurance policies. All of these activities regularly lead to the definition and deployment of improvement actions, which are monitored on a regular basis. Moreover the framework relies on strong governance with clearly defined roles and responsibilities for the ORM function, the Management Board, the line management and their operational risk correspondents. As with most other banks, the Issuer relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Issuer's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems. The Issuer cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions could have a material adverse effect on the Issuer's financial condition and results of operations.

### ***Soundness of other financial institutions – counterparty risks***

The Issuer is exposed to many different counterparties in the normal course of its business; hence the Issuer is exposed to counterparties in the financial services industry. This exposure can arise through lending, deposit-taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks, investment banks, mutual funds and customers. Many of these relationships expose the Issuer to credit risk in the event of default of a counterparty or client. In addition, the Issuer's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover, which could in turn affect the Issuer's ability to meet its payments under the Senior Non Preferred Notes. Many of the hedging and other risk management strategies utilised by the Issuer also involve transactions with financial services counterparties. The risk of insolvency in relation to these counterparties may impair the effectiveness of the Issuer's hedging and other risk management strategies, which could in turn affect the Issuer's ability to meet its payments under the Senior Non Preferred Notes.

### ***Liquidity risk***

The objective of liquidity management is to ensure that, at all times, the Issuer holds sufficient funds to meet its contracted and contingent commitments to customers and counterparties, at an economic price. All the main issues regarding liquidity risk are directly managed by the Issuer's Asset and Liability Management function, which carefully manages the Issuer's resources and their use, in particular, the adequacy of expected new lending production with the available resources and the Issuer's liquidity needs. Moreover, the BIL Group addresses its structural liquidity risk through the sound governance and controls put in place (realised by the Issuer's risk management department), as well as the close follow up made of its main

liquidity ratios. Moreover, it is worth mentioning that the regulatory ratios are largely higher than the minimum required by the regulators, highlighting a prudent and safe liquidity/funding situation.

### ***Risk Management***

Monitoring of the risks relating to the Issuer and its operations and the banking industry is performed jointly by the appropriate committees and the risk management department, with the help of tools that it develops, in compliance with all legal constraints and rules of prudence. As regards the supervision of risks in the subsidiaries and branches, the risk management and control functions exist in each entity of the BIL Group. As a general principle, BIL's entities' internal control functions report, from both a hierarchical and a functional point of view for branches and from a functional point of view for subsidiaries, to the corresponding control functions at BIL Group level. These structures are strictly independent of the front-offices.

### ***Regulatory risk***

The Issuer's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates. Current, together with future regulatory developments, including changes to accounting standards and the amount of regulatory capital required to support the risk, could have an adverse effect impacting on how the Issuer conducts its business and on the results of its operations. The Issuer's business and earnings are also affected by fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. With the growing number of legal and prudential requirements, the Issuer has set up a legal and regulatory watch ("**Group-wide Watch**") within its Regulatory Affairs department with the help of the different regulatory experts, including some people from Risk and Finance departments.

The Issuer has also established a clear regulatory roadmap project to assess the impact to timely mobilise the required resources internally and to implement all the elements the Issuer needs to ensure that it is compliant with such regulations.

### ***Capital Requirements Regulation and Capital Requirements Directive***

In 2012, the Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to the regulatory framework applicable to the BIL Group, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (such changes being commonly referred to as "**Basel III**"). The Basel III reform package has been implemented in Europe through EU Capital Requirements Regulation (Regulation (EU) No 575/2013, the "**Capital Requirements Regulation**" or "**CRR**") and the EU Capital Requirements Directive (Directive 2013/36/EU, the "**Capital Requirements Directive**" or "**CRD**") (together, "**CRD IV**").

The Capital Requirements Directive has been implemented in Luxembourg by the law of 23 July 2015 (the "**CRD Law**"). The CRD Law entered into force and was applicable from 4 August 2015. The Luxembourg financial sector supervisory authority, the CSSF, has supplemented the CRD Law by adopting certain regulations.

The CSSF has further published on 20 February 2014 in the Official Gazette (*Mémorial A* – N°23) and on its website the CSSF Regulation N° 14-01 on the implementation of certain discretions contained in the Capital Requirements Regulation ("**CSSF Regulation N° 14-01**").

Certain provisions of the CRD IV will be and in some cases have been further specified by the European Banking Authority ("**EBA**") through implementing technical standards.

Key elements of CRD IV include:

- Increased capital requirements – higher minimum common equity tier 1 (“CET1”) ratios and the introduction of conservation, countercyclical and systemic risk buffers;
- CET1 ratio – a risk-based measure calculated as CET1 capital divided by risk weighted assets, as calculated on the basis set out in CRD IV.
- Definition of capital – subordinated debt which does not meet CRD IV recognition criteria will be phased out over the period from 1 January 2014 to 31 December 2021;
- Additional capital charges – an additional capital charge for credit valuation adjustment (“CVA”) risk is imposed. The capital charge for financial transactions with large counterparties also increases and deferred tax assets will be risk weighted at 250 per cent.;
- Securitisation exposure – certain securitisation exposures can either be deducted 100 per cent. from C capital or risk weighted 1,250 per cent.;
- Deductions from capital – expected losses in excess of provisions are deducted in full from CET1 capital, gross of tax. Under Basel II, only 50 per cent. of the deduction was from core tier 1 capital and was net of tax. The CET1 capital pension adjustment (net deficit add-back) available under Basel II is removed;
- New liquidity metrics – two new liquidity ratios will be introduced. These are a short-term liquidity stress ratio, referred to as the liquidity coverage ratio, and a longer-term ratio, referred to as the net stable funding ratio. Both ratios are required to be maintained at levels in excess of 100 per cent. when fully implemented; and
- Leverage ratio – a new ratio, calculated by dividing tier 1 capital by an institution’s total exposure measure (the leverage ratio) is required to be maintained at a level of at least 3 per cent. The ratio became binding on 1 January 2018.

Under CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of risk weighted assets. In addition to these so-called “own funds” requirements under CRD IV, supervisors may add extra capital to cover other risks (thereby increasing the regulatory minimum required under CRD IV) and the Bank may also decide to hold an additional amount of capital. CRD IV also introduced a number of new capital buffers for additional risks that financial institutions may be subject to. These buffers will be fully phased in by 1 January 2019 and comprise: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer, (v) the systemic risk buffer. Some or all of these buffers may be applicable to the Bank as determined by relevant regulators.

In line with the previous paragraph, according to CSSF Regulation N° 17-04 of 31 October 2017 concerning systemically important institutions authorised in Luxembourg, the Bank has been qualified by the CSSF as other systemically important institution (O-SII) within the meaning of article 59-3 of the law of 5 April 1993 on the financial sector (as amended) due to its contribution to the Luxembourg economy, its exposure to the real estate market and its large base of Luxembourg deposits. The Bank’s buffer rate has been set at 0.375% applicable as from 1 January 2018 and at 0.5% as from 1 January 2019.

The CSSF Regulation N° 14-01 makes use of the discretions conferred in this respect by the Capital Requirements Regulation to national regulators and applies a tier 1 ratio of 6.0 per cent. (as from 1 January 2015 onwards). Additionally, in accordance with the Capital Requirements Directive and Article 56 of the Luxembourg act of 5 April 1993 on the financial sector, as amended (the “Banking Act 1993”, implementing the CRD Law), CSSF Regulation N° 14-01 foresees a capital conservation buffer of 2.5 per cent.

The CRD IV regime is expected to continue to evolve as a result of further changes agreed by EU legislators and binding regulatory technical standards and guidelines to be developed by the EBA. In particular, on 23

November 2016, the European Commission put forward significant draft proposals to amend, amongst other things, the Capital Requirements Regulation, the Capital Requirements Directive (such amended Capital Requirements Regulation to be known as “**CRR 2**” and such amended Capital Requirements Directive as “**CRD V**”), and the BRRD (as defined below) (the “**Proposals**”). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of “non-preferred” senior debt and the MREL (minimum requirements for own funds and eligible liabilities) framework. The Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect the Issuer or holders of the Senior Non Preferred Notes. However, the Proposal amending BRRD is now adopted and published as Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy.

Following the dismantling of Dexia group by the end of 2012 and the subsequent purchase of the Bank by its major shareholders (i.e. Precision Capital and the State of Luxembourg), the Bank had to adapt to the new situation by setting up an adequate risk management structure able to carry out all of the functions, tools and processes related to the on-going use the A-IRB approaches, the implementation of the Internal Capital Adequacy Assessment Process (“**ICAAP**”) and the implementation of the Internal Liquidity Adequacy Assessment Process (“**ILAAP**”).

The setting up on 4 November 2014 of the Single Supervisory Mechanism (“**SSM**”), where the European Central Bank (“**ECB**”) took on – together with the National Competent Authorities (“**NCA**”) – the direct supervision of around 130 credit institutions within the euro area, is also an important change which will conduct to improve harmonisation of practices and thus transparency at the European level.

More generally, the Basel Committee published a package of further revisions to Basel III in December 2017 (so-called “**Basel IV**”), including changes to: standardised approach for credit risk, internal ratings based approaches for credit risk, the credit valuation adjustment risk framework, the operational risk framework, the leverage ratio framework, the standard and internal approaches for market risk and a revised output floor. The Basel Committee expects these changes to be implemented from January 2022, with transitional arrangements up to January 2027, although these timelines remain unclear until such rules are translated into draft European legislation. It therefore remains premature at this stage to estimate the full impact or timelines.

### ***EU Bank Recovery and Resolution Directive***

Regulatory action in the event of a failure of the Issuer could materially adversely affect the value of the Senior Non Preferred Notes.

The directive establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) entered into force in July 2014. The BRRD is designed to provide the relevant resolution authorities with a credible set of tools to intervene sufficiently early and quickly in respect of an unsound or failing relevant entity so as to ensure the continuity of the relevant entity’s critical financial and economic functions, while minimising the impact of the relevant entity’s failure on the economy and financial system.

The BRRD has been implemented in Luxembourg by the law of 18 December 2015 on the default of credit institutions and certain investment firms (as amended) (the “**Resolution Law**”) which entered into force on 28 December 2015: In line with the BRRD, the Resolution Law gives power to the CSSF in its capacity as a supervisory authority to take certain early intervention measures and gives power to the CSSF as the Luxembourg resolution authority to implement resolution measures under the Resolution Law.

The BRRD (and accordingly in Luxembourg the Resolution Law) contains four resolution tools which may be used by the relevant resolution authorities individually or in any combination where a relevant entity is considered as failing or likely to fail:

- (i) sale of business – enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms;
- (ii) bridge institution – enables resolution authorities to transfer of all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control) that would be sold to another entity;
- (iii) asset separation – enables resolution authorities to transfer impaired or “bad” assets to a bridge institution or one or more asset management vehicles to allow the assets to be managed and with a view to maximising their value through eventual sale or orderly wind-down; and
- (iv) bail-in – gives resolution authorities the power to cancel write-down and/or to convert certain unsecured liabilities (including liabilities under the Senior Non Preferred Notes) owed by a failing relevant entity to certain creditors (which may include holders of the Senior Non Preferred Notes. See “*Bail-in tool under the BRRD and the Resolution Law*” below for more details.

The BRRD also provides for a Member State as a last resort, after having assessed and utilised the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

The BRRD also grants powers to enable the relevant resolution authorities to implement the resolution tools, including the power to replace or substitute the relevant entity as obligor in respect of debt instruments, the power to modify the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), and/or the power to discontinue the listing and admission to trading of financial instruments.

A relevant entity will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; when its assets are, or are likely in the near future to be, less than its liabilities; when it is, or is likely in the near future to be, unable to pay its debts as they fall due; or when it requires extraordinary public financial support (except in limited circumstances).

The resolution tools are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated and only upon the relevant resolution authorities, i.e. the CSSF, acting in its capacity as resolution authority for Luxembourg, being satisfied that the relevant conditions for resolution contained in the BRRD have been met. The use of such tools, or perceived likelihood of them being used, could affect the market value of an investment in the Senior Non Preferred Notes.

#### ***Bail-in tool under the BRRD and the Resolution Law***

The bail-in tool under the BRRD (referred to above) has been implemented by the Resolution Law in Luxembourg and can be used to recapitalise a relevant entity that is failing or about to fail, allowing resolution authorities (including the CSSF in Luxembourg under the Resolution Law) to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The bail-in tool could be used to impose losses on Noteholders by effecting the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on the Senior Non Preferred Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on the Senior Non Preferred Notes into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Senior Non Preferred Notes, in each case, to

give effect to the exercise by the relevant resolution authority of such bail-in tool. This may result in Noteholders losing some or all of their investment. Any indication or perception that Senior Non Preferred Notes will become subject to a bail-in tool could have an adverse effect on the market price of the Senior Non Preferred Notes.

### ***Loss absorption at the point of non-viability under the BRRD and the Resolution Law***

The powers provided in the BRRD to the relevant resolution authorities (including the CSSF in Luxembourg under the Resolution Law) include mandatory write-down and conversion powers in respect of capital instruments, to ensure that relevant capital instruments fully absorb losses at the point of non-viability of the issuing relevant entity or its group and before any other resolution action is taken.

For the purposes of the application of the mandatory write-down and conversion power, the point of non-viability is the point at which (i) the relevant resolution authority determines that the relevant entity or its group meets the conditions for resolution (but no resolution action has yet been taken) or (ii) the relevant authority or authorities, as the case may be, determine(s) that the relevant entity or its group will no longer be viable unless the relevant capital instruments are written down or converted into ordinary shares or (iii) extraordinary public financial support is required by the relevant entity or its group except when for the purposes of remedying a serious disturbance in the economy of an EEA member state and to preserve financial stability, the support takes the form of (a) a State guarantee to back liquidity facilities provided by the Luxembourg Central Bank or the European Central Bank according to the central banks' conditions, (b) a State guarantee of newly issued liabilities, or (c) an injection of own funds or purchase of capital instruments at prices and on terms that do not confer an advantage upon the relevant entity.

Holders of Senior Non Preferred Notes may be subject to write-down or conversion into equity on application of such mandatory write-down or conversion powers (without requiring such holders' consent), which may result in such holders losing some or all of their investment. Any indication or perception that Senior Non Preferred Notes will become subject to such non-viability loss absorption measure could have an adverse effect on the market price of the relevant Senior Non Preferred Notes.

### ***Single Resolution Mechanism***

Regulation (EU) 806/2014 of the Council of the European Parliament and the Council of the EU (the “**SRM Regulation**”), which was passed on 15 July 2014 and became effective from 1 January 2015, establishes uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the “**SRM**”).

Under the SRM, a single resolution process applies to all banks established in EU member states participating in the single supervisory mechanism (“**SSM**”). According to the selection criteria of the ECB, the BIL Group has been identified as a “significant bank” and is thus centrally supervised under the SSM.

The SRM is applicable to the BIL Group as a primary recovery and resolution code instead of the Luxembourg implementation measures relating to the BRRD, including in particular the Resolution Law. The SRM is coordinated by the Single Resolution Board (the “**SRB**”), which consists of representatives from the ECB, the European Commission and the relevant national resolution authorities) having resolution powers over the entities that are subject to the SRM, thus replacing or exceeding the powers of the national resolution authorities. The SRB's purpose is to assess whether a relevant entity meets the necessary conditions for it to be placed under resolution and then to draw up and adopt a resolution plan for the entities subject to its powers, including the BIL Group. It can also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities subject to write-down and conversion powers which the BIL Group will be required to meet at all times (see “*Minimum requirement for eligible liabilities (“MREL”)*” below). The SRB can also use the powers of early intervention as set forth in the SRM, including the power to require a relevant entity to implement measures set out in its recovery plan.

The SRB has the authority to exercise the specific resolution powers pursuant to the SRM similar to those of the national resolution authorities under the BRRD (i.e. for Luxembourg the CSSF in accordance with the Resolution Law). These specific resolution powers include the sale of business tool, the bridge institution tool, the asset separation tool, the bail-in tool and the mandatory write-down and conversion power in respect of capital instruments. The use of one or more of these tools will be included in a resolution scheme to be adopted by the SRB. National resolution authorities (i.e. for Luxembourg the CSSF in accordance with the Resolution Law) will remain responsible for the execution of the resolution scheme according to the instructions of the SRB.

Although the provisions relating to resolution plans and cooperation between the SRB and the national resolution authorities have been applied as of 1 January 2015, the resolution powers of the SRB took effect from 1 January 2016.

### ***Effect of the resolution powers under the BRRD and the SRM***

The resolution powers under the BRRD (as implemented in the relevant EU member state, notably for the Issuer in Luxembourg by the Resolution Law) and the SRM impact on how credit institutions and investment firms in the EU are managed as well as, in certain circumstances, the rights of creditors. The exercise of any such resolution power, including the power to exercise the bail-in tool in respect of the Issuer and Senior Non Preferred Notes issued by the Issuer or any suggestion, or perceived suggestion, of such exercise could materially adversely affect the rights of the holder of such Senior Non Preferred Notes, the price or the value of any Senior Non Preferred Notes and/or the ability of the Issuer to satisfy its obligations under such Senior Non Preferred Notes and could lead to the holders of the Senior Non Preferred Notes losing some or all of their investment in the Senior Non Preferred Notes. Prospective investors in the Senior Non Preferred Notes should consult their own advisors as to the consequences of the SRM and the implementation of the BRRD, in particular in Luxembourg by the Resolution Law.

### ***Minimum requirement for own funds and eligible liabilities (“MREL”)***

In order to ensure the effectiveness of bail-in and other resolution tools, the BRRD and the SRM require that all institutions must meet an individual MREL requirement calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (including the SRB) on a case-by-case basis. The relevant resolution authority must have regard to certain specified criteria when determining an entity’s MREL, including its size and business model. Only liabilities that satisfy certain conditions intended to ensure that they are easier to bail in will count towards an entity’s eligible liabilities and so can be used to meet its MREL obligations.

The precise impact of the MREL requirements on individual firms will remain a matter of some uncertainty until the final measures are fully adopted and specific requirements imposed on institutions (the European legislator has however already adopted and published the proposal amending BRRD as Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy). Under the SRM, the SRB will determine, after consultation with competent authorities, the MREL requirement for the BIL Group.

Until these measures are finally adopted and applied to the Issuer, it is not possible to determine the ultimate scope and nature of any resulting obligations for the Issuer, nor the impact that they will have on the Issuer. It is possible that the Issuer may have to issue MREL Eligible Instruments in order to meet the new requirements within the required timeframes and/or that the MREL requirements would impose operational restrictions on the Issuer, increase the Issuer’s expenses and/or otherwise have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Issuer and, in turn, adversely affect the value of the Senior Non Preferred Notes.

### ***Depositor Preference***

The BRRD establishes a preference in the insolvency hierarchy firstly, for covered deposits and deposit guarantee schemes subrogating to the rights and obligations of covered deposits and secondly, for certain other deposits of individuals and micro, small and medium sized enterprises that are eligible for protection but exceed the coverage limit provided for in Article 6 of Directive 2014/49/EU (the “**Deposit Guarantee Schemes Directive**”), or would be eligible for protection were they not made through branches located outside the EU. In addition, the Deposit Guarantee Scheme increases the nature and quantum of insured deposits to include a wide range of deposits, including corporate deposits (unless the depositor is a public authority or financial institution) and some temporary high value deposits. The effect of these changes is generally to increase the size of the class of preferred creditors. All such preferred deposits rank in the insolvency hierarchy ahead of all other unsecured senior creditors of the Issuer, including the holders of the Senior Non Preferred Notes. Furthermore, covered deposits are excluded from the scope of the bail-in tool. As a result, the Senior Non Preferred Notes issued by the Issuer would be more likely to be bailed-in than certain other unsubordinated liabilities of the Issuer such as other preferred deposits.

### ***Uncertain economic conditions***

The Issuer’s business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, market sentiment and other factors that affect the economy. Although in recent years there have been significant adverse developments in world markets, the current outlook for the world economy is improving. The profitability of the Issuer’s businesses could, therefore, be adversely affected by a worsening of general economic conditions in its markets, as well as by foreign and domestic market conditions and/or related factors, including governmental policies and initiatives. An economic downturn could increase the risk that a greater number of the Issuer’s customers would default on their loans or other obligations to the Issuer, or would refrain from seeking additional borrowing.

### ***Competition***

The Issuer faces strong competition across all its markets from local and international financial institutions including banks, building societies, life insurance companies and mutual insurance organisations. While the Issuer believes it is positioned to compete effectively with these competitors, there can be no assurance that increased competition will not adversely affect the Issuer in one or more of the markets in which it operates.

### ***Global Financial Crisis and Eurozone Debt Crisis***

Since mid-2007, the global economy and financial markets have experienced serious difficulties, including extreme levels of instability, liquidity stress and disruption. There is substantial volatility in markets across asset classes, including (without limitation) stock markets, foreign exchange markets, commodity markets, fixed income markets and credit markets.

As an example, concerns about credit risk (including that of sovereigns) and the eurozone crisis have recently intensified. The large sovereign debts and/or fiscal deficits of a number of European countries and the United States have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. These concerns have had (and may continue to have) a negative impact on the credit rating of certain sovereigns, financial institutions and corporates.

These conditions exert downward pressure on asset prices and on credit availability, and upward pressure on funding costs. The impact of this, and the continuation of or deterioration in the condition of the global economy and financial markets could be detrimental to the Issuer and could adversely affect the ability of the Issuer to meet its obligations under the Senior Non Preferred Notes under its debt obligations more generally.



There can be no assurance that similar or greater disruption to global markets and economies may not occur in the future for similar or other reasons. Equally, there can be no assurance as to how severe the global recession will be or as to how long it will last. Therefore, economic prospects are subject to considerable uncertainty.

Prospective investors should ensure that they have the necessary knowledge and awareness of the global financial and eurozone crises, and the economic situation and its uncertain outlook, to enable them to make their own evaluation of the risks and merits of an investment in the Senior Non Preferred Notes.

**Factors which are material for the purpose of assessing the risks associated with the Senior Non Preferred Notes**

***The Senior Non Preferred Notes are senior non preferred obligations and are junior to certain obligations***

The Senior Non Preferred Notes constitute direct, unconditional, unsecured and senior (*chirographaires*) obligations of the Issuer according to the ranking referred to in article 108-2(c) of the BRRD and the ranking referred to in the Senior Ranking Amendment Legislation and rank within the senior and unsecured liabilities of the Issuer:

- (i) *pari passu* and without any preference among themselves;
- (ii) *pari passu* with any other obligations or instruments of the Issuer that rank equally with the Senior Non Preferred Notes;
- (iii) senior to the Issuer's Subordinated Obligations; and
- (iv) junior to the Issuer's Statutory Ordinary Senior Liabilities.

Upon the insolvency of the Issuer or if any order is made or resolution passed for the of the Issuer, save as may be provided by mandatory applicable legislation in relation to creditors' rights, Noteholders and Couponholders will have a right to payment under the Senior Non Preferred Notes:

- (i) only after, and subject to, payment in full in respect of Statutory Ordinary Senior Liabilities or any claims benefiting from statutory preferences or otherwise ranking in priority to the Senior Non Preferred Notes; and
- (ii) in full, in priority to claims in respect of Subordinated Obligations and other claims otherwise ranking junior to the Second Ranking Senior Liabilities.

The Issuer's Statutory Ordinary Senior Liabilities would include, among other liabilities, its deposit obligations, its obligations in respect of derivatives and other financial contracts and its unsecured and unsubordinated debt securities that are not expressed to rank *pari passu* with the Senior Non Preferred Notes or other Senior Parity Liabilities (as defined in the Conditions). In the event of the Issuer's insolvency, the Issuer expects that the assets which are available to satisfy all claims in respect of its senior and unsecured liabilities, will first be applied to satisfy claims of all other creditors ranking ahead of Noteholders, including holders of Statutory Ordinary Senior Liabilities, and then to satisfy claims in respect of the Senior Non Preferred Notes (and other Senior Parity Liabilities). If the Issuer does not have sufficient assets to settle the claims of higher ranking creditors in full, the claims of the Noteholders under the Senior Non Preferred Notes will not be satisfied. Noteholders will share equally in any distribution of assets available to satisfy all claims in respect of its senior and unsecured liabilities with the creditors under any other Senior Parity Liabilities if the Issuer does not have sufficient funds to make full payment to all of them.

In addition, in the event of the exercise of a bail-in tool, the Issuer's eligible liabilities (including the Senior Non Preferred Notes) could be subject to bail-in, meaning the potential write-down or conversion into equity securities or other instruments. See "*Bail-in tool under the BRRD and the Resolution Law*" above. The

sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD and Article 49 of the Resolution Law provides for claims to be written-down or converted into equity in accordance with the hierarchy of claims provided in the Resolution Law. Because the terms and conditions of the Senior Non Preferred Notes provide that they are senior non preferred liabilities the Issuer expects them to be written down or converted in full after any Subordinated Obligations of the Issuer and before any of the Issuer's Statutory Ordinary Senior Liabilities are written down or converted.

Condition 19 provides for the contractual recognition by the Noteholders of write-down or conversion upon the exercise of bail-in.

In accordance with Article 49 of the Resolution Law (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 45 of the Resolution Law), in the case of any application of the bail-in tool, the sequence of any resulting write-down or conversion shall be as follows: (i) CET1 capital instruments; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 Capital; and (v) eligible senior liabilities prescribed in Article 45 of the Resolution Law (which would include the Senior Non Preferred Notes).

As a consequence, Noteholders would bear significantly more risk than creditors of the Issuer's Statutory Ordinary Senior Liabilities and could lose all or a significant part of their investment if the Issuer were to become (i) subject to resolution tools under the BRRD (as implemented through the Resolution Law) and the Senior Non Preferred Notes become subject to the application of the bail-in or (ii) insolvent.

***The Senior Non Preferred Notes provide for limited events of default. Noteholders may not be able to exercise their rights on an event of default in the event of the exercise of any resolution tools under the BRRD (as implemented through the Resolution Law)***

Noteholders have limited ability to accelerate the maturity of their Senior Non Preferred Notes. The terms and conditions of the Senior Non Preferred Notes do not provide for any events of default, except in the limited circumstances set out in Condition 6 (Liquidation, non-payment or breach of other obligations). In the event that any payment on the Senior Non Preferred Notes is not made when due, each Noteholder will have a right to ask the relevant authorities to institute Liquidation or reprieve from payment (*sursis de paiement*) proceedings in Luxembourg (but not elsewhere) in accordance with Part II of the Resolution Law in respect of the Issuer.

As mentioned above, the Issuer may be subject to the exercise of any resolution tools under the BRRD (as implemented through the Resolution Law). Pursuant to the Resolution Law the adoption of any such procedure shall not itself constitute an event of default or entitle any counterparty of the Issuer to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to the Resolution Law.

Any enforcement by a Noteholder of its rights under the Senior Non Preferred Notes upon the occurrence of an event of default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and the Resolution Law in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*EU Bank Recovery and Resolution Directive*"). Any claims on the occurrence of an event of default will consequently be limited by the application of any measures pursuant to the provisions of the Resolution Law. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Senior Non Preferred Notes and/or the ability of the Issuer to satisfy its obligations under the Senior Non Preferred Notes and the enforcement by a Noteholder of any rights it may otherwise have on the occurrence of any event of default may be further limited in these circumstances.

***The qualification of the Senior Non Preferred Notes as MREL-Eligible Instruments is subject to uncertainty***

The Senior Non Preferred Notes are intended to be MREL-Eligible Instruments (as defined in the Conditions) under the MREL Regulations (as defined in the Conditions). However, there is uncertainty regarding the final substance of the applicable MREL Regulations and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that the Senior Non Preferred Notes will be (or thereafter remain) MREL-Eligible Instruments.

There currently are no European laws or regulations implementing the MREL concept, though the European Commission has proposed directives and regulations intended to give effect to the concept and to modify the requirements for MREL eligibility. While the terms and conditions of the Senior Non Preferred Notes may be consistent with the European Commission's proposals, these proposals have not yet been interpreted and when finally adopted the final applicable MREL Regulations may be different from those set forth in these proposals.

Because of the uncertainty surrounding the substance of the final regulations implementing the MREL requirements and their interpretation and application and any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Non Preferred Notes will ultimately be MREL Eligible Instruments. If for any reasons they are not MREL Eligible Instruments or if they initially are MREL-Eligible Instruments and subsequently become ineligible due to a change in Luxembourg law or applicable MREL Regulations, then a MREL Disqualification Event (as defined in the Conditions) will occur, with the consequences indicated below. See “—*The Senior Non Preferred Notes may be redeemed prior to maturity upon the occurrence of an MREL Disqualification Event or a Tax Event*” below.

***The Senior Non Preferred Notes may be redeemed prior to maturity upon the occurrence of an MREL Disqualification Event or a Tax Event***

The Issuer may, at its option, redeem all, but not some only, of the Senior Non Preferred Notes at any time at their outstanding principal amount, together with accrued but unpaid interest up to (but excluding) the date of redemption, upon or following the occurrence of an MREL Disqualification Event or a Tax Event (each as defined in the Conditions).

The early redemption of the Senior Non Preferred Notes that qualify as eligible liabilities may be subject in the future to the supervisory permission of the competent authority. The proposal for a regulation amending the CRR published by the European Commission on 23 November 2016 and updated on 13 November 2017 (the “**Proposed CRR Amendment**”) provides that the redemption of eligible liabilities prior to the date of their contractual maturity is subject to the prior permission of the competent authority. According to this proposal, such consent will be given only if either of the following conditions are met:

- (i) on or before such redemption, the institution replaces the instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (ii) the institution has demonstrated to the satisfaction of the competent authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the CRR, the CRD IV and the BRRD by a margin that the competent authority considers necessary.

It is not possible to predict whether or not the Senior Non Preferred Notes will qualify as C/MREL-Eligible Instruments (see “*The qualification of the Senior Non Preferred Notes as MREL-Eligible Instruments is subject to uncertainty*” above) or if any further change in the laws or regulations of Luxembourg, applicable MREL Regulations or, in the case of a Tax Event, the application or official interpretation thereof, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Senior Non Preferred Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Senior Non

Preferred Notes or any prior consent of the competent authority, if required, will be given. The Issuer may be expected to redeem the Senior Non Preferred Notes when its cost of borrowing is lower than the interest rate on the Senior Non Preferred Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Non Preferred Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Early redemption features are also likely to limit the market value of the Senior Non Preferred Notes. During any period when the Issuer can redeem the Senior Non Preferred Notes, the market value of those Senior Non Preferred Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period if the market believes that the Senior Non Preferred Notes may become eligible for redemption in the near term.

***The Senior Non Preferred Notes may be subject to substitution and/or variation without Noteholder consent***

Subject as provided herein, in particular to the provisions of Condition 8, if an MREL Eligibility Event, a Rating Methodology Event, an Alignment Event and/or a Tax Event occurs, the Issuer may, at its option, and without further consent or approval of the Noteholders, elect either (i) to substitute all (but not some only) of the Senior Non Preferred Notes or (ii) to modify the terms of all (but not some only) of such Senior Non Preferred Notes, in each case so that they are substituted for, or varied to, become, or remain, Qualifying Notes (as defined in the Conditions). While Qualifying Notes generally must contain terms that are materially no less favourable to Noteholders as the original terms of the Senior Non Preferred Notes, there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally favourable, or that the Qualifying Notes will trade at prices that are equal to the prices at which the Senior Non Preferred Notes would have traded on the basis of their original terms.

Further, prior to the making of any such substitution or variation, the Issuer, shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Noteholders. No Noteholder shall be entitled to claim, whether from the Fiscal Agent, the Issuer, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Noteholders.

***The terms of the Senior Non Preferred Notes contain a waiver of set-off rights***

The Proposed CRR Amendment provides that eligible instruments may not be subject to set off or netting rights that would undermine their loss absorbing capacity in resolution. The exercise of set-off rights in respect of the Issuer's obligations under the Senior Non Preferred Notes upon the opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Luxembourg law).

The terms and conditions of the Senior Non Preferred Notes provide that Noteholders waive any set-off, netting or compensation rights against any right, claim, or liability the Issuer has, may have or acquire against any Noteholder, directly or indirectly, howsoever arising. As a result, Noteholders will not at any time be entitled to set-off the Issuer's obligations under the Senior Non Preferred Notes against obligations owed by them to the Issuer.

***The terms of the Senior Non Preferred Notes contain very limited covenants and there are no restrictions on the amount or type of further securities or indebtedness which the Issuer may incur***

There is no negative pledge in respect of the Senior Non Preferred Notes and the terms and conditions of the Senior Non Preferred Notes place no restrictions on the amount or type of debt that the Issuer may issue (or guarantee) that ranks senior to the Senior Non Preferred Notes, or on the amount or type of securities it may issue that rank *pari passu* with the Senior Non Preferred Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders upon liquidation or winding-up of the Issuer and may limit

the ability of the Bank to meet its obligations in respect of the Senior Non Preferred Notes, and result in a Noteholder losing all or some of its investment in the Senior Non Preferred Notes.

In addition, the Senior Non Preferred Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those under the Senior Non Preferred Notes.

### ***Changes in law may adversely affect the rights of Noteholders***

Changes in law after the date hereof may affect the rights of Noteholders as well as the market value of the Senior Non Preferred Notes. No assurance can be given as to the impact of any possible judicial decision or change to European or Luxembourg law or administrative practice after the Issue Date. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Senior Non Preferred Notes, which may have an adverse effect on an investment in the Senior Non Preferred Notes.

In particular, on 23 November 2016 and updated on 13 November 2017, the European Commission published proposals for European Directives amending the BRRD and the CRD IV and proposals for European Regulations amending the SRM Regulation and CRR which aim at implementing the MREL requirements. Among others, the EU has now adopted and published as Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, which amends the BRRD in order to facilitate the creation of a new asset class of "senior non-preferred" debt which will be eligible to be counted towards MREL. It cannot be ruled out that new Luxembourg legislation is approved expressly recognising the possibility that within the class of ordinary claims, those that meet certain requirements could be considered of "second ranking" or that different sub-classes are created within such class of ordinary claims.

Furthermore, any change in the laws or regulations of Luxembourg, applicable MREL Regulations or the application or interpretation thereof may in certain circumstances result in the Issuer having the option to redeem, substitute or vary the terms of the Senior Non Preferred Notes (see "*The Senior Non Preferred Notes may be redeemed prior to maturity upon the occurrence of an MREL Disqualification Event or a Tax Event*" and "*The Senior Non Preferred Notes may be subject to substitution and/or variation without Noteholder consent*" above). In any such case, the Senior Non Preferred Notes would cease to be outstanding, be substituted or be varied, each of which actions could materially and adversely affect investors and frustrate investment strategies and goals.

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Senior Non Preferred Notes and, therefore, affect the trading price of the Senior Non Preferred Notes given the extent and impact that one or more regulatory or legislative changes, including those described above, could have on the Senior Non Preferred Notes.

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Issuer's and the BIL Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Issuer's and the BIL Group's performance and financial condition, which could in turn affect levels of CET1 capital and risk weighted assets and, therefore, the resulting CET1 ratio and the levels of capital, leverage and additional loss absorbing capacity resources more generally. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Issuer or the BIL Group or the Noteholders, which could be material to the rights of Noteholders of the Senior Non Preferred Notes and/or the ability of the Issuer to satisfy its obligations under the Senior Non Preferred Notes. For example, on 23 November 2016 (and later on 13 November 2017), the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks. These proposals amend many of the existing provisions set forth in

CRD IV and the BRRD. Some of these proposals are still under consideration by the European Parliament and Council. Until such time as the proposals are formally approved by the European Parliament and Council, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed and therefore it is uncertain how they will affect the Issuer, the BIL Group or the Noteholders.

***Second ranking senior securities are new types of instruments for which there is no trading history***

Luxembourg financial institutions have not issued any senior non preferred Notes. Accordingly, there is no trading history for securities of Luxembourg financial institutions with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non preferred liabilities. The credit ratings assigned to senior non preferred securities such as the Senior Non Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value senior non preferred securities such as the Senior Non Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non Preferred Notes. If so, Noteholders may incur losses in respect of their investments in the Senior Non Preferred Notes.

***There is no active trading market for the Senior Non Preferred Notes***

The Senior Non Preferred Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Senior Non Preferred Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Senior Non Preferred Notes to be admitted to listing on the on the Luxembourg Stock Exchange's regulated market, there is no assurance that such applications will be accepted, that the Senior Non Preferred Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Senior Non Preferred Notes.

***Interest rate risks***

Investment in fixed rate notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such fixed rate notes.

***Risks related to Senior Non Preferred Notes generally***

Set out below is a description of material risks relating to the Senior Non Preferred Notes generally:

***The terms and conditions of the Senior Non Preferred Notes contain provisions which may permit their modification without the consent of all investors***

The terms and conditions of the Senior Non Preferred Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

***Foreign currency notes expose investors to foreign-exchange risk as well as to issuer risk***

As purchasers of foreign currency notes, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to the Issuer or the type of note being issued.

The Issuer will pay principal and interest on the Senior Non Preferred Notes in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a

currency or currency unit (the “**Investor’s Currency**”) other than euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. Such risks generally depend on a number of factors, including financial, economic and political events over which the Issuer has no control. An appreciation in the value of the Investor’s Currency relative to the euro would decrease (1) the Investor’s Currency-equivalent yield on the Senior Non Preferred Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Senior Non Preferred Notes and (3) the Investor’s Currency-equivalent market value of the Senior Non Preferred Notes.

In addition, Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Senior Non Preferred Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***Credit ratings may not reflect all risks***

The Issuer’s credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Senior Non Preferred Notes. One or more independent credit rating agencies may assign credit ratings to the Senior Non Preferred Notes. The ratings may not reflect the potential impact of all risks related to the structure and marketing of the Senior Non Preferred Notes and additional factors discussed in this Prospectus or any other factors that may affect the value of the Senior Non Preferred Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspend or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) Senior Non Preferred Notes are legal investments for it, (ii) Senior Non Preferred Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase of any Senior Non Preferred Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Senior Non Preferred Notes under any applicable risk-based capital or similar rules. Neither the Issuer, the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Senior Non Preferred Notes by a prospective investor of the Senior Non Preferred Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

***Senior Non Preferred Notes may not be a suitable investment for all investors***

Each potential investor in any Senior Non Preferred Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Senior Non Preferred Notes, the merits and risks of investing in the Senior Non Preferred Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Senior Non Preferred Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Senior Non Preferred Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Senior Non Preferred Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.



## INFORMATION INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated annual accounts of the Issuer for the years ended 31 December 2016, and 31 December 2017, including the reports of the statutory auditors in respect thereof and which have been filed with the CSSF and are incorporated by reference in this Prospectus. Physical copies of all documents incorporated by reference will be available free of charge from the offices of the Issuer. All documents that have been incorporated by reference will be available to view on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)).

The following documents which have previously been published and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

- (a) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2016 of the Issuer including the information set out at the following pages in particular;
- (b) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2017 of the Issuer including the information set out at the following pages in particular;

	<b>Annual Report 2017</b>	<b>Annual Report 2016</b>
Auditors' Report for the Consolidated Accounts	41-45 (inclusive)	41
Consolidated Balance Sheet	46-47 (inclusive)	42-43 (inclusive)
Consolidated Statement of Income	48-49 (inclusive)	44-45 (inclusive)
Consolidated Statement of Changes in Equity	50-51 (inclusive)	46-47 (inclusive)
Consolidated Cash Flow Statements	52-53 (inclusive)	48
Notes to the Consolidated Accounts	54-142 (inclusive)	49-132 (inclusive)
Auditors' Reports for the Non-consolidated Accounts	147-150 (inclusive)	137
Non-consolidated Balance Sheet	152-153 (inclusive)	138-139 (inclusive)
Non-consolidated Statement of Income	154-155 (inclusive)	140-141 (inclusive)
Non-consolidated Statement of Changes in Equity	156-157 (inclusive)	142-143 (inclusive)
Non-consolidated Cash Flow Statements	158-159 (inclusive)	144
Notes to the Non-consolidated Accounts	160-221 (inclusive)	145-205 (inclusive)

- (c) the unaudited semi-annual report of the Issuer for the six months ended 30 June 2018 including the information set out at the following pages in particular;

	<b>Page Number</b>
Consolidated Balance Sheet	24-25 (inclusive)

Consolidated Statement of Income	26
Consolidated Statement of Comprehensive Income	27
Consolidated Statement of Changes in Equity	28-29 (inclusive)
Consolidated Cash Flow Statement	30-31 (inclusive)
Notes to the Interim Condensed Consolidated Financial Statements	32-52 (inclusive)

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant annexes of the Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

## OVERVIEW

*This overview is a general description of the Senior Non Preferred Notes and should be read as an introduction to this Prospectus and any decision to invest in the Senior Non Preferred Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.*

*Words and expressions defined in the “Terms and Conditions of the Senior Non Preferred Notes” below or elsewhere in this Prospectus have the same meanings in this overview. Reference to “Conditions” or “Terms and Conditions” in this Prospectus are to the Terms and Conditions of the Senior Non Preferred Notes.*

<b>The Issuer:</b>	Banque Internationale à Luxembourg, société anonyme.
<b>Bookrunner:</b>	Credit Suisse Securities (Europe) Limited.
<b>Joint Lead Managers:</b>	Banque Internationale à Luxembourg, société anonyme and Credit Suisse Securities (Europe) Limited.
<b>Managers:</b>	Banque Internationale à Luxembourg, société anonyme, Credit Suisse Securities (Europe) Limited and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
<b>Fiscal Agent:</b>	Banque Internationale à Luxembourg, société anonyme.
<b>The Notes:</b>	€300,000,000 1.500 per cent. Senior Non Preferred Notes due 2029.
<b>Issue Price:</b>	99.747 per cent. of the principal amount of the Senior Non Preferred Notes.
<b>Issue Date:</b>	28 September 2018.
<b>Use of Proceeds:</b>	See “Use of Proceeds”.
<b>Interest:</b>	The Senior Non Preferred Notes will bear interest from the Issue Date at a rate of 1.500 per cent. per annum payable annually in arrear on 28 September in each year commencing on 28 September 2019.
<b>Status:</b>	<p>The Senior Non Preferred Notes constitute direct, unconditional, unsecured and senior (<i>chirographaires</i>) obligations of the Issuer and rank within the senior and unsecured liabilities of the Issuer:</p> <ul style="list-style-type: none"><li>(i) <i>pari passu</i> and without any preference among themselves;</li><li>(ii) <i>pari passu</i> with any other obligations or instruments of the Issuer that rank equally with the Senior Non Preferred Notes;</li><li>(iii) senior to the Issuer’s Subordinated Obligations (as defined in the Conditions); and</li><li>(iv) junior to the Issuer’s Statutory Ordinary Senior Liabilities (as defined in the Conditions).</li></ul>

Upon the insolvency of the Issuer or if any order is made or resolution passed for the Liquidation (as defined in the Conditions) of the Issuer, save as may be provided by mandatory applicable legislation in relation to

creditors' rights, Noteholders and Couponholders will have a right to payment under the Senior Non Preferred Notes:

- (i) only after, and subject to, payment in full in respect of Statutory Ordinary Senior Liabilities or any claims benefiting from statutory preferences or otherwise ranking in priority to the Senior Non Preferred Notes; and
- (ii) in full, in priority to claims in respect of Subordinated Obligations and other claims otherwise ranking junior to the Second Ranking Senior Liabilities.

See Condition 2.

<b>Form and Denomination:</b>	The Senior Non Preferred Notes will be issued in bearer form in denominations of €100,000.
<b>Final Maturity Date:</b>	28 September 2023
<b>Ratings:</b>	The Senior Non Preferred Notes are expected to be rated BBB by Standard & Poor's and BBB+ by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Tax and MREL Disqualification Event Redemption:</b>	Upon the occurrence of a Tax Event or an MREL Disqualification Event (each as defined in the Conditions), the Issuer may, at its option, redeem all, but not some only, of the Senior Non Preferred Notes at their principal amount, together with any accrued and unpaid interest (if any) thereon to (but excluding) the date fixed for redemption, subject to such redemption being permitted by the applicable MREL Regulations (as defined in the Conditions) and subject to the Issuer obtaining Supervisory Permission (as defined in the Conditions) therefor, if required. See Condition 4(c) and (d).
<b>Purchases:</b>	The Issuer may, purchase (or otherwise acquire) Senior Non Preferred Notes in any manner and at any price, subject to such purchase being permitted by the applicable MREL Regulations and subject to the Issuer obtaining Supervisory Permission, if required. See Condition 4(e).
<b>Substitution and Variation:</b>	In the event that an MREL Eligibility Event, a Rating Methodology Event an Alignment Event or a Tax Event (each as defined in the Conditions) occurs and is continuing, the Issuer may substitute all (but not some only) of the Senior Non Preferred Notes or vary the terms of all (but not some only) of the Senior Non Preferred Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Notes (as defined in the Conditions), subject to obtaining Supervisory Permission, if required. See Condition 8.
<b>No Set-off:</b>	Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under, or in connection with, the Senior Non Preferred Notes and each Noteholder shall, by virtue of its holding of any Senior Non Preferred Notes, be deemed to have waived all such rights of set-off, compensation or retention.
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Senior Non

Preferred Notes will be made free and clear of withholding taxes of Luxembourg or any political subdivision or authority thereof or therein, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as will result in receipt by Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 10.

- Governing Law:** The Senior Non Preferred Notes, the Fiscal Agency Agreement and the Subscription Agreement will be governed by Luxembourg law.
- Listing and Trading:** Application has been made for the Senior Non Preferred Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Luxembourg Stock Exchange's regulated market.
- Clearing Systems:** Euroclear and Clearstream, Luxembourg.
- Selling Restrictions:** See "*Subscription and Sale*".
- Risk Factors:** Investing in the Senior Non Preferred Notes involves risks. See "*Risk Factors*".

## TERMS AND CONDITIONS OF THE SENIOR NON PREFERRED NOTES

*The following, subject to alteration and completion and except for paragraphs in italics, are the terms and conditions of the Senior Non Preferred Notes which (subject to modification) will be endorsed on each Senior Non Preferred Note in definitive form.*

The issue of the €300,000,000 1.500 per cent. Senior Non Preferred Notes due 2023 (the “**Senior Non Preferred Notes**”) of Banque Internationale à Luxembourg, société anonyme (the “**Issuer**”) was authorised by resolutions of the Board of Directors of the Issuer passed on 8 December 2017.

A fiscal and paying agency agreement dated 28 September 2018 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Senior Non Preferred Notes between, inter alia, the Issuer, Banque Internationale à Luxembourg, société anonyme as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Senior Non Preferred Notes) and principal paying agent (together with the Fiscal Agent, and any further or other paying agents appointed from time to time in respect of the Senior Non Preferred Notes, the “**Paying Agents**”). The Fiscal Agency Agreement includes the form of the Senior Non Preferred Notes. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Fiscal Agent, being at the date hereof 69 route d’Esch, L-2953, Luxembourg. The Holders (as defined in Condition 1(b)) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

### 1. **Form, Denomination and Title**

#### (a) *Form and Denomination*

The Senior Non Preferred Notes are in bearer form, serially numbered, in the denomination of €100,000 each with interest coupons (“**Coupons**”) appertaining to the Senior Non Preferred Notes attached on issue.

#### (b) *Title*

Title to the Senior Non Preferred Notes and to the Coupons shall pass by delivery. The Issuer and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Senior Non Preferred Note or Coupon as the absolute owner for all purposes (whether or not the Senior Non Preferred Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Senior Non Preferred Note or Coupon or any notice of previous loss or theft of the Senior Non Preferred Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

In these Conditions, “**Noteholder**” or “**Holder**” refers to a holder of Senior Non Preferred Notes and “**Couponholder**” refers to a holder of Coupons.

### 2. **Status of Senior Non Preferred Notes**

The Senior Non Preferred Notes and the Coupons constitute direct, unconditional, unsecured and senior (*chirographaires*) obligations of the Issuer according to the ranking referred to in the Senior Ranking Amendment Legislation (together the “**Statutory Second Ranking Senior Liabilities**”), and rank and shall at all times rank within the senior and unsecured liabilities of the Issuer:

- (i) *pari passu* and without any preference among themselves;
- (ii) *pari passu* with any other obligations or instruments of the Issuer that rank, or are expressed to rank, equally with the Senior Non Preferred Notes and the Coupons (the “**Senior Parity Liabilities**”);

- (iii) senior to the Issuer’s ordinary shares and any other obligations or capital instruments of the Issuer that rank, or are expressed to rank, junior to the Senior Non Preferred Notes and the Coupons, including any obligations or capital instruments of the Issuer which constitute Additional Tier 1 capital under Article 52 of Commission Regulation (EU) No 575/2013 or Tier 2 capital under Article 63 of Commission Regulation (EU) No 575/2013 or which rank or are expressed to rank *pari passu* with Additional Tier 1 capital or Tier 2 capital (together the “**Subordinated Obligations**”); and
- (iv) junior to present and future claims of unsubordinated creditors of the Issuer (including, for the avoidance of doubt, the Senior Notes) (the “**Statutory Ordinary Senior Liabilities**”).

Upon the insolvency of the Issuer or if any order is made by any competent court or resolution passed for the Liquidation of the Issuer, save as may be provided by mandatory applicable legislation in relation to creditors’ rights, Noteholders and Couponholders will have a right to payment under the Senior Non Preferred Notes and Coupons:

- (i) only after, and subject to, payment in full in respect of Statutory Ordinary Senior Liabilities or any present and future claims benefiting from statutory preferences or otherwise ranking in priority to the Senior Non Preferred Notes and Coupons; and
- (ii) in full, in priority to claims in respect of Subordinated Obligations and other present and future claims otherwise ranking junior to the Second Ranking Senior Liabilities.

### **3. Interest Payments**

#### **(a) Interest Rate**

The Senior Non Preferred Notes bear interest on their outstanding principal amount at the Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

Interest shall be payable on the Senior Non Preferred Notes annually in arrear on each Interest Payment Date as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any Senior Non Preferred Note for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

#### **(b) Interest Accrual**

The Senior Non Preferred Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 4(a), (c) or (d) or the date of substitution thereof pursuant to Condition 8, as the case may be, unless payment of all amounts due in respect of such Senior Non Preferred Note is not properly and duly made, in which event interest shall continue to accrue on the Senior Non Preferred Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

#### **(c) Calculation of Amount of Interest per Senior Non Preferred Note**

Interest in respect of any Senior Non Preferred Note shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall be equal to the product of the Calculation Amount, the Interest Rate and the day-count fraction as described in Condition 3(a) for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

#### **4. Redemption and Purchase**

##### **(a) Final Redemption**

Unless previously redeemed or purchased and cancelled, the Senior Non Preferred Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on the Maturity Date. The Senior Non Preferred Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 4.

##### **(b) Condition to Redemption and Purchase prior to Final Redemption**

Any redemption or purchase of the Senior Non Preferred Notes in accordance with Condition 4(c), (d) or (e) is subject to such redemption or purchase being permitted by applicable MREL Regulations and subject to the Issuer obtaining Supervisory Permission therefor, if required.

Prior to the publication of any notice of redemption pursuant to Condition 4(c) or (d), the Issuer shall deliver to the Fiscal Agent (i) a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem are satisfied and (ii) in the case of a redemption pursuant to Condition 4(c) only, an opinion from a nationally recognised law firm or other tax adviser in Luxembourg experienced in such matters to the effect that the relevant requirement or circumstance referred to in the definition of “Tax Event” prevails.

##### **(c) Redemption Due to Tax Event**

If a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 4(b) and having given not less than 30 nor more than 45 days’ notice to the Holders in accordance with Condition 15 and the Fiscal Agent (which notice shall be irrevocable) elect to redeem in accordance with these Conditions all, but not some only, of the Senior Non Preferred Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

##### **(d) Redemption Due to MREL Disqualification Event**

Upon the occurrence of an MREL Disqualification Event, the Issuer may, subject to Condition 4(b) and subject to having given not less than 30 nor more than 45 days’ notice to the Holders in accordance with Condition 15 and the Fiscal Agent (which notice shall be irrevocable), at any time elect to redeem in accordance with these Conditions all, but not some only, of the Senior Non Preferred Notes at their principal amount, together with any accrued and unpaid interest (if any) thereon to (but excluding) the date fixed for redemption.

##### **(e) Purchases**

The Issuer or any of its Subsidiaries may, subject to Condition 4(b), purchase (or otherwise acquire) Senior Non Preferred Notes (provided that all unmatured Coupons appertaining to the Senior Non Preferred Notes are purchased with the Senior Non Preferred Notes) in any manner and at any price, subject to applicable laws and regulations. The Senior Non Preferred Notes so purchased (or acquired), while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any Masse Meeting and shall not be deemed to be outstanding for the purposes of calculating quorums at Masse Meetings. Such Senior Non Preferred Notes may be resold by the Issuer or its Subsidiaries in accordance with applicable laws and regulations or cancelled.



## 5. Payments

### (a) *Payments in respect of the Senior Non Preferred Notes*

Payments of principal and interest in respect of each Senior Non Preferred Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Senior Non Preferred Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### (b) *Payments Subject to Laws*

Save as provided in Condition 10, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or the Paying Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

### (c) *Method of Payment*

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

### (d) *Missing Unmatured Coupons*

Each Senior Non Preferred Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in these Conditions) in respect of the relevant Senior Non Preferred Note (whether or not the Coupon would otherwise have become void pursuant to Condition 11) but not thereafter.

### (e) *Payment only on a Presentation Date*

A Holder shall be entitled to present a Senior Non Preferred Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 3, be entitled to any further interest or other payment if a Presentation Date is after the due date.

“**Presentation Date**” means a day which (subject to Condition 11):

- (i) is or falls after the relevant due date;
- (ii) is a Business Day in the place of the specified office of the Paying Agent at which the Senior Non Preferred Note or Coupon is presented for payment; and
- (iii) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition 5, “**Business Day**” means in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and “**Target 2 Settlement**

**Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open..

## **6. Events of Default**

Save as provided below, there are no events of default under the Senior Non Preferred Notes which could lead to an acceleration of the Senior Non Preferred Notes.

### **(a) Liquidation**

If any order is made by any competent court or resolution passed for the Liquidation of the Issuer and such order is continuing, then any Senior Non Preferred Note may, unless there has been a resolution to the contrary at a Masse Meeting, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon the principal amount of such Senior Non Preferred Notes together with any accrued and unpaid interest thereon to the date of payment shall become immediately due and payable without further action or formality.

### **(b) Non-Payment**

If default is made in the payment of any interest or principal due in respect of the Senior Non Preferred Notes and such default continues for a period of seven days or more after the due date then any Holder may ask the relevant authorities to institute Liquidation or reprieve from payment (*sursis de paiement*) proceedings in Luxembourg (but not elsewhere) in accordance with Part II of the BRR Act 2015 in respect of the Issuer (together the “**Proceedings**”).

Although the relevant authorities may take into account a request from a Noteholder to institute the Proceedings, they are not in any way bound to do so following the receipt of such a request or on any other basis. In determining whether to institute any such Proceedings against the Issuer, the relevant authorities will act solely on the basis of their own discretion and in accordance with Luxembourg law. Without prejudice to such request from a Noteholder as described in this Condition, a Noteholder shall not be able to take proceedings for the Liquidation of the Issuer.

### **(c) Breach of Other Obligations**

To the extent permitted by applicable law and by these Conditions, a Holder may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Senior Non Preferred Notes (other than any payment obligation of the Issuer under or arising from the Senior Non Preferred Notes, including, without limitation, payment of any principal or interest); *provided always* that such Holder shall not enforce, and shall not be entitled to enforce or otherwise claim, against the Issuer any judgment or other award given in such proceedings that requires the payment of money by the Issuer, whether by way of damages or otherwise, except by proving in the relevant Proceedings.

### **(d) Waiver**

The Noteholders expressly unconditionally and irrevocably waive all rights of rescission under article 1184 of the Luxembourg Civil Code, and to the extent applicable, under article 470-21 of the Luxembourg Companies Act 1915) and of otherwise claiming early termination or early repayment of the Senior Non Preferred Notes in case of default by the Issuer under any of its obligations under the Senior Non Preferred Notes.

## 7. **Waiver of Set-off or Counterclaim**

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off (including, for the avoidance of doubt, legal set-off according to Article 1290 of the Luxembourg civil code), netting, compensation or retention (including the right of a Noteholder to rely on the exception of non-performance (*exception d'inexécution*)) in respect of any amount owed to it by the Issuer arising under, or in connection with, the *Senior Non Preferred Notes* or Coupons and each Noteholder or Couponholder shall, by virtue of its holding of any Senior Non Preferred Notes or Coupons (as the case may be), be deemed to have waived all such rights of set-off, netting, compensation or retention. Notwithstanding the above, if any amounts due and payable to any Noteholder or Couponholder by the Issuer in respect of, or arising under, the Senior Non Preferred Notes or Coupons are discharged by set-off, such Noteholder or Couponholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or the liquidator or administrator of the Issuer as the case may be) and, until such time as payment is made, shall hold an amount equal to such amount in a fiduciary (*fiduciaire*) capacity, or where applicable law permits, in trust for the Issuer (or the liquidator or administrator of the Issuer, as the case may be) and, accordingly, any such discharge shall be deemed not to have taken place.

## 8. **Substitution and Variation**

*It is the intention of the Issuer that the Senior Non Preferred Notes shall be treated (i) for regulatory purposes as MREL Eligible Instruments under the applicable MREL Regulation and (ii) for rating purposes as ALAC Eligible Instruments under the Rating Methodology.*

If an MREL Eligibility Event, a Rating Methodology Event, an Alignment Event and/or Tax Event occurs and is continuing, the Issuer may, at its option, substitute all (but not some only) of the Senior Non Preferred Notes or vary the terms of all (but not some only) of the Senior Non Preferred Notes, without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to, become, or remain, Qualifying Notes, subject to having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15 and the Fiscal Agent (which notice shall be irrevocable and shall specify the date for substitution or, as applicable, variation), and subject to obtaining Supervisory Permission, if required.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Senior Non Preferred Notes. Such substitution or variation will be effected without any cost or charge to the Holders.

Holders shall, by virtue of subscribing and/or purchasing and holding any Senior Non Preferred Notes, expressly accept that they will be deemed to approve and accept the substitution or variation of the terms of the Senior Non Preferred Notes and to grant to the Issuer full power and authority to take any action and/or to execute and deliver any document in the name and/or on behalf of the Holders which is necessary or convenient to complete the substitution or variation of the terms of the Senior Non Preferred Notes, as applicable.

## 9. **Waiver of Rights**

Each Holder expressly accepts that it will be deemed to have waived in insolvency and resolution scenarios applicable to the Issuer, by virtue of its subscription and/or purchase and holding of any Senior Non Preferred Note, any and all claims, compensation and rights that it may otherwise have and whether arising under statute or as a matter of contract or otherwise if and to the extent that the amounts and/or other assets receivable by such Holder as a result of claims, compensation and rights attributable to that Senior Non Preferred Note would otherwise exceed the amounts and/or other assets which a holder of a Notional Security would be entitled to in such insolvency or, as applicable, resolution scenario (the "**Relevant Compensation Rights**").

If and to the extent that its waiver of Relevant Compensation Rights is not otherwise effective, by virtue of its subscription and/or purchase and holding of any Senior Non Preferred Note, each Holder shall, without the need for any further step or action on the part of any person, assign (and be treated as having assigned) irrevocably such Relevant Compensation Rights and any amounts and/or any certificates of entitlement or other assets attributable to such Relevant Compensation Rights (including any claim for damages) received or receivable by it to the relevant insolvency administrator or resolution authority or, if necessary, the Fiscal Agent (or such other person as is nominated by them for such purposes) as nominee for creditors in respect of Statutory Ordinary Senior Liabilities.

In addition, if and to the extent that such waiver and assignment are not otherwise effective and a Holder receives any amounts in respect of such Relevant Compensation Rights from any person, such Holder shall immediately (in the case of compensation received in cash) pay an amount in cash equal to such amount or (in the case of compensation received in the form of securities or other non-cash assets) deliver such assets (and, in either case, any certificate of entitlement relating thereto) so received to the relevant insolvency administrator or resolution authority or the Fiscal Agent (or their nominee, as the case may be) to be applied as they (or their nominee) sees fit and, until such time as such payment or delivery is made, shall (in the case of cash compensation) hold an amount equal to such amount in cash or (in the case of compensation in the form of securities or other non-cash assets) hold such a fiduciary capacity for the relevant insolvency administrator or resolution authority or, if necessary, the Fiscal Agent (or their nominee, as the case may be).

## 10. Taxation

All payments of principal and interest in respect of the Senior Non Preferred Notes and the Coupons by the Issuer shall be made free and clear of, without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, withheld or assessed by or on behalf of the Relevant Jurisdiction unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required (“**Additional Amounts**”), except that no such Additional Amounts shall be payable with respect to any Senior Non Preferred Note or Coupon:

- (i) to, or to a third party on behalf of, a Noteholder or Couponholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Senior Non Preferred Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Senior Non Preferred Note or Coupon; or
- (ii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Noteholder or Couponholder would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day assuming that day to have been a “business day” for the purposes of Condition 5(e).

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Senior Non Preferred Notes or Coupons by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

## 11. Prescription

Senior Non Preferred Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect of the Senior Non Preferred Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5.

## 12. Meetings of Holders and Modifications

### (a) *Meetings of Noteholders*

Holder will belong to a masse (the “**Masse**”) created, among other things, for the representation of their common interests pursuant to the provisions of the Luxembourg Companies Act 1915. The discussion below is based on the Luxembourg Companies Act in effect on the Issue Date. Any subsequent amendments to the relevant provisions of the Luxembourg Companies Act may amend or modify the discussion below. A general meeting of the Noteholders (the “**Masse Meeting**”) may appoint and determine the powers of one or more representatives (the “**Representatives**”). Where Representatives have been appointed, Noteholders may no longer individually exercise their rights against the Issuer. A Masse Meeting may be called at any time by the Representatives (if any) or the Board of Directors of the Issuer. The Representatives, provided an advance on expenses has been paid to them, or the Board of Directors must convene the Masse Meeting if called upon to do so by holders of Senior Non Preferred Notes representing 5 per cent. or more of the Senior Non Preferred Notes outstanding. All Masse Meetings shall be held at the place specified in the notice calling the meeting and such notice shall contain the agenda. The convening notices for Masse Meetings shall take the form of announcements filed with the register of commerce and companies and published in the central electronic platform of official publication for companies and associations (*Recueil électronique des sociétés et associations*) and in a Luxembourg newspaper at least fifteen days before the Masse Meeting. All Holders have the right to attend and vote at the Masse Meeting either personally or by proxy. The voting rights attached to the Senior Non Preferred Notes are equal to the proportion of the amount of the outstanding Senior Non Preferred Notes represented by the amount of the Senior Non Preferred Note or Senior Non Preferred Notes held by the relevant Holder. A Masse Meeting may be called in the event of a merger involving the Issuer, may approve certain changes in the rights of the Holders and may, generally, determine any measures designed to ensure the defence of interests or the exercise of the rights of the Holders in accordance with the provisions of the Luxembourg Companies Act. A Masse Meeting may deliberate validly without a quorum and by vote of a simple majority of Holders attending or represented at such Masse Meeting on the appointment and revocation of the Representatives, the revocation of special representatives appointed by the Issuer and the approval of any measures of a conservatory nature in the general interests of the Holders. On all other matters, the Masse Meeting may deliberate validly on first convocation only if Holders present or represented hold at least 50 per cent. of the Senior Non Preferred Notes then outstanding. On second convocation no quorum is required. Decisions at such meetings shall be taken by a majority of 66<sup>2</sup>/<sub>3</sub> per cent. of the votes cast by Noteholders attending such meetings or represented thereat. Votes cast shall not include votes attaching to Senior Non Preferred Notes in respect of which the Holder has not taken part in the vote or has abstained or has returned a blank or invalid vote.

### (b) *Modifications*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders or any modification which is of a formal, minor or technical nature or is made to correct a manifest error.

(c) ***Substitution of Issuer***

Subject to the provisions of this Condition the Noteholders and the Couponholders by subscribing to or purchasing any Senior Non Preferred Notes or Coupons, expressly consent to the Issuer, or any previous substituted company, at any time provided the prior approval of the relevant regulator is obtained (if so required), substituting for itself as principal debtor under the Senior Non Preferred Notes and the Coupons any Subsidiary or the successor company of the Issuer or jointly and severally one or more companies to whom the Issuer has transferred all of its assets and business undertakings (in each case the “**Substitute**”) provided that no payment in respect of the Senior Non Preferred Notes, or the Coupons is at the relevant time overdue, no steps have been taken to admit the Issuer to a regime of suspension of payments (*sursis de paiement*) and (except in the case of a solvent reorganisation or amalgamation) no order has been made or resolution passed for the Liquidation of the Issuer. Such substitution effected in accordance with this Condition will release the Issuer or any previous substituted company and the Noteholders and Couponholders expressly consent hereto. The substitution shall be made by a written undertaking (the “**Undertaking**”) to be substantially in the form scheduled to the Fiscal Agency Agreement as Schedule 4 and may take place only if (i) the Substitute shall, by means of the Undertaking, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment, withholding, deduction or governmental charge which is imposed on it by (or by any taxing authority in or of) the jurisdiction of the country of the Substitute’s residence for tax purposes and, if different, of its incorporation with respect to any Senior Non Preferred Note, Coupon or the Undertaking and which would not have been so imposed had the substitution not been made, as well as against any tax duty, assessment or governmental charge, and any cost or expense, relating to the substitution; (ii) if the Substitute is a Subsidiary of the Issuer, the obligations of the Substitute under the Undertaking, the Senior Non Preferred Notes and the Coupons shall be unconditionally and irrevocably guaranteed (such guarantee to have the same ranking as the Senior Non Preferred Notes pursuant to Condition 2) by the Issuer or its successor or each of the companies to whom together the Issuer has transferred all of its assets and business undertakings (each a “**Guarantor**”) by means of a guarantee substantially in the form contained in the Undertaking (the “**Guarantee**”); (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Undertaking, the Senior Non Preferred Notes and Coupons represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect; (iv) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it; (v) the Issuer shall have made available at the specified offices of the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the preceding conditions of this Condition 12(c) and the other matters specified in the Undertaking have been fulfilled; (vi) if at the time the Senior Non Preferred Notes are rated by a rating agency, the substitution does not affect adversely any such rating by such rating agency and (vii) the Issuer shall have given at least 30 days’ prior notice of such substitution to the Noteholders in accordance with Condition 15 stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Fiscal Agent. References in these Conditions to obligations under the Senior Non Preferred Notes shall be deemed to include obligations under the Undertaking, and, where the Undertaking contains a Guarantee, the Guarantee shall contain rights of enforcement in the same terms as those referred to in Condition 6 relating to the Guarantor and its obligations under the Guarantee.

**13. Currency Indemnity**

The currency in which the Senior Non Preferred Notes are denominated (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer in respect of the Senior Non Preferred Notes, including damages. Any amount received or recovered in a

currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder in respect of such Senior Non Preferred Note the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Senior Non Preferred Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder and no proof or evidence of any actual loss will be required by the Issuer.

#### **14. Replacement of Senior Non Preferred Notes and Coupons**

Should any Senior Non Preferred Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and regulations, at the specified office of the Fiscal Agent upon payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Senior Non Preferred Notes or Coupons must be surrendered before replacements will be issued.

#### **15. Notices**

Notices to the Holders shall be valid if published in a daily newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) except that for so long as the Senior Non Preferred Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require, such notices shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or as otherwise required by the rules of that exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Senior Non Preferred Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates on the date of the first publication as provided above.

*Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relevant Senior Non Preferred Note or Senior Non Preferred Notes with the Fiscal Agent or, if the Senior Non Preferred Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.*

#### **16. Further Issues**

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Senior Non Preferred Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Senior Non Preferred Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Senior Non Preferred Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Senior Non Preferred Notes.

## **17. Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out in the preamble to these Conditions. They act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (i) it will at all times maintain a Fiscal Agent; and
- (ii) So long as the Senior Non Preferred Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Fiscal Agent) which complies with, and qualifies under, the rules of such stock exchange or relevant authority.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given promptly to the Holders in accordance with Condition 15. If the Fiscal Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Fiscal Agency Agreement (as the case may be), the Issuer shall appoint an independent financial institution to act as such in its place. All calculations and determinations made by the Fiscal Agent in relation to the Senior Non Preferred Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Fiscal Agent and the Holders.

## **18. Governing Law and Jurisdiction**

### **(a) *Governing Law***

The Senior Non Preferred Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of Luxembourg.

### **(b) *Jurisdiction***

The Courts of Luxembourg are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Senior Non Preferred Notes or Coupons and accordingly any legal action or proceedings arising out of or in connection with any Senior Non Preferred Notes (“**Actions**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Actions in any such courts whether on the ground of venue or on the ground that the Actions have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and Couponholders and shall not limit the right of any of them to take Actions in any other court of competent jurisdiction nor shall the taking of Actions in one or more jurisdictions preclude the taking of Actions in any other jurisdiction (whether concurrently or not).

## **19. Bail-in**

### **(a) *Acknowledgement***

Notwithstanding any other term of the Senior Non Preferred Notes or any other agreement, arrangement or understanding between the Issuer and the Holders, by its subscription and/or purchase and holding of the Senior Non Preferred Notes, each Holder (which for the purposes of this Condition 19 includes each holder of a beneficial interest in the Senior Non Preferred Notes) expressly acknowledges, accepts, consents and agrees:



- (i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
- the reduction of all, or a portion, of the Amounts Due on a permanent basis;
  - the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Senior Non Preferred Notes, in which case the Holder agrees to accept in lieu of its rights under the Senior Non Preferred Notes any such shares, other securities or other obligations of the Issuer or another person;
  - the cancellation of the Senior Non Preferred Notes or Amounts Due; or
  - the amendment or alteration of the maturity of the Senior Non Preferred Notes or amendment of the amount of interest payable on the Senior Non Preferred Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) that the terms of the Senior Non Preferred Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-in Power by the Relevant Resolution Authority.

**(b) *Payment of Interest and Other Outstanding Amounts Due***

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in Luxembourg and the European Union applicable to the Issuer or other members of the BIL Group.

**(c) *Notice to Noteholders***

Upon the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to the Senior Non Preferred Notes, the Issuer will make available a written notice to the Holders as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Paying Agents for information purposes.

**(d) *Duties of the Paying Agents***

Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Paying Agents shall not be required to take any directions from Holders, and (b) the Fiscal Agency Agreement shall impose no duties upon any of the Paying Agents whatsoever, in each case with respect to the exercise of any Bail-in Power by the Relevant Resolution Authority.

**(e) *Proration***

If the Relevant Resolution Authority exercises the Bail-in Power with respect to less than the total Amounts Due, unless any of the Paying Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Senior Non Preferred Notes pursuant to the Bail-in Power will be made on a pro-rata basis.

(f) **Conditions Exhaustive**

The matters set forth in this Condition 19 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of a Senior Non Preferred Note.

**20. Definitions**

In these Conditions:

**“Additional Amounts”** has the meaning given to it in Condition 10;

An **“Alignment Event”** is deemed to have occurred if, following the adoption, modification or implementation of the applicable MREL Regulations, at any time after the Issue Date, the Issuer would be able to issue an MREL Eligible Instrument that contains one or more provisions that are, in the reasonable opinion of the Issuer, different in any material respect from those in the Terms and Conditions of the Senior Non Preferred Notes;

**“ALAC”** means additional loss-absorbing capacity (or such similar nomenclature used by S&P from time to time);

**“ALAC Eligible Instrument”** means an instrument that is an eligible instrument according to the ALAC criteria under the Rating Methodology to reflect a commensurate reduction in the default risk of the senior unsecured obligations (within the meaning of the Rating Methodology) of the Issuer, in accordance with the Rating Methodology;

**“Amounts Due”** means the principal amount, together with any accrued but unpaid interest, and Additional Amounts, if any, due on the Senior Non Preferred Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority;

**“Authorised Signatory”** means any director of the Issuer (or any signatory authorised to act on its behalf);

**“Bail-in Power”** means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Luxembourg relating to (i) the transposition of the BRRD as amended or superseded from time to time, and in particular the BRR Act 2015, (ii) Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time, the **“SRM Regulation”**) and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of certain entities as set out in such law, regulation, rules or requirements can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations;

**“BIL Group”** means the Issuer and its consolidated subsidiaries from time to time;

**“BRR Act 2015”** means the law of 18 December 2015 on the failure of credit institutions and certain investment firms (*loi modifiée du 18 décembre 2015 relative à la défaillance des établissements de crédit et de certaines entreprises d’investissement*);

**“BRRD”** means Directive 2014/59/EU of 15 May establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may come into effect

in place thereof, as implemented in Luxembourg and as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

**“Business Day”** means in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place;

**“Calculation Amount”** means €100,000 in principal amount;

**“Competent Authority”** means the European Central Bank or such other or successor governmental authority exercising primary bank supervisory authority from time to time, in each case with respect to prudential matters in relation to the Issuer and/or the BIL Group;

**“Conditions”** means these terms and conditions of the Senior Non Preferred Notes, as amended from time to time;

**“Corresponding Amount”** means an aggregate principal amount equal to the aggregate principal amount of the Senior Non Preferred Notes plus the aggregate principal amount of all other Senior Parity Liabilities;

**“CRD IV”** means any, or any combination of, the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

**“CRD IV Directive”** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended from time to time, or such other directive as may come into effect in place thereof;

**“CRD IV Implementing Measures”** means any rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand alone basis) or the BIL Group (on a consolidated basis) and which prescribe the minimum requirement for own funds and eligible liabilities of the Issuer (on a stand alone basis) or the BIL Group (on a consolidated basis);

**“CRR”** means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended from time to time, or such other regulation as may come into effect in place thereof;

**“€”** or **“euro”** means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

**“BRRD Amending Directive”** means Directive 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy;

**“Fiscal Agency Agreement”** has the meaning given to it in the preamble to these Conditions;

**“Fiscal Agent”** has the meaning given to it in the preamble to these Conditions;

**“Holder”** has the meaning given to it in Condition 1;

**“Interest Payment Date”** means 28 September in each year, starting on (and including) 28 September 2019;

**“Interest Period”** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**“Interest Rate”** means 1.500 per cent. per annum;

**“Issue Date”** means 28 September 2018, being the date of the initial issue of the Senior Non Preferred Notes;

**“Issuer”** means Banque Internationale à Luxembourg, société anonyme;

**“Liquidation”** means if an order is made or an effective resolution is passed for the judicial liquidation (*liquidation judiciaire*) of the Issuer in accordance with Articles 129ff. of the BRR Act 2015 or the voluntary liquidation (*liquidation volontaire*) of the Issuer in accordance with Article 128 of the BRR Act 2015;

**“Luxembourg Companies Act 1915”** means the law of 10 August 1915 on commercial companies, as amended (*loi modifiée du 10 août 1915 concernant les sociétés commerciales*);

**“Maturity Date”** means 28 September 2023;

**“MREL Disqualification Event”** means at any time that all or part of the outstanding principal amount of the Senior Non Preferred Notes does not fully qualify as MREL Eligible Instruments of the Issuer, except where such non-qualification (i) was reasonably foreseeable as at the Issue Date or (ii) is due solely to the remaining maturity of such Senior Non Preferred Notes being less than any period prescribed for by the applicable MREL Regulations.

**“MREL Eligibility Event”** means at any time, on or following the Issue Date, there is a change in the regulatory treatment of the Senior Non Preferred Notes as a result of (i) a change of laws, (ii) new laws or regulations coming into effect or (iii) a change in the interpretation or administrative practice by the applicable regulator, that results in, or will result in, all or part of the outstanding principal amount of the Senior Non Preferred Notes not qualifying in full as eligible for the purposes of the minimum requirement of eligible liabilities referred to in the BRRD and relevant implementing legislation in Luxembourg (if applicable) of the Issuer;

**“MREL Eligible Instrument”** means an instrument that is an eligible liability instrument to be counted towards the minimum requirement for own funds and eligible liabilities of the Issuer in accordance with the applicable MREL Regulations;

**“MREL Regulations”** means, at any time, the laws, regulations, requirements, guidelines and policies then in effect in Luxembourg giving effect to the “minimum requirement for own funds and eligible liabilities” (“MREL”) applicable to banking institutions or any successor laws, regulations, requirements, guidelines and policies that may be applicable to the Issuer and/or the BIL Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and/or the BRRD Amending Directive (whether or not such laws, regulations, requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the BIL Group);

**“Noteholder”** has the meaning given to it in Condition 1;

**“Senior Non Preferred Notes”** has the meaning given to it in the preamble to these Conditions;

**“Notional Security”** means, in respect of a Senior Non Preferred Note, a notional security with the same principal amount as such Senior Non Preferred Note and with the same rate of interest and accrued rights as such Senior Non Preferred Note, being one of a notional class of securities in the Issuer, which class is in the Corresponding Amount and ranks as set out in Condition 2, i.e. junior to the claims of Statutory Ordinary Senior Liabilities but senior to the claims of holders of all subordinated obligations of the Issuer in issue;

**“Qualifying Notes”** means, at any time, any securities denominated in euros and issued directly by the Issuer that:

- (i) contain terms which at such time result in such securities being eligible to count towards the fulfillment of the MREL requirement of the Issuer and the ALAC of the Issuer, in each case, to at least the same extent as the Senior Non Preferred Notes prior to the relevant substitution or variation;
- (ii) carry the same rate of interest as the Senior Non Preferred Notes prior to the relevant substitution or variation pursuant to Condition 8;
- (iii) have the same denomination and aggregate outstanding principal amount as the Senior Non Preferred Notes prior to the relevant substitution or variation pursuant to Condition 8;
- (iv) have the same date of maturity and the same dates for payment of interest as the Senior Non Preferred Notes prior to the relevant substitution or variation pursuant to Condition 8;
- (v) have at least the same ranking as set out in Condition 2;
- (vi) not, immediately following such substitution or variation, be subject to an MREL Eligibility Event, a Rating Methodology Event, an Alignment Event and/or a Tax Event;
- (vii) have terms not otherwise materially less favourable to the Noteholders than the terms of the Senior Non Preferred Notes, as reasonably determined by the Issuer; and
- (viii) if (A) the Senior Non Preferred Notes were listed or admitted to trading on a regulated market immediately prior to the relevant substitution or variation pursuant to Condition 8 or (B) the Senior Non Preferred Notes were listed or admitted to trading on a recognised stock exchange other than a regulated market immediately prior to the relevant substitution or variation pursuant to Condition 8, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a regulated market), in either case as selected by the Issuer;

**“Rating Methodology”** means, at any time, any relevant methodology of S&P (or the interpretation of such methodology) to determine if the Senior Non Preferred Notes are eligible for the purposes of the ALAC criteria assigned by S&P;

**“Rating Methodology Event”** means, at any time, on or after the Issue Date, there is a change in, clarification to or amendment of any relevant methodology of S&P (or in the interpretation of such methodology) as a result of which the additional loss-absorbing capacity (or such nomenclature used by S&P from time to time) assigned to the Senior Non Preferred Notes by S&P is, in the reasonable opinion of the Issuer, reduced in full;

**“Regulated Entity”** means any entity to which BRRD, as implemented in Luxembourg and as amended or superseded from time to time, or any other Luxembourg piece of legislation relating to the Bail-in Power, applies, which includes, certain credit institutions, investment firms, and certain of their parent or holding companies;

**“Relevant Compensation Rights”** has the meaning given to it in Condition 9;

**“Relevant Date”** means in respect of any payment, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that such payment will be made, provided that payment is in fact made;

**“Relevant Jurisdiction”** means Luxembourg or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Senior Non Preferred Notes;

**“Relevant Resolution Authority”** means the Single Resolution Board (“**SRB**”) established pursuant to the SRM Regulation and the *Commission de surveillance du secteur financier*, acting as resolution board, and/or any other authority lawfully entitled to exercise or participate in the exercise of any Bail-in Power from time to time;

**“S&P”** means Standard and Poor’s Credit Market Services France S.A.S.;

**“Senior Notes”** means the senior notes issued by the Issuer under the €10,000,000,000 Programme for the issue of Euro Medium Term Notes and Warrants established on 9 November 1995 as updated from time to time that constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and that at all times rank *pari passu* and without any preference among themselves;

**“Senior Parity Liabilities”** has the meaning given to it in Condition 2;

**“Senior Ranking Amendment Legislation”** means the Luxembourg law of 25 July 2018;

**“Statutory Ordinary Senior Liabilities”** has the meaning given to it in Condition 2;

**“Statutory Second Ranking Senior Liabilities”** has the meaning given to it in Condition 2;

**“Subordinated Obligations”** has the meaning given to it in Condition 2;

**“Supervisory Permission”** means, in relation to any action, such supervisory permission (or, as appropriate, waiver) from the Competent Authority and/or the Relevant Resolution Authority as is required therefor under applicable MREL Regulations (if any);

**“Subsidiary”** means any company 50 per cent. or more of the equity share capital of which is owned directly or indirectly by the Issuer;

**“Target 2 Settlement Day”** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

A **“Tax Event”** is deemed to have occurred if, as a result of a Tax Law Change:

- (i) in making any payments on the Senior Non Preferred Notes, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or
- (ii) The Issuer is no longer entitled to claim a deduction in respect of any payments in respect of the Senior Non Preferred Notes in computing its taxation liabilities or the amount of such deduction is materially reduced; and

**“Tax Law Change”** means a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application or official interpretation of such laws or regulations, including a decision of any court or tribunal, which change or amendment becomes effective on or after the Issue Date.

## OVERVIEW OF PROVISIONS RELATING TO THE SENIOR NON PREFERRED NOTES IN GLOBAL FORM

The following is an overview of the provisions to be contained in the Global Notes which will apply to, and in some cases modify, the Conditions while the Senior Non Preferred Notes are represented by the Global Notes.

### ***Exchange:***

The Temporary Global Note generally will be exchangeable, in whole or in part, for interests in the Permanent Global Note not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Senior Non Preferred Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, (free of charge to the holder) for Senior Non Preferred Notes in definitive form (“**Definitive Notes**”) if one of the following events (each, an “**Exchange Event**”) occurs:

- (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system is available;
- (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Senior Non Preferred Notes in definitive form; or
- (c) any of the circumstances described in Condition 6 (*Events of Default*) occurs.

The Issuer will promptly give notice to the Noteholders if an Exchange Event occurs. Thereupon (in the case of paragraph (a) or (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) may give notice to the Issuer and the Fiscal Agent and (in the case of paragraph (b) above) the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for the Definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Exchanges will be made upon presentation of the Permanent Global Note at the office of the Fiscal Agent on any day on which banks are open for general business in Luxembourg. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Senior Non Preferred Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Fiscal Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Senior Non Preferred Notes.

In the event that (a) the Global Note (or any part of it) has become due and repayable in accordance with the Conditions or that the maturity date of the Senior Non Preferred Notes has occurred and, in either case, payment in full of the amount due has not been made to the bearer, or (b) following an Exchange Event, the Permanent Global Note is not duly exchanged for definitive Senior Non Preferred Notes by the day provided in the Permanent Global Note, then from 8.00 p.m. (Luxembourg time) on such day each Accountholder will become entitled to proceed directly against the Issuer and the bearer will have no further rights under the Global Note.



### ***Payments:***

On and after 7 October 2018 no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. All payments in respect of Senior Non Preferred Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Senior Non Preferred Notes, surrender of such Global Note to or to the order of the Fiscal Agent or such other paying agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Senior Non Preferred Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

Payments of principal and interest in respect of the Senior Non Preferred Notes will not be made within the United States.

### ***Notices:***

For so long as all the Senior Non Preferred Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 15 (*Notices*), provided that, so long as the Senior Non Preferred Notes are listed on the Luxembourg Stock Exchange, notice will also be given by publication in a daily newspaper published in Luxembourg and/or on the Luxembourg Stock Exchange's website, *www.bourse.lu*, if and to the extent that the rules of the Luxembourg Stock Exchange so require. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

### ***Accountholders:***

For so long as all of the Senior Non Preferred Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Senior Non Preferred Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (which certificate or other document may comprise any form of statement or print-out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom System)) as to the principal amount of such Senior Non Preferred Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Senior Non Preferred Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of meetings of the Noteholders) other than with respect to the payment of principal and interest on such principal amount of such Senior Non Preferred Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### ***Calculation of Interest:***

For so long as all of the Senior Non Preferred Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the rate of 1.500 per cent. per annum to the principal sum for the time being outstanding of the Global Note and on the basis of the actual number of days in the relevant period, from and including the day from which interest begins to accrue to but

excluding the date on which it falls due, divided by the actual number of days in the Interest Period (as defined in the Conditions) in which the relevant period falls (including the first such day but excluding the last). The resultant figure is rounded to the nearest cent (half a cent being rounded upwards).

***Prescription:***

Claims against the Issuer in respect of payments under the Senior Non Preferred Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in the Conditions).

***Cancellation:***

Cancellation of any Senior Non Preferred Note represented by a Global Note and required by the Conditions of the Senior Non Preferred Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

***Euroclear and Clearstream, Luxembourg:***

Senior Non Preferred Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Senior Non Preferred Notes are held.

***Legend:***

The following legend will appear on the Permanent Global Notes:

“Any U.S. person who holds this obligation will be subject to limitations under the U.S. income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

## **USE OF PROCEEDS**

The Issuer intends to use the proceeds of the issue of the Senior Non Preferred Notes for general corporate purposes, which may include investments in, or capital contributions to, its subsidiaries, and in connection with its general funding requirements.

## **BANQUE INTERNATIONALE À LUXEMBOURG, SOCIÉTÉ ANONYME**

Founded in 1856, Banque Internationale à Luxembourg (“**BIL**”) is the oldest multi-business bank in the Grand Duchy. It has always played an active role in the development of Luxembourg’s economy and issued its first banknotes in the very year of its creation. The bank offers retail, private, corporate and institutional banking as well as treasury and financial market services.

BIL employs more than 2,000 people in total in its offices in Luxembourg, Switzerland (since 1985), Denmark (since 2000), the Middle East (since 2005) and Sweden (since 2016). Its specialised entities BIL Lease, Experta, Belair House and BIL Manage Invest offer a full range of services for investors and professionals.

Through its national and international network, BIL offers bespoke and innovative financial services to meet the specific needs of a broad client base. These services help client wealth and businesses to flourish and support financial professionals in developing their activities.

### **Introduction**

BIL was incorporated in Luxembourg on 8 March 1856 in the form of a *société anonyme* (limited liability company), governed by Luxembourg law. Its registered office is located at 69, route d'Esch, Luxembourg, L-2953 Luxembourg, telephone number +352 45901. BIL is registered in the Luxembourg Register of Commerce and Companies under number B6307.

BIL's duration is unlimited.

### **Objects**

BIL's *statuts* (articles of incorporation) were approved by the royal grand ducal decrees of 8 March and 14 April 1856 and have been amended from time to time. Amendments to the *statuts* are published in the Mémorial C, Recueil des Sociétés et Associations (the “**Mémorial**”) and, as from 1st June 2016, in the central electronic platform of official publication for companies and associations (Recueil électronique des sociétés et associations) only. The most recent amendment was made on 15 September 2016. The objectives of BIL are to undertake all banking and financial operations of whatsoever kind, and, inter alia, to accept deposits from the public or any other persons or institutions and to grant credit for its own account. It may also undertake all activities reserved for investment firms and to other professionals in the financial sector and all financial, administrative, management and advisory operations directly or indirectly related to its activities. It may establish subsidiaries, branches and agencies in or outside Luxembourg and participate in all financial, commercial and industrial operations.

### **Origins and history**

Banque Internationale à Luxembourg, the first public limited bank in Luxembourg, was founded on 8 March 1856, to provide financing for the railways and the iron and steel industry of a country that was at that time predominantly agricultural. The same year, it issued its first banknotes and was one of the few private establishments to retain this privilege until the introduction of the euro. In October 1989 BIL moved into its newly-built headquarters on route d'Esch in Luxembourg-City. To commemorate the 150th anniversary of the independence of the Grand Duchy, the building was named "L'Indépendance".

In July 1985 the Bank commenced its private banking activities in Switzerland, followed in 2000 by the opening of private banking activities in Denmark. Experta Luxembourg was formed in September 2002 to offer custom investment and corporate services.

## **Developments since 2012**

On 4 April 2012, Precision Capital and the Grand Duchy of Luxembourg announced their signing of share purchase agreements relating to the sale of Dexia's 99.906 per cent. participation in Banque Internationale à Luxembourg.

On 5 October 2012, the closing of the transaction was finalised. The transaction price for the stake of Dexia in BIL was EUR 730 million. The transaction scope did not include, among other things, the participation of BIL in Dexia Asset Management Luxembourg, in RBC Dexia Investor Services Limited and in Dexia LDG Banque and the portfolio of Legacy securities of BIL.

### **2013**

In view of the requirements of the European directive on alternative investment fund managers (the “**AIFM Directive**”), BIL formed its own management company, BIL Manage Invest (“**BMI**”), on 28 June 2013.

At the end of June 2013, the Bank sold its operating activity in BIL Finance in France, owing to the non-strategic nature of this business. The surviving company, renamed Société du 25 Juillet 2013, will be liquidated.

The Bank started preparing the transfer of business activity from Bahrain to Dubai.

At the end of November 2013, IBM took over Associated Dexia Technology Services (“**ADTS**”) and renamed it Innovative Solutions for Finance (“**IS4F**”) which is responsible for managing IT infrastructure.

On 18 December 2013, BIL transferred the activities of its Danish subsidiary to a newly created branch in Denmark. BIL’s Danish subsidiary renamed Selskabet Af 18. December 2013 A/S has continued to exist due to a pending investigation into the EBH Bank market manipulation matter which dates back to 2008. On 5 October 2016, the State Prosecutor confirmed that he has decided to withdraw the accusation towards Selskabet Af 18. December 2013 A/S, so that the company can be liquidated.

In September 2013, BIL set up an independent multi-family office, named Belair House. After the ministerial approval received on 17 February 2014, Belair House has started its family office and investment office services to ultra-high-net-worth individuals and families on 1 April 2014.

### **2014**

Experta underwent a strategic repositioning in 2014 to increase the focus on its core business of global corporate services. Experta offers wealth structuring solutions, and address the structuring needs of investors active in real estate and private equity. As part of the overall wealth management strategy, Experta works closely with BIL, whilst strengthening its own identity outside of the BIL Group, offering a full open architecture approach to find the optimal solution for each client.

BIL Manage Invest (BMI) reconfirmed its positioning as a third-party ManCo and is able to provide fund promoters with the regulatory infrastructure required by the AIFMD (Alternative Investment Fund Managers Directive). This external AIFM solution is of particular interest to investors active in alternative asset classes including real estate and private equity. The granting of the AIFM license in May 2014 marked an important step in its development. In November 2014, BMI also received CSSF approval as a UCITS Management Company.

With the intent to focus and strengthen its presence in the region, BIL officially inaugurated its BIL Middle East branch in the United Arab Emirates in October 2014. Located in the Dubai International Financial Centre.

## 2015

On 15 January 2015 the Bank sold 2,385,000 shares in investment firm Luxempart, representing 9.96% of its capital, for a total consideration of EUR 73.9 million, generating a capital gain of EUR 66.6 million.

### A new strategic framework: BIL2020

In April 2015, BIL set out the strategic vision on which it will focus for the next five years: the BIL2020 strategic plan. This plan lays the roadmap for tackling overarching trends in banking, challenges in financial markets and issues affecting BIL's ability to compete efficiently.

A strong corporate culture and a high-performing, innovative brand are key to ensuring stable revenues. They are the foundations to secure the bank's future. The strategy seeks to reinforce BIL's position by putting a greater focus on providing relevant and adapted value propositions in order to meet the needs of a diverse clientele, both in Luxembourg and internationally. This effort is reinforced by a strong emphasis on innovation and technology.

### Optimisation of the international setup

In 2015, BIL announced that it closed its operations in Singapore. This decision was adopted after reviewing BIL group's international presence in light of the new strategic framework introduced by BIL2020. An enhanced focus will allow BIL to achieve greater relevance in key markets and to further improve its service to its clients through perfectly-suited products and services. In this context, BIL is continuously reviewing the international footprint that it needs to serve its clients across these key markets.

On 2 November 2015, the Bank successfully closed the acquisition of KBL (Switzerland) Ltd., a transaction that has significantly strengthened BIL's activities in Switzerland, where the bank has been established for over 30 years. This amplified presence has allowed BIL to improve the service offered to its clients by offering them better-performing solutions, but also to attract a new wealthy international clientele. BIL Suisse is now operational in three locations: Zurich, Geneva and Lugano.

Based on the experience of BIL's Nordic desk, which covers Denmark, Norway, Finland and Sweden, as well as its branch in Denmark, BIL extended its physical presence to Sweden where a representation office opened on 4 January 2016.

### Local footprint

Thanks to its vast experience and network of some 40 branches and 126 ATMs (half of them equipped with real-time deposit facility) throughout the country, BIL is one of the leading and most innovative players in the field of retail banking. It provides a comprehensive range of services to individual clients, SMEs and large businesses in Luxembourg.

In its retail activities, BIL continues to develop web and mobile applications, offering its individual and professional clients the ability to carry out banking transactions with a maximum of security and comfort. The digitalisation of retail transactions is an on-going process and BIL is establishing itself as a pioneer bank for innovation.

Corporate & Institutional Banking priorities in the context of the BIL2020 strategic intent are diversification in sectors deemed to be of national importance (clusters), as well as the defence of strategic market positions in traditional sectors. A deeper focus on Luxembourg financial institutions and the development of solid international relationships with the companies to which BIL loans money through syndicated loans are core.

In order to modernise the Luxembourg branch network, the Bank introduced the Lean Branch Optimisation programme to review in-branch processes and the branch footprint. In the spirit of serving retail clients more efficiently, this programme allows to minimise the time taken up by transactions that can be done digitally

using the Bank's state of the art mobile & Internet banking platforms and apps as well as self-banking equipment inside the branches.

The bank continues constant refurbishments and reorganisation of its branch network.

### Emphasising digitalisation

The "Ignite" digital transformation programme was launched during 2015. The programme concerns the overhauling of the "Operations and IT" business line so that it can effectively support the Bank's BIL2020 strategy of sustainable profitability. Ignite also seeks to foster agile operations and innovation in support of BIL's digital strategy.

With the increased digitalisation, that is a key focus of the BIL2020 strategy, a new integrated Transformation Programme defines key areas for technological advancement that will give BIL yet another point of differentiation in the marketplace.

Mobile banking – a digital client experience: Digitisation is a key aspect of BIL's "BIL2020" strategy. In Luxembourg, BIL became the first bank to offer its clients a fully mobile experience on iPhones and iPads (BILnet). Thus BIL clients can access their accounts and all online services on an iPhone or iPad without using a second device to confirm their authentication.

This simplified mobile access to BILnet is one of many digital innovations offered by the bank and follows the integration of Touch ID into its BILnet Mobile app for account views and generating transfers. BIL is also the only bank in Luxembourg that enables cash withdrawals from its ATMs with a smartphone instead of a bank card.

## **2016**

BIL Select - a bespoke service for our clients. Innovation and a proactive approach to meeting client needs remained the key drivers for new product launches in 2016. BIL Select was launched in February as an offering tailored to high-potential clients in Luxembourg and the surrounding region.

BIL Select aims to meet a whole range of banking needs and offers bespoke, personal services from dedicated relationship managers as well as client information sessions on financial products. In Luxembourg, clients can also avail of discretionary management of their investments, a service usually reserved for larger asset holdings of private banking clients.

Innovative financing for corporate clients. BIL constantly strives to improve its financing solutions for corporate and institutional clients. These services are particularly relevant in the current challenging market environment in which companies need flexible partners to innovate and grow.

In 2016, BIL acted as the sole arranger of a mixed format Euro Private Placement (EURO PP). The financing was structured in a manner which aligned the interests of the investors with those of the bank lenders. The innovative aspect of this format is that the two funding sources are treated equally (*pari passu*) and share the same collateral. The placement of EUR 79 million was conducted on behalf of PRODDWARE, a listed group. The transaction was made up of a EUR 50 million bond issue subscribed by institutional investors and a EUR 29 million bank loan underwritten by BIL and the Bank of China.

BIL was also the first Luxembourgish bank to sign the InnovFin guarantee agreement for SMEs with the European Investment Fund ("EIF") in 2015. The agreement enables BIL to provide EIF-backed loans with a total value of EUR 60 million to innovative companies in Luxembourg for a period of two years. This initiative underlines BIL's commitment to innovation and is further proof of its on-going support for the national economy, two cornerstones of the BIL2020 strategy.

In addition, two Luxembourg business incubators were officially supported by BIL in 2016: in February, BIL agreed with Nyuko to provide start-ups with the necessary resources to grow in a favourable environment for

innovative firms in Luxembourg. In May, BIL launched a partnership with Technoport to supply financing tools (not limited to loans eligible for InnovFin), project evaluation expertise, office space and event management support.

The my|HOME partnership with Nexvia is a good example of how BIL's financing solutions can add value to services provided by start-ups: Nexvia's online simulation tool of real estate purchases was enhanced by financing simulations by BIL in September 2016.

These initiatives complement BIL's existing range of services for innovative companies such as BIL Start and the Digital Tech Fund which was launched in December 2015 in cooperation with the Luxembourgish government.

## 2017

2017 was marked by the preparations of the MiFID II and PRIIPs regulations that came into force on 3 January 2018, bringing profound changes to the way in which BIL interacts with clients. The preparations for this new regulatory environment dominated the fourth quarter of 2017 as MiFID II also required BIL to rethink its investment offering, revenue model, relationship with third-party intermediaries, as well as certain processes and ways of working.

On 24 January 2017, BIL launched a collaboration with Foyer for retirement savings services. BIL successfully acted as a joint lead manager for a EUR 2 billion bond issue by the Grand Duchy of Luxembourg, launched on 25 January 2017.

In March, BIL launched a dedicated service for business owners which offers them a single point of access for wealth management, corporate banking and retail banking.

On 30 May 2017, BIL and Paul Wurth InCub, the business incubator set up by the Paul Wurth group to assist entrepreneurs, signed a partnership agreement aimed at supporting the development of industrial technologies, or InduTech, in Luxembourg. On 7 July 2017, BIL improved its B-active offer for young professionals by introducing new features such as 100% mortgages with deferred first loan instalments and tax-efficient pension products.

On 8 August 2017, BIL launched a collaboration with *The Office*, a start-up office space in Luxembourg City. Through this partnership, the Bank will be able to help the start-ups it works with to find office space as part of BIL's wider efforts to promote innovation and entrepreneurship in Luxembourg. On 10 August 2017, BIL advised Corestate Capital Holding SA, a real estate investment company listed in Frankfurt, on the arrangement of an EUR 40 million syndicated loan. BIL acted as the single arranger, agent bank and security agent. Similarly, on 27 September 2017, BIL arranged a syndicated loan amounting to EUR 35 million for Coyote, a leader in driver-assistance systems. BIL was the co-arranger and sole coordinator of the loan and syndicated part of this credit facility to two reputable French banks.

MiFID II enables BIL's clients to benefit from increased investor protection. BIL took the new regulation as an opportunity to remodel and streamline its investment offer. In doing so, it tries to meet the clients' needs even better, in full compliance with the new regulatory requirements and closing gaps in the offering that had arisen over time. As a result, BIL Private Banking introduced a new simplified investment offer end of 2017 along with a new pricing approach (offering clients the choice between "pay as you go" vs. "all-in" schemes and incentivizing clients to increase their business with BIL, amongst other changes). The main objectives of this revamped value proposition are, in addition to better meeting the client's needs with a compliant offer, to increase the mandate penetration; reduce BIL's operational cost (offer simplification) and to optimise and increase revenues.

In early October, BIL Private Banking launched its new MasterCard World Elite for prestigious clients with high-end insurance, assistance and concierge services. Also in October, BIL increased its attractiveness for newcomers to Luxembourg thanks to a voucher for their first tax return and a moving-in loan.



In the course of 2017, BIL has strengthened its lending team in order to increase its Wealth management loan penetration and is tactically reviewing the related credit policy to increase volumes with minor credit policy impact.

In 2018, BIL significantly extended its client offering with the launch of 12 in-house investment funds. The new fund range, which comes in addition to six existing funds, offers clients a gateway to a range of investment strategies covering various asset classes across the globe. These funds will become the so-called ‘building blocks’ of the BIL product offering. With the help of a dedicated Relationship Manager, clients can hand-pick the funds which are best aligned with their own preferences and expectations. This will result in a combination of funds that can serve as the backbone of a diversified portfolio.

The different Wealth Management initiatives follow a new aligned approach: the Flex-programme aiming to define new way of working in the teams to achieve the following key objectives: improving client experience, empowering employees, significantly increasing added-value commercial time with clients and prospects, building new capabilities in the organization, ultimately leading to accelerating organic growth. Implemented in waves, this flexible, bottom-up approach has already yielded very promising results and significantly changed the daily work of the teams in scope of the first two waves, the aim is to cover all Wealth Management teams in Luxembourg by the end of 2018.

### Shareholder change

On 1 September 2017, Legend Holdings Corp., a Hong Kong-listed diversified investment group, announced an agreement with Precision Capital S.A., a Luxembourg-based financial holding company, for the acquisition of the latter’s 89.936% stake in BIL. The transaction closed on 2 July 2018. The acquisition represents a long-term strategic investment for Legend Holdings. They are committed to strengthening the BIL brand domestically and internationally, as well as to further enhancing its client offering and pursuing the BIL2020 strategy. The Grand Duchy of Luxembourg retains its 9.993% ownership of BIL.

### Awards and ratings

Successive nominations from prestigious magazine like The Banker or Global Finance are evidence of the bank’s ability to offer innovative and relevant products and services to clients. These awards underline the BIL2020 strategy, emphasizing the commitment to the optimal integration of our digital strategy and business priorities.

BIL’s longstanding expertise and proven capacity to innovate, especially in light of BIL2020, were recognised by The Banker magazine: BIL was elected Bank of the Year 2016 – Luxembourg. This followed the award of ‘Best Wealth Manager’ for BIL Dubai by ‘The Banker Middle East’ in May 2016. On 22 February, BIL won Euromoney’s “Best Private Bank for Super Affluent Clients in Luxembourg” in confirmation of our wealth management expertise and bespoke services for ultra-high net worth individuals (UHNWI).

In March 2017, Global Finance awarded BIL “Best Bank in Luxembourg 2017”. On 29 November 2017, BIL was named *Bank of the Year Luxembourg* for the second year in a row by Financial Times group magazine, *The Banker*. No later than 20 March 2018, *Global Finance* announced that BIL has been selected *Best Bank in Luxembourg 2018*, another consecutive recognition by one of the world’s leading trusted standards of excellence.

### **Risk Management**

BIL group Risk Management teams help the Management Board to drive an effective, sound and prudent day-to-day business (and inherent risk) management in compliance with the strategies and guiding principles laid down by the Board of Directors.

The Risk Management department (i) ensures that all risks are under control by identifying, measuring, assessing, mitigating and monitoring them on an on-going basis (global risk policies and procedures define

the framework for controlling all types of risks by describing the methods used and the defined limits, as well as the escalation procedures in place); (ii) ensures that the risk limits are compatible with the strategy, the business model and the structure of the Bank through an effective risk appetite framework, which defines the level of risk the institution is willing to take in order to achieve its strategic and financial objectives; (iii) ensures compliance with banking regulatory requirements by submitting regular reports to the supervisory bodies, participating in regulatory discussions and analysing all new requirements related to Risk Management that affect the Bank's activities (i.e. regulatory watch).

### Principal Subsidiaries

At 31 August 2018, the Bank held a direct interest of at least 20 per cent. in the capital of the following undertakings:

Name of Company	Registered Office	Proportion of capital held directly
BIL Reinsurance S.A.	Luxembourg	100.00%
Biltrust Limited	St Peter Port, Guernsey	100.00%
Belair House S.A.	Luxembourg	100.00%
Compagnie Financière BIL S.A. & Cie Secs, in liquidation	Luxembourg	99.90%
Selskabet af 18 December, 2013 A/S	Copenhagen, Denmark	100.00%
Banque Internationale à Luxembourg (Suisse) S.A.	Zurich, Switzerland	100.00%
BIL Asia Singapore Limited, in liquidation	Singapore	100.00%
Société du 25 juillet 2013, in liquidation	Paris, France	100.00%
Europay Luxembourg SC	Luxembourg	35.20%
Experta Corporate and Fund Services S.A.	Luxembourg	100.00%
IB Finance S.A.	Luxembourg	100.00%
Private II Wealth Management Sàrl	Luxembourg	100.00%
Red Sky S.A.	Luxembourg	100.00%
BIL Manage Invest	Luxembourg	100.00%
Société de la Bourse de Luxembourg S.A.	Luxembourg	21.41%
Société Luxembourgeoise de Leasing - BIL Lease S.A.	Luxembourg	100.00%

### Board of Directors and Management

The Board of Directors is responsible for setting and overseeing the overall business strategy of BIL.

The Management Board is responsible for implementing and establishing a safe and sound management, in accordance with the principles and objectives established by the Board of Directors. The Management Board exercises its duties under the supervision of the Board of Directors.

## Board of Directors

Name	Function/responsibility	Address	Directorships and significant appointments outside of the Issuer
Luc Frieden	Chairman	69, route d'Esch, L-2953 Luxembourg	
Peng Li	Vice Chairman	Ke Xue Yuan Nanlu, Haidian District, Room 1701, 17/F, Block 1, Court No. 2 Beijing, China	Senior Vice President, Legend Holdings Corp.
Hugues Delcourt	Chief Executive Officer	69, route d'Esch, L-2953 Luxembourg	
Maurice Lam	Member	13a, Avenue Guillaume, L-1651 Luxembourg	
Jing Li	Member	10, Lintheschergasse, CH-8001 Zürich, Switzerland	Managing Director, Legend Holdings Corp.
Christian Schaack	Member	29, rue de Scheuerhof L-5412 Canach	
Vincent Thurmes	Member	3, rue de la Congrégation L-1352 Luxembourg	Ministry of Finance
Chris Van Aeken	Member	89, West Heath Road, NW3 7TN London, United Kingdom	
Pierrot Rasqué	Member	3, rue de la Congrégation, L-1352 Luxembourg	Ministry of Finance
Michel Scharff	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	
Serge Schimoff	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	
Donny Wagner	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	
Fernand Welschbillig	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	

## Management Board

Name	Title	Function/ responsibility
Hugues Delcourt	Chairman	Chief Executive Officer
Stéphane Albert	Member	Chief Risk Officer
Yves Baguet	Member	Chief Operating Officer
Hans-Peter Borgh	Member	Head of Wealth and Investment Management

Olivier Debehogne	Member	Head of Retail and Digital Banking
Marcel Leyers	Member	Head of Corporate and Institutional Banking
Bernard Mommens	Member	Secretary General and General Counsel
Nico Picard	Member	Chief Financial Officer
Claude Schon	Member	Head of Treasury and Financial Markets
Pia Haas	Permanent Invitee	Chief Internal Auditor

There are no potential conflicts between any duties to BIL in relation to the persons referred to above and their private interest and/or other duties.

The conflict of interests between the Directors' duties and/or the members of the Management Board's duties to BIL and their private interests or other duties, if any, are submitted, according to Article 441-7 al 2 of Luxembourg Companies Act to the Annual General Meeting.

The business address of each member of the Management Board is 69, route d'Esch, L-2953 Luxembourg.

### Shareholders

Legend Holdings Corp. holds 89.94 per cent. of the issued share capital in BIL and the Grand Duchy of Luxembourg holds a further 9.99 per cent. Please see "Shareholder Change" above for more details.

### Fiscal Year and Accounts

The Bank's fiscal year corresponds to the calendar year. Since the financial year starting 1 January 2008, the consolidated financial statements of the Bank have always been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

### Auditors

Since 1 January 2013, the auditors of the Issuer are Ernst & Young, 35E Avenue John F. Kennedy, 1855 Luxembourg.

The 2015 goodwill resulting from the acquisition of KBL (Switzerland) has been revised on the one hand to take into consideration the deferred tax impact on IAS19 provisions and, on the other hand, in accordance with the Share Purchase Agreement.

The following table sets out summary information extracted from the Issuer's consolidated statement of income for each of the two years ended 31 December 2016 and 31 December 2017 and for the six-month period ended 30 June 2018.

	31 December, 2016	30 June 2017	30 June, 2017	31 December, 2017	30 June, 2018
Profit or loss	IAS 39 Audited	IAS 39 Unaudited	IFRS9 Unaudited	IAS 39 Audited	IFRS 9 Unaudited
	(in EUR)	(in EUR)	(in EUR)	(in EUR)	(in EUR)
Income	541,383,276	299,483,257	299,858,963	552,629,414	268,449,717
Expenses	-368,521,250	-188,526,465	-188,526,465	-396,946,626	-197,869,981
Gross operating income	172,862,026	110,956,792	111,332,498	155,682,788	70,579,736
Cost of risk and provisions for legal litigation	-16,916,571	-5,336,775	-10,147,664	-19,801,868	2,646,727
Net income before tax	155,945,455	105,620,017	101,184,834	135,880,920	73,226,463
Tax expense	-45,583,434	-7,519,180	-6,623,656	-19,237,578	-18,222,606
Net income	110,362,021	98,100,837	94,561,178	116,643,342	55,003,857
Net Income - Group share	110,362,021	98,100,837	94,561,178	116,643,342	55,003,857

The following table sets out summary information extracted from the Issuer's consolidated balance sheet as at 31 December 2016, 31 December 2017 and 30 June 2018.

<b>Consolidated datas</b>	31 December, 2016 IAS 39 Audited	30 June 2017 IAS 39 Unaudited	31 December, 2017 IAS 39 Audited	31 December, 2017 IFRS9 Unaudited	30 June, 2018 IFRS 9 Unaudited
	<i>(in EUR)</i>	<i>(in EUR)</i>	<i>(in EUR)</i>	<i>(in EUR)</i>	<i>(in EUR)</i>
<b>Assets</b>					
Loans and advances to credit institutions	3,157,100,099	3,947,537,308	3,449,202,669	3,449,166,433	4,987,689,920
Loans and advances to customers	12,042,999,820	12,728,778,564	13,344,203,406	13,112,357,377	13,126,763,349
Financial Investments	6,917,484,841	6,189,346,984	5,931,971,684	6,138,453,126	6,250,112,930
Positive fair value of derivative products	245,883,149	201,683,022	227,748,388	227,748,388	280,122,438
Other assets	785,190,817	812,458,086	799,390,788	806,139,183	905,434,916
<b>Total assets</b>	<b>23,148,658,726</b>	<b>23,879,803,964</b>	<b>23,752,516,935</b>	<b>23,733,864,507</b>	<b>25,550,123,553</b>
<b>Liabilities</b>					
Amounts due to credit institutions	2,216,090,000	2,753,179,281	2,787,854,788	2,787,854,788	2,758,554,946
Amounts due to customers	16,129,249,400	16,545,695,660	16,315,477,809	16,315,477,809	17,983,264,274
Negative fair value of derivative products	436,598,717	359,322,586	384,294,457	384,294,457	376,631,385
Debt securities	2,409,814,596	2,319,164,889	2,356,384,789	2,356,384,789	2,478,233,256
Subordinated debts	293,936,368	286,470,638	281,864,136	281,864,136	284,037,640
Other liabilities	403,308,935	364,727,837	340,338,958	346,847,366	377,297,554
Shareholders' equity	1,259,660,710	1,251,243,073	1,286,301,998	1,261,141,162	1,292,104,498
<b>Total liabilities</b>	<b>23,148,658,726</b>	<b>23,879,803,964</b>	<b>23,752,516,935</b>	<b>23,733,864,507</b>	<b>25,550,123,553</b>

## TAXATION

The following is a general description of certain tax considerations relating to the Senior Non Preferred Notes. It does not purport to be a complete analysis of all tax considerations relating to the Senior Non Preferred Notes whether in those countries or elsewhere. Prospective purchasers of Senior Non Preferred Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Luxembourg of acquiring, holding and disposing of Senior Non Preferred Notes and receiving payments of interest, principal and/or other amounts under the Senior Non Preferred Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Senior Non Preferred Notes, or any person through which an investor holds Senior Non Preferred Notes, of a custodian, collection agent or similar person in relation to such Senior Non Preferred Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

### LUXEMBOURG TAX

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Senior Non Preferred Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income taxes, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

#### Taxation of the Noteholders

##### *Withholding Tax*

###### *(i) Non-resident Noteholders*

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Senior Non Preferred Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Senior Non Preferred Notes held by non-resident Noteholders.

###### *(ii) Resident Noteholders*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the “**Relibi Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of Senior Non

Preferred Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Senior Non Preferred Notes held by Luxembourg resident Noteholders.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment of interest under the Senior Non Preferred Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

### ***Income Tax***

#### ***(i) Non-resident Noteholders***

A non-resident Noteholder, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Senior Non Preferred Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Senior Non Preferred Notes. A gain realised by such non-resident Noteholder on the sale or disposal, in any form whatsoever, of the Senior Non Preferred Notes is further not subject to Luxembourg income tax.

A non-resident corporate Noteholder or an individual Noteholder acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Senior Non Preferred Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Senior Non Preferred Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Senior Non Preferred Notes.

#### ***(ii) Resident Noteholders***

Noteholders who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

##### *Luxembourg resident corporate Noteholders*

A corporate Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Senior Non Preferred Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate Noteholder that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds and which does not fall under the special tax regime set out in article 48 thereof is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Senior Non Preferred Notes.

##### *Luxembourg resident individual Noteholder*

An individual Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Senior Non Preferred Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Senior Non Preferred Notes has opted for the application of a 20 per cent. tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established

in an EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than an EU Member State). A gain realised by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Senior Non Preferred Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Senior Non Preferred Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual Noteholder acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

### ***Net Wealth Taxation***

A corporate Noteholder, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Senior Non Preferred Notes are attributable, is subject to Luxembourg wealth tax on such Senior Non Preferred Notes, except if the Noteholder is governed by the law of 11 May 2007 on family estate management companies, as amended, by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment funds, as amended, by the law of 23 July 2016 on reserved alternative investment funds, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended. Please however note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

An individual Noteholder, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Senior Non Preferred Notes.

### ***Other Taxes***

In principle, neither the issuance nor the transfer, repurchase or redemption of Senior Non Preferred Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Senior Non Preferred Notes in Luxembourg in the case where the Senior Non Preferred Notes are physically attached to a public deed or to any other document subject to mandatory registration, as well as in the case of a registration of the Senior Non Preferred Notes on a voluntary basis.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Senior Non Preferred Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Senior Non Preferred Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.



The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Senior Non Preferred Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Senior Non Preferred Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Senior Non Preferred Notes are advised to seek their own professional advice in relation to the FTT.

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA 2016 (the "**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (the "**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Senior Non Preferred Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Senior Non Preferred Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Senior Non Preferred Notes, such withholding would not apply prior to 1 January 2019 and Senior Non Preferred Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Senior Non Preferred Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Senior Non Preferred Notes, including the Senior Non Preferred Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Senior Non Preferred Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Senior Non Preferred Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Banque Internationale à Luxembourg, société anonyme, Credit Suisse Securities (Europe) Limited and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (the “**Managers**”) have, pursuant to a subscription agreement dated 26 September 2018 (the “**Subscription Agreement**”), jointly and severally agreed to subscribe for the Senior Non Preferred Notes at their issue price of 99.747 per cent. of their principal amount less commissions. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Senior Non Preferred Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Senior Non Preferred Notes.

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Senior Non Preferred Notes has an interest material to the offer. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and/or its affiliates in the ordinary course of business. The Managers and their affiliates have received, or may in the future receive, customary fees and commissions for these transactions.

### United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the Senior Non Preferred Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Senior Non Preferred Notes in, from or otherwise involving the United Kingdom.

### United States

The Senior Non Preferred Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Senior Non Preferred Notes are being offered and sold only outside of the United States to non-U.S. persons in reliance upon an exemption from registration under the Securities Act pursuant to Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Senior Non Preferred Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Senior Non Preferred Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date of the Senior Non Preferred Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Senior Non Preferred Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Senior Non Preferred Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph and not defined in this Prospectus shall have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Senior Non Preferred Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## **Netherlands**

Each Manager has represented and agreed that the Senior Non Preferred Notes may not be offered to the public in the Netherlands in reliance on Article 3(2) of Directive 2003/71/EC (as amended, the “**Prospectus Directive**”) unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of Senior Non Preferred Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

## **Japan**

None of the Senior Non Preferred Notes have been or will be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended the “**FIEA**”) and each of the Managers has represented and agreed, that it will not offer or sell any Senior Non Preferred Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **France**

Each Manager and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Senior Non Preferred Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Senior Non Preferred Notes and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

## **Belgium**

Each Manager has represented and agreed that an offering of Senior Non Preferred Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “**Belgian Consumer**”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Senior Non Preferred Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Senior Non Preferred Notes, directly or indirectly, to any Belgian Consumer.

## **Germany**

Each Manager has represented and agreed that it has only offered or sold and that it shall only offer or sell the Senior Non Preferred Notes or the Warrants in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of the Senior Non Preferred Notes.

### **Prohibition of Sales to EEA Retail Investors**

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Senior Non Preferred Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression “**Retail Investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (b) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **General**

Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Senior Non Preferred Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Senior Non Preferred Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Senior Non Preferred Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Senior Non Preferred Notes, in all cases at their own expense.

## GENERAL INFORMATION

### Authorisation

The creation and issue of the Senior Non Preferred Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 8 December 2017.

### Listing and Admission to Trading

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Senior Non Preferred Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange with effect from 28 September 2018. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). The Issuer estimates that the total expenses related to admission of the Senior Non Preferred Notes to trading will be approximately €6,100.

### Clearing Systems

The Senior Non Preferred Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Legal and Arbitration Proceedings

Neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

### Significant/Material Change

There has been no significant change in the financial or trading position of the BIL Group since 30 June 2018 and there has been no material adverse change in the prospects of the Issuer or the BIL Group since 31 December 2017.

### Auditors

Ernst & Young (a member of the *Institut des Réviseurs d'Entreprises* (the Luxembourg institute of chartered accountants)) has audited, and rendered the unqualified audit report on, the consolidated and non-consolidated accounts of BIL for the years ended 31 December 2016 and 31 December 2017.

### Documents on Display

Copies in physical form of the following documents will be available for inspection at the specified offices of the Fiscal Agent during normal business hours for 12 months from the date of this Prospectus:

- (a) the articles of association of the Issuer;

- (b) the annual report (which includes audited consolidated and non-consolidated figures) of the Issuer for the years ended 31 December 2016 and 31 December 2017, including the reports of statutory auditors in respect thereof;
- (c) the unaudited consolidated financial statements of the Issuer for each of the six months ended 30 June 2017 and 30 June 2018; and
- (d) the Agency Agreement.

In addition, copies of this Prospectus and each document incorporated by reference are available on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu).

## **Material Contracts**

No contract (other than contracts entered into in the ordinary course of business) has been entered into by the Issuer or any of its subsidiaries which is, or may be, material or contains, or may contain, provisions which could result in the Issuer or any of its subsidiaries being under an obligation or entitlement which is or may be material to the Issuer's ability to meet its obligations to holders of the Senior Non Preferred Notes.

## **Yield**

The yield in respect of the Senior Non Preferred Notes is 1.553 per cent. per annum and is calculated at the Issue Date on the basis of the issue price of 99.747 per cent. per cent. of the principal amount of the Senior Non Preferred Notes.

## **ISIN and Common Code**

The ISIN for the Senior Non Preferred Notes is XS1884706885 and the common code is 188470688.

## **Legal Entity Identifier (LEI)**

The Legal Entity Identifier (LEI) code for the Issuer is 9CZ7TVMR36CYD5TZBS50.

## **Conflicts**

Certain of the Managers and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business. Certain of the Managers and their affiliates may have positions, deal or make markets in the Senior Non Preferred Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Some of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Senior Non Preferred Notes. Any such short positions could adversely affect future trading prices of Senior Non Preferred Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE ISSUER**

**Banque Internationale à Luxembourg, société anonyme**  
69 route d'Esch  
L-2953 Luxembourg

**MANAGERS**

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L-2953 Luxembourg

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**DZ BANK AG Deutsche**  
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**Frankfurt am Main**  
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60325 Frankfurt am Main  
Federal Republic of Germany

**FISCAL AND PAYING AGENT**

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**LUXEMBOURG LISTING AGENT**

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**LEGAL ADVISERS**

*To the Joint Lead Managers as to English law:*

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*To the Joint Lead Managers as to Luxembourg law:*

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**AUDITORS TO THE ISSUER**

**Ernst & Young**  
35E Avenue John F. Kennedy  
L-1855 Luxembourg