



**2019**  
Annual Report



## Annual Report 2019

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CHAPTER I

# The Office du Ducroire

One-stop Shop for Exporters



# Message from the Chairman

ARSÈNE JACOBY



**Dear Customers, Dear Exporters,  
Dear interested Readers,**

Real GDP growth in Luxembourg reached 2.3% in 2019, compared with the 3.1% estimate for 2018. Growth was mainly supported by private consumption, while investment rebounded following the sharp drop recorded last year. As a small open economy with strong trade and financial links with international markets, Luxembourg remains highly exposed to external risks. Export growth lost considerable pace amid a subdued global trading environment and import growth also lost momentum. Looking forward, growth is expected to slow drastically this year, restrained by the fallout from the coronavirus pandemic.

Against this background, ODL has continued to focus on enhancing its support to Luxembourg's small and medium-sized enterprises. In close cooperation with our partnering banks we have been able to finetune our product range and allow for a more targeted and flexible financial offer. In 2019 we introduced loan and line of credit insurance to leverage banks' financial assistance to the Luxembourg export industry at large. In particular, this will allow banks to grant higher credit lines to Luxembourg companies aiming to expand their business beyond our borders.

On January 1<sup>st</sup>, 2020, the new legal basis for ODL has entered into force. This will create new opportunities for us to further expand and deepen our cooperation with private sector insurers and financiers. And, with the unrelenting support of the Committee for the Promotion of Luxembourg Exports (COPEL), we will continue to nurture our companies' international business aspirations. The new law, will widen the scope and depth of ODL's actions and will allow us to keep on innovating and expanding our range of products and services. In addition, it will help to further strengthen ODL's organizational framework, analytical toolbox and capacity to partner with a wide range of key economic stakeholders.

Last year's exceptionally large defaults in one of our key export sectors led to a significant increase in provisions for export claims outstanding. As a result, ODL had to record a loss

for the financial year 2018. This year we are pleased to report a profit as a result of an increase in newly covered contracts.

2020 will be very challenging year for the Luxembourg economy. The COVID-19 outbreak is expected to bring a sharp deterioration in output. According to the European Commission's latest forecast, real GDP will decline by 5.5%. The good news is that Luxembourg is projected to show a strong recovery in 2021 when GDP is forecast to grow by 5.75%. To mitigate the economic and social impact of the crisis and to prepare the country for a fast recovery, the government has decided on a vast package of measures to protect the financial and economic capacities of our economy.

In this context, ODL will play a key role in order to prepare for a quick relaunch of the Luxembourg economy.

A key challenge in this regard will be our capability to further increase our cooperation with the private insurers. I am convinced that part of the answer to the economic and social impact of the pandemic lies in further improving our cooperation with the private sector insurers. A large public-private risk sharing arrangement may indeed prove decisive in our quest to relaunch our economy after the COVID-19 shutdown. I remain confident that together with our private partners we can and will overcome this crisis and strengthen the resilience of our economy to adverse external shocks.

Finally, I would like to express my deep gratitude to the hard-working employees of ODL. This endeavor started more than 60 years ago and its ongoing success is evidence of the commitment of the women and men who are continuing to support our export community day in day out. On behalf of the entire Board of Directors of ODL, I would like to thank you for your unwavering support.

# Organisation and Mission

OFFICE DU DUCROIRE (ODL)  
AND COPEL



## ORGANISATION

### Committee ODL

- ▲ **Mr Arsène JACOBY**, Chairman  
Ministry of Finance
- ▲ **Ms Michèle EISENBARTH** (until January 2019)  
Ministry of Foreign and European Affairs
- ▲ **Mr Jean-Louis THILL** (since February 2019)  
Ministry of Foreign and European Affairs
- ▲ **Mr Pierre FRISCH**  
Ministry of Finance
- ▲ **Mr André HANSEN**  
Ministry of the Economy
- ▲ **Mr Claude WIRION**  
Commissariat aux Assurances
- ▲ **Mr Carlo THELEN** (until January 2019)  
Private sector
- ▲ **Ms Violaine MATHURIN** (since February 2019)  
Private sector
- ▲ **Mr René WINKIN**  
Private sector
- ▲ **Mr Frank WAGENER** (until May 2019)  
Private sector
- ▲ **Mr David ARENDT** (since June 2019)  
Private sector



### COPEL

(Comité pour la promotion des exportations luxembourgeoises)

- ▲ **Mr André HANSEN**, Chairman  
Ministry of the Economy
- ▲ **Mr Max FISCHBACH**  
Ministry of the Economy
- ▲ **Mr Arsène JACOBY**  
Ministry of Finance
- ▲ **Mr Jean-Louis THILL** (until January 2019)  
Ministry of Foreign and European Affairs
- ▲ **Mr Michel LEESCH** (since February 2019)  
Ministry of Foreign and European Affairs

### Management

- ▲ **Ms Simone JOACHIM**  
CEO (since March 2020)
- ▲ **Ms Danielle WIRTZ**  
Deputy CEO (since March 2020)
- ▲ **Ms Anne-Cécile ACHTEN**  
Legal Counsel
- ▲ **Mr Charles-Emmanuel de RIBAUCCOURT**  
Credit Analyst
- ▲ **Mr Cristiano LEAL**  
Accountant
- ▲ **Ms Nadine MARQUES**  
Account Manager
- ▲ **Mr Nelson TEIXEIRA**  
Account Manager
- ▲ **Mr Sohrab ZIAI**  
Sales and Marketing Manager

### Auditor

- ▲ **Mazars Luxembourg S.A.**

## MISSION

### ONE-STOP SHOP FOR EXPORTERS

ODL, a public institution created in 1961, supports Luxembourg exporters in their international development through:

- financial support for exports
- insurance facilities for exports, imports, investments
- insurance facilities for banks that finance the Luxembourg companies

ODL promotes Luxembourg exports of goods and services by granting financial support either as partial reimbursement of the costs related to the promotion of exports and the participation in trade fairs, or as advances repayable under certain conditions.

As an insurer, ODL covers Luxembourg exporting companies against the risk of non-payment of their customers / suppliers due to insolvency, payment default or due to political events such as the risk of currency transfer, war, revolutions, natural disasters, risk of expropriation or government action.

ODL has recently developed insurance facilities for banks that grant credit lines to Luxembourg exporters and /or that issue bank guarantees in favor of the customers of the Luxembourg companies. ODL covers the banks against the risk of default of the Luxembourg company, which creates leverage by allowing the bank to increase the credit lines without taking any additional risk.

ODL offers innovative products enabling it to respond to the needs of Luxembourg exporters in general but also the specific needs of SMEs and start-ups or whenever the private insurance market fails.

All financial support and insurance facilities comply with national and international rules, regulations and laws.

CHAPTER II

# 2019 Activities

1. Credit Insurance
2. Financial Support for Exports





# 1. Credit Insurance

KEY FIGURES OF 2019



**505,528,016 €** | 411,060,687 €  
2018

▲ NEW TRANSACTIONS INSURED

**4,154,543 €** | 4,079,930 €  
2018

▲ WRITTEN PREMIUM

**4,159,366 €** | 4,310,829 €  
2018

▲ EARNED PREMIUM, NET OF REINSURANCE

**572,513,756 €** | 605,785,536 €  
2018

▲ TOTAL COMMITMENTS AS OF 31 DECEMBER

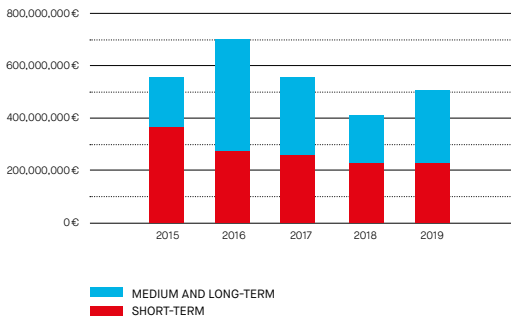
**8,494,944 €** | 5,750,794 €  
2018

▲ CLAIMS PAID

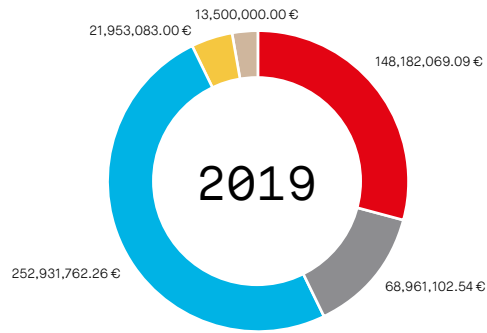
**6,525,230 €** | 3,644,784 €  
2018

▲ RECOVERIES FOR CLAIMS PAID

NEW TRANSACTIONS INSURED

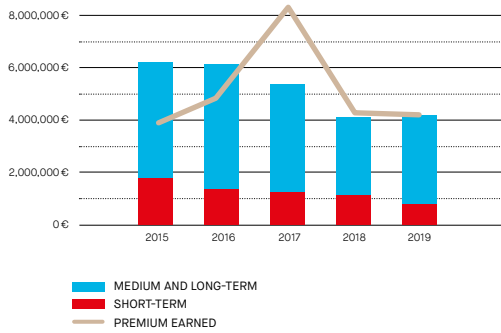


NEW TRANSACTIONS INSURED BREAKDOWN

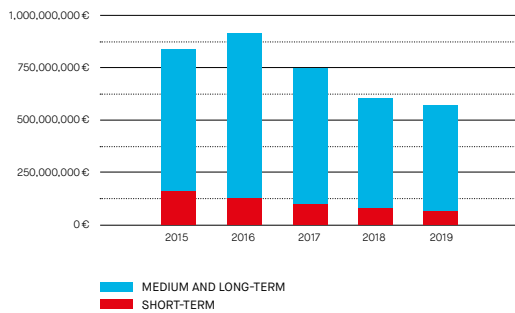


- SHORT-TERM BUSINESS FOR THE ACCOUNT OF ODL
- MEDIUM AND LONG-TERM BUSINESS
- SHORT-TERM BUSINESS FOR THE ACCOUNT OF THE STATE
- INSURANCE OF BANK GUARANTEES
- INSURANCE OF BANK LOANS

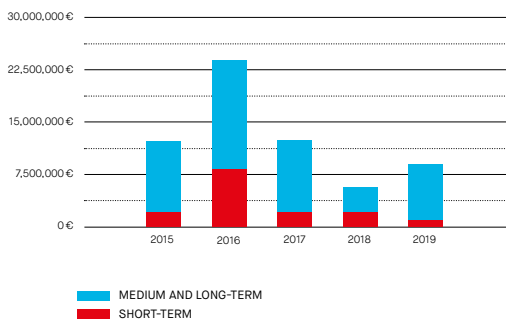
WRITTEN PREMIUM + EARNED PREMIUM



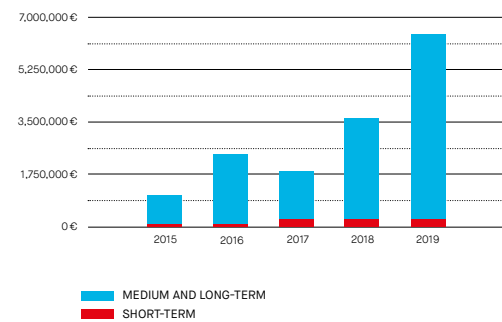
COMMITMENTS AS OF 31 DECEMBER



CLAIMS PAID



RECOVERIES FOR CLAIMS PAID



## 1.1 MEDIUM AND LONG-TERM BUSINESS

### Export contracts

ODL offers a complete range of products to insure **Luxembourg exporters and their banks** against the risk of non-payment of their export contracts due to insolvency/payment default of their customers or due to political events.

ODL covers exports of capital goods, industrial projects, general construction works and engineering services, with a completion period exceeding 12 months, that are either payable on a prorata basis according to deliveries made or the progress of work (**cash transactions**), or financed through credit over several years (**buyer credit / supplier credit**). For all repayment periods exceeding two years, the regulations of the OECD Arrangement on officially supported export credits (which sets rules regarding credit terms, interest rates, required down payment percentages and insurance premiums) apply.

In a supplier credit, the Luxembourg exporter grants extended payment terms to its foreign buyer. Usually the credit is materialized by bills of exchange /promissory notes drawn by the exporter and accepted by the buyer. The bill of exchange can be discounted by a bank, with or without recourse against the exporter.

In a buyer credit, the lending bank grants an export credit to the foreign buyer and the Luxembourg exporter can draw on

the credit and receives cash payment for the execution of the commercial contract.

At the request of the lending bank and in addition to the buyer credit cover, ODL may grant an on demand guarantee callable on first demand to the refinancing bank. In the internal relationship between ODL and the lending bank, the Terms and Conditions of Buyer Credit policy remain applicable.

In addition to this coverage of non-payment risk, ODL can cover the **cancellation (pre-shipment)** risk as well as the **unfair calling of bank guarantees** (bid bond, advance payment guarantee, performance guarantee) that are often requested by the buyer in an export contract.

### Prefinancing Contracts

ODL insures the importers and traders against the risk of non-reimbursement of their advance payment in case of non-delivery of the ordered goods by the supplier.

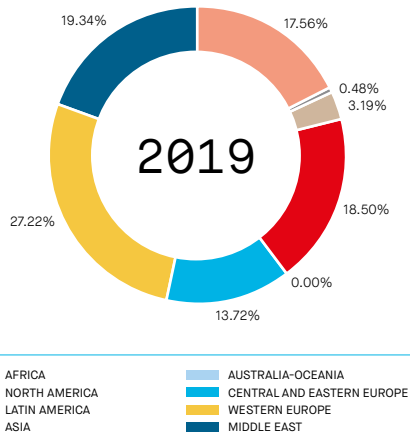
Contracts with risk periods exceeding two years are covered with the guarantee from the Luxembourg State.

Export contracts with debtors located in marketable risk countries with a maximum risk period of less than 2 years are covered without State guarantee.

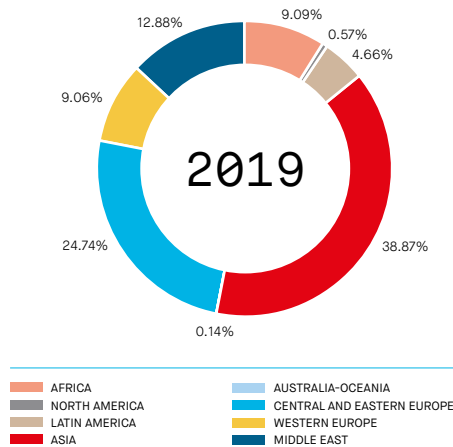
In 2019, no transaction was covered for the account of the State.

| (IN THOUSANDS OF EUR)                         | WITH STATE GUARANTEE |         | WITHOUT STATE GUARANTEE |        | FOR THE ACCOUNT OF THE STATE |      | TOTAL   |         |
|---|----------------------|---------|-------------------------|--------|------------------------------|------|---------|---------|
|   | 2019                 | 2018    | 2019                    | 2018   | 2019                         | 2018 | 2019    | 2018    |
| New transactions insured                      | 234,233              | 163,157 | 18,698                  | 15,684 | 0                            | 0    | 252,931 | 178,841 |
| Number of transactions insured                | 100                  | 115     | 6                       | 17     | 0                            | 0    | 106     | 132     |
| Written premium                               | 3,170                | 2,852   | 129                     | 136    | 0                            | 0    | 3,300   | 2,988   |
| Reinsurers' share                             |                      |         |                         |        |                              |      |         |         |
| New transactions insured                      | 2,238                | -11,879 | 0                       | 0      | 0                            | 0    | 2,238   | -11,879 |
| Written premium                               | 25                   | 329     | 0                       | 0      | 0                            | 0    | 25      | 329     |
| Commitments as of 31 December                 | 490,204              | 515,363 | 15,315                  | 7,561  | 0                            | 0    | 505,519 | 522,924 |
| Offers of cover outstanding as of 31 December | 71,882               | 41,266  | 0                       | 10,536 | 0                            | 0    | 71,882  | 51,802  |
| Claims paid                                   | 7,792                | 3,714   | 0                       | 0      | 0                            | 0    | 7,792   | 3,714   |
| Recoveries for claims paid                    | 6,331                | 3,440   | 0                       | 0      | 0                            | 0    | 6,331   | 3,440   |

**BREAKDOWN OF NEW MEDIUM AND LONG-TERM INSURED BUSINESS AS AT 31 DECEMBER 2019**



**BREAKDOWN OF MEDIUM AND LONG-TERM EXPOSURE AS AT 31 DECEMBER 2019**



ODL covered new contracts for an amount of 253 million euros (2018: 179 million euros). Western Europe accounted for the greatest share of new cover granted (27.22% of total

cover), followed by the Middle East (19.34% of total cover) and Africa (17.56% of total cover).

**EXPOSURE FOR MEDIUM AND LONG-TERM COMMITMENTS AS AT 31 DECEMBER 2019 (IN MILLIONS OF EUR)**

| TOTAL  | PAYMENT DELAYS | 2020   | 2021  | 2022  | 2023  | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--------|----------------|--------|-------|-------|-------|------|------|------|------|------|------|------|
| 505.52 | 122.01         | 253.63 | 95.46 | 19.41 | 10.30 | 3.89 | 0.62 | 0.20 | 0.00 | 0.00 | 0.00 | 0.00 |

The commitments take into account the percentage of cover and include the principal and estimated interest.

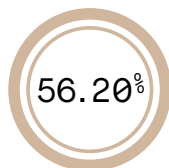
Due to the composition of the Luxembourg economy and the sector breakdown of its exporting companies, ODL is exposed to a high concentration of risk in certain countries.

The total medium and long-term exposure of ODL on 31 December 2019 decreased to 505 million euros. Asia and Central and Eastern Europe remain the areas with the highest commitments with respectively for 38.87% and 24.74%, while Western Europe only represents 9.06% of the total commitments.

The three countries listed below represent 56.20% of ODL’s overall medium and long-term exposure as of 31 December 2019.

In 2019, claims paid increased to 7.8 million euros (2018: 3.7 million euros).

India  
Russia  
Turkey



## 1.2 SHORT-TERM BUSINESS (CREDIT TERMS UP TO 12 MONTHS)

### Business for the account of ODL (with or without State guarantee)

ODL insures Luxembourg exporters against the risk of non-payment of their short-term receivables.

| (in thousands of EUR)         | WITH STATE GUARANTEE |         | WITHOUT STATE GUARANTEE |        | TOTAL   |         |
|-------------------------------|----------------------|---------|-------------------------|--------|---------|---------|
|                               | 2019                 | 2018    | 2019                    | 2018   | 2019    | 2018    |
| New transactions insured      | 103,893              | 185,864 | 44,289                  | 24,842 | 148,182 | 210,706 |
| Written premium               | 541                  | 897     | 74                      | 100    | 615     | 997     |
| Reinsurers' share             |                      |         |                         |        |         |         |
| Insured transactions          | 6,903                | 56,478  | 0                       | 10,724 | 6,903   | 67,202  |
| Written premium               | 58                   | 240     | 0                       | 29     | 58      | 269     |
| Commitments as of 31 December | 26,472               | 67,520  | 11,963                  | 8,676  | 38,435  | 76,196  |
| Claims paid                   | 361                  | 1,441   | 215                     | 0      | 576     | 1,441   |
| Indemnities recovered         | 195                  | 191     | 0                       | 14     | 195     | 205     |

ODL covers exports to high-risk countries (non-marketable risks countries) with the guarantee of the Luxembourg State.<sup>1</sup> In case of failure of the private insurance market, ODL may cover exports to EU countries and core countries of the OECD (marketable risks). This business is covered without the guarantee of the Luxembourg State.

In its role as a one-stop shop for exporters, ODL acts as co-insurer of Euler Hermes in whole turnover policies covering buyers located worldwide.

In 2019, the insured turnover, the written premium and the claims paid decreased.

### Business for the account of the State: Individual Top Up

In 2019, ODL continued to manage the Individual Top Up policy for the account of the State. This program was launched by the Government during the financial crisis. It provides additional protection where full cover is not available under the exporter's primary policy due to the risk profile of the buyer or the country risk.

The Individual Top Up has enabled Luxembourg exporters to continue trading with their customers at higher risk levels, helping them to grow their business safely and securely knowing that the increased risks are covered.

|   | 2019         | 2018        |
|---|--------------|-------------|
| Number of companies having used the Top Up coverage | 6            | 3           |
| New transactions insured                            | 68,961,102 € | 6,945,913 € |
| Commitments as of 31 December                       | 22,072,864 € | 3,321,117 € |
| Written premium                                     | 143,026 €    | 56,805 €    |
| Claims paid   | 125,541 €    | 595,601 €   |

The exemption for short-term business to Greece has ended on 31 December 2019.

<sup>1</sup> Communication of the Commission applying to short-term export credit insurance (OJ C392)

### 1.3 INSURANCE OF BANK GUARANTEES

In January 2015, ODL launched an insurance for bank guarantees (e.g. performance bonds, advance payment bonds) issued in favor of the clients of national exporters.

This insurance protects the issuing bank against the risk of default of the exporters and by doing so facilitates financing of international transactions by creating leverage for exporters that need credit lines from banks.

ODL generally covers 50% of the amount of the guarantee. The percentage of cover can be increased up to 80% in special cases.

The premium charged by ODL is based on the risk fee charged by the bank to the Luxembourg exporter on the percentage of risk taken by ODL.

|                               | 2019         | 2018         |
|-------------------------------|--------------|--------------|
| New transactions insured      | 21,953,083 € | 14,566,894 € |
| Commitments as of 31 December | 1,236,771 €  | 3,344,368 €  |
| Written premium               | 61,294 €     | 37,628 €     |
| Claims paid                   | 0 €          | 0 €          |

### 1.4 INSURANCE OF BANK LOANS

To complete its offer for banks, ODL introduced in 2019 a new product called Insurance of bank loans. Insurance of bank loans enables banks to reduce their risk by covering part of the loans extended to support their clients' exposure to the risk of non-repayment. This protection will allow banks to grant higher credit lines to Luxembourg companies aiming to expand their business beyond our borders.

Similarly to the insurance of bank guarantees, ODL covers 50% of the amount of the bank loan and the premium charged by ODL is based on the interest rate charged by the bank to the Luxembourg exporter on the percentage of risk taken by ODL.

|                               | 2019         | 2018 |
|-------------------------------|--------------|------|
| New transactions insured      | 13,500,000 € | 0 €  |
| Commitments as of 31 December | 5,250,000 €  | 0 €  |
| Written premium               | 35,062 €     | 0 €  |
| Claims paid                   | 0 €          | 0 €  |

## 2. Financial support for Exports

KEY FIGURES OF 2019

1,807,799 €

▲ AMOUNT PAID

929,791 €

▲ TOTAL COMMITMENTS AS OF 31 DECEMBER



RECEIVED



DECLINED



REQUESTING A FINANCIAL SUPPORT



SUPPORTED

▲ NUMBER OF APPLICATIONS

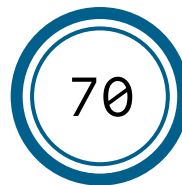
▲ NUMBER OF COMPANIES



REQUESTING A FINANCIAL SUPPORT FOR THE 1<sup>ST</sup> TIME



SUPPORTED FOR THE 1<sup>ST</sup> TIME



REQUESTING A FINANCIAL SUPPORT

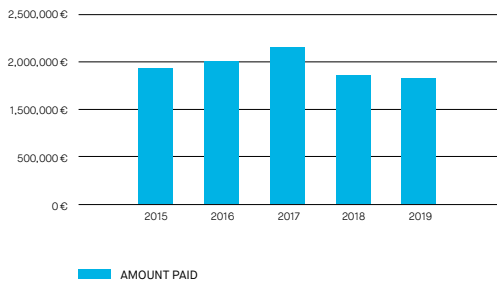


SUPPORTED

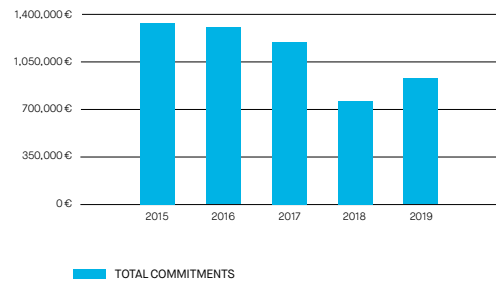
▲ NUMBER OF COMPANIES

▲ NUMBER OF YOUNG AND MICROCOMPANIES

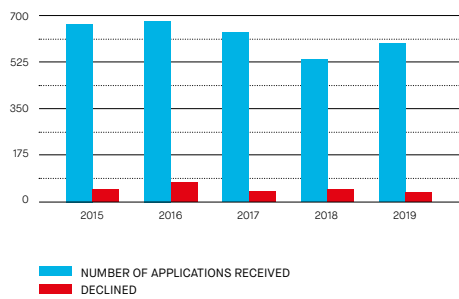
AMOUNT PAID



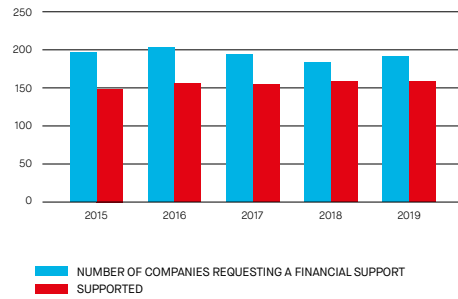
TOTAL COMMITMENTS AS OF 31 DECEMBER



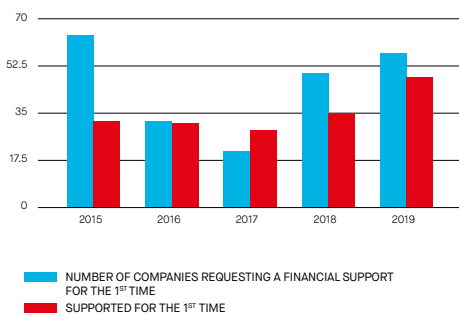
NUMBER OF APPLICATIONS RECEIVED



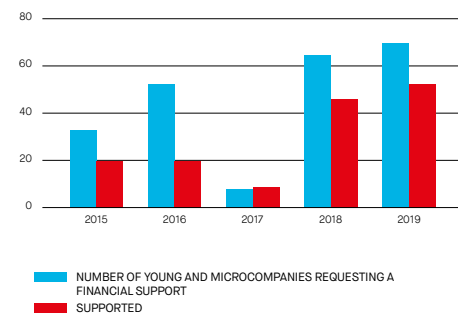
NUMBER OF COMPANIES



NUMBER OF COMPANIES (1<sup>ST</sup> TIME)



NUMBER OF YOUNG AND MICRO-COMPANIES





Based on the law of 24 July 1995 governing ODL, a Cooperation Agreement between the Government and ODL was signed on April 29, 2002.

The Cooperation Agreement aims to promote Luxembourg exports through:

- financial support for the design and translation of promotional material, for the participation at trade fairs, seminars and conferences, as well as for consultancy services and export training.
- tied aid mechanisms like interest make-up schemes, direct grants or technical assistance.

Official support for export activities is subject to the following conditions:

- interest to the Luxembourg economy
- financial viability of the applicant
- compliance with Luxembourg legislation, EU competition rules (Commission Regulation (EC) No. 1407/2013 of 18 December 2013 on the application of articles 107 and 108 of the EC Treaty to the Minimis aid (publication in the official Journal of the European Union, JO L352 from 24 December 2013) and the OECD Arrangement on officially supported export credits.

The Cooperation Agreement has created the COPEL (Committee for the Promotion of Luxembourg Exports) as a sub-committee of the Committee of ODL.

The COPEL is composed of civil servants of the Ministry of Economy, the Ministry of Finance and the Ministry of Foreign and European Affairs. The COPEL meets once a month to analyse the application for aid and to propose decisions to the Committee of ODL. Official support in excess of 500,000 € is subject to the approval of the Government.

CHAPTER III

# Financial Statements

1. Credit Insurance
2. Financial Support for Exports
3. Auditor's Report





# 1. Credit Insurance

## BALANCE SHEET FOR THE ACCOUNT WITH STATE GUARANTEE

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|   | NOTE* | 31.12.2019            | 31.12.2018            |
|---|-------|-----------------------|-----------------------|
| <b>ASSETS</b>   |       |                       |                       |
| <b>C. Investments</b>   |       |                       |                       |
| III. Other Financial investments  |       |                       |                       |
| 1. Shares and other variable-yield transferable securities and units in unit trusts             | 3.1.2 | 9,904,393.37          | 10,558,999.02         |
| 2. Debt securities and other fixed income transferable securities                               | 3.1.3 | 93,547,654.69         | 98,093,963.79         |
| 6. Deposits with credit institutions  |       | 19,222,873.77         | 14,594,488.36         |
|   |       | <b>122,674,921.83</b> | <b>123,247,451.17</b> |
| <b>D. bis Subrogation and salvage</b>   | 3.8   | <b>19,734,886.92</b>  | <b>19,734,886.92</b>  |
| <b>E. Reinsurers' share of technical provisions</b>   |       |                       |                       |
| I. Provision for unearned premiums  |       | 1,948,850.71          | 3,279,078.40          |
| III. Provision for claims outstanding   |       | 81,151,491.91         | 81,850,774.19         |
|   |       | <b>83,100,342.62</b>  | <b>85,129,852.59</b>  |
| <b>F. Debtors</b>   |       |                       |                       |
| I. Debtors from direct insurance transactions   |       | 1,344,985.09          | 589,528.38            |
| II. Debtors from reinsurance transactions   |       | 235,066.09            | 422,543.43            |
| III. Other Debtors  |       | 0.00                  | 252,929.44            |
|   |       | <b>1,580,051.18</b>   | <b>1,265,001.25</b>   |
| <b>G. Other assets</b>  |       |                       |                       |
| I. Tangible assets and stocks   | 3.2   | 5,264.13              | 13,775.49             |
| II. Cash at bank and in hand  |       | 22,979,147.18         | 21,808,310.84         |
|   |       | <b>22,984,411.31</b>  | <b>21,822,086.33</b>  |
| <b>H. Prepayment and accrued income</b>   |       |                       |                       |
| I. Accrued interest and rent  |       | 368,614.01            | 409,374.84            |
| III. Other prepayment and accrued income  |       | 796,936.61            | 614,793.98            |
|   |       | <b>1,165,550.62</b>   | <b>1,024,168.82</b>   |
| <b>TOTAL ASSETS</b>   |       | <b>251,240,164.48</b> | <b>252,223,447.08</b> |
| Off-balance sheet commitments for the account with State guarantee                              | 2.14  | 850,000.00            | 0.00                  |
| Total maximum coverage underwritten (gross of reinsurance) for the account with state guarantee |       | 523,163,307.43        | 586,227,606.05        |

\* The accompanying notes form an integral part of these financial statements

|  | NOTE | 31.12.2019            | 31.12.2018            |
|--|------|-----------------------|-----------------------|
| <b>EQUITY AND LIABILITIES</b>                              |      |                       |                       |
| <b>A. Capital and reserves</b>                             |      |                       |                       |
| I. Subscribed capital or equivalent funds                  | 3.3  | 44,525,000.00         | 44,525,000.00         |
| IV. Reserves   | 3.3  | 31,728,068.75         | 33,884,940.85         |
| VI. Profit or (loss) for the financial year                | 3.3  | 899,229.13            | (2,156,872.10)        |
|  |      | <b>77,152,297.88</b>  | <b>76,253,068.75</b>  |
| <b>D bis. Reinsurers' share of subrogation and salvage</b> |      |                       |                       |
|  |      | <b>14,339,042.59</b>  | <b>14,339,042.59</b>  |
| <b>C. Technical provisions</b>                             |      |                       |                       |
| I. Provision for unearned premiums                         |      | 5,510,658.53          | 6,920,999.28          |
| III. Provision for claims outstanding                      |      | 121,983,198.65        | 124,857,678.22        |
| <b>V. Equalisation provision</b>                           |      |                       |                       |
| 2. Equalisation provision                                  |      | 30,137,085.09         | 28,279,875.43         |
|  |      | <b>157,630,942.27</b> | <b>160,058,552.93</b> |
| <b>E. Provisions for risk and liabilities</b>              |      |                       |                       |
| III. Provision for recovery fees                           |      | <b>411,410.54</b>     | <b>0.00</b>           |
| <b>G. Creditors</b>  |      |                       |                       |
|  | 2.8  |                       |                       |
| I. Creditors arising from direct insurance transactions    |      | 3,547.39              | 73,525.07             |
| II. Creditors from reinsurance transactions                |      | 256,818.19            | 172,509.81            |
| <b>V. Other creditors</b>                                  |      |                       |                       |
| 2. Other   |      | 66,615.44             | 3,678.38              |
|  |      | <b>326,981.02</b>     | <b>249,713.26</b>     |
| <b>H. Accruals and deferred income</b>                     |      |                       |                       |
| I. Other accruals  |      | 1,379,490.18          | 1,323,069.55          |
|  |      | <b>1,379,490.18</b>   | <b>1,323,069.55</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |      | <b>251,240,164.48</b> | <b>252,223,447.08</b> |

\* The accompanying notes form an integral part of these financial statements

## PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT WITH STATE GUARANTEE

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|  | NOTE* | 31.12.2019            | 31.12.2018             |
|--|-------|-----------------------|------------------------|
| <b>I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS</b>                   |       |                       |                        |
| <b>1. Earned premiums, net of reinsurance</b>                                |       |                       |                        |
| a) Gross written premiums  | 3.4   | 3,807,768.69          | 3,786,544.78           |
| b) Outward reinsurance premiums  |       | (74,136.18)           | (557,913.29)           |
| c) Change in gross provision for unearned premiums                           |       | 1,410,340.75          | 3,089,482.40           |
| d) Change in the provision for unearned premiums, reinsurers' share          |       | (1,330,227.69)        | (2,260,853.10)         |
|  |       | <b>3,813,745.57</b>   | <b>4,057,260.79</b>    |
| 2. Allocated investment return transferred from the non-technical account    |       | 448,258.09            | 336,108.92             |
| 3. Other technical income, net of reinsurance                                |       | 3,301,377.62          | 284,200.41             |
| <b>4. Claims incurred, net of reinsurance</b>                                |       |                       |                        |
| a) Claims paid   |       | (5,301,310.02)        | (2,805,144.39)         |
| aa) Gross amount   |       | (8,153,944.27)        | (5,155,192.93)         |
| ab) Reinsurers' share  |       | 2,852,634.25          | 2,350,048.54           |
| b) Change in the provision for claims  |       | 2,175,197.29          | (10,654,935.70)        |
| ba) Gross amount   |       | 2,874,479.57          | (17,698,027.73)        |
| bb) Reinsurers' share  |       | (699,282.28)          | 7,043,092.03           |
|  | 3.4   | <b>(3,126,112.73)</b> | <b>(13,460,080.09)</b> |
| 6. Bonuses and rebates, net of reinsurance                                   |       | (100,486.08)          | (119,669.79)           |
| <b>7. Net operating expenses</b>   |       |                       |                        |
| a) Acquisition costs   |       | (20,792.78)           | (25,589.77)            |
| c) Administrative expenses   | 3.5   | (2,020,235.85)        | (952,465.98)           |
| d) Reinsurance commissions and profit participation                          |       | 31,106.34             | 38,440.90              |
|  |       | <b>(2,009,922.29)</b> | <b>(939,614.85)</b>    |
| 9. Change in equalisation provision  |       | (1,857,209.66)        | 7,297,318.73           |
| 10. Balance on the technical account for non-life insurance Business         |       | 469,650.52            | (2,544,475.88)         |
| <b>III. NON-TECHNICAL ACCOUNT</b>  |       |                       |                        |
| 1. Balance on the technical account for non-life insurance Business          |       | 469,650.52            | (2,544,475.88)         |
| 3. Investment income   | 3.6   | 895,712.12            | 1,004,276.75           |
| 5. Investment charges  | 3.7   | (148,615.30)          | (463,377.87)           |
| 6. Allocated investment return transferred to the non-life technical account |       | (448,258.09)          | (336,108.92)           |
| 7. Other income  |       | 131,627.83            | 191,073.46             |
| 8. Other charges, including value adjustments                                |       | (887.95)              | (8,259.64)             |
| 10. Profit or (loss) on ordinary activities after tax                        |       | 899,229.13            | (2,156,872.10)         |
| 17. Profit or (loss) for the financial year                                  |       | 899,229.13            | (2,156,872.10)         |

\* The accompanying notes form an integral part of these financial statements



## BALANCE SHEET FOR THE ACCOUNT WITHOUT STATE GUARANTEE

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|  | NOTE* | 31.12.2019           | 31.12.2018           |
|--|-------|----------------------|----------------------|
| <b>ASSETS</b>  |       |                      |                      |
| <b>C. Investments</b>  |       |                      |                      |
| III. Other Financial investments   |       |                      |                      |
| 6. Deposits with credit institutions   |       | 12,864,855.40        | 13,004,613.31        |
|  |       | <b>12,864,855.40</b> | <b>13,004,613.31</b> |
| <b>E. Reinsurers' share of technical provisions</b>  |       |                      |                      |
| I. Provision for unearned premiums   |       | 0.00                 | 2,199.77             |
| III. Provision for claims outstanding  |       | 0.00                 | 0.00                 |
|  |       | <b>0.00</b>          | <b>2,199.77</b>      |
| <b>H. Prepayment and accrued income</b>  |       |                      |                      |
| III. Other prepayment and accrued income   |       | 16,362.88            | 35,061.50            |
|  |       | <b>16,362.88</b>     | <b>35,061.50</b>     |
| <b>TOTAL ASSETS</b>  |       | <b>12,881,218.28</b> | <b>13,041,874.58</b> |
| Off balance-sheet commitments for the account without State guarantee                              |       | 0.00                 | 0.00                 |
| Total Maximum Coverage underwritten (gross of reinsurance) for the account without State guarantee |       | 27,277,585.26        | 16,236,812.37        |

\* The accompanying notes form an integral part of these financial statements



|  | NOTE* | 31.12.2019           | 31.12.2018           |
|--|-------|----------------------|----------------------|
| <b>EQUITY AND LIABILITIES</b>                    |       |                      |                      |
| <b>A. Capital and reserves</b>                   |       |                      |                      |
| I. Subscribed capital                            | 4.1   | 3,000,000.00         | 3,000,000.00         |
| IV. Reserves                                     | 4.1   | 8,825,753.16         | 8,507,122.38         |
| VI. Profit or (loss) for the financial year      | 4.1   | 41,550.57            | 318,630.78           |
|  |       | <b>11,867,303.73</b> | <b>11,825,753.16</b> |
| <b>C. Technical provisions</b>                   |       |                      |                      |
| I. Provision for unearned premiums               |       | 34,789.08            | 29,827.66            |
| III. Provision for claims outstanding            |       | 0.00                 | 148,325.07           |
| <b>V. Equalisation provision</b>                 |       |                      |                      |
| 1. Balancing reserve                             |       | 919,104.11           | 835,818.23           |
|  |       | <b>953,893.19</b>    | <b>1,013,970.96</b>  |
| <b>E. Provisions for other risks and charges</b> |       |                      |                      |
| 2. Provision for taxation                        | 4.2   | 15,473.90            | 159,968.55           |
|  |       | <b>15,473.90</b>     | <b>159,968.55</b>    |
| <b>H. Accruals and deferred income</b>           |       |                      |                      |
| 1. Other accruals                                |       | 44,547.46            | 42,181.91            |
| <b>TOTAL EQUITY AND LIABILITIES</b>              |       | <b>12,881,218.28</b> | <b>13,041,874.58</b> |

\* The accompanying notes form an integral part of these financial statements

## PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT WITHOUT STATE GUARANTEE

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|  | NOTE* | 31.12.2019         | 31.12.2018          |
|--|-------|--------------------|---------------------|
| <b>I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS</b>                   |       |                    |                     |
| <b>1. Earned premiums, net of reinsurance</b>                                |       |                    |                     |
| a) Gross written premiums  | 4.3   | 203,748.93         | 236,580.60          |
| b) Outward reinsurance premiums  |       | 0.00               | (28,993.58)         |
| c) Change in gross provision for unearned premiums                           |       | (4,961.42)         | (190.33)            |
| d) Change in the provision for unearned premiums, reinsurers' share          |       | (2,199.77)         | (3,221.25)          |
|  |       | <b>196,587.74</b>  | <b>204,175.44</b>   |
| 2. Allocated investment return transferred from the non-technical account    |       | 40,183.65          | 29,487.16           |
| 3. Other technical income, net of reinsurance                                |       | 0.00               | 6,801.45            |
| <b>4. Claims incurred, net of reinsurance</b>                                |       |                    |                     |
| a) Claims paid   |       | 0.00               | 0.00                |
| aa) Gross amount   |       | (215,459.31)       | 0.00                |
| bb) Reinsurers' share  |       | 0.00               | 0.00                |
| b) Change in the provision for claims  |       |                    |                     |
| aa) Gross amount   |       | 148,325.07         | (139,439.47)        |
| bb) Reinsurers' share  |       | 0.00               | (4,442.80)          |
|  | 4.3   | <b>(67,134.24)</b> | <b>(143,882.27)</b> |
| 6. Bonuses and rebates, net of reinsurance                                   |       | (8,975.55)         | (17,216.76)         |
| <b>7. Net operating expenses</b>   |       |                    |                     |
| a) Acquisition costs   |       | 0.00               | 0.00                |
| c) Administrative expenses   | 4.4   | (64,473.63)        | (56,237.01)         |
| d) Reinsurance commissions and profit participation                          |       | 1,465.32           | (256.29)            |
|  |       | <b>(63,008.31)</b> | <b>(56,493.30)</b>  |
| 9. Change in equalisation provision  |       | (83,285.88)        | 395,922.67          |
| 10. Balance on the technical account for non-life insurance Business         |       | 14,367.41          | 418,794.39          |
| <b>III. NON-TECHNICAL ACCOUNT</b>  |       |                    |                     |
| 1. Balance on the technical account for non-life insurance Business          |       | 14,367.41          | 418,794.39          |
| 3. Investment income   | 4.5   | 66,972.75          | 59,178.73           |
| 6. Allocated investment return transferred to the non-life technical account |       | (40,183.65)        | (29,487.16)         |
| 9. Tax on profit or (loss) on ordinary activities                            |       | 394.06             | (129,855.18)        |
| 10. Profit or (loss) on ordinary activities after tax                        |       | 41,550.57          | 318,630.78          |
| 17. Profit or (loss) for the financial year                                  |       | 41,550.57          | 318,630.78          |

\* The accompanying notes form an integral part of these financial statements



## BALANCE SHEET FOR THE ACCOUNT OF THE STATE

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|   | NOTE | 31.12.2019           | 31.12.2018           |
|---|------|----------------------|----------------------|
| <b>ASSETS</b>   |      |                      |                      |
| <b>C. Investments</b>   |      |                      |                      |
| III. Other Financial investments  |      |                      |                      |
| 6. Deposits with credit institutions  |      | 10,922,309.41        | 10,909,663.01        |
|   |      | <b>10,922,309.41</b> | <b>10,909,663.01</b> |
| <b>TOTAL ASSETS</b>   |      | <b>10,922,309.41</b> | <b>10,909,663.01</b> |
| Off-balance sheet commitments for the account of the State                              |      | 0.00                 | 0.00                 |
| Total Maximum Coverage underwritten (gross of reinsurance) for the account of the State |      | <b>22,072,864.06</b> | <b>3,321,117.83</b>  |

|   | NOTE | 31.12.2019           | 31.12.2018           |
|---|------|----------------------|----------------------|
| <b>EQUITY AND LIABILITIES</b>               |      |                      |                      |
| <b>A. Capital and reserves</b>              |      |                      |                      |
| I. Subscribed capital                       | 5.1  | 6,777,396.57         | 6,777,396.57         |
| IV. Reserves                                | 5.1  | 4,123,815.19         | 4,750,306.06         |
| VI. Profit or (loss) for the financial year | 5.1  | (3,735.20)           | (626,490.87)         |
|   |      | <b>10,897,476.56</b> | <b>10,901,211.76</b> |
| <b>C. Underwriting reserves</b>             |      |                      |                      |
| I. Provision for unearned premiums          |      | 2,444.00             | 8,451.25             |
| III. Provision for claims outstanding       |      | 22,388.85            | 0.00                 |
|   |      | <b>24,832.85</b>     | <b>8,451.25</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | <b>10,922,309.41</b> | <b>10,909,663.01</b> |

\* The accompanying notes form an integral part of these financial statements

## PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT OF THE STATE

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|   | NOTE | 31.12.2019         | 31.12.2018          |
|---|------|--------------------|---------------------|
| <b>I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS</b>                          |      |                    |                     |
| <b>1. Earned premiums, net of reinsurance</b>                                       |      |                    |                     |
| a) Gross written premiums   | 5.2  | 143,026.16         | 56,805.36           |
| c) Change in gross provision for unearned premiums                                  |      | 6,007.25           | (7,412.24)          |
|   |      | <b>149,033.41</b>  | <b>49,393.12</b>    |
| <b>2. Allocated investment return transferred from the non-technical account</b>    |      |                    |                     |
|   |      | 33,710.35          | 27,182.27           |
| <b>4. Claims incurred, net of reinsurance</b>                                       |      |                    |                     |
| <b>a) Claims paid</b>   |      |                    |                     |
| aa) Gross amount  |      | (125,541.28)       | (595,601.85)        |
| <b>b) Change in the provision for claims</b>  |      |                    |                     |
| aa) Gross amount  |      | (22,388.85)        | 257,450.93          |
|   |      | (147,930.13)       | (338,150.92)        |
| <b>7. Net operating expenses</b>  |      |                    |                     |
| c) Administrative expenses  | 5.3  | (61,022.39)        | (392,286.04)        |
|   |      | <b>(61,022.39)</b> | <b>(392,286.04)</b> |
| <b>10. Balance on the technical account for non-life insurance Business</b>         |      |                    |                     |
|   |      | (26,208.76)        | (653,861.57)        |
| <b>III. NON-TECHNICAL ACCOUNT</b>   |      |                    |                     |
| <b>1. Balance on the technical account for non-life insurance Business</b>          |      |                    |                     |
|   |      | (26,208.76)        | (653,861.57)        |
| <b>3. Investment income</b>   |      |                    |                     |
|   | 5.4  | 56,183.91          | 54,552.97           |
| <b>6. Allocated investment return transferred to the non-life technical account</b> |      |                    |                     |
|   |      | (33,710.35)        | (27,182.27)         |
| <b>10. Profit or (loss) on ordinary activities after tax</b>                        |      |                    |                     |
|   |      | (3,735.20)         | (626,490.87)        |
| <b>17. Profit or (loss) for the financial year</b>                                  |      |                    |                     |
|   |      | (3,735.20)         | (626,490.87)        |

\* The accompanying notes form an integral part of these financial statements

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019 (EXPRESSED IN EUR)

### Note 1 – General Information

#### 1.1 Establishment of the Office du Ducroire

The Office du Ducroire (hereinafter "ODL") was established under article 1 of the modified law of 25 November 1961.

ODL is a public institution and operates under the authority of the Ministry of Finance.

The financial year of ODL begins on January 1<sup>st</sup> and ends on December 31<sup>st</sup>.

According to article 17 of the Law of 24 July 1995 ODL presents separate annual financial statements for each account and type of activity referred to below.

#### 1.2 Mission of the ODL

The ODL's mission is to promote international economic and financial relations in the interest of Luxembourg, mainly by the acceptance of export, import and foreign investment risks. ("Insurance activity")

ODL may:

1. issue any guarantees to reduce risks, in particular political, commercial and financial risks, incurred by companies in carrying out their activities;
2. issue any guarantees to reduce risks linked to foreign investments. These investments must contribute to the development of the economic and social situation of the host country and to its economic relations with Luxembourg;
3. issue any guarantees to reduce foreign exchange risks, within the limits to be stipulated by Grand-Ducal Regulation;
4. exercise, in Luxembourg and abroad, related supplementary activities that will facilitate the realization of its mission;
5. accomplish any other tasks entrusted to it by laws or regulations or assigned by the Government in Council. These missions may be set forth in agreements to be entered into by the Government and ODL and to be approved by the latter's Committee.

It is in this capacity that ODL concluded in 2002 a Cooperation Agreement with the Government to promote exports of goods and services through financial support by:

- intervening in export credit transactions, subsidizing or stabilizing the interest rates of trade credits;
- granting a subsidy resulting in an increased discount of the interest rate applied to a trade credit. A negative interest rate may be envisaged. The subsidy consists in the difference between the subsidized rate and the financing costs, plus the bank commission;
- financing, under associated financing scheme, in whole or part, the concessional component (grant), linked in fact or in law to the non-concessional component (trade credit) of the transaction;
- contributing to the financing of a technical assistance scheme provided within the scope of export credit for local purchasers of goods or services of Luxembourg origin;
- providing partial reimbursement of expenses incurred in the promotion of products of Luxembourg origin abroad or employee training.

For the "Financial support for exports activity", a subcommittee COPEL (Comité pour la promotion des exportations luxembourgeoises) has been created, who assess the applications and proposes decisions to the Committee of ODL.

Separate financial statements are presented for this activity.

ODL performs the "Insurance activity":

- for the account of the State in the event that the transactions provided for under 1) and 2) above entail risks, the seriousness and duration of which exceed its technical capabilities, but whose realization is considered warranted by the Government sitting in Council or in the accomplishment of the missions entrusted to ODL by Laws or Regulations described above;

- on its own account and without a State guarantee for transactions which, by virtue of their nature, duration and intensity of the risk attached to them, are habitually guaranteed by companies acting not on behalf of the State or with a State guarantee;
- on its own account, and with a State guarantee under all other circumstances.

## Note 2 – Summary of significant accounting policies

The Committee of ODL is responsible for the establishment of the financial statements. They have been prepared in accordance with the statutory models applicable to insurance companies under the Law of 08 December 1994 relating to the annual and consolidated financial statements of insurance and reinsurance companies subject to Luxembourg law. ODL respects, in terms of the establishment of technical provisions, the prudential rules of the law of 7 December 2015 on the insurance sector.

In preparing the financial statements, the Committee is required to use certain critical accounting estimates and judgements that might affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated by the Committee and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Committee believes that the underlying assumptions are appropriate and that the financial statements therefore present the financial position and results fairly.

The financial statements are presented in euros (EUR). Assets and liabilities expressed in currencies other than euros are converted into euros at the exchange rate in force at the closing date. Foreign currency transactions executed during the financial year are converted to euros at the exchange rate prevailing at the date of transactions.

Operating income and expenses are allocated to the financial year following the principle of the accruals.

This means that:

- the share of written premiums that cover commitments after the closing date will not be recognised in the income for the financial year; only the “earned premiums” corresponding to the pro rata temporis share of premiums is recognised in the current financial year;
- claims are recognised in the profit and loss account as soon as an indicator, such as a payment default is notified by an insured.

### 2.1. Investments

#### 2.1.1 Investments in affiliated undertakings and participating interests

Investments in affiliated undertakings and participating interests held as Investments are valued at acquisition cost including the expenses incidental thereto. In case of durable depreciation in value, value adjustments are made in respect of investments, so that they are valued at the lower figure to be attributed to them at the closing date. These value adjustments are not maintained if the reason for which the value adjustments were made has ceased to apply.

#### 2.1.2 Shares and other variable-yield transferable securities and units in unit trusts

Shares are valued at acquisition cost including the expenses incidental thereto. In the case of durable depreciation in value according to the opinion of the Committee, value adjustments are made in respect of financial assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. Market value corresponds to the last available quote on the valuation day for shares listed on a stock exchange or quoted in on another regulated market.

### 2.1.3 Debt securities and other fixed income transferable securities

Debt securities and other fixed income securities are carried at amortised cost. Premiums paid over the redemption value (Agio) and discounts received in consideration of the redemption value (Disagio) are apportioned to the profit and loss account over the period to maturity. In the case of durable depreciation in value according to the opinion of the Committee, value adjustments are made in respect of financial assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Market value corresponds to the last available quote on the valuation day for securities listed on a stock exchange or quoted on another regulated market.

Securities for which the principal is guaranteed by the BCEE are valued at the acquisition cost, increased by the interest accrued. A value adjustment is made in case of durable loss at closing date. These value adjustments are not maintained if the reason for which these value adjustments were made has ceased to apply.

### 2.2 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions comprises the actual or estimated amounts which, under contractual reinsurance agreements, are the responsibility of the reinsurer.

### 2.3 Debtors

Debtors are recorded at nominal value. They might be subject to value adjustments in case of probable loss.

### 2.4 Other assets

Tangible assets and stocks are valued at acquisition cost and are subject to the straight-line depreciation method. The normal anticipated useful life of fixed assets is five years.

Cash at bank and in hand are presented at nominal value.

### 2.5 Prepayment and accrued income

The accrued interest and rent entitlement include items that represent interest and rent that have been earned up to the closing date but are not yet due.

The other prepayment and accrued income include other charges recorded during the year but relating to a subsequent financial year together with incomes relating to the financial year but only payable after the end of the latter.

### 2.6 Technical provisions

#### 2.6.1 Provision for unearned premiums

The provision for unearned premiums corresponds to the pro rata temporis share of the gross written premiums to be allocated to the periods following the closing date.

#### 2.6.2 Provision for outstanding claims

The provision for outstanding claims represents a conservative estimate of ODL's liability for indemnities to be paid to the policyholders. The provision is calculated based on the risk category and the default period.

1) for each delay in payment reported and 2) for each instalment not yet due, but for which any previous instalment was missed.

#### 2.6.3 Equalization provision

In accordance with the law of 7 December 2015 and the Grand-Ducal Regulation of 5 December 2007, ODL establishes, in addition the provision for claims outstanding, an equalization provision which intends to cover exceptional and significant claims.

The equalization provision is determined separately for each risk category. Individual coefficients, determined by the ODL's Committee, are applied to the commitments as of 31 December 2019 to calculate the provision.

There is nevertheless a general ceiling for the equalization provision which cannot exceed 60% of the investment return transferred from the non-technical account to the technical account plus 75% of the technical balance before allocation to equalization provision and transfer of investment return.



**2.7 Provision for other risks and charges**

The provision for other risks and charges includes the tax charge for the financial year for activities without the guarantee of the State.

**2.8 Creditors**

Creditors are recorded at the nominal value and are due during the next financial year.

**2.9 Accruals and deferred income**

Accruals and deferred income corresponds to income received during the financial year but relating to a subsequent financial year, as well as the charges incurred during the financial year but only payable in a subsequent financial year.

**2.10 Earned premiums, net of reinsurance**

Gross written premiums represent the total amount of premiums invoiced during the financial year, regardless of whether these amounts relate wholly or partly to a subsequent year. The earned premiums corresponds to the pro rata temporis share of the premiums that are allocated to the current financial year. At closing date, a provision for unearned premium is recorded.

The reinsurers' share of premiums includes all premiums paid or payable in accordance to reinsurance contracts concluded by ODL.

**2.11 Other technical income, net of reinsurance**

This item includes net recoveries on claims paid, net of reinsurance, in direct insurance and reinsurance, and the subrogation and salvage. These positions are evaluated at nominal value.

**2.12 Claims incurred, net of reinsurance**

Claims incurred net of reinsurance include claims paid during the financial year, the change in the provision for outstanding claims.

**2.13 Net operating expenses**

Acquisition costs corresponds to the commissions paid for brokerage and fronting.

Administrative expenses include the costs of premium collection, portfolio administration, management of bonuses and refunds, for inward and outward businesses. They also include staff costs and depreciation of furniture and equipment, except when they are included in the acquisition costs, claims incurred or investment charges.

**2.14 Off balance sheet commitments**

In the shareholder agreement signed in May 2009 between Northstar Trade Finance, SNCI, ODL and Northstar Europe S.A. (hereafter NEUR), ODL, as a non-funding shareholder, has provided to the funding shareholders a guarantee in the form of a participation in the transactions funded by NEUR (hereafter NEUR commitments). In the event NEUR is not able to assume itself the NEUR commitments without getting into financial difficulties having a serious effect on its net assets, the guarantee can be called in total or part by the Board of Directors of NEUR. The participation of ODL in NEUR commitments is limited to 850.000 EUR. At the closing date, no request of payment under the guarantee has been addressed to ODL.

### Note 3 – Analysis of the most important items related to the account with State guarantee

#### 3.1 Investments

##### 3.1.1 Investments in affiliated undertakings and participating interests

ODL holds on 31 December 2019 interests in the company NORTHSTAR EUROPE S.A.

|                   | VALUE 01.01.2019 | ADDITIONS/<br>ALLOCATIONS | DISPOSALS/<br>REVERSALS | VALUE 31.12.2019 |
|-------------------|------------------|---------------------------|-------------------------|------------------|
| Acquisition value | 595,000.00       | 0.00                      | 0.00                    | 595,000.00       |
| Value adjustments | (595,000.00)     | 0.00                      | 0.00                    | (595,000.00)     |
| <b>Net value</b>  | <b>0.00</b>      | <b>0.00</b>               | <b>0.00</b>             | <b>0.00</b>      |

Further to the decision of Northstar Europe S.A. (NEUR) to wind down the company, the Committee decided to adjust the value of the investment in NEUR to 0 EUR.

##### 3.1.2 Shares and other variable-yield transferable securities and units in unit trusts

|                   | VALUE 01.01.2019     | ADDITIONS/<br>ALLOCATIONS | DISPOSALS/<br>REVERSALS | VALUE 31.12.2019    |
|-------------------|----------------------|---------------------------|-------------------------|---------------------|
| Acquisition value | 10,724,679.42        | 2,180,400.00              | (3,000,686.05)          | 9,904,393.37        |
| Value adjustments | (165,680.40)         | 0.00                      | 165,680.40              | 0.00                |
| <b>Net value</b>  | <b>10,558,999.02</b> | <b>2,180,400.00</b>       | <b>(2,835,005.65)</b>   | <b>9,904,393.37</b> |

The market value of shares and other variable-yield transferable securities and units in unit trusts amounts as at 31 December 2019 to EUR 11,731,246.62 (2018: EUR 10,099,315.80).

## 3.1.3 Debt securities and other fixed income transferable securities

|   | VALUE<br>01.01.2019  | ADDITIONS/<br>ALLOCATIONS | DISPOSALS/<br>REVERSALS | VALUE<br>31.12.2019  |
|---|----------------------|---------------------------|-------------------------|----------------------|
| Acquisition value                       | 98,084,473.81        | 20,519,362.73             | (25,037,006)            | 93,566,830.54        |
| Reversal<br>Discounts/<br>Premiums 2018 | (261,125.78)         | (77,813.16)               | 68,323.18               | (270,615.76)         |
| Discounts/<br>Premiums 2019             | 270,615.76           | 77,153.77                 | (96,329.62)             | 251,439.91           |
| <b>Net value</b>                        | <b>98,093,963.79</b> | <b>20,518,703.34</b>      | <b>(25,065,012.44)</b>  | <b>93,547,654.69</b> |

The market value of debt securities and other fixed income transferable securities amounts as at 31 December 2019 to EUR 95,709,499.00 (2018 EUR 99,464,658.00).

The bonds are valued considering Discounts/Premiums between the acquisition price and the nominal price. Discounts and premiums allocated to the profit and loss account amount to respectively EUR (96,329.62) (2018: EUR (68,323.18)) and EUR 77,153.77 (2018: EUR 77,813.16).

## 3.2 Other assets (tangible assets and stocks)

|                   | VALUE<br>01.01.2019 | ADDITIONS/<br>ALLOCATIONS | DISPOSALS/<br>REVERSALS | VALUE<br>31.12.2019 |
|-------------------|---------------------|---------------------------|-------------------------|---------------------|
| Acquisition value | 127,507.48          | 0.00                      | 0.00                    | 127,507.48          |
| Value adjustments | (113,731.99)        | (8,511.36)                | 0.00                    | (122,243.35)        |
| <b>Net value</b>  | <b>13,775.49</b>    | <b>(8,511.36)</b>         | <b>0.00</b>             | <b>5,264.13</b>     |

### 3.3 Capital and reserves

ODL's equity is made up of capital and reserves. The capital belongs to the State. The capital at the date of entry into force of the Law of 24 July 1995 amounted to LUF 1,600,000,000.00 (EUR 39,662,963.96). The capital can be increased through the incorporation of reserves or budget allocations.

1. On 6 May 1999, the Committee decided to convert to euros and increase the capital from EUR 39,662,963.96 to EUR 40,000,000.00 through the incorporation of reserves.
2. On 10 November 2005, the Committee approved an increase of capital, through the transfer of reserves of EUR 525,000.00 from the account with a State guarantee to the capital account without a State guarantee resulting in a capital increase from EUR 2,475,000.00 to EUR 3,000,000.00.
3. On 01 March 2007, the Committee approved the transfer of EUR 7,000,000.00 from reserves in the account with a State guarantee to reserves in the account without a State guarantee.
4. In 2008 and 2009, the Government increased the capital of the account with State guarantee through a budget allocation of EUR 7,000,000.00 and EUR 5,000,000.00 respectively.

The subscribed capital as at 31 December 2019 is EUR 44,525,000.00.

Capital and reserves movements for the financial year are broken down as follows:

|                          | RESERVES       | PROFIT OR (LOSS) OF THE FINANCIAL YEAR |
|--------------------------|----------------|--|
| Balance at 31.12.2018    | 33,884,940.85  | (2,156,872.10)                         |
| Appropriation of results | (2,156,872.10) | 2,156,872.10                           |
| Net result               |                | 899,239.13                             |
| Balance at 31.12.2019    | 31,728,068.95  | 899,239.13                             |

### 3.4 Information related to premiums, claims, operating expenses and reinsurance

|   | 2019           | 2018            |
|---|----------------|-----------------|
| Gross written premiums :                  | 3,807,768.69   | 3,786,544.78    |
| of which in direct insurance              | 2,664,407.24   | 2,916,351.69    |
| of which in coinsurance                   | 1,143,361.45   | 870,193.09      |
| Gross earned premiums, net of reinsurance | 3,813,745.57   | 4,057,260.79    |
| Claims incurred, net of reinsurance       | (3,126,112.73) | (13,460,080.09) |
| Administrative expenses                   | (2,020,235.85) | (952,465.98)    |
| Reinsurance balance (out of subrogation)  | 780,094.44     | 6,612,815.08    |

### 3.5 Administrative expenses

According to article 11 of the Grand-Ducal Regulation of 27 July 1997, ODL reimbursed EUR 373,608.30 (2018: EUR 346,402.31) to the Chamber of Commerce for staff costs and paid EUR 88,109.22 (2018: EUR 85,741.15) to Credendo group in accordance with a collaboration agreement.

Auditing fees included in operating expenses for the period ended 31 December 2019 amounted to EUR 20,107.82 including tax (2018: EUR 19,956.49) for the account with State guarantee.

### 3.6 Investment income

|  | 2019         | 2018         |
|--|--------------|--------------|
| Income deriving from other investments               | 707,714.08   | 709,698.66   |
| Profits deriving from the realization of investments | 146,133.69   | 292,369.59   |
| Readjustments on investments                         | 165,680.40   | 0.00         |
| Reversal Premiums 2018                               | (77,813.16)  | 38,127.04    |
| Premiums   | 77,153.77    | 77,813.16    |
| Allocation of financial products                     | (123,156.66) | (113,731.70) |
|  | 895,712.12   | 1,004,276.75 |

### 3.7 Investment charges

|  | 2019         | 2018         |
|--|--------------|--------------|
| Investment management charges                | (112,924.86) | (121,421.83) |
| Value adjustments on investments             | 0.00         | (165,680.40) |
| Losses arising on realization of investments | (7,684.00)   | (30,434.50)  |
| Reversal Discounts 2018                      | 68,323.18    | (77,517.96)  |
| Discounts                                    | (96,329.62)  | (68,323.18)  |
|  | (148,615.30) | (463,377.87) |

### 3.8 Subrogation and salvage

For two claims incurred during the financial year 2017, the outstanding amount to be recovered at year end is broken down as follows:

|                   | 2019            | 2018            |
|-------------------|-----------------|-----------------|
| Gross amount      | 19,734,886.92   | 19,734,886.92   |
| Reinsurers' share | (14,339,042.59) | (14,339,042.59) |
| Net amount        | 5,395,844.33    | 5,395,844.33    |

**Note 4 – Analysis of the most important items related to the account without state guarantee**

**4.1 Capital and reserves**

|                       | RESERVES     | PROFIT OR (LOSS) OF<br>THE FINANCIAL YEAR |
|-----------------------|--------------|---|
| Balance at 31.12.2018 | 8,507,122.38 | 318,630.78                                |
| Allocation of results | 318,630.78   | (318,630.78)                              |
| Net result            |              | 41,550.57                                 |
| Balance at 31.12.2019 | 8,825,753.16 | 41,550.57                                 |

**4.2 Provision for other risks and charges**

Breakdown of taxation provisions as at 31 December 2019

| DESCRIPTION                    | ACCRUAL          | ADVANCES           | BALANCE         |
|--------------------------------|------------------|--------------------|-----------------|
| <b>Municipal Business Tax:</b> |                  |                    |                 |
| • 2017, 2018 and 2019          | 2,666.00         | 0.00               | 2,666.00        |
| <b>Corporate Income Tax:</b>   |                  |                    |                 |
| • 2017, 2018 and 2019          | 12,807.90        | (12,045.20)        | 762.70          |
| <b>TOTAL</b>                   | <b>15,473.90</b> | <b>(12,045.20)</b> | <b>3,428.70</b> |

Advances are reported under the caption "Other prepayment and accrued income".

#### 4.3 Information related to premiums, claims, operating expenses and reinsurance

|   | 2019        | 2018         |
|---|-------------|--------------|
| Gross written premiums:                   | 203,748.93  | 236,580.60   |
| • of which in direct insurance            | 203,748.93  | 236,580.60   |
| • of which in coinsurance                 | 0.00        | 0.00         |
| Gross earned premiums, net of reinsurance | 196,587.74  | 204,175.44   |
| Claims incurred, net of reinsurance       | (67,134.24) | (143,882.27) |
| Administrative expenses                   | (64,473.63) | (56,237.01)  |
| Reinsurance balance                       | (734.45)    | 36,916.92    |

#### 4.4 Administrative expenses

According to article 11 of the Grand-Ducal Regulation of 27 July 1997, ODL reimbursed EUR 29,651.45 (2018: EUR 27,492.25) to the Chamber of Commerce for staff costs and paid EUR 2,930.64 (2018: EUR 5,357.59) to Credendo group in accordance with a collaboration agreement.

Auditing fees included in operating expenses for the period ended 31 December 2019 amounted to EUR 1,117.11 including tax (2018: EUR 1,108.15) for the account without state guarantee.

#### 4.5 Investment income

|  | 2019             | 2018             |
|--|------------------|------------------|
| Income deriving from other investments | 66,972.75        | 59,178.73        |
| <b>TOTAL</b>                           | <b>66,972.75</b> | <b>59,178.73</b> |

## Note 5 – Analysis of the most important items for the account of the State

### 5.1 Capital and reserves

|                          | RESERVES     | PROFIT OR<br>(LOSS) OF THE<br>FINANCIAL YEAR |
|--------------------------|--------------|--|
| Balance at 31.12.2018    | 4,750,306.06 | (626,490.87)                                 |
| Appropriation of results | (626,490.87) | 626,490.87                                   |
| Net result               |              | (3,735.20)                                   |
| Balance at 31.12.2019    | 4,123,815.19 | (3,735.20)                                   |

### 5.2 Information related to premiums, claims, operating expenses and reinsurance

|   | 2019        | 2018         |
|---|-------------|--------------|
| Gross written premiums:                   | 143,026.16  | 56,805.36    |
| • of which in direct insurance            | 143,026.16  | 56,805.36    |
| • of which in coinsurance                 | 0.00        | 0.00         |
| Gross earned premiums, net of reinsurance | 149,033.41  | 49,393.12    |
| Administrative expenses                   | (61,022.39) | (392,286.04) |

### 5.3 Administrative expenses

According to article 11 of the Grand-Ducal Regulation of 27 July 1997, ODL reimbursed EUR 29,651.45 (2018: EUR 27,492.25) to the Chamber of Commerce for staff costs.

Auditing fees included in operating expenses for the period ended 31 December 2019 amounted to EUR 1,117.11 including tax (2018: EUR 1,108.15) for the account of the State.

### 5.4 Investment income

|  | 2019             | 2018             |
|--|------------------|------------------|
| Income deriving from other investments | 56,183.91        | 54,552.97        |
| <b>TOTAL</b>                           | <b>56,183.91</b> | <b>54,552.97</b> |



## Note 6 – Post-closing events

The Law of 4 December 2019 on ODL (the "Law") became effective on 1 January 2020. The Law disenfranchised ODL from the Chamber of Commerce and clarified, broadened and strengthened the mission and governance of ODL. A Board of Directors replaces the former Committee as the governing body of ODL. Based on the Law, the Board of Directors has passed resolutions to regulate the functioning of its meetings, the composition and functioning of Board Committees and the delegated authority of Management of ODL.

With the support of the Luxembourg government, ODL has reacted quickly to the pandemic created by the spread of the Corona virus and implemented the following measures to assist Luxembourg based companies to weather the crisis:

- in its session of 23 March, the Board of Directors of ODL raised the portion of bank loans to exporters that ODL can guarantee from 50 to 85% and the percentage of cover for export contracts from 90/95 to 98%. The claim period was reduced to 3 months.
- on 23 March, ODL entered into a reinsurance agreement with Mutalité de Cautionnement, a program established and managed by the Chamber of Commerce to support Luxembourg SME's ("MC"). Under this agreement, ODL will underwrite 50% of the guarantees issued by MC for the benefit of its client up to an overall ceiling of EUR 10 million.

In its Communication of 28 March 2020 on the temporary framework for State aid measures to support the economy in the current Covid-19 outbreak, the EU Commission lifted under

strict conditions the prohibition pursuant to which ECA's cannot provide cover for "marketable risks", i.e. commercial and political risks of up to 2 years related to payment obligations of debtors based in an EU member country or certain OECD countries. Based on this temporary framework, ODL is preparing a support scheme for private carriers offering credit insurance to Luxembourg based exporters. The aim of the support scheme is to entice private credit insurers not to withdraw or reduce cover in view of the increased risk due to the current situation.

Generally, ODL has been opened for business throughout the crisis to stand by its customers, relying on its dedicated and motivated Staff members, working in a remote modus.

As subsequent developments are not reflected in the annual accounts of 2019, the commitments at year end and the transactions covered in 2019 are not impacted by the Covid-19 crisis.

At this moment it is hard to estimate the impact of the Covid-19 crisis on ODL's insurance premiums and claims in 2020.

Even though the impact on the 2020 results could be considerable, the fact that Covid 19 covers are solely issue via the account of State transactions the impact on the financial sustainability of ODL should be nil as the Luxembourg State will cover all losses due to the pandemic. In addition, it should be stated that the strong equity base of ODL will be able to absorb exogeneous shocks such as Covid 19.

No other major event was noted by the Board of the Directors and the management.

## 2. Financial Support for Exports

### BALANCE SHEET

AS AT 31.12.2019 AND 31.12.2018 IN EUR

| ASSETS                | NOTE* | 31.12.2019          | 31.12.2018          |
|-----------------------|-------|---------------------|---------------------|
| <b>CURRENT ASSETS</b> |       |                     |                     |
| Assets held at a bank |       |                     |                     |
| Current bank accounts |       |                     |                     |
| • current accounts    |       | 7,592,286.71        | 9,665,127.71        |
| <b>TOTAL ASSETS</b>   |       | <b>7,592,286.71</b> | <b>9,665,127.71</b> |

|   | NOTE* | 31.12.2019            | 31.12.2018            |
|---|-------|-----------------------|-----------------------|
| <b>EQUITY AND LIABILITIES</b>             |       |                       |                       |
| Capital and reserves                      |       |                       |                       |
| Government allocations                    |       |                       |                       |
| • Government allocations                  | 3     | 8,395,572.54          | 10,143,219.95         |
| Provision for commitments                 |       |                       |                       |
| Other provisions                          |       |                       |                       |
| • Provision for financial support granted |       | 929,791.46            | 764,956.31            |
| Creditors                                 |       |                       |                       |
| • Costs payable                           |       | 531,902.91            | 504,589.86            |
| <b>Final result of the year</b>           |       | <b>(2,264,980.20)</b> | <b>(1,747,647.41)</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |       | <b>7,592,286.71</b>   | <b>9,665,118.71</b>   |

\* The accompanying notes form an integral part of these financial statements

**PROFIT AND LOSS ACCOUNT**

AS AT 31.12.2019 AND 31.12.2018 IN EUR

|  | 31.12.2019            | 31.12.2018            |
|--|-----------------------|-----------------------|
| <b>CHARGES</b>   | <b>(2,264,980.20)</b> | <b>(1,747,647.41)</b> |
| <b>Financial support provided</b>  |                       |                       |
| Financial support for trade fairs  | (1,475,191.97)        | (1,564,033.90)        |
| Costs of research or advisory costs                                      | (34,015.00)           | (39,788.85)           |
| Design costs   | (96,557.01)           | (75,915.06)           |
| Promotion costs (advertising)  | (118,902.41)          | (142,822.71)          |
| Registration/Certification   | (36,988.82)           | (2,736.31)            |
| Opening of representation offices  | (45,209.50)           | (9,868.00)            |
| Digital Marketing  | (934.85)              | 0.00                  |
|  | <b>(1,807,799.56)</b> | <b>(1,835,164.83)</b> |
| <b>Other external charges</b>  |                       |                       |
| Property leases  | (57,469.66)           | (56,859.99)           |
| Administrative expenses  | (57,259.77)           | (43,948.79)           |
| Travel expenses  | (5,387.41)            | (2,383.91)            |
| Bank fees and commissions  | (110.80)              | (126.50)              |
|  | <b>(120,227.64)</b>   | <b>(103,319.19)</b>   |
| <b>Personnel costs</b>   |                       |                       |
| Gross salaries   | (160,117.85)          | (148,458.13)          |
| Directors' fees  | (12,000.00)           | (12,000.00)           |
|  | <b>(172,117.85)</b>   | <b>(160,458.13)</b>   |
| <b>Other operating costs</b>   |                       |                       |
| Change in the other provisions (Provision for financial support granted) | (164,835.15)          | 351,294.74            |
|  | <b>(164,835.15)</b>   | <b>351,294.74</b>     |
| <b>INCOME</b>  | <b>0.00</b>           | <b>0.00</b>           |
| <b>Other income and interest</b>   |                       |                       |
| Interest on financial accounts   | 0.00                  | 0.00                  |
| <b>FINAL RESULT OF THE YEAR</b>  | <b>(2,264,980.20)</b> | <b>(1,747,647.41)</b> |

\* The accompanying notes form an integral part of these financial statements

## NOTES TO THE ANNUAL ACCOUNTS

AS PER DECEMBER 31, 2019 (EXPRESSED IN EUR)

### Note 1 – General Information

The « Comité pour la promotion des exportations Luxembourgeoises » (hereinafter « COPEL ») was created by a cooperation agreement of 29 April 2002 between the Office du Ducroire (hereinafter « ODL ») and the Government. The COPEL is attached to ODL as a subcommittee. In its monthly meeting the COPEL assess the applications for financial support and makes recommendations to the Committee of ODL.

The COPEL ascertains whether the applicant and the underlying project fulfil the eligibility requirements and qualify for the financial support requested.

The COPEL also ensures that the proposed grant complies with EU competition rules and OECD rules governing officially supported export credit and related credit aid.

### Note 2 – Summary of significant accounting policies

The financial statements are presented in euros (EUR).

#### 2.1 Assets held at a bank

The assets held at a bank are presented at nominal value.

#### 2.2 Government allocation

Pursuant to the Cooperation Agreement of 19 April 2002, the Government allocations are granted to COPEL within the limits of the budget appropriations. These allocations are used exclusively for the financial support for exports activity.

#### 2.3 Other provisions

Other provisions correspond to financial support granted (letter of commitment) but not yet paid. These commitments are presented at nominal value.

#### 2.4 Creditors

The costs payable are valued at the nominal value and are due during the next year.

**Note 3 – Government allocations**

|                           | GOVERNMENT<br>ALLOCATIONS | FINAL RESULT<br>OF THE YEAR | TOTAL                 |
|---------------------------|---------------------------|-----------------------------|-----------------------|
| Balance at 31.12.2018     | 10,143,219.95             | (1,747,647.41)              | <b>8,395,572.54</b>   |
| Movements during the year |                           |                             |                       |
| Allocation of the balance | (1,747,647.41)            | 1,747,647.41                | <b>0.00</b>           |
| Balance for the year      |                           | (2,264,980.20)              | <b>(2,264,980.20)</b> |
| Balance at 31.12.2019     | 8,395,572.54              | (2,264,980.20)              | <b>6,130,592.34</b>   |

**Note 4 – Off balance sheet commitments**

At the closing date, there are no off-balance sheet commitments.

**Note 5 – Post-closing events**

In the context of the global Covid 19 crisis, ODL has put in place a system allowing the service continuity with the same commitment of its personnel. The Board of Directors and the management have not identified a significant impact as a result of the Covid19 crisis on the commitments at 2019 year end.

# 3. Auditor's Report

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Finance Minister  
To the Board of Directors of  
OFFICE DU DUCROIRE  
14, rue Erasme  
L-1468 LUXEMBOURG

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Office du Ducroire (the "Company") for the financial year ending 31 December 2019, which comprise:

- A separate balance sheet and a profit and loss account for each activity described in Article 2, paragraphs 1), 2) and 3) of the law of 24 July 1995 ;
- Notes to the financial statements, which comprise a summary of significant accounting policies and other explanatory information ;
- The balance sheet as at 31 December 2019, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information for the "Comité pour la Promotion des Exportations Luxembourgeoises" as described in the Article 6 of the convention between the Luxembourg Government and the Office du Ducroire dated 29 April 2002.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### Basis for Opinion

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

#### Responsibilities of the Comité du Ducroire and Those Charged with Governance for the Financial Statements

The Comité du Ducroire is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Comité du Ducroire determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Responsibilities of the “Réviseur d’Entreprises Agréé” for the Audit of the Financial Statements**

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

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

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

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

Luxembourg, 22 May 2020

**For MAZARS LUXEMBOURG,**  
**Cabinet de révision agréé**  
5, rue Guillaume J. KROLL  
L-1882 LUXEMBOURG

**Amir CHAKROUN**  
Réviseur d’entreprises agréé

CHAPTER IV

# Annual Report Appendix





# Corporate & Social Responsibility

## ODL is applying the following OCED guidelines:

- Recommendation on Common Approaches for the Officially Supported Export Credits and Environmental and Social Due Diligence
- Recommendation on Bribery and Officially Supported Export Credits
- Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries

### Environmental and Social Due Diligence

Projects in the industrial sector have often consequences for the importing country's inhabitants and the environment. In order to prevent and mitigate adverse environmental and social impacts of projects, ODL complies with the OECD guidelines on environmental and social due diligence for export credits.

Therefore, ODL undertakes appropriate environmental and social reviews and assessments for those projects. All projects for which ODL receives an application and for which the contractual amount exceeds 10 million SDR, or which are located in an environmentally sensitive area, are classified according to their potential environmental and social impact. If the project has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible or unprecedented it is classified in category A. If its potential impacts are less adverse, the project is classified as category B and in category C if it has a minimal or no potentially adverse environmental and/or social impact.

ODL requires an Environmental and Social Impact Assessment (ESIA) to be carried out for all projects classified in category A. ODL verifies whether the ESIA is complete and impartial and, if necessary, calls on external environmental experts when assessing the quality of the ESIA.

The category B projects for which there is no ESIA are compared to general standards of the International Finance Corporation (IFC) and the sectoral IFC health and safety standards. If the project does not fit into the IFC standards, any other internationally recognized standards, such as European Union standards, may be used. Based on the IFC standards or the European directive, mitigating measures will be agreed upon with the exporter.

All A and B projects and their ESIA's are published on ODL's website.

### Combating bribery

Under the terms of the OECD Convention on Combating Bribery, signed on 21 November 1997, Luxembourg has taken measures to criminalise acts involving bribery of foreign public officials, transposing the provisions of the Convention to Luxembourg law in the form of the Law of 15 December 2001.

The insurance application form therefore informs the policyholder of current legislation and requires an anti-bribery declaration, as defined under the OECD Convention.

To strengthen measures to combat bribery of foreign public officials, OECD members adopted a recommendation (OECD Recommendation on Bribery and Officially Supported Export Credits) on 14 December 2006.

The procedure is two-fold:

- **Anti-bribery declaration:**

With each application of cover, the exporters and banks, must submit an anti-bribery declaration in which they declare that the commercial and/or financial contract was not or will not be concluded due to criminal acts on the part of any of its employees or anyone acting on its behalf. In addition they declare that neither the policyholder nor any person acting on his behalf is included on debarment lists accessible to the public and have not been prosecuted before a national court or, in the course of the five years preceding the application, been convicted by a national court or subject to equivalent national administrative measures for breach of the laws designed to combat bribery of foreign public officials in any country whatsoever.

- **Due diligence:**

If there should be any indication from the declaration or from other sources that bribery may have been involved, further investigation will be made by ODL. This focuses on the one hand on the internal measures, processes and structures put in place by the policyholder to prevent and combat bribery. On the other hand sales agents involved in the deal as well as commission and remuneration payments will be examined. If there are indications of bribery, the Secretariat will report these to the Committee who will decide what measures need to be taken.

### **Sustainable Lending**

ODL undertakes to promote only lending to Low Income Countries that supports a borrowing country's economic and social progress without endangering its financial future and long-term development prospects. In consequence, such lending should, *inter alia*, generate net positive economic returns, foster sustainable development by avoiding unproductive expenditures, preserve debt sustainability and support good governance and transparency.



