Annual Report 2014

BIL 1856

BANQUE INTERNATIONALE À LUXEMBOURG

2014: another solid year for BIL

With the recession over but the economy slow to make a significant recovery, eurozone growth amounted to just 0.9% in 2014. Whereas France and Italy continued to struggle with very weak rates of expansion, Germany returned to the forefront, its annual GDP up 1.6% after two disappointing quarters.

Meanwhile the US economy grew by 2.4%, a slight improvement on the previous three years. Situations varied greatly from one emerging market to the next with China slowing gradually but oil exporting countries less clear-cut as oil prices fell.

The European Central Bank (ECB) took a whole array of measures to underpin sluggish growth in the eurozone and curb deflationary risks, reducing its key interest rate from 0.15% to 0.05% (an all-time low) in September before launching its first ABS and covered bond purchase programme in October.

With these initiatives lacking in impact, the ECB found itself having to move up a policy gear by announcing the start of quantitative easing at the end of January 2015. In November, the new president of the European Commission, Jean-Claude Juncker, announced a substantial three-year investment package, pumping EUR 315 billion into strategic sectors and kick-starting growth, investment and employment.

2014 was also a pivotal year for eurozone banking supervision. The ECB carried out an asset quality review of major eurozone banks followed by stress tests conducted in collaboration with the European Banking Authority. Published at the end of October 2014, the results of this vast audit revealed that the six Luxembourg banks subject to those stress tests, including BIL through its shareholder Precision Capital, passed with flying colours, confirming the strength of the Luxembourg banking system.

After a rather good first half-year for the financial markets, volatility returned in the second. The main indices for the eurozone ended the year far apart but at similar levels to those seen at the end of 2013. Performances were much better in the United States with the S & P 500, for example, up 11.4%.

In January 2015, Fitch Ratings confirmed Luxembourg's AAA status with a stable outlook, demonstrating the country's rather positive economic trajectory, robust marketplace and government-led consolidation.

The Luxembourg financial industry continued to operate in a complex economic and regulatory environment in 2014.

Credit institutions' earnings were down 2% before provisions with very sharp falls in the interest margin and non-recurring income in the fourth quarter. However, balance sheet totals increased by 3.2% for banks and 14.14% for undertakings for collective investment.

At an investment fund level, Luxembourg consolidated its position as European leader when net assets under management climbed above the EUR 3 trillion mark. In the insurance industry, premiums – life and non-life combined – rose by 18.80% to EUR 26.87 billion, breaking the previous record set in 2010 by EUR 2 billion.

Net profit up 17%

Following up on its solid consolidated performance in 2013, BIL announced net income before tax of EUR 164 million at the end of 2014, up 17% on the previous year largely on the strength of its commercial franchises. Further, BIL proceeded to the payment, in 2014, of a first interim dividend of EUR 100 million to its new shareholders. On April 24, 2015, the Board of Directors proposed to the General Meeting of Shareholders the payment of a second dividend of EUR 55 million.

Financing the Luxembourg economy remains at the heart of BIL's business, as reflected in the 7.7% increase in the volume of loans issued in 2014.

Assets under management grew from EUR 28.8 billion to EUR 30.8 billion, a rise of 7% on the end of 2013. Net inflows completely offset the impact of the Luxembourg government's announcement regarding the switch to automatic information exchange on January 1, 2015.

By way of transition from the "BIL 2015" action plan, in the fourth quarter the Bank laid the foundations for "BIL2020", which has two main objectives in its five-year development strategy: to consolidate and modernise BIL's hold over the Luxembourg market; and improve international targeting while striving for innovation and efficiency. The first major steps in rolling out this new strategic programme were taken in late 2014 and early 2015.

Indeed, the opening of a new Dubai subsidiary in October 2014 and the January 2015 announcements that BIL would be taking over KBL *epb*'s private banking operations in Switzerland and that Puilaetco Dewaay would acquire our private banking business in Belgium were significant milestones in the achievement of BIL's strategic priorities around the world.

The ongoing modernisation of its branch network and digitalisation of its Retail and Corporate Banking activities have helped strengthen BIL's position as a leading player on the Luxembourg market.

Throughout the year, the Bank continued to recruit highly qualified experts to give itself the human resources needed to realise its ambitions.

As Chairman of the Board of Directors and Chief Executive Officer, we would like to thank our customers for their loyalty and trust. We would also like to thank each and every one of our employees for their unwavering commitment to our customers.

With the support of our shareholders, Precision Capital and the Grand Duchy of Luxembourg, and the expertise of our staff, we are convinced that BIL will be able to achieve the targets that it has set on a 2020 horizon, both locally and internationally.

François Pauly
Chairman of the
Board of Directors

Hugues Delcourt
Chief Executive Officer

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Consolidated management report

Corporate governance (as at January 1, 2015)

Board of Directors

Chairman

François Pauly

Vice Chairman

George Nasra	CEO, Precision Capital SA

Members

Hugues Delcourt	CEO, Banque Internationale à Luxembourg SA
Frank Wagener	Honorary Chairman
Robert Glaesener	CEO, Trendiction SA
Nicholas Harvey	Deputy CEO, Precision Capital SA
Pascale Toussing	1er Conseiller de Gouvernement, Ministry of Finance
Albert Wildgen	Lawyer
Christophe Zeeb-Ichter	Conseiller de Gouvernement 1ère classe, Ministry of Finance
Michel Scharff	Employees' Delegation, BIL
Serge Schimoff	Employees' Delegation, BIL
Donny Wagner	Employees' Delegation, BIL
Fernand Welschbillig	Employees' Delegation, BIL

Strategy Committee

Chairman
George Nasra

Members
François Pauly
Pascale Toussing

Audit and Compliance Committee

Chairman
Robert Glaesener

Members
Nicholas Harvey
Christophe Zeeb-Ichter

Risk Committee

Chairman
Frank Wagener

Vice Chairman
George Nasra

Members
François Pauly
Pascale Toussing
Albert Wildgen

Remuneration and Nominations Committee

Chairman
George Nasra

Members
Nicholas Harvey
Pascale Toussing

Management Board

Chairman

Hugues Delcourt

Vice Chairman

Pierre Malevez	Finance and Risks

Members

Yves Baguet	Chief Operations Officer (submitted to the approval of regulatory authorities)
Thierry Delroisse	Chief Operations Officer (until February 2015)
Adrian Leuenberger	Wealth and Investment Management
Marcel Leyers	Corporate and Institutional Banking
Bernard Mommens	Secretary General, Legal & Tax
Claude Schon	Treasury and Financial Markets
Christian Strasser	Retail Banking

Audit

Pia Haas

Business Review and Results

1. Highlights of 2014 and early 2015

The announcement of solid results for 2013 marked a significant turning point in the Bank's recent history. During 2014, BIL's results showed continuous improvements across the Bank's commercial franchises.

BUILDING ON A SOLID FOUNDATION, A NEW GROWTH STRATEGY TAKES THE BANK INTO THE FUTURE: THE BIL2020 STRATEGY PROCESS

When the Bank launched the "BIL2015" programme, it was given the medium-term objective of consolidating BIL's position as a leading player on the Luxembourg market and becoming a key player in targeted international markets. During the fourth quarter of 2014, BIL transitioned towards the "BIL2020" programme in order to provide a longer term strategic framework for the development of the Bank over the next five years.

A BETTER FOCUS FOR INTERNATIONAL WEALTH MANAGEMENT

While BIL's importance as a national player is undisputed, the challenge today is to further develop its international focus.

Since the financial crisis blew up, international developments such as, for instance, tax transparency and compliance as well as the fight against anti-money laundering have increased the speed at which financial centres have undergone structural changes. These changes have created a new momentum and the general value proposition for wealth management has had to be revisited. In this context, financial institutions need to re-invent or at the least adjust their business models. This global movement presents challenges as well as opportunities for BIL both in terms of strategic and geographic focuses. BIL is leading these trends with a number of awards and developments:

- In September 2013, BIL set up a multi-family office, named Belair House. After ministerial approval was received on February 17, 2014, Belair House started its service offering to ultra-high-net-worth individuals and families in April 1, 2014.
- Experta, a fully owned subsidiary of BIL, underwent a strategic repositioning over the last year. A new management team has been put in place with a newly-appointed CEO. This team will allow Experta to increase the focus on its core business of global corporate services. Experta will continue to offer wealth structuring solutions, but it will also increasingly address the structuring needs of investors active in real estate and private equity. As part of the overall wealth management strategy, this repositioning is also driven by a desire to better serve the clients, which at Experta has been translated into a focus on operational efficiency of all processes, as well as into a new pricing structure. Experta will continue to work closely with BIL, but it will also strengthen its own identity outside of BIL group, offering a full open architecture approach to find the optimal solution for each client.
- BIL Manage Invest (BMI), BIL's management company ('ManCo') also continued to successfully develop its activities in 2014. BMI reconfirmed its positioning as a third-party ManCo and is able to provide fund promoters with the regulatory infrastructure required by the AIFMD (Alternative Investment Fund Managers Directive). This external AIFM solution is of particular interest to investors active in alternative asset classes including real estate and private equity. The granting of an AIFM license in May 2014 marked an important step in its development. In November 2014, BMI also received CSSF approval as a UCITS Management Company.
- In Denmark, BIL was awarded on March 12, 2014 the prestigious Morningstar Award, a prize recognising the best local individual and mutual funds. BIL received the award in the "Denmark – Shares" category for its BIL Nordic Invest DK Small Caps Fund, which outperformed the benchmark with a significant return of 68% during 2013.
- BIL officially inaugurated its new branch in the United Arab Emirates in October 2014, located in the Dubai International Financial Centre. The launch of the Luxembourg bank's first branch in the UAE is emblematic of the close economic ties that exist between the two countries, particularly in the banking sector. The Grand Duchy is supporting the development of Luxembourg's financial centre to become the main centre for Islamic finance outside the Middle East. Luxembourg is the largest domicile for Islamic funds in Europe, and the third largest worldwide, after Malaysia and Saudi Arabia.
- In October 2014, BIL received the **"Private Bank of the Year Luxembourg"** award from International Banker magazine.

RETAIL BANKING SUCCESSFULLY INNOVATES

In its retail activities BIL continues to develop web and mobile applications offering its individual and business customers the possibility to carry out banking transactions with a maximum of security and comfort. The digitisation of retail transactions is an ongoing process and BIL is emerging as a pioneer bank for innovation. The following success can today be noted in this process:

- Individuals and especially merchants value the new banknote deposit functionality which makes it possible to credit funds deposited in real time at any point during the day.
- QuickMoney™ is a new functionality which BIL was the first to launch in Luxembourg. It enables customers to withdraw

money without charge at a BIL ATM without any bank card, via a smartphone or a single-use code generated using BILnet, the Bank's Internet platform. Thanks to these new features, BIL won the **"Innovation in Retail Banking Luxembourg"** award from the International Banker magazine on October 22, 2014.

- In order to modernise the Luxembourg branch network, the Bank introduced the **Lean Branch Optimisation programme** to review in-branch processes and the branch footprint. In the spirit of serving retail clients more efficiently, this programme makes it possible to minimise the time taken up by transactions that can be done digitally using the Bank's state of the art mobile & Internet banking platforms and apps as well as self-banking equipment inside the branches.

CORPORATE AND INSTITUTIONAL BANKING SUPPORTS THE REAL ECONOMY

As economic growth struggles to gain new dynamism, banks are increasingly challenged to serve as engines to the real economy by enhancing financing, supporting economic activity and diversifying the corporate and institutional banking product and service range. This is why BIL is committed to putting its resources at the service of its clientele in the real economy, supporting all the growing needs of firms developing throughout their life cycles. Some of the initiatives are as follows:

- BIL is a partner of the Société Nationale de Crédit et d'Investissement (SNCI), which launched the Indirect Development Loan designed to finance the business plans created by innovative companies. A similar initiative is to apply to the InnovFin programme of the European Investment Fund and to thereby support innovative companies and transactions.
- BIL is taking part in the government's cluster initiatives and has co-financed projects that are important for the future of Luxembourg's economy, such as the recent projects of the Luxembourg Freeport or LuxConnect's DataCenter 1.3.
- BIL is closely following the development of virtual currencies and fintechs. As an innovative bank, BIL intends to be a partner in the future growth of these new segments.

TREASURY AND FINANCIAL MARKETS ASSISTS WITH FIRST SUKUK ISSUANCE

On September 30, 2014, the Grand Duchy of Luxembourg successfully launched the euro zone's first Sukuk sovereign bond, which was the first of its kind denominated in euro. BIL was designated as the co-lead manager of the transaction. The Bank supported the issuer in the arrangement and actively played a role in the success of the transaction. As proof of confidence in BIL's bond origination and syndication capabilities, BIL has been invited to be part of the banking syndicate during each state bond issuance since 2000.

STRENGTH OF COMMERCIAL FRANCHISES

The retail, corporate and wealth management banking activities have once more turned in a robust performance during 2014.

- Customer deposits were up by 7.6% to reach EUR 13.4 billion (versus 12.5 billion at year-end 2013) as this commercial franchise continues its development in Luxembourg and abroad.
- Customer funds (assets under management - AuM) increased by 7% to EUR 30.8 billion, compared to 28.8 billion at the end of 2013. This change resulted from net new inflows amounting to EUR 1.2 billion and a positive market effect of 0.8 billion. Following the Luxembourg government's announcements regarding the automatic exchange of information with tax authorities in the European Union as of 2015, BIL has continued to assist the customers and to offer solutions tailored to their needs. The impact of the announcements relating to the automatic exchange of information has been fully compensated for by new net inflows.
- Customer loans saw an increase of 7.7% to 10.8 billion compared with 10.1 billion at year-end 2013. BIL has once again confirmed its support of the Luxembourg economy, particularly for corporate and individual customers.

PROFITABILITY & CAPITAL CONFIRMED

BIL reported a pre-tax net income of EUR 164 million in 2014, up 17.4% as compared to December 2013 (140 million), exceeding 2014 expectations. This result reveals a solid performance from commercial banking activities and a substantial increase in financial markets' contribution considering that the 2013 results incorporated EUR 55 million in non-recurring revenues generated by the Liability Management Exercise.

During 2014, BIL group Risk Management was highly involved in the preparatory work initiated by the ECB under the form of a "Comprehensive Assessment" comprising a broad-based "Risk Assessment", an "Asset Quality Review" and "Stress-Tests". The national competent authorities (NCAs) and then the ECB examined the data provided by the Bank during the summer. On October 26, 2014, Precision Capital comfortably passed 2014 ECB/EBA Stress test and ECB Asset Quality Review. Given the confirmed strength following the Stress Test and Asset Quality Review, the financial performance of the Bank and the respect of prudential constraints, BIL proceeded to the payment of an interim dividend of EUR 100 million on November 28, 2014.

IMPROVEMENTS HIGHLIGHTED BY THE RATING AGENCIES

The rating agencies Fitch Ratings and Standard & Poor's announced during July 2014, after their annual review, that they were going to maintain their "A-" rating for BIL's long-term debt. On July 11, 2014, Standard & Poor's upgraded the stand-alone rating for the Bank (SACP) by one notch (bbb to bbb+) due in particular to improved capital ratios and earnings after good financial results during 2013 and the additional Tier 1 instrument issued on June 30, 2014 which improved the Risk Adjusted Capital (RAC).

BIL	S & P		Fitch	
last update	July 11, 2014		July 24, 2014	
Long-Term	A-	*confirmed*	A-	*confirmed*
Short-Term	A-2	*confirmed*	F1	*confirmed*
Outlook	Negative	*confirmed*	Negative	*confirmed*
Rating stand-alone	bbb+ (SACP)	*Upgrade +1 notch*	bbb+ (VR)	*confirmed*
Support Rating	+2	*confirmed*	+1	*confirmed*
Subordinated debt	BBB	*Upgrade +1 notch*	BBB	*confirmed*

2. Business line segmentation

In 2014, BIL maintained the following segmentation of its business lines:

- **Commercial activities** included three business lines: Retail Banking, Corporate & Investment Banking, and Private Banking.
- **Treasury and Financial Markets (TFM)**, split into four desks: Treasury, Investment Portfolio, Assets & Liabilities Management (ALM), and Financial Markets, with dedicated teams supporting the commercial activities.
- **Group Center**, which mainly includes dividends from unconsolidated shareholdings and the results of non-operating entities as well as certain types of costs not attributable to the other business lines mentioned above.

3. Consolidated statement of income and consolidated balance sheet

PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of BIL group for the 2014 financial year were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The main accounting principles and regulations are described in Note 1 to the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

The European Union (EU) has published Commissions Regulations endorsing the "package of five" new and revised standards on consolidation (IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28). This "package of five" standards became effective on January 1, 2014. In this context, the Bank has reviewed all its shareholdings in order to fulfill IFRS requirements in this domain.

Following this detailed review, it has been decided to consolidate, using the equity method, the two shareholdings (Bourse de Luxembourg SA held at 21.41% and Europay Luxembourg SC held at 35.20%), which were not consolidated before because they were considered not significant. Indeed, the Bank considers that the application of the equity method regarding these companies provides a more adequate information. 2013 financial statements have been restated in order to give comparative figures.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

In 2014, the Bank implemented CSSF circular 14/583 and CSSF regulation 14-01 issued by the Luxembourg financial regulator, the Commission de Surveillance du Secteur Financier ("CSSF"). This circular notifies the entry into force of the Regulation (EU) n° 575/2013 of the European Parliament and the Council dated June 26, 2013 on the prudential requirements for credit institutions and investment firms, amending Regulation (EU) n° 648/2012. This regulation is applicable as from January 1, 2014 except for article 8, paragraph 3, article 21 and article 451 paragraph 1 which will be implemented later on. The regulation includes requirements in terms of own funds, capital, large exposures, transferred credit risk, liquidity, leverage, other general and transitional provisions as well as disclosure requirements. The calculation of the solvency ratio has been based on this regulation since January 1, 2014. CSSF regulation 14-01 implements certain provisions of Regulation (EU) n°575/2013 such as a capital conservation buffer made up of Common Equity Tier 1 equal to 2.5% of the total amount of their risk exposure.

As at December 31, 2014, BIL SA (the "parent company") comprises the head office in Luxembourg and four branches in Singapore, Dubai, Belgium and Denmark as described in Note 2 to the financial statements of the parent company. The Bank closed the Bahrain branch at the end of December 2014.The weight of these branches as at December 2014 was EUR 127.4 million in terms of balance sheet assets, -3.5 million of net income and 70 employees.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME [1]

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

(in EUR million)	31/12/13 (after restatement)	31/12/14	Change versus 2013
Income	505	529	24
Expenses	(341)	(339)	3
Gross operating income	**164**	**191**	**27**
Cost of risk and provisions for legal litigation	(24)	(26)	(2)
Net income before tax	**140**	**164**	**24**
Tax expense	(26)	(42)	(16)
Net income	**114**	**123**	**8**

As at December 31, 2014, net income for BIL group totalled EUR 123 million, a robust growth of 8 million (+7.4%) as compared to December 2013.

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

(in EUR million)	Retail, Corporate and Private Banking		Treasury and Financial Markets		Group Center		TOTAL	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13 (after restatement)	31/12/14	31/12/13 (after restatement)	31/12/14
Income	422	443	41	69	43	17	505	529
Expenses	(293)	(296)	(36)	(34)	(13)	(8)	(341)	(339)
Gross operating income	**129**	**147**	**6**	**35**	**30**	**9**	**164**	**191**
Cost of risk and provisions for legal litigation	(23)	(20)	0	0	0	(6)	(24)	(26)
Net income before tax	**105**	**127**	**6**	**35**	**29**	**2**	**140**	**164**
Tax expense							(26)	(42)
Net income							**114**	**123**

[1] Rounding differences and percentages calculated on exact numbers.

Income

Suitable income growth of EUR 24 million (+4.7%) was supported by all the commercial activities & TFM and confirms the performance observed during the first half of 2014.

Income from Retail, Corporate and Private Banking activities reached EUR 443 million at year-end 2014, i.e. growth of 21 million compared with 2013 (+5%) despite a difficult macroeconomic environment. Assets under management (AuM) have increased markedly by 7% (+2 billion, EUR 30.8 billion versus 28.8 billion) mainly in terms of the private banking (+1.3 billion) and corporate banking (+0.7 billion) activities. The Retail Banking AuM remained steady despite the losses on non-resident clients compensated for by an increase on Luxembourg-resident clients. Outstanding loans to customers have increased by 7.7% (+0.7 billion) in the three business lines' activities. These commercial franchises' performances explain the increase in interest income as well as fee and commission income respectively by +13 million and +5 million.

Income from "Treasury and Financial Markets" activities soared to EUR 69 million, a solid increase of 28 million compared with 2013. The Bank has been able to expand its "Treasury and Financial Markets" activities in conjunction with the risk profile defined by its shareholders. The outstanding amount in the bond portfolio stood at EUR 4.9 billion (+0.3 billion compared to December 2013), generating income of 64 million (+24 million compared to 2013). A large part of this growth is induced by the realisation of capital gains, mainly due to market opportunities. Treasury and Financial Markets' desks also contributed 8 million to this income growth through its active management of the Bank's surplus liquidity. Assets & Liabilities Management contribution slightly regressed by 4 million as the Bank has adopted a very prudent approach with regards to long-term interest rate exposure in a historically low interest rate environment.

"Group Center" activities generated income of EUR 17 million in 2014, a decrease of 25 million compared to 2013. The major element of 2014 income was the capital gains related to the sale of BIL Ré and its investment portfolio (19 million). 2013 income was influenced by the important contribution of the Liabilities Management Exercise (55 million) reduced by the relative cost of selling BIL Finance's operating activities (-6 million) and the own credit risk adjustment (-6 million).

Expenses

General expenses totalled EUR 339 million in 2014, down 1% compared with 2013. In 2013, the Bank had committed, among other things, the expenses related to the implementation of the "BIL is Back" programme and an early retirement scheme. Costs related to commercial business lines remain under control, with an increase limited to 1% (+3 million). Commercial activities', cost-income ratio has improved in 2014 to 67% versus 70% in 2013. Expenses from Group Center decreased by 35% (5 million) due to the early retirement scheme costs recognised in 2013.

Gross operating income

Gross operating income amounted to EUR 191 million, up 27 million compared with 164 million in 2013, of which 147 million (+18 million versus 2013) from commercial activities, 35 million (+30 million) from financial market activities and 9 million (-21 million) from the Group Center.

Cost of risk and impairments

BIL Group recorded net provisions on loans and advances of EUR 26 million stable compared with 24 million in 2013. In 2014, specific value adjustments on loans reached 20 million in accordance with the bank's cautious provisioning policy. Furthermore, the Bank posted EUR 6 million in collective impairments on its loan books. Impaired loans as a percentage of total loans outstanding amounted to 2.83% in 2014 stable with 2013, demonstrating the quality of the bank's assets. This level of cost of risk integrated the results of the AQR and Stress Test exercises developed in the 'Risk Management' section.

Net income before tax

Net income before tax stood at EUR 164 million compared with 140 million at year-end 2013 (+24 million, i.e. +17.4%).

Tax

The 2014 tax expense of EUR 42 million corresponds to the breakdown of taxable income between the various BIL group entities in jurisdictions with different taxation rates. This represents an increase of 16 million compared with 2013 when the tax expense was positively influenced by a tax provision write-back amounting to 15 million. Estimated future taxable profits over the next years will enable the Bank to use its tax losses carried forward over a medium term period.

Net income

At the end of the year, the Bank generated a good performance with a net profit of 123 million. The Bank reconfirmed its high profitability driven by strategic initiatives and good balance sheet management.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

(in EUR billion)	31/12/13 (after restatement)	31/12/14	Change
ASSETS	**19.7**	**20.3**	**3.0%**
Loans and advances to credit institutions	2.6	2.3	(9.3%)
Loans and advances to customers	10.1	10.8	7.7%
Loans and securities available for sale	5.4	5.7	4.7%
Positive fair value of derivative products	0.7	0.4	(38.2%)
Other assets	0.9	1.1	7.2%
LIABILITIES	**19.7**	**20.3**	**3.0%**
Amounts due to credit institutions	1.7	2.0	16.1%
Amounts due to customers	12.5	13.4	7.6%
Negative fair value of derivative products	0.8	0.7	(8.9%)
Debt securities	2.7	2.0	(24.1%)
Subordinated debt	0.4	0.5	8.1%
Other liabilities	0.4	0.5	19.0%
Shareholders' equity	1.2	1.2	6.2%

During the 2014 financial year, the balance sheet total increase by EUR 0.6 billion (+3%). The balance sheet growth was mainly driven by "amounts due to customers" on the liability side (+0.9 billion) and by "loans and advances to customers" (+0.7 billion) on the asset side and compensated for by a reduction of the fair value of BIL's derivatives portfolio, a decrease in the "loans and advances to credit institutions" (-0.3 billion) on the asset side and a decrease of the debt securities (-0.7 billion) on the liability side.

ASSETS MOVEMENTS

"Loans and advances to credit institutions" decreased by EUR 0.3 billion. This is due to the reduction of collateral related to derivative products (-121 million) and to a change in the mandatory reserves (-106 million). The Bank remains highly liquid at year-end 2014: in addition to the liquidity constituted by the investment portfolio, the Bank held EUR 1.2 billion with the Swiss and Luxembourg Central Banks.

"Loans and advances to customers" increased by EUR 0.7 billion (+7.7%). In 2014, the Bank revised its credit portfolio and decided to reduce some exposures and to diversify its activities with the objective of promoting quality (Loan To Value etc.). In this context, outstanding loans in the three business lines increased during the year 2014, primarily in Luxembourg. Outstanding mortgage loans grew by 0.2 billion (+5.3%) and investment loans by 0.6 billion (+13%).

"Loans and securities available for sale" reached EUR 5.7 billion (+4.7%), an increase resulting mainly from an additional investment of 0.3 billion in high quality bond positions in 2014. The bond portfolio stood at 4.9 billion at the end of December 2014. It consists mainly of assets eligible for refinancing from the European Central Bank and qualifying as liquidity reserves under Basel III and the CRD IV Directive. These assets enable the Bank to fully comply with liquidity ratio requirements.

LIABILITIES MOVEMENTS

"Amounts due to credit institutions" increased by EUR 0.3 billion. The Bank has actively managed its liquidity position in the various currencies by using short term interbank deposits and repos to ensure adequate funding and by swapping excess cash into CHF to deposit it with the Swiss Central Bank.

"Amounts due to customers" show an increase of EUR 0.9 billion (+7.6%). In volatile stock markets and a very low long-term interest rate environment, clients prefer to increase the share of their assets held in cash and short-term products.

"Debt securities" issued under the EMTN programme to institutional, retail and private banking decreased by EUR 0.7 billion. Despite adverse market conditions, the Bank was nonetheless able to extend a considerable proportion of MTN maturities and did not need to make use of new issues on institutional markets thanks to its highly comfortable cash position.

"Subordinated debt" increased by 8.1% over December 2013. The Bank purchased 38 million in outstanding subordinated debts, focusing on issues that are no longer considered eligible as Tier 2. The Bank also purchased the total issue of a hybrid capital instrument amounting to 87 million at year end 2013. In order to strengthen its capital structure, the Bank issued a 150 million contingent convertible bond, eligible as additional Tier 1 capital, on June 30, 2014.

"Shareholders' equity" rose by 72 million (+6.2%). This increase was due to the net profit of 123 million and an increase of

58 million in the revaluation reserves on assets available for sale. The payment of an interim dividend of EUR 100 million and IAS 19 re-measurement reserves of -10 million negatively impacted the shareholders' equity.

4. Movements in share capital

At the end of December 2014, the Bank's share capital was fixed at 141,224,090 represented by 2,017,487 fully paid-up shares of no par value (no change compared with 2013). During 2014, the Bank held 970 BIL treasury shares, representing a value of 1,455,000. No share were sold during the year under review.

5. Research and development

Products and services are continuously adapted to ensure that customers' needs are met as closely as possible and that portfolios match individual risk profiles. The Bank is continuing its research in terms of developing alternative savings products that combine a low risk profile, guaranteed capital at maturity and an attractive return.

In 2014, the Bank finalised the implementation defined in the strategic programme, a client-oriented initiative aiming at increasing the quality of service and reviewing the range of products and solutions in each of the Bank's business lines, depending on the current and future operational locations of the Bank in Europe, Middle East and Asia.

6. Post-balance sheet events

Since the closure of the financial year, the Bank announced three major events:

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

On January 19, 2015, BIL and KBL European Private Bankers (KBL *epb*) announced the signing of two agreements regarding their private banking operations in Switzerland and Belgium.

- Under the terms of the first agreement, BIL (Suisse) will acquire KBL (Switzerland) Ltd, a wholly owned affiliate of KBL *epb*, as part of the BIL group's strategic focus on major international private banking centres. The transaction will strengthen BIL's existing Swiss operations and create a sizeable private bank, operating from Geneva, Lugano and Zurich.
- Under the terms of the second agreement, Puilaetco Dewaay, the Belgian affiliate of KBL *epb*, will acquire the business of BIL Belgium, BIL's recently launched private banking operation in that country.

The transactions, which are subject to regulatory approvals, are expected to close by the end of the first half of 2015.

7. Outlook / Strategies

During 2014, the Bank successfully pursued its strategic development while contending with a difficult economic and financial context for the banking sector as a whole.

Towards the end of the year, BIL launched "BIL2020", a new strategic process defining its strategic priorities over the next five years. The rationale of this process is to reflect the bank's capacity and ability to adapt to the fast-paced changes the banking sector is experiencing in a highly regulated environment. BIL's future success will depend on the strategic focus it will be adopting in order to be innovative, ambitious and efficient.

Risk Management

1. INTRODUCTION

1.1 Key events of 2014

BIL group's Risk Management department has followed the development of the Bank's activities and risk profile during 2014. The Bank has pursued the projects initiated in 2012 regarding the on-going evolution of its monitoring and controlling frameworks.

Among the various projects conducted within the Risk Management department, the implementation of the Basel III requirements, as implemented within EU legislation through the CRD IV package, can be pointed out as a major step towards enhancing overall risk management practices.

The setting up on November 4, 2014 of the Single Supervisory Mechanism (SSM), where the ECB took on – together with the National Competent Authorities (NCAs) – the direct supervision of around 130 credit institutions within the euro zone, including which Precision Capital (and thus BIL group), is also an important change which will lead to the improved harmonisation of practices and thus transparency at the European level.

Prior to the SSM becoming fully operational, in 2014, the ECB and the NCAs conducted a comprehensive assessment including an in-depth Asset Quality Review (AQR) of the participating banks' balance sheets and an EU-wide stress test aiming at assessing their resilience to specific baseline and adverse macro-economic scenarios. The results of this assessment confirmed the overall soundness and strong capital position of Precision Capital and its two majority owned banks, BIL and KBL *epb*.

Corporate structure and risk profile

During 2014, BIL has continued to deploy its "BIL is Back" strategy which focuses on offering a wide range of products and services to a diversified customer base in Luxembourg as well as in neighbouring and more distant countries. The result of this strategy is detailed in the consolidated management report.

Taking into account various criteria (i.e. financial, macro-economic, political, etc.), the Bank has adapted its investment strategy policy. In a complex economic context, the Bank reached its objective and thus the investment portfolio reached its targeted size (around EUR 4.9 billion) in 2014. As a reminder, the main purpose of this portfolio is to create value while serving as a liquidity reserve for the Bank (i.e. Basel III, Liquidity Coverage Ratio – LCR). The portfolio is primarily composed of top-quality assets with low capital requirements. A very small proportion of the portfolio may be dedicated to riskier assets, i.e. non-LCR or non-Central Bank-eligible assets. The risk profile is monitored by the Financial Risk Management unit according to the portfolio guidelines which provide a set of limits in terms of duration, liquidity aspects, geographic area, currency, RWA, rating and concentration.

Internal Governance

According to CSSF circular 12/552, as amended, and EBA's recommendations, in October of 2014, BIL has set-up an Internal Control Committee (ICC) in order to facilitate effective risk control by the Executive Management Board and to coordinate the activities of the Bank's three Internal Control functions (i.e. Internal Audit, Compliance, Risk). This committee decides on inter-departmental issues related to internal control and provides a common position on internal control. From a risk point of view, this committee focuses on operational risk topics.

In 2014, the Bank also decided to reorganise its Operational Risk Management department in order to achieve a more sound and consistent structure allowing the efficient handling of these matters, in line with the challenges imposed by the business and changes in the regulatory environment (please refer to the risk governance section for further details).

1.2 Changes in the regulatory framework

In 2014, BIL continued to invest time and resources in to making sure that it is and always will be compliant with regulatory standards.

The effective implementation of the Basel III requirements, as implemented within the EU legislation through the CRD IV package, can be pointed out as a major step towards enhancing overall risk management practices. These new requirements, in force since January 1, 2014 with a phase-in period running until 2019, have significant repercussions for the Bank's strategy and overall risk profile perception.

In concrete terms, the implementation of the CRD IV package has impacted the Bank's RWA through the application of new specific rules (e.g. additional charges linked to the Credit Valuation Adjustment (CVA) requirements, unregulated financial institutions and large financial institutions, new treatment of Small and Medium Enterprises, etc.) that resulted in an overall increase of BIL group's regulatory capital requirements. The CRD IV package also resulted in a new definition of capital, the aim of which is to increase the quality, consistency and transparency of the capital base.

This new regulation also requires higher capital ratios (please refer to the Regulatory capital adequacy - Pillar 1 section, for further details).

During the first quarter of 2014, the Bank reported on extended Common Reporting (COREP), including the leverage ratio and enhanced its monitoring of forbearance exposures and non-performing loans. During the second quarter, the Immovable Property Losses report was published. Finally, during the last quarter of 2014, Asset Encumbrance reporting completed the Bank's Financial Reporting (FINREP).

Beyond these important changes, 2014 was a prolific year in terms of publications.

The European Banking Authority (EBA) has produced many papers framed by Regulatory Technical Standards (RTS), Implementation Technical Standards (ITS), Guidelines, Opinions and Consultation Papers in order to facilitate the implementation of the CRD IV package.

In January 2014, the Basel Committee published a consultative document on the Net Stable Funding Ratio (NSFR) and the final standard in October 2014, in which the Committee revised certain aspects of the liquidity regulatory framework. Among other financial stability measures, the Committee improved the alignment of the NSFR with the Liquidity Coverage Ratio (LCR), altered its calibration so as to place greater emphasis on the short term (such as potentially volatile funding sources) and introduce changes for the required stable funding (i.e. short-term exposures to banks and other financial institutions, derivatives exposures and assets posted as initial margin for derivative contracts).

In addition, the final standard recognises that, under strict conditions, certain asset and liability items are interdependent and can therefore be viewed as neutral in terms of the NSFR. The NSFR will become a minimum standard as of January 1, 2018. The Committee has to finalise the disclosure standards for the NSFR.

In October 2014, the European Commission (EC) adopted Delegated Acts on the LCR in which it expands the range of assets eligible as high-quality liquid assets (HQLA, the numerator of the LCR) and modifies some assumed inflow and outflow rates (denominator of the LCR). This regulation shall apply as of October 1, 2015. The timetable for phase-in of the standard from 2015 to 2018 has also been revised. Following the Commission's adoption in October 2014 of a Delegated Act specifying the LCR framework, the EBA has developed amendments to the current ITS on reporting.

At the same time, a Delegated Act issued by the EC has defined the Leverage Ratio specificities and how banks will need to calculate it.

At the end of 2013, the EU's Finance Ministers (Ecofin) reached a compromise agreement on the mutualisation of the cost of resolving banking crises. This agreement, which will serve to break the vicious circle between banking risk and sovereign risk in Europe includes: the set-up of (i) a single resolution mechanism (SRM) from January 1, 2015, which will cover all the banks participating in the SSM and which in the first year will only handle the approval of viability and resolution plans, (ii) a single resolution fund (SRF), which will come into force in 2016 and will be fully funded in 2026.

In line with those requirements, the Bank has actively worked on the establishment of its first recovery plan which should be submitted to the Bank's Joint Supervisory Team (JST) during the first half of 2015.

1.3 Comprehensive Assessment

Prior to assuming the direct supervision of the largest euro zone banks on November 4, 2014, the ECB carried out a comprehensive assessment of their corresponding balance sheets. The prime objective of this health check was to increase confidence in the euro zone's banking system, by encouraging greater transparency, ensuring more independent supervision as regards national discretions and a more consistent application of the prudential rules.

The Comprehensive Assessment involved several stages:

- A Supervisory Risk Assessment aimed at addressing key risks in the banks' balance sheets, including liquidity, leverage and funding. In particular, this exercise comprised quantitative and qualitative analysis based on backward- and forward-looking information aimed at assessing banks' intrinsic risk profiles, their positions in relation to their relative peers and their vulnerability to a number of exogenous factors.
- An Asset Quality Review (AQR), examining the asset side of the participating banks. This exercise included an assessment of the banks' internal accounting and risk practices together with an in-depth review of some of their credit and market exposures, both on the provisioning and valuation sides.
- A Stress Test, building on and complementing the AQR and aiming at assessing participating banks' relative resilience to forward-looking baseline and adverse macro-economic scenarios.

BIL group's Risk, Finance, Loans Services and commercial teams were heavily involved in the AQR and Stress Test exercises.

As part of the AQR, more than 1,200 credit files from among the bank's more significant ones were reviewed. This review encompasses their classification, quality, collateral value together with their provisioning levels. Moreover BIL's internal accounting and risk procedures and practices were also assessed during this exercise.

As at the end of 2014, nearly all the quantitative recommendations issued during this exercise have been incorporated within the Bank's financial statements (e.g. specific and collective provisioning) while most of the qualitative findings (e.g. accounting procedures) were either closed or well-advanced in their remedial process.

On the Stress Testing side, Precision Capital's results have highlighted the group's financial soundness and resilience to both the baseline and adverse macro-economic scenarios featuring this exercise:

- Under the Baseline Scenario of the Stress Test, Precision Capital's 2016 CET1 ratio stood at 12.5%, comfortably above the 8% minimum set by the ECB.
- Under the most severe Adverse Scenario of the Stress Test, Precision Capital's 2016 CET1 ratio stood at 8.3%, well above the minimum threshold of 5.5% set by the ECB.

Although full results were not available for either bank independently, given that Precision Capital does not hold any other material assets, these results therefore reflect the overall soundness and strong capital position of the balance sheets of both KBL *epb* and BIL.

2. RISK MANAGEMENT MISSIONS, ORGANISATION AND GOVERNANCE

2.1 Missions

The main Risk Management missions are:

- **To ensure that all risks are under control** by identifying, measuring, assessing, mitigating and monitoring them on an on-going basis: global risk policies and procedures define the framework for controlling all types of risks by describing the methods used and the defined limits, as well as the escalation procedures in place.
- **To provide the Management Board and the Board of Directors** with a comprehensive, objective and relevant overview of the risks, dedicated reports are sent and presentations are made to the Chief Risk Officer (CRO) on a regular basis.
- **To ensure that the risk limits are compatible** with the Bank's strategy, business model and structure through an effective risk appetite framework, which defines the level of risk the Bank is willing to take in order to achieve its strategic and financial goals.
- **To ensure compliance with banking regulation requirements** by submitting regular reports to the regulators (CSSF, ECB, EBA and BcL), taking part in regulatory discussions and analysing all new requirements related to risk management that could affect the regulatory monitoring of the Bank's activities.

2.2 Risk Management governance

General principles

BIL group's Risk Management framework is based on a decisional process allowing a prudent and sound management of risks. The decisional process is defined by:

- the responsibilities of the Board of Directors, the Board Risk Committee, the Audit and Compliance Committee and the Management Board and their roles in decision-making and risk management
- risk committees, of which at least one member of the Management Board is a member, and the mission of these committees in decision-making
- other committees that are formalised meetings whose members are experts and operational teams, and their missions in decision-making
- the maintenance of a set of policies, guidelines and procedures explaining the activities, the definition of limits for risk-taking by operational units, consistent with the bank's risk appetite, the process of detection, assessment and measurement, reporting, management and control of the risks induced by the Bank's activities.

BIL entities' internal control functions report from both a hierarchical and a functional point of view for branches and from a functional point of view for subsidiaries to the corresponding control functions at BIL Head Office.

BIL group's Risk Management governance is based on a clear decisional process framed by the following committees:

Board of Directors

Among its missions, the Board of Directors is responsible for setting and overseeing the overall business strategy, the overall risk strategy and policy, including the risk tolerance/appetite and the Risk Management framework.

According to CSSF circular 12/552, as amended, the Board of Directors makes a critical assessment of the internal governance mechanisms and approves them by taking into account:

- the balance between the incurred risks, the ability of the establishment to manage these risks, own funds and internal and regulatory reserves
- the strategies and guiding principles with a view to improve and adapt them to internal and external, current and anticipated changes
- the manner in which the Management Board meets its responsibilities (for instance by ensuring corrective measures are implemented)
- the effectiveness and efficiency of internal control mechanisms
- the adequacy of the organisational and operational structure.

These assessments may be prepared by dedicated internal committees and are especially based on the information received from the Management Board, the ICAAP report and the summary reports of the internal control functions which the Board of Directors is called upon to approve on this occasion.

Board Risk Committee

The Board Risk Committee is responsible for proposing BIL's group risk policy to the Board of Directors. This Committee also ensures that BIL's activities are consistent with its risk profile and establishes global limits for the main risk exposures.

Among its roles, the Board Risk Committee reviews and recommends changes to the BIL group Risk Management framework and the global risk limits and capital allocation to the Board of Directors; it reviews the global BIL group risk exposure, major Risk Management issues and capital adequacy requirements covering all of the group's risks; it reviews, assesses and discusses with the independent auditor on an annual basis any significant risk or exposure and relevant risk assessments; and it also reports regularly to the Board of Directors and makes such recommendations with respect to any of the above or other matters.

The Board Risk Committee is a specialised committee supporting the Board of Directors on subjects related to risks.

Audit and Compliance Committee

Among its missions, the Audit & Compliance Committee monitors the effectiveness of the bank's internal control, internal audit, and risk management framework; it aims also at giving independent assistance to the Board of Directors on the supervision of the bank's management. It ensures that the Management Board does a follow-up of the recommendations of the external auditors, and to improve the organisation and the Internal Control (according to the meaning of the CSSF circulars).

Internal Control Committee

The Internal Control Committee is a sub-committee of the Management Board which coordinates the activities of the Bank's three Internal Control functions (i.e. Internal Audit, Compliance, and Risk). It decides on inter-departmental issues related to Internal Control and provides a common position on Internal Control functions.

Management Board

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

Among its responsibilities, at least once a year, the Management Board is also in charge of informing the Board of Directors of the internal governance arrangements, including the state of compliance and internal control as well as the ICAAP report on the situation and management of risks and the internal and regulatory own funds and liquidity (reserves). Moreover, once a year, the Management Board confirms the compliance with CSSF circular 12/552, as amended. The information to be provided is submitted to the CSSF together with the annual accounts to be published.

The Executive Management ensures that rigorous and robust processes for risk management and internal controls are in place, and that the Bank is sufficiently staffed to be able to implement the safe and sound management of its activities. These processes include the establishment of strong risk governance.

Risk Committees

Risk Committees are constituted and receive their mandate from the Management Board within a precise and defined scope. They facilitate the development and implementation of sound practices of governance and decisions. Their mandate and roles, their members and other rules settling how they should function, are described in a specific form. At least one member of the Management Board is part of the Risk Committees. While these Risk Committees make decisions related to the overall risk process, the Board of Directors and the Management Board are not exempt from their responsibilities.

Risk Management organisation

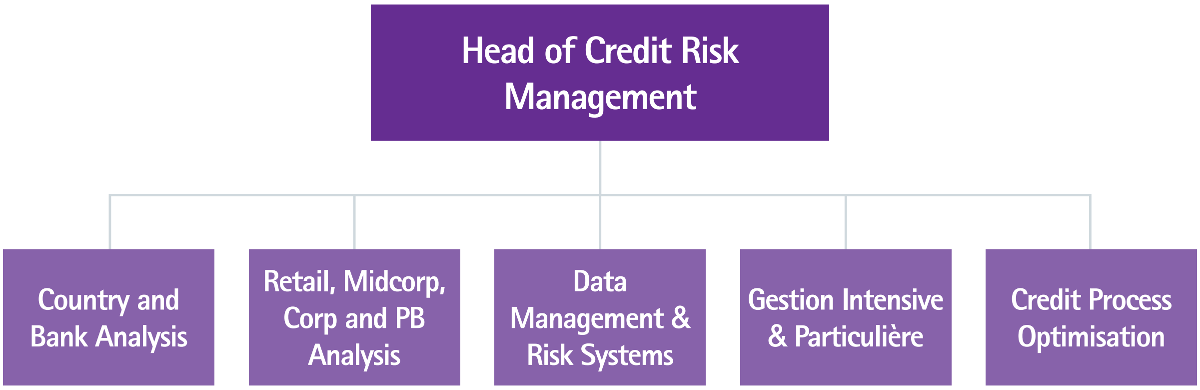
To reflect a sound management of risk and develop an integrated risk culture, the Bank has set up an effective Risk Management organisation, in adequacy with its activities, encompassing the relevant risks resulting from the activities:

At the Management Board level, the overall Risk Management framework remains under the Chief Risk Officer (CRO)'s responsibility, and the CRO is responsible for providing any relevant information on risks to the Management Board, enabling the Bank's overall risk profile to be defined and managed.

The CRO delegates the day-to-day supervision of the department to the Head of BIL group Risk Management.

In terms of organisation, BIL group's Risk Management department is based on four specific units described in greater detail below.

Credit Risk Management



The Credit Risk department is in charge of defining credit risk policies and guidelines, analysing counterparties and monitoring the Bank's credit risk portfolio. This department is composed of five different teams:

- The "Country and Bank Analysis" team is responsible for assessing and monitoring the risks related to banks and sovereign counterparts. The team is also in charge of assigning internal ratings to BIL counterparties and monitoring the corresponding portfolios.
- The "Retail, Midcorp, Corp and Private Bank Analysis" team is responsible for the retail, corporate and institutional counterparts. The team is also in charge of assigning internal ratings to BIL counterparties and monitoring the corresponding portfolios.
- The "GIP" (Gestion Intensive et Particulière) follows and manages the assets deemed to be "sensitive" with a proactive approach, in order to minimise the potential losses for the Bank in case of a counterparty's default.
- The "Data Management & Risk Systems" teams are in charge of the development and maintenance of the data and risk systems used for the calculation of the credit risk capital requirements and the corresponding regulatory reportings, These teams are also responsible for the production of regulatory and internal reports related to Credit Risk such as the COREP, Large Exposures, Quarterly Risk Report, and cover ad-hoc requests from regulatory authorities.
- The "Credit Process Optimisation" team is in charge of the internal project related to the optimisation of the credit chain. The team's main purpose is to improve end-to-end credit processes, from a credit risk perspective.

Financial Risk Management

The Financial Risk Management team is in charge of defining policies and guidelines on financial market activities, and of identifying, analysing, monitoring and reporting on risks and results.

The department is split in three teams:

- The "Banking Risk Monitoring" team is in charge of the follow-up of the counterparties' limits, of margin calls for collateral management purposes, of banking book activity and of liquidity risk. It also implements the new regulatory ratios (e.g. LCR, NSFR, liquidity monitoring tools, etc.).
- The "TFM Risk Monitoring" team's main tasks are the implementation and follow-up of the financial risks of Financial Markets' activities (i.e. Fixed Income, Forex, Structured Products and Brokerage), the calculation of BIL's group Value at Risk (VAR), the detection of suspicious transactions and the reconciliation of positions with Profit or loss (P/L).
- The "EUI (End-User Integration) & Market Data Management" team is in charge of the maintenance and of the evolution of Market Risk data as well as dealing with dedicated reports and systems.

Operational Risk Management

This department encompasses the management of Corporate Operational Risks, Insurance & Reinsurance and Security Risks (prevention and regulation):

- The "Corporate Operational Risk" (COR) team is responsible for the description of the Bank's internal operational Risk Management framework and for ensuring its implementation and application throughout BIL group. In addition, COR is in charge of recording operational incidents, implementing key risk indicators, supervising the Risk and Control Self-Assessment (RCSA) performed by each Business Line/branch/subsidiary, and following the resulting action plans. COR is deeply involved in the organisation of (and also provides quarterly reports to) the Operational Risk and New Products Committee.
- Based on the Bank's risk profile, the "Insurance & Reinsurance" team develops and ensures the adequacy (i.e. establishment of new insurance policies and/or update of existing policies) of the (re)insurance policy and (re)insurance system within the Bank and its branches/subsidiaries. The team also provides a centralised management of (re)insurance contracts and acts as single point of contact for our brokers, insurance companies and other insured bodies.
- The "Security Risk Prevention" team is in charge of ensuring Information Security by defining the access rules to information in accordance with the Bank's Security Policy, securing access to information by implementing tools and defining access granting procedures, and addressing the Bank's new challenges (i.e. reorganisation, restructuring, expansion, etc.) by working to adapt its system for managing access to information. The team is also responsible for analysing the risks related to the availability of critical activities (i.e. BIA[1], RTO[2], RPO[3]) and considering the strategy to reduce these risks to an acceptable level through the development, testing and maintenance of a Business Continuity Plan.
- The "Security Risk Regulation" team is responsible for the analysis of risks related to the availability, confidentiality and integrity of information and for the strategy, actions and projects to reduce these risks to an acceptable level: the management of security governance (i.e. roles, responsibilities, committees, processes); development and maintenance of information classification, ensuring employees awareness of security requirements, management of security incidents related to information, organisation of the Crisis Committee and Security Committee and implementation and monitoring of decisions and execution of controls to ensure compliance with the Security Policy as well as some aspects of the legal and regulatory compliance related to information security issues.

[1] Business Impact Analysis
[2] Recovery Time Objective
[3] Recovery Point Objective

Strategic Risk Management

The Strategic Risk Management department consolidates all the activities related to the modelling and the monitoring of the Bank's inter-departmental risks. This department is made up of four different teams:

- The "Economic Risk Assessment & Monitoring" team develops an overall framework for the assessment and monitoring of economic risks facing the Bank in the course of its activities. This framework comprises the development and integration of the Bank's ICAAP process (i.e. risk cartography, economic capital, risk appetite and stress-testing) as well as the proposition of dedicated support to the group's other departments in terms of quantitative developments.
- The "IRS Modeling & Integration" team is in charge of the modeling of the Bank's internal rating systems (developed within the AIRB framework) and their subsequent integration within the businesses. This mandate also comprises the follow-up of key credit risk indicators (e.g. Non-Performing loans, Provisioning) as well as the realisation of the Bank's credit risk related stress-tests.
- The "Risk Controlling" team's aim is to validate the credit risk models' adequacy and performance (Model Validation) as well as their correct use by the credit risk teams regarding both use-tests requirements and dissemination of their corresponding outputs within the Bank's information systems (Rating Systems Quality Control).
- The "Transversal Reportings & Regulatory Watch" team aims to consolidate all of the Group risks reports in order to produce an overall view of the Bank's risk profile. This activity thus includes the development and production of a set of inter-departmental reports comprising, among others, the Basel II Pillar 3 Disclosures, the coordination and consolidation of the Risk Management department's contributions to the Annual/Semi-Annual Reports, Long Form Reports and rating agencies' requests as well as the production of a framework dedicated to the monitoring of risks incurred by BIL group's branches/subsidiaries. Moreover, this team is also in charge of regulatory watch activity and coordination of the inter-departmental projects dedicated to these matters (e.g. Basel III, ECB's Comprehensive Assessment, etc.).

3. CREDIT RISK

3.1 Definition

Credit risk represents the potential loss (reduction in value of an asset or payment default) that BIL may incur as a result of a deterioration in the solvency of any counterparty.

3.2 Risk policy

BIL's Risk Management department has established a general policy and procedure framework in line with the Bank's risk appetite. This framework guides the management of credit risk from an analysis, decision-making and risk monitoring perspective. The Risk Management department manages the loan issuance process by delegating, within the limits set by the Bank's management, and by chairing credit and risk committees. As part of its credit risk monitoring tasks, Credit Risk Management supervises changes in its portfolios' credit risks by regularly analysing loan applications and reviewing ratings. The Risk Management department also draws up and implements the policy on provisions, decides on specific provisions, and assesses defaults.

3.3 Organisation and governance

BIL's Risk Management department oversees the Bank's credit risk, under the supervision of the Management Board and dedicated committees.

The Risk Policy Committee defines the general risk policies, as well as specific credit policy in different areas or for certain types of counterparty and sets up the rules for granting loans, supervising counterparty rating and monitoring exposures. The Risk Policy Committee validates all changes in procedures or risk policy, internal rating systems, principles and calculation methods referring to risk.

In order to streamline the decision-making process, the Management Board delegates its decision-making authority to credit committees or joint powers. This delegation is based on specific rules, depending on the counterparty's category, rating level and credit risk exposure. The Board of Directors remains the ultimate decision-making body for the largest loan applications or those presenting a level of risk deemed to be significant. The Credit Risk Management department carries out an independent analysis of each application presented to the credit committees, including determining the counterparty's rating, and stating the main risk indicators; it also carries out a qualitative analysis of the transaction.

Alongside supervision of the issuance process, various committees are tasked with overseeing specific risks:

- The Default Committee identifies and tracks counterparties in default, in accordance with Basel regulations, by applying the rules in force at BIL, determines the amount of allocated specific provisions and monitors the risk cost. The same committee supervises assets deemed to be "sensitive" and placed under surveillance by being filed as "Special Mention" or put on "Watchlists".
- The Rating Committee ensures that the internal rating systems are correctly applied and that rating processes meet pre-defined standards.
- The Internal Rating Systems Performance Committee ensures the monitoring of BIL's internal rating systems' performance through time (i.e. backtesting, benchmarking, model validation) and discusses all the strategic choices related to this matter (e.g. new model development, material changes ...).

3.4 Risk measurement

Credit risk measurement is primarily based on internal systems introduced and developed within the Basel framework. Each counterparty is assigned an internal rating by credit risk analysts, using dedicated rating tools. This internal rating corresponds to an evaluation of the level of default risk presented by the counterparty, expressed by means of an internal rating scale. It is a key factor in the loan issuance process. Ratings are reviewed at least once a year, making it possible to identify counterparties requiring the close attention of the Default Committee.

To manage the general credit risk profile and limit concentration of risk, credit risk limits are set for each counterparty, establishing the maximum acceptable level for each one. Limits by economic sector and by product may also be imposed by the Risk Management department. The latter actively monitors limits, which it can reduce at any time, in light of changes in related risks. The Risk Management department may freeze specific limits at any time in order to take the latest events into account.

Focus on the forbearance measure

Since the first quarter of 2014, BIL monitored closely its forborne exposures, in line with EBA Final Draft ITS requirements published in October 2013 and updated on July 25, 2014.

The previous CSSF definition of restructured credit is close to the EBA definition; the latter provides institutions with more details regarding the way this notion should be addressed across different jurisdictions. According to EBA's definition, forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). Those measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

Once those criteria are met, the credit files are flagged as being restructured and are added to a list closely followed by the team "Gestion Intensive et Particulière".

Following the publication of EBA standards, BIL group has adapted its internal forbearance definition in order to fully comply with the suggested one. Concretely, analyses have been conducted internally on specific credit files with the aim of defining and identifying relevant operational criteria for the forbearance classification. These efforts continued during the first quarter of 2014 and led to dedicated methodologies being set up that will be further refined in order to meet EBA's requirements.

In order to comply with those requirements, BIL group has set up a dedicated project aimed at (1) identifying the criteria leading to the forborne classification, (2) classifying the Bank's existing exposures between the forborne and non-forborne ones and (3) implementing these criteria across the systems.

For non-retail counterparties, dedicated analyses have been carried out at single credit files level in order to identify those that should be classified as forborne according to the EBA's definition. For the retail counterparties, a specific methodology has been implemented in order to detect all of the forborne candidates. In a nutshell, this methodology first identifies the credits for which concessions have been granted to the debtors and then analyses if these concessions coincided with financial difficulties at the debtor level (based on criteria like past-due, rating...). This methodology was used in 2014 for the resumption of the retail stock and from 2015 on, the Bank will also apply the non-retail methodology to the retail exposures.

The granting of forbearance measure is likely to constitute an impairment trigger, meaning that the loan should be assessed for impairment either individually or as part of a collective assessment.

For credit files in forbearance and in case of early repayment, the costs related to these transactions are either borne by the debtor (in one shot or spread over the term of the new loan) or recognised directly in the Bank's profit or loss.

As at end 2014, BIL group's forborne exposures amounted to 197 million including 12 million as given banking guarantees.

The significant decrease observed since end 2013 (386 million as at December 2013) is mainly explained by the deep analyses conducted this year in order to refine the forborne perimeter on the retail portfolio. In 2013, the forborne retail portfolio resulted from the application a statistical approach.

3.5 Risk exposure [1]

Credit risk exposure includes:

- the net carrying value of balance sheet assets other than derivative products (i.e. the carrying value after deduction of specific provisions)
- the mark-to-market valuation of derivative products
- total off-balance sheet commitments corresponding to unused lines of liquidity or to the maximum amount that BIL is committed to as a result of guarantees issued to third parties.

The substitution principle applies where the credit risk exposure is guaranteed by a third party with a lower risk weighting. Therefore, counterparties presented hereafter are final counterparties, i.e. after taking into account any eligible guarantees.

As at December 31, 2014, the Bank's total credit risk exposure amounted to 20.25 billion, namely 0.79 billion above the end 2013 level. This variation is mainly explained, on the one hand, by the increase observed on both the Bank's Public Sector Entities (+0.45 billion) and Individual, SME and Self-Employed (+0.4 billion) portfolios, and on the other hand, the decrease of -0.2 billion observed on Central Governments counterparties.

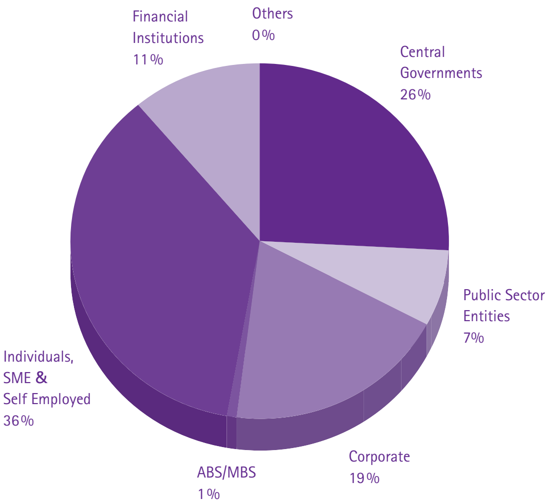
[1] Rounding differences and percentages calculated on exact numbers.

Exposure by type of counterparty

In line with BIL group's business model and strategy, in 2014, the Individuals, SME and Self Employed segment remains the Bank's largest portfolio, representing around 36% of the overall exposure (7.3 billion, +0.4 billion as compared to end 2013).

Despite the relatively small decrease observed this year (-0.2 billion), the Central government exposure weighting is relatively stable when comparing with the previous year (26% in 2014 vs. 28% in 2013). This change can largely be explained by the Austrian and Belgian positions reaching maturity of being sold.

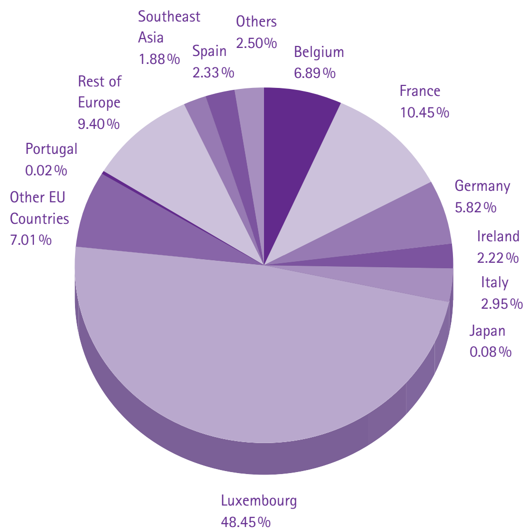
Finally, it is also worth noting the increase on the Public Sector Entities exposures (7% of the overall exposure, +0.45 billion as compared with 2013) mainly explained by the purchase of bonds issued by Belgian and French counterparties.



Type of Counterparty	31/12/13 EUR million	31/12/14 EUR million	Variation in EUR million
Central Governments	5,462	5,225	(237)
Public Sector Entities	925	1,372	447
Corporate	3,870	3,941	71
ABS/MBS	0	100	100
Project Finance	35	6	(29)
Individuals, SME & Self Employed	6,898	7,277	379
Financial Institutions	2,191	2,326	135
Others	75	6	(69)
Group Total Exposure	19,456	20,253	797

Exposure by geographical region

As at December 31, 2014, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (48.44%), France (10.45%), Belgium (6.89%) and Germany (5.82%).

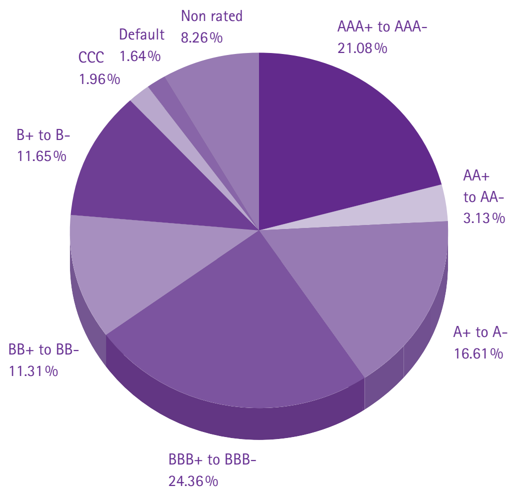


Exposure by internal rating

The credit risk profile of the Bank has remained stable since year-end 2013 and is of good quality. Indeed, the Investment Grade (IG) exposures represent 65% of the total credit risk exposure, of which 21% lies within the AAA+ to AAA range.

In 2014, the relative weight of the IG class decreased by 4.3% in favour of the non-rated class. This can mainly be explained by the growth observed on the real estate projects exposures.

The proportion of defaults decreased slightly by the end of 2014 (1.64%) when compared with the level at end 2013 (1.87%).



Exposure to PIIGS

Breakdown of the government bond portfolio for sensitive European countries by maturity bucket for 2014. (excluding trading both 2013 and 2014).

	31/12/13	31/12/14									
(in EUR million)		2015	2016	2017	2018	2019	2021	2023	2024	2025	TOTAL
Ireland	224	31	76	116	0	0	0	0	24	43	290
Italy	432	88	213	136	11	0	26	31	0	0	505
Spain	251	21	97	20	0	11	0	53	55	0	257
TOTAL	**907**	**140**	**386**	**272**	**11**	**11**	**26**	**84**	**79**	**43**	**1,052**

The net increase of the PIIGS exposure is explained by 0.53 billion of new investments, as compared with sales of or matured positions representing 0.38 billion.

As at end 2014, the bank has no investments in Portuguese or Greek government bonds.

Large exposures

According to its letter dated November 22, 2012, the CSSF has granted a total exemption for BIL's exposure towards its sister company KBL *epb* and its subsidiaries in the calculation of large exposure limits, in accordance with the former Circular 06/273 (part XVI, point 24), as amended. As at December 31, 2014, BIL had no exposure towards its sister company KBL *epb*.

Asset Quality

Both the Bank's loan portfolio size (including impaired and non-impaired loans to customers) and the specific provisions level have increased in 2014. The asset quality ratio as at December 31, 2014 remains stable compared to 2013 (2.83%).

At the end of 2014, the amount of impaired loans and advances to customers was 314 million, corresponding to a relative increase of 7.6% as compared with the previous year. Moreover, a net increase of specific provisions (+25 million) is observed on this portfolio, mainly explained in particular by additional provision booked following the AQR findings. This also explains the increase of the BIL's coverage ratio to a sound level of 81.46%.

The Bank's collective impairments also increased in 2014 (+6.4 million as compared with the previous year), explained in part by the change in methodology brought about by the AQR recommendations.

(in EUR million)

	31/12/13	31/12/14
Gross amount of non-impaired loans	10,021	10,807
Impaired loans to customers	292	314
Specific provisions	231	256
Asset quality ratio [1]	2.83%	2.83%
Coverage ratio [2]	78.94%	81.46%
Collective impairments on loans	20	27

[1] Impaired loans as a percentage of total loans outstanding.
[2] The coverage ratio measures specific provisions recognised for loans and receivables in relation to total outstanding impaired loans and advances to customers.

4. MARKET RISK, ASSETS & LIABILITIES MANAGEMENT (ALM)

4.1 Definitions

Market risk is the risk of losses in positions arising from adverse movements in market prices. It mainly consists of interest rate risk, equity price risk and foreign exchange risk:

- The interest rate risk consists of a general interest rate risk resulting from market developments and a specific interest rate risk. The latter, also called "credit spread risk", is defined as the specific interest rate risk attached to an issuer and arises from variations in the spread of a specific signature within a rating class.
- The risk associated with the equity price represents the risk arising from the reduction in value of the equity.
- The foreign exchange risk represents the potential decrease of the value due to currency exchange rate movements.

Assets & Liabilities Management covers all the banking book's structural risks, namely interest rate risk, foreign exchange risk and liquidity risk.

Liquidity risk measures BIL's ability to meet its current and future liquidity requirements, both expected and unexpected, whether or not the situation deteriorates.

Counterparty Risk measures on a daily basis BIL's exposure to an external counterparty.

4.2 Risk policy

For integrated market and ALM risk management, BIL defines a framework based on the following:

- An exhaustive risk measurement approach, which is an important part of BIL's risk profile monitoring and control process.
- A sound set of limits and procedures governing risk-taking.
- The system of limits must be consistent with the overall risk measurement and management process, and be proportionate to the capital position. These limits are set for the broadest possible scope.
- An efficient risk management structure for identifying, measuring, monitoring, controlling and reporting risks: BIL's development of a general risk management framework is suited to the type of challenges it faces. This approach offers an assurance that market risks have been managed in accordance with BIL's objectives and strategy, within its general risk appetite.

4.3 Organisation and governance

Financial Risk Management (FRM) oversees market risk under the supervision of the Management Board and specialist risk committees. FRM is a support unit within the Risk Department. On the basis of its global risk management approach, it is responsible for identifying, analysing, monitoring and reporting on risks and results (including the valuation of assets) associated with financial market activities.

The policies, directives and procedures documenting and governing each of the activities are defined within BIL and applied to all of the Bank's entities:

- Head Office FRM teams define risk measurement methods for the whole Group, as well as report and monitor the risks of the activities they are responsible for, at a consolidated level.
- Head Office and local FRM teams follow day-to-day activity, implement policies and directives, monitor risks (calculation of risk indicators, control limits and triggers, frame new activities/new products and so on) and report to their own Management Board, as well as to local supervisory and regulatory bodies.
- The ALM Committee decides on the structural balance sheet positioning regarding rates, foreign exchange and liquidity. It defines and revises market risk limits.
- FRM, in its day-to-day activity, is supported by two operational committees: the MOC (Monthly Operational Committee) and the OR&NPC (Operational Risk and New Products Committee), which are detailed in Operational risk section hereafter.

4.4 Risk measurement and exposures

Market risk

Risk measurement

The Bank has adopted sensitivity and VaR measurement methodologies as key risk indicators. Risk sensitivity measurements reflect the balance sheet exposure to a parallel movement of 1% on the yield curve. VaR measures the maximal expected potential loss that can be experienced with a 99% confidence interval, within a 10-day holding period.

BIL applies sensitivity and VaR approaches to accurately measure the market risk inherent in its various portfolios and activities.

- General interest rate risk and currency risk are measured through historical VaR.
- Trading portfolio equity risk is measured through historical VaR.
- Non-linear risks are measured through historical VaR.
- Specific interest rate risk (spread risk) is measured through sensitivities.

As a complement to VaR measures and income statement triggers, the Bank applies a broad range of other measures aimed at assessing risks associated with the various business lines and portfolios (nominal limits, maturity limits, market limits, sensitivity to various risk factors, etc.).

In 2014, the hypothetical back-testing calculated on the trading portfolio revealed no downward exception for interest rate and currency risks.

Risk exposure

Treasury and Financial Market

The detailed IR & FX VaR used for Treasury and Financial Market activities (ALM not included) is disclosed in the table below. The average Value at Risk was 2.4 million in 2014, compared with 4.99 million in 2013.

VaR (10 days, 99%)		**2013** [1]							
(in EUR million)		**IR [2] & FX [3] (Trading and Banking) [4]**				**EQT [5] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	5.81	4.59	5.13	4.39	0.01	0.02	0.01	0.00
	Maximum	8.47	6.26	6.09	5.19	0.02	0.03	0.02	0.02
Global	Average	4.99							
	Maximum	8.48							
	End of period	4.61							
	Limit	8.00							

VaR (10 days, 99%)		**2014**							
(in EUR million)		**IR & FX (Trading and Banking)**				**EQT Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	4.45	2.97	1.57	0.70	0.00	0.00	0.01	0.00
	Maximum	5.45	3.99	2.46	0.96	0.01	0.02	0.01	0.03
Global	Average	2.40							
	Maximum	5.45							
	End of period	0.45							
	Limit	8.00							

Up to 2012, spread risk for the capital markets activity was measured using a VaR methodology. This measure has been replaced by a sensitivity calculation at the end of 2012. As of December 31, 2014, the spread sensitivity (+1bp) amounted to EUR -15,525 for a limit set at EUR -60,000.

[1] 01/04/2013 switch to the historical VaR methodology
[2] IR: interest rate
[3] FX: foreign exchange
[4] IR & FX: excluding asset & liability management (ALM)
[5] EQT: equity

Asset and Liability Management

The role of ALM in terms of interest rate risk management is to reduce the volatility of the income statement, thereby safeguarding the gross margin generated by the business lines.

The sensitivity of the net present value of ALM positions to a change in interest rates is currently used as the main indicator for setting limits and monitoring risks.

As at December 31, 2014, ALM sensitivity amounted to +61 million (vs. +29 million as at end 2013).

This change is mainly due to the cautious rate approach currently adopted by BIL that aims to avoid negative impacts in the event of an interest rate hike.

The limit of interest rate sensitivity for a 100 bp parallel shift was 81 million as at December 31, 2014 (vs. 95 million as at December 31, 2013).

Investment Portfolio

BIL continued its investments in the new portfolio during 2014.

The interest rate risk of the investment portfolio is transferred and managed by the Treasury department or by the ALM department, depending on various criteria (i.e. maturity, sector).

The investment bond portfolios have a total nominal exposure of 4.91 billion as at December 31, 2014 (against 4.63 billion as at December 31, 2013). The majority of the bonds are classified in the AFS portfolio: 4.75 billion as at December 31, 2014 (against 4.59 billion as at December 31, 2013). The remaining part is classified in HTM portfolio: 158 million as at December 31, 2014.

As far as the AFS-classified bond portfolio is concerned, the sensitivity of fair value (and the AFS reserve), to a one basis point widening of the spread, was –2.7 million as at end 2014 (compared with –2.5 million per basis point as at December 31, 2013).

Investment portfolio (in EUR million)

	Notional amount		Rate bpv		Spread bpv	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Treasury	2,378	2,323	(0.19)	(0.15)	(0.84)	(0.81)
ALM	2,248	2,588	(0.64)	(0.23)	(1.68)	(1.98)

Liquidity Risk

The liquidity management process is based upon covering funding requirements with available liquidity reserves. Funding requirements are assessed carefully, dynamically and comprehensively by taking the existing and planned on and off-asset & liability transactions into consideration. Reserves are constituted with assets eligible for refinancing with the central banks to which BIL has access (Banque Centrale du Luxembourg, BCL, and Swiss National Bank, SNB).

Regular information channels have been established for management bodies. A daily report is sent to the CEO, the CRO, ALM Committee members, Risk Management, Cash & Liquidity Management and TFM teams. An analysis of the balance sheet development (e.g. customer deposits, etc.) is presented and commented upon during the ALM Committee meetings.

Risk measurement

The internal liquidity management framework includes indicators enabling the assessment of BIL's resilience to liquidity risk. These indicators include liquidity ratios, which compare liquidity reserves with liquidity deficits[1]. All these indicators are assessed according to a variety of scenarios, in the major currencies. These ratios are sent to the CSSF and to the BCL, respectively on a daily and a weekly basis.

Risk exposure

In line with the 2013 year-end situation, BIL presented a significant liquidity surplus all year long during 2014.

Additional funding needed to reach 100% of the base case ratio (in EUR million)

	2014	Q1	Q2	Q3	Q4
	Estimated – 1 month				
Average	(4,664)	(4,953)	(4,796)	(4,456)	(4,452)
Max	(5,116)	(5,116)	(4,911)	(4,645)	(4,565)

The negative amount of additional funding needed to reach 100% of the base-case ratio shows that the bank presents a surplus of liquidity.

From a commercial balance sheet point of view, the Bank has observed a progressive increase in customer deposits and a moderate growth in the loan portfolio.

This excess cash has been partially invested through the Bank's liquidity buffer bond portfolio. This portfolio is mainly composed of central bank eligible bonds which are also compliant with the Basel III package requirements, i.e. the LCR and NSFR. Please also note that the Bank's LCR has met the fully phased threshold of 100%.

[1] Called "Base Case Ratio"

5. OPERATIONAL RISK

5.1 Definition

Operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic risk. It also excludes losses resulting from commercial decisions.

5.2 Risk policy

BIL's operational risk management policy involves identifying and regularly assessing the existing risks and current checks in order to ensure that the acceptance level defined per activity is respected. If not, adequate governance in place must lead to swift corrective or improvement actions permitting a return to an acceptable situation. This framework is implemented through a prevention policy, particularly with regard to information security, business continuity and, whenever necessary, through the transfer of the financial consequences of certain risks through insurance.

In terms of information security, including business continuity management, BIL's Management Board has validated and implemented an information security policy. This document and its related instructions, standards and practices are intended to secure BIL's information assets.

In terms of operational risk, BIL's management has validated the Operational Risk Global Policy and it has been implemented by the application of guidelines (guidelines for reporting operational incidents and guidelines for conducting a risk and control self-assessment).

5.3 Organisation and governance

BIL's operational risk management framework relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible for operational risk at BIL:
- The Operational Risk and New Products Committee (OR&NPC) is in charge of supervising operational risk at BIL. To this end, the committee takes decisions on risks that have been identified and analysed as well as on suitable measures to be taken in order to improve weak processes; and it also monitors any action taken. It approves Risk & Control Self-Assessments (RCSA). It also supervises the launch of new products and examines their operational aspects, taking decisions on any project that could have an operational impact on BIL's activities.
- The Monthly Operational Committee (MOC), part of the TFM business line, supervises BIL's TFM projects and operational risks, takes decisions in terms of tackling day-to-day problems and monitors other risks related to TFM Luxembourg's activities.
- The Security Committee (SC) is mandated by the Management Board to oversee the risks to BIL's information security and to that of its subsidiaries and branches, as well as all risks of the loss of confidentiality, the availability, or the integrity of the Bank's information assets. It is also in charge of overseeing security incidents involving BIL, taking decisions on any project with the potential to have an impact on the security of BIL's information assets and ensuring that the implementation and support of a global Business Continuity Plan (BCP) follows the strategy defined by the BIL Management Committee.

5.4 Risk measurement and management

The operational risk framework relies on the following elements.

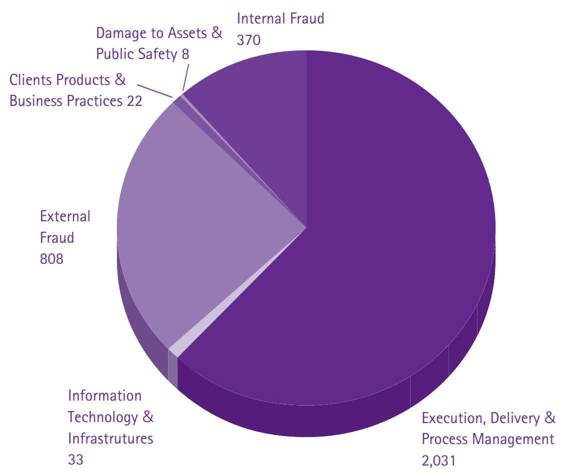
Operational Risk Event Data Collection

According to the Basel Committee, the systematic recording and monitoring of operational incidents is a fundamental aspect of risk management: "Historical data on banking losses may provide significant information for assessing the Bank's operational risk exposure and establishing a policy to limit/manage risk."

Regardless of the approach used to calculate capital (standard approach for operational risk at BIL), data collection is required. Having a relevant procedure in place ensures that BIL complies with the Basel Committee's requirements (guidelines for reporting operational incidents).

At the same time, recording incidents provides information that may be used to improve the internal control system and determine the operational risk profile. The breakdown of the total amount of losses by nature of incident for continuing activities is evidenced in the chart below:

Risk exposure loss amount in EUR thousands



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Execution, Delivery & Process Management incidents represent 62% of the total amount of risk exposure. Losses related to these incidents are usually due to human errors.

In the second place, 25% of exposures to losses occurring in 2014 was due to *External Fraud*. The Bank recorded 75 external frauds and fraud attempts. On the *Internal Fraud* segment, the Bank only faced one single incident during 2014 considered as non-material.

For the category *Information, Technology and Infrastructures*, BIL does not estimate the financial impact except if it has direct financial consequence for the customer. The *Damage to Assets & Public Safety* event type is normally covered by insurance.

In terms of reporting, an exhaustive monthly document is produced for each line manager (i.e. Head Office, subsidiaries and branches). It covers all incidents that have arisen in their business over the previous month, based on reports filed. Recipients analyse the report and verify that all incidents brought to their attention have been included.

The Corporate Operational Risk team also presents a report on operational risk report to OR&NPC at the end of each quarter. On a quarterly basis, three operational risk indicators are reported to the members of the Management Board to follow the Bank's risk appetite: critical IT incidents, external fraud attempts and the ratio between income and the net amount of losses.

Self-assessment of risks and associated controls

A RCSA is performed in order to identify the most significant risk areas for the Bank (to map the operational risks). This assessment provides a good overview of the various activities and existing checks and can lead to the definition of mitigation actions. The results of the assessment are reported to Management during the Operational Risk and New Products Committee meetings.

Definition and follow-up of action plans

As part of operational risk management, corrective action plans linked to major risks and events must be monitored closely.

Two types of action plans are managed through operational risk management:
- action plans – Incidents: following a significant incident, the management may implement action plans
- action plans – RCSA: in the event of unacceptable risk exposure, the management may identify ad hoc action plans.

Calculation of the regulatory capital requirement

BIL group applies the standardised Basel approach to calculate regulatory capital for operational risk. This approach consists principally in applying a percentage (called the "beta factor", ranging from 12% to 18%) to an appropriate activity indicator, calculated for each of the eight business lines defined by the Basel Committee (i.e. corporate finance, commercial banking, retail banking, trading and sales, asset management, agency services, retail brokerage, payment and settlement).

The relevant indicator is defined by the regulator and is based on the operational results of the underlying business lines, using an average over the past three years. The calculation is updated at the end of each year. The operational risk weighted assets amounted to 692 million at year-end 2014 and is quite stable as compared with the end 2013 figures (697 million).

Risk Weighted Assets (in EUR million)

2013	2014
697	692

6. REGULATORY CAPITAL ADEQUACY – PILLAR 1

6.1 Weighted risks

Since January 1st, 2008, the Bank has used the Basel framework – through its different evolutions – to calculate its capital requirements with respect to credit, market and operational risk, and to publish its solvency ratios.

At the end of 2014, the Bank's total RWAs amounted to 5 billion, as compared with the 4.4 billion as at end 2013.

On the Credit Risk side, the overall increase observed in 2014 (+0.6 billion), is explained by the cumulative impacts of the Basel III requirements came into force (e.g. linked to the additional charges related the unregulated financial institutions and large financial institutions, new treatment of Small and Medium Enterprises…) and the bank's risk profile evolution (i.e. increase on the *Corporate, Individuals, SME and Self Employed and Public Sector* portfolios).

While Operational Risk RWAs slightly decreased by 5 million in 2014, the Market Risk RWAs increased by +17 million, principally explained by the growth of the trading portfolio.

(in EUR million)

	31/12/13	31/12/14
Weighted credit risks	3,538	4,140
Weighted market risks	119	136
Weighted operational risks	697	692
Weighted CVA risks	0	38
TOTAL WEIGHTED RISKS	**4,354**	**5,006**

For Credit Risk, BIL group has decided to use the Advanced-Internal Rating Based (A-IRB) approach on its main counterparties (i.e. Sovereigns, Banks, Corporate, SMEs and Retail).

When it comes to Market Risk, the Bank has adopted the Standardised method for the calculation of its weighted risks. This choice is based on the Bank's very moderate trading activity, whose sole purpose is to assist BIL customers by providing the best service relating to the purchase or sale of bonds, foreign currencies, equities and structured products.

6.2 Capital Adequacy ratios

(in EUR million)

	31/12/13	31/12/14
Common Equity Tier 1 Capital (CET1)	650	765
Additional Tier One Capital	0	150
Total Own funds	904	979
Risk Weighted Assets	4,354	5,006
Common Equity Tier 1 Capital Ratio (CET1%)	14.93%	15.28%
TOTAL CAPITAL RATIO	**20.77%**	**19.56%**

The sum of the different RWA categories constitutes the denominator for the calculation of the solvency ratios.

BIL group's Tier 1 ratio has significantly increased, thanks to the strengthening of the bank's own funds with, particularly, the Contingent Convertible (CoCo) issued for 150 million qualified as Additional Tier 1 according to the CRD IV package.

7. INTERNAL CAPITAL ADEQUACY – PILLAR 2

CSSF circular 07/301 defines the ICAAP as *"a system of sound, effective and complete strategies and processes allowing credit institutions to assess and maintain, on an on-going basis, the amount, types and distribution of internal capital that they consider adequate to cover the nature and level of risks to which they are or might be exposed".*

The ICAAP is an internal instrument, which shall allow BIL group to hold the internal capital it deems appropriate in order to cover all the risks to which it is or could be exposed as a result of its business model and strategic plan, this being framed by its Risk Appetite and its risk bearing capacity.

Under the ICAAP, BIL group is required to identify the material risks to which it is exposed, to quantify them and to ensure it maintains adequate capital to back them. This capital must be of sufficient quality to absorb losses that may arise for a given time period and level of confidence.

The ICAAP shall fully reflect all of the risks to which BIL group is or could be exposed, as well as the economic and regulatory environment within which the bank operates or could come to operate. The ICAAP shall therefore not only take into account the current situation but shall also be forward-looking in order to ensure the internal capital adequacy on an on-going basis.

The main building blocks of BIL group's ICAAP

In order to maintain internal capital adequacy on an on-going basis, the ICAAP is anchored in BIL group's decision-making processes, its business and risk strategies and its risk management and control processes.

This objective is achieved through the development of a sound and comprehensive framework based on the following key components:

- In order to determine the adequacy of its internal capital, BIL group first translates its business and strategy plans into Risk Appetite statements and develops and monitors the corresponding framework. The starting point for the Risk Appetite framework is the strategic business plan. The strategic business plan frames the Bank's target business profile for the coming years and it is currently defined as follows: *BIL group is a universal bank with a strong anchoring in the Luxembourg market and operating on selected international niches*. In this context, BIL group develops service excellence, as a key differentiating factor in order to generate additional revenue opportunities. This business model and strategy is then translated into five Risk Appetite pillars which set the Bank's objectives:
  - capital: maintain sufficient capital, quantity and quality, to support the risk profile in both normal and crisis periods and to ensure an A- credit rating is maintained
  - earnings stability: generate a sustainable return on capital above the Bank's cost of capital and in line with achieving the Bank's dividend targets
  - liquidity: maintain a strong liquidity position by retaining a high level of customer deposits and a high quality liquidity reserve
  - reputation: maintain a strong reputation in the Luxembourg and international markets by focusing on a strong product offering and achieving service excellence

- operational effectiveness: focus on operational efficiency by leveraging cross-sell opportunities, achieving service level optimisation of support functions and operations and having a robust control environment in place.

- BIL group has to identify the risks to which it is exposed to (i.e. Risk Identification and Cartography) according to the Risk Appetite framework. Different steps are then taken within the Bank on an on-going basis:
  - compilation of a risk glossary
  - identification of the risks
  - assessment of the risk materiality
  - production of a risk cartography (by entities & activity lines).
- BIL group assesses its risks and attributes capital to cover the economic effects of risk-taking activities thanks to the Economic Capital calculations (ECAP). ECAP is defined as the potential deviation between the group's economic value and its expected value, within a given confidence interval, depending on the BIL group's target rating, and a horizon of one year. The process for quantifying economic capital is organised into two stages:
  - stand-alone risk measurements (on the basis of statistical models developed internally and adapted to the Bank's risk profile)
  - aggregation based on an inter-risk correlations matrix.
- BIL group assesses its capacity to maintain sufficient capital, in terms of quantity and quality, to support its risk profile through both normal and crisis periods. This is carried out using two interconnected processes, Capital Adequacy and Capital Planning:
  - Capital Adequacy mainly links the needs of ECAP with Available Financial Resources (AFR), representing the loss absorbing financial capacity and availability over a one-year horizon. These AFR are constituted to cover the incurred risks and absorb losses.
  - Moreover, within the Capital Planning process, BIL group assesses its risk absorbing capacity in both normal (in line with the strategic plan expectations) and stressed periods and for a time horizon of three years.
  - Concerning the Business Integration part, the effectiveness of the ICAAP depends on:
    - the use in the decision-making and management process at all levels in the Bank (e.g. limit setting)
    - the role of the ICAAP in risk/capital management, including its used for business purposes. The best example of ICAAP business integration is its use in all kind of decision-making processes, where capital consumption indicators help drive new initiatives.

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Report of the "réviseur d'entreprises agréé"

To the Board of Directors of
Banque Internationale à Luxembourg SA
69, route d'Esch
L-2953 Luxembourg

Report on the consolidated financial statements

Following our appointment by the Board of Directors, we have audited the accompanying consolidated financial statements of Banque Internationale à Luxembourg SA, which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg SA as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

April 1, 2015

Consolidated balance sheet

ASSETS

(in EUR)		Notes	31/12/13	31/12/14
I.	Cash and balances with central banks	7.2	1,216,639,373	1,189,683,299
II.	Loans and advances to credit institutions	7.3	1,374,083,211	1,159,872,903
III.	Loans and advances to customers	7.4	10,062,413,490	10,838,506,113
IV.	Financial assets measured at fair value through profit or loss	7.5	107,811,549	82,141,549
V.	Financial investments	7.6	5,452,103,867	5,831,561,284
VI.	Derivatives	9.1	687,957,956	425,057,766
VII.	Fair value revaluation of portfolios hedged against interest rate risk		15,942,122	13,878,066
VIII.	Investments in associates	7.7	19,320,010	22,660,198
IX.	Investment property	7.8 / 7.12	153,778,830	138,336,363
X.	Property, plant and equipment	7.8 / 7.12	110,261,459	109,788,220
XI.	Intangible fixed assets and goodwill	7.9	68,094,591	66,338,258
XII.	Current tax assets	7.10	2,274	7,891
XIII.	Deferred tax assets	7.10 / 9.2	359,190,591	303,498,936
XIV.	Other assets	7.11	62,444,618	103,451,646
TOTAL ASSETS			**19,690,043,941**	**20,284,782,492**

The notes are an integral part of these consolidated financial statements.

LIABILITIES

(in EUR)		Notes	31/12/13	31/12/14
I.	Amounts due to credit institutions	8.1	1,730,245,390	2,009,224,539
II.	Amounts due to customers	8.2	12,497,024,699	13,444,133,543
III.	Financial liabilities measured at fair value through profit or loss	8.3	1,795,585,963	1,023,399,813
IV.	Derivatives	9.1	781,982,420	712,019,921
V.	Fair value revaluation of portfolios hedged against interest rate risk		58,956,377	70,790,659
VI.	Debt securities	8.4	888,625,678	1,014,828,413
VII.	Subordinated debts	8.5	417,553,218	451,200,114
VIII.	Provisions and other obligations	8.6	79,546,534	80,710,442
IX.	Current tax liabilities	8.7	1,440,382	1,445,632
X.	Deferred tax liabilities	8.7 / 9.2	22,670,390	584,624
XI.	Other liabilities	8.8	255,908,858	244,308,079
TOTAL LIABILITIES			**18,529,539,909**	**19,052,645,779**

SHAREHOLDERS' EQUITY

(in EUR)		Notes	31/12/13	31/12/14
XII.	Subscribed capital	9.7	141,224,090	141,224,090
XIII.	Additional paid-in capital		708,297,160	708,297,160
XIV.	Treasury shares		(1,455,000)	(1,455,000)
XV.	Reserves and retained earnings		104,297,798	116,379,367
XVI.	Net income for the year		114,107,332	122,514,679
CORE SHAREHOLDERS' EQUITY			**1,066,471,380**	**1,086,960,296**
XVII.	Gains and losses not recognised in the consolidated statement of income		94,032,652	145,176,417
	a) AFS reserve		*132,857,075*	*189,687,997*
	b) Other reserves		*(38,824,423)*	*(44,511,580)*
GROUP EQUITY			**1,160,504,032**	**1,232,136,713**
XVIII.	Non-controlling interest		0	0
TOTAL SHAREHOLDERS' EQUITY			**1,160,504,032**	**1,232,136,713**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**19,690,043,941**	**20,284,782,492**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR)		Notes	31/12/13	31/12/14
I.	Interest and similar income	11.1	709,256,101	596,832,866
II.	Interest and similar expense	11.1	(461,996,892)	(330,160,933)
III.	Dividend income	11.2	2,191,131	4,831,633
IV.	Net income from associates	11.3	1,889,419	3,112,517
V.	Net trading income and net result of hedge accounting	11.4	45,119,261	20,489,183
VI.	Net income on investments (assets and liabilities not designated at fair value through profit or loss)	11.5	58,310,525	76,970,315
VII.	Fee and commission income	11.6	185,348,412	200,388,822
VIII.	Fee and commission expense	11.6	(18,795,608)	(29,165,091)
IX.	Other net income	11.7	(16,010,380)	(14,016,073)
INCOME			**505,311,969**	**529,283,239**
X.	Staff expenses	11.8	(194,333,556)	(200,408,979)
XI.	General and administrative expenses	11.9 / 11.10	(122,241,529)	(110,912,009)
XII.	Amortisation of tangible and intangible fixed assets	11.11	(24,872,276)	(27,233,907)
EXPENSES			**(341,447,361)**	**(338,554,895)**
GROSS OPERATING INCOME			**163,864,608**	**190,728,344**
XIII.	Impairment on loans and provisions for credit commitments	11.12	(23,347,209)	(26,586,319)
XIV.	Impairment on tangible and intangible fixed assets	11.13	(96,688)	0
XV.	Provisions for legal litigation	11.15	(364,290)	299,998
NET INCOME BEFORE TAX			**140,056,421**	**164,442,023**
XVI.	Tax expenses	11.14	(25,949,089)	(41,927,344)
NET INCOME FOR THE YEAR			**114,107,332**	**122,514,679**
	Net income - Group share		114,107,332	122,514,679
	Non-controlling interest		0	0

The notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in EUR)	31/12/13	31/12/14
NET INCOME FOR THE YEAR RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	114,107,332	122,514,679
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	(52,929,144)	51,143,765
Items that will not be reclassified to profit or loss	**(7,226,069)**	**(9,999,648)**
Actuarial gains (losses) on defined benefit pension plans - Gross	(10,176,149)	(13,995,045)
Actuarial gains (losses) on defined benefit pension plans - Tax	2,950,080	3,995,397
Items that may be reclassified to profit or loss	**(45,703,075)**	**61,143,413**
Gains (losses) on net investment hedge	(128,271)	(95,022)
Translation adjustments	(1,042,105)	1,019,468
Gains (losses) on cash flow hedge	(21,716,095)	3,009,873
Unrealised gains (losses) on available for sale financial investments	(33,971,638)	74,773,388
Share of other recognised income & expense of investments in subsidiaries, joint ventures & associates	2,251,216	1,229,893
Tax on items that may be reclassified to profit or loss	8,903,818	(18,794,187)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	61,178,188	173,658,444
Attributable to equity holders of the parent company	**61,178,188**	**173,658,444**
Attributable to non-controlling interests	0	0

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

CORE SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the year	Core shareholders' equity
AS AT 01/01/13	**141,224,090**	**708,297,160**	**(1,455,000)**	**80,217,434**	**30,177,288**	**958,460,972**
Dividends and share of profit				1 011 899		1,011,899
Classification of income 2012				30,324,199	(30,177,288)	146,911
Classification of income to hybrid capital [1]				(21,707,572)		(21,707,572)
Changes in scope of consolidation				14,451,838		14,451,838
Net income for the year					114,107,332	114,107,332
AS AT 31/12/13	**141,224,090**	**708,297,160**	**(1,455,000)**	**104,297,798**	**114,107,332**	**1,066,471,380**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Associates	Other reserves	Translation adjustments [2]	Gains and losses not recognised in the consolidated statement of income
AS AT 01/01/13	**164,307,820**	**631,264**	**0**	**(6,885,615)**	**(11,091,673)**	**146,961,796**
Net change in fair value through equity - Available for sale investments	(15,395,632)		(572,909)			(15,968,541)
Net change in fair value through equity - Cash flow hedges		1,761,044				1,761,044
Net change in other reserves				(7,281,361)		(7,281,361)
Translation adjustments	(40,294)			55,293	(1,042,105)	(1,027,106)
Reimbursements for the period, disposals or maturities						0
Changes in scope of consolidation			2,824,125			2,824,125
Cancellation of fair value following AFS disposals	(16,014,819)					(16,014,819)
Cash flow hedge - Break in hedging		(17,222,486)				(17,222,486)
AS AT 31/12/13	**132,857,075**	**(14,830,178)**	**2,251,216**	**(14,111,683)**	**(12,133,778)**	**94,032,652**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
AS AT 01/01/13	**0**	**0**	**0**
Changes in scope of consolidation	0	0	0
AS AT 31/12/13	**0**	**0**	**0**

The notes are an integral part of these consolidated financial statements.

[1] Amount net of tax.
[2] As at December 31, 2013, translation adjustments comprise an amount of EUR -34,294,962 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

CORE SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings [1]	Net income for the year	Core shareholders' equity
AS AT 01/01/14	**141,224,090**	**708,297,160**	**(1,455,000)**	**104,297,798**	**114,107,332**	**1,066,471,380**
Interim dividend paid				(99,986,656)		(99,986,656)
Classification of income 2013				114,107,332	(114,107,332)	0
Classification of income to hybrid capital				(2,962,684)		(2,962,684)
Cancellation of deferred tax liabilities on hybrid capital				865,696		865,696
Dividend received on own shares				48,073		48,073
Changes in scope of consolidation				9,808		9,808
Net income for the year					122,514,679	122,514,679
AS AT 31/12/14	**141,224,090**	**708,297,160**	**(1,455,000)**	**116,379,367**	**122,514,679**	**1,086,960,296**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Associates	Other reserves	Translation adjustments [2]	Gains and losses not recognised in the consolidated statement of income
AS AT 01/01/14	**132,857,075**	**(14,830,178)**	**2,251,216**	**(14,111,683)**	**(12,133,778)**	**94,032,652**
Net change in fair value through equity - Available for sale investments	91,858,955		1,229,893			93,088,848
Net change in fair value through equity - Cash flow hedges		2,098,130				2,098,130
Net change in other reserves				(9,910,114)		(9,910,114)
Translation adjustments	42,213			(89,534)	1,019,468	972,147
Reimbursements for the period, disposals or maturities	4,152					4,152
Cancellation of fair value following AFS disposals	(35,074,398)					(35,074,398)
Cash flow hedge - Break in hedging		(35,000)				(35,000)
AS AT 31/12/14	**189,687,997**	**(12,767,048)**	**3,481,109**	**(24,111,331)**	**(11,114,310)**	**145,176,417**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses recognised in the consolidated statement of income	Non-controlling interests
AS AT 01/01/14	**0**	**0**	**0**
Changes in scope of consolidation	0	0	0
AS AT 31/12/14	**0**	**0**	**0**

The notes are an integral part of these consolidated financial statements.

[1] Of which AGDL (Association pour la Garantie des Dépôts Luxembourg) reserve for EUR 10 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2014, translation adjustments comprise an amount of EUR -37,105,106 relating to net investment hedges linked to foreign exchange differences in consolidated investments (as at December 31, 2013: EUR -34,294,962).

Consolidated cash flow statement

(in EUR)	Notes	31/12/13	31/12/14
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		114,107,332	122,514,679
Adjustment for:			
- Depreciation and amortisation	7.8 / 7.9	37,484,840	39,775,357
- Impairment on bonds, equities and other assets	11.5 / 11.12	18,038,850	13,001,871
- Net gains/(losses) on investments		136,450	(13,121,518)
- Provisions (including collective impairment)	7.11 / 8.6 / 8.8 / 11.12	2,931,731	(3,284,163)
- Change in unrealised gains/(losses)	11.4	(24,076,782)	(111,127)
- Income/(expense) from associates	7.7 / 11.3	(1,889,419)	(3,112,517)
- Dividends from associates	7.7	1,006,023	1,002,223
- Deferred taxes	11.14	40,552,363	40,165,633
Changes in operating assets and liabilities		(2,256,882,249)	52,120,514
NET CASH FLOW FROM OPERATING ACTIVITIES		**(2,068,590,861)**	**248,950,952**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.8 / 7.9	(29,000,444)	(28,028,232)
Sale of fixed assets	7.8 / 7.9	4,721,434	6,733,316
Purchase of non-consolidated shares		(2,081,480)	(2,762,331)
Sales of non-consolidated shares		25,499,706	5,198,019
Sales of subsidiaries/branch closures		0	4,907,050
NET CASH FLOW FROM INVESTING ACTIVITIES		**(860,784)**	**(13,952,178)**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts		0	150,000,000
Reimbursement of subordinated debts		(339,373,338)	(138,997,158)
Dividends paid		0	(99,986,656)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(339,373,338)**	**(88,983,814)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,408,824,983)**	**146,014,960**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,412,893,222**	**1,991,259,729**
Net cash flow from operating activities		(2,068,590,861)	248,950,952
Net cash flow from investing activities		(860,784)	(13,952,178)
Net cash flow from financing activities		(339,373,338)	(88,983,814)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		(12,808,510)	13,342,616
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7.1	**1,991,259,729**	**2,150,617,305**
ADDITIONAL INFORMATION			
Taxes paid		34,647	(1,758,944)
Dividends received	11.2	2,191,131	4,831,633
Interest received		765,991,809	638,564,163
Interest paid		(506,007,589)	(364,527,630)

The BIL group decided to classify operations relating to core shareholders' equity, treasury shares and other elements eligible as regulatory capital as financing activities.

Investing activities are limited to tangible and intangible fixed assets and to transactions on consolidated or non-consolidated available for sale shares.

The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Preliminary note:

Presentation of the consolidated financial statements

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the (consolidated) financial statements. This rule applies to the presentation of the (consolidated) balance sheet, the (consolidated) statement of income, the (consolidated) statement of comprehensive income, the (consolidated) statement of change in equity, the (consolidated) cash flow statement, as well as to the notes to the (consolidated) financial statements.

Note 1: Accounting principles and rules of the consolidated financial statements

GENERAL INFORMATION

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

The BIL group is integrated in the consolidated financial statements of Pioneer Holding SA, comprising the largest body of undertakings of which BIL forms part as a subsidiary. The registered office of Pioneer Holding SA is located in Luxembourg at 15, Boulevard Franklin Roosevelt, L-2450 Luxembourg. The BIL group is integrated in the consolidated financial statements of Precision Capital SA, comprising the smallest body of undertakings of which BIL forms part as a subsidiary. The registered office of Precision Capital SA is located in Luxembourg at 15, Boulevard Franklin Roosevelt, L-2450 Luxembourg and its consolidated accounts are available at the same address.

The object of BIL is to undertake all banking and financial operations, for its own account or for the account of third parties, in Luxembourg or abroad – including the establishment of subsidiaries, branches and representative offices – and to carry out all financial, industrial and commercial operations, as well as to take deposits of funds and to hold items of value on deposit. These financial statements were approved for publication by the Board of Directors on March 11, 2015, and signed by Hugues Delcourt, Chairman of the Management Board of the BIL group and Chief Executive Officer.

These annual accounts cover the period beginning January 1, 2014 and ending December 31, 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The common used abbreviations below are:
- IASB: International Accounting Standards Board
- IFRIC: International Financial Reporting Interpretations Committee
- IFRS: International Financial Reporting Standards.

1. ACCOUNTING POLICIES

1.1 Basis of accounting

1.1.1 Statement of compliance

BIL's consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union (EU). The European Commission (EC) published Regulation EC 1606/2002 on July 19, 2002, requiring listed groups to apply IFRS as from January 1, 2005. This regulation has been updated several times since 2002.

BIL's consolidated financial statements have therefore been prepared in accordance with all IFRSs as adopted by the EU and endorsed by the EC up to December 31, 2014.

The consolidated financial statements are prepared on a "going concern basis" and are presented in euro (EUR) unless otherwise stated.

1.1.2 Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses information available at the date of preparation of the consolidated financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the consolidated financial statements.

Judgements are made principally in the following areas:
- Classification of financial instruments into the appropriate category ("loans and receivables", "held to maturity", "available for sale", "held for trading" and "fair value option") for measurement purposes based on the instrument's characteristics and BIL's intention (see 1.6).
- Financial instruments for which no quoted market prices on active markets are available are valued by means of valuation techniques. The determination as to whether or not there is an active market is based on criteria such as number of contributors, bid offer spread and issue size (see 1.7).
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.7).
- Determination on whether BIL controls the investee, including special purpose entities (see 1.3).
- The appropriateness of designating derivatives as hedging instruments (see 1.12).
- Existence of a present obligation with probable outflows in the context of litigation (see 1.24) and
- Identification of impairment triggers (see 1.6.5).

These judgements are entered into the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:
- The measurement of hedge effectiveness in hedging relations (see 1.12).
- Determination of the market value correction to adjust for market value and model uncertainty (see 1.7).
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see 1.14,1.15).
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.22, 8.6);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see 1.21) and
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see 1.17.2).

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

1.2 Changes in accounting policies since the previous annual publication that may impact BIL group

The overview of the texts below is made up to the reporting date of December 31, 2014.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2014

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from January 1, 2014:
- Amendments to IAS 32 "Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities" clarify the application of the offsetting rules of financial instruments and remove certain aspects of diversity in application. The amended IAS 32 does not impact the Bank compared with the current approach (see 1.4).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (issued on October 31, 2012). These amendments have no impact on the Bank.
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (issued on May 29, 2013). This amendment has no impact on the Bank.
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (issued on June 27, 2013). This amendment is effective as from January 1, 2014 and has no impact as at December 31, 2014.
- A package of five new and revised standards on the accounting treatment and disclosure requirements of interests in other entities is applicable as from January 1, 2014. This publication comprises the following:
  - IFRS 10 "Consolidated Financial Statements" introduces one single consolidation model for all entities, based on control and regardless the nature of the investee. There is no material impact from this standard on BIL financial reporting.
  - IFRS 11 "Joint Arrangements" does not longer allow the proportionate consolidation method when accounting for jointly controlled entities. This standard has no impact on BIL.
  - IFRS 12 "Disclosures of Interests in Other Entities" require enhanced disclosures about BIL's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities in which BIL has an involvement.
  - Revised IAS 27 "Separate Financial Statements" continues to be a standard, dealing solely with separate financial statements: the existing guidance is unchanged.
  - Revised IAS 28 "Investments in Associates and Joint Ventures" is amended to incorporate changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.
- IFRIC Interpretation 21 Levies (issued on May 20, 2013). This interpretation is effective as from January 1, 2014 and has no impact on the Bank.
- Annual improvements to IFRSs 2011-2013 Cycle: amendment to IFRS 3 "Business Combinations", amendment to IFRS 13 "Fair value measurement" and amendment to IAS 40 "Investment property". These amendments have no impact on BIL.

1.2.2 IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from January 1, 2014

- IFRS 14, "Regulatory deferral accounts" (effective January 1, 2016) is applicable for entity which is a first-time adopter of International Financial Reporting Standards. It will therefore have no impact on BIL financial reporting.

1.2.3 New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

- IFRS 9, "Financial instruments" (effective January 1, 2018) includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard will replace the IAS 39 standard and could impact the Bank.
- IFRS 15, "Revenue from contracts with customers" (effective January 1, 2017) specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. This standard could impact the Bank.

- Amendment to IFRS 11, "Accounting for acquisition of interests in joint operations", (effective 1 January 2016). No material impact is expected on BIL financial reporting.
- Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets", on depreciation and amortisation (effective 1, January 2016). These amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. No material impact is expected on BIL financial reporting.
- Amendments to IAS 16, "Property, plant and equipment" and IAS 41, "Agriculture" on bearer plants (effective January 1, 2016). The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. No material impact is expected on BIL financial reporting.
- Amendments to IAS 27, "Separate financial statements" on equity accounting (effective 1 January 2016). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. No material impact is expected on BIL financial reporting.
- Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures" on sale or contribution of assets (effective January 1, 2016). The amendments address a conflict between the requirements of IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements" and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. No material impact is expected on BIL financial reporting.
- Amendments to IAS 1, "Disclosure initiative" (effective January 1, 2016).
- Annual Improvements to IFRSs 2012 - 2014 Cycles.

1.3 Consolidation

1.3.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by BIL, the liabilities incurred by BIL to former owners of the acquiree and the equity interests issued by BIL in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by BIL in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Subsequent changes in the fair value of the contingent consideration are typically recognised in the consolidated statement of income.

When a business combination is achieved in stages, BIL's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date on which BIL obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

1.3.2 Subsidiaries

Subsidiaries are those entities over whose financial and operating policies BIL may, directly or indirectly, exercise control.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following elements:

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns.

In practice, the Bank uses the board composition, the percentage of voting rights owned and the status of company in order to determine whether it controls an investee.

Subsidiaries are fully consolidated as of the date upon which effective control is transferred to BIL and are no longer consolidated as of the date upon which BIL's control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions among the BIL group's companies have been eliminated. Where necessary, the subsidiaries' accounting policies have been amended to ensure consistency with the policies BIL has adopted.

Changes in BIL's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When BIL loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary as of the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.4 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset (and consequently, only the net amount is reported) when BIL has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

1.5 Foreign currency translation and transactions

1.5.1 Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from BIL's presentation currency are translated into BIL's presentation currency (EUR) at the average exchange rates for the year and their assets and liabilities are translated at the respective year-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss upon disposal.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

1.5.2 Foreign currency transactions

For individual BIL entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies are translated at year-end exchange rates for monetary items and non-monetary items carried at fair value.

Historical rates are used for non-monetary items carried at cost.

The resulting exchange differences from monetary items are recorded in the consolidated statement of income; except for the foreign exchange impact related to fair value adjustments on available-for-sale bonds, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.6 Financial assets and liabilities

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its investments at initial recognition.

However, under certain conditions, financial assets could subsequently be reclassified.

1.6.1 Recognition and derecognition of financial instruments

BIL recognises and derecognises financial assets held for trading on trade date. For these financial assets, BIL recognises in the consolidated statement of income and on the trade date any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. BIL recognises these unrealized gains and losses under "Net income from financial instruments at fair value through profit or loss".

All other "regular way" purchases and sales of financial assets are recognised and derecognised on the settlement date, which is the date of delivery to or by BIL.

BIL recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument.

BIL derecognises financial liabilities only when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

1.6.2 Loans and advances to credit institutions and to customers

BIL classifies non-derivative financial assets with fixed or determinable payments and fixed maturity that are not quoted on an active market into this category (labelled by IAS 39 as Loans and Receivables– L&R) except for:

- those that BIL intends to sell immediately or in the near term, which are classified as held for trading, and those that BIL, upon initial recognition, designates as being at fair value through profit or loss
- those that BIL, upon initial recognition, designates as available-for-sale or
- those for which BIL might not substantially recover all of its initial investment, other than because of credit deterioration, such L&R then being classified as available-for-sale.

BIL recognises interest-bearing loans and advances initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is calculated using the effective interest rate method and recorded under "Net interest income".

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

1.6.3 Financial instruments measured at fair value through profit or loss

1.6.3.1 Loans and securities held for trading

BIL reports loans held for trading purposes in the line "Financial assets held for trading" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net income from financial instruments at fair value through profit or loss". Interest income is accrued using the effective interest rate method and is recorded under "Net interest income".

Trading securities are securities acquired for generating a profit from short-term fluctuations in price or dealer margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. BIL initially recognises trading securities at fair value and subsequently re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net income from financial instruments at fair value through profit or loss". Interest earned is recorded under "Interest income", and dividends received under "Dividend income".

1.6.3.2 Liabilities held for trading

Liabilities held for trading are subject to the same accounting rules as those for "loans and securities held for trading".

1.6.3.3 Loans and securities designated at fair value through profit or loss ("FVO")

In some cases, and if appropriately documented, BIL can designate a financial asset, a financial liability or a group of financial instruments as "at fair value through profit or loss" where:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or
- an instrument contains a non-closely related embedded derivative:
  - that significantly modifies the cash flows that otherwise would be required by the contract or
  - for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

1.6.3.4 Liabilities designated at fair value through profit or loss (FVO)

For subsequent measurement, these financial liabilities are subject to the same accounting principles as described earlier under the heading "Loans and securities held for trading".

1.6.3.5 Trading derivatives

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of derivatives are foreign exchange and interest rate derivatives. BIL, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate. All changes in fair value are recognised in the consolidated statement of income.

BIL reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

BIL treats some derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract and

- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the consolidated statement of income.

1.6.4 Financial investments

1.6.4.1 Held-to-maturity

BIL classifies the interest-bearing financial assets with fixed maturity which are quoted on an active market as held-to-maturity (HTM) when management has both the intent and the ability to hold these assets until maturity.

BIL recognises such interest-bearing financial assets initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is recognized based on the effective interest rate method and recorded under "Net interest income".

1.6.4.2 Available-for-sale

BIL classifies financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as available-for-sale (AFS).

BIL recognises financial assets initially at fair value plus transaction costs. Interest is recognised based on the effective interest rate method and recorded under "Net interest income". BIL recognises dividend income from equities under "Dividend income".

BIL subsequently measures AFS financial assets at fair value.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as AFS are recognised within equity, under the heading "Gains and losses not recognised in the consolidated statement of income". When securities are disposed of, or impaired, BIL recycles the related accumulated fair value adjustments in the consolidated statement of income as "Net income on investments".

1.6.5 Impairments on financial assets

BIL records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events occurring after initial recognition and is evidencing (a) a decline in expected cash flows and (b) an impact on estimated future cash flows that can be reliably estimated.

1.6.5.1 Financial assets measured at amortised cost

BIL first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Determination of the impairment

- Specific individual impairments: if an objective evidence exists individually on a significant asset classified as loans or other receivables or financial assets classified as held-to-maturity, the amount of impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated future cash flows being the present value of estimated future cash flows.
- Specific collective impairments for mass products: if the objective evidence is identified individually for insignificant assets or collectively for a group of assets with similar risk characteristics, specific impairments is recorded on these identified group of assets.
- Collective impairments: collective provisions are calculated for counterparties for which no objective evidence of impairment exist but for which the Bank knows that from a statistical point of view losses may have occurred unless those losses have not yet been identified.

The Bank considers the following events as impairment triggers according to IAS 39:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount) or
- national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

In addition, the Bank will also consider the levels of and trends in delinquencies for similar financial assets.

In order to adopt a prudent approach, the Bank consider all individual factor as a trigger event.

Accounting treatment of the impairment

BIL recognises changes in the amount of impairment losses in the consolidated statement of income and reports them as "Impairment on loans and provisions for credit commitments".

The impairment losses are reversed through the consolidated statement of income if the increase in fair value relates objectively to an event occurring after the impairment was recognised.

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the consolidated statement of income under the heading "Impairment on loans and provisions for credit commitments" and the net loss is recorded under the same heading. Subsequent recoveries are also accounted for under this heading.

1.6.5.2 Available-for-sale financial assets

BIL recognises the impairment of available-for-sale (AFS) assets on an individual basis if there is objective evidence of impairment as a result of one or more events occurring after initial recognition.

Determination of the impairment

- Quoted equities – the potential need of impairment is analyzed based on an impairment test which consists of identifying cases where the net carrying amount is higher than the net present value.
- Unquoted equities – the potential need of impairment on participations is reviewed based on a comparison between the purchase cost and the estimated fair value obtained through latest annual accounts available of the entity (for consolidated participations) and/or any other information that can help evaluating the participation such as latest securities exchanges, internal memorandum on valuation,... (for non-consolidated participations).
- Quoted/unquoted bonds – the potential need of impairment is analyzed based on (i) the same impairment test described for the quoted equities above and, in some cases, (ii) an impairment test based on the evolution of the fair value referring to the credit spread.
- Private equity instruments - the potential need of impairment is analyzed based on (i) the net asset value of reported by the fund/company, and (ii) an utility value calculated by the Credit Risk department.

Accounting treatment of the impairment

When AFS financial assets are impaired, the AFS reserve is recycled and these impairment losses are reported in the consolidated statement of income as "Net income on investments". Additional decline in fair value is recorded under the same heading for equity securities.

When an impairment loss has been recognised on bonds, any subsequent decline in fair value is recognised under "Net income on investments", if there is objective evidence of impairment. In all other cases, changes in fair value are recognised in "Other comprehensive income".

Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.

Please refer to point 3 "Credit Risk" of the BIL group Risk Management Report for further information on how credit risk is monitored by BIL.

1.6.5.3 Off-balance sheet exposures

BIL usually converts off-balance sheet exposures such as credit substitutes (e.g., guarantees and standby letters of credit) and loan commitments into on-balance sheet items when they are called. However, there may be circumstances, such as uncertainty about the counterpart, where the off-balance sheet exposure should be regarded as impaired. BIL classifies loan commitments as impaired when the credit worthiness of the client has deteriorated to such an extent as to make the repayment of any loan and associated interest payments doubtful.

1.6.6 Borrowings

BIL recognises borrowings initially at fair value, generally at their issue proceeds, net of any transaction costs incurred.

Subsequently, borrowings are measured at amortised cost. BIL recognises any difference between their initial carrying amount and the reimbursement value in the consolidated statement of income over the period of the borrowings using the effective interest rate method.

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts, rather than their legal form.

1.7 Fair value of financial instruments

1.7.1 Valuation principles as per IFRS 13

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices on an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions.

The valuation model should take into account all factors that market participants would consider when pricing the financial instrument. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial assets and liabilities measured at fair value are categorised into one of three fair value hierarchy levels. The following definitions used by the Bank for the hierarchy levels are in line with IFRS 13:

- Level 1: quoted prices (unadjusted) on active markets for identical assets and liabilities
- Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Changes between levels may occur in case of (i) improvements in internal models and satisfactory back-testing results or (ii) changes in market characteristics.

Bilateral collateral arrangements, master netting agreements and other credit enhancement or risk mitigation tools reduce the credit exposure associated with a liability (or asset) and are considered in determining the fair value of the liability. Although these agreements reduce credit exposure, they typically do not eliminate the exposure completely.

1.7.2 Valuation techniques used by the Bank

The Bank's approach for the valuation of its financial instruments (financial instruments at fair value through profit or loss, assets available for sale and valuations for disclosures) can be summarised as follows:

1.7.2.1 Financials instruments measured at fair value (held for trading, fair value option, available for sale, derivatives)

A. Financial instruments measured at fair value for which reliable quoted market prices are available

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted on an active market for identical instruments with no adjustments qualifies for inclusion in Level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices on inactive markets or the use of quoted spreads.

B. Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques

Financial instruments for which no quoted market prices are available on an active market are valued by means of valuation techniques. The models used by the Bank range from standard market models (discount models) to in-house developed valuation models.

In order for a fair value to qualify for Level 2 inclusion, observable market data should be significantly used. The market data incorporated in the Bank's valuation models are either directly observable data (prices), indirectly observable data (spreads) or own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for Level 3 disclosure.

The Bank integrates the notions of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for derivatives. A CVA reflects the counterpart's risk of default and a DVA reflects the Bank's own credit risk.

When determining the CVA / DVA, the Bank considers the market of uncollateralised derivatives, where there is a risk on the fair value of the derivative at the balance sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.

For CVA / DVA calculation, the Probability of Default (PD) parameters are based on market data. The Loss Given Default (LGD) parameters are based on market data.

1.7.2.2 Financial instruments measured at amortised cost (disclosures of the fair value)

Loans and Receivables, Held to Maturity financial investments and liabilities at amortised cost are valued based on the following valuation principles

General principles

- The carrying amount of loans maturing within the next 12 months is assumed to reflect their fair value.
- For bonds classified in HTM and L&R since inception and for liabilities at amortised cost, the valuation is done as for bonds classified in AFS.

Interest rate part

- The fair value of fixed-rate loans or liabilities and mortgages reflects interest rate movements since inception.

- Embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables or liabilities at amortised cost.
- The fair value of variable-rate loans or liabilities is assumed to be approximately the same as their carrying amounts.

Credit risk part

- Credit spreads changes since inception are reflected in the fair value.

1.8 Interest and similar income and expense

Interest income and expense are recognised in the statement of income for all interest-bearing instruments on an accrual basis, using the effective interest rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through profit or loss.

Discretionary interests on compound instruments issued, those payments relate to the equity component, are recognized in equity.

Transaction costs are the incremental costs directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.

Once an interest-bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the interest used to discount the future cash flows for measuring the recoverable amount.

1.9 Fee and commission income and expense

Commissions and fees arising from most of BIL's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.

For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry, if no loan is granted.

1.10 Insurance and reinsurance activities

1.10.1 Insurance

BIL's main activity is banking products.

1.10.2 Reinsurance

BIL's reinsurance contracts with third parties containing enough insurance risk to be classified as an insurance contract continue to be accounted for in accordance with local GAAP.

A reinsurance asset is impaired if, and only if:

- there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract and
- that the event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

To measure the solvency of a reinsurer, BIL refers to its attributed credit rating and the impairment rules.

1.11 Hedging derivatives

Hedging derivatives are categorised as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge) or
- a hedge of a future cash flow attributable to a recognized asset or liability or a forecast transaction (cash flow hedge) or
- a hedge of a net investment in a foreign operation.

BIL designates derivatives as hedging instruments if certain criteria are met:

- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied.
- The hedge is documented in such a way as to show that it is expected to be highly effective (within a range of 80% to 125%) in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period and
- The hedge is effective at inception and on an ongoing basis.

BIL records changes in the fair value of derivatives that are designated, and qualify as fair value hedges in the statement of income, along with the corresponding change in fair value of the hedged assets or the liabilities that are attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge, BIL amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the consolidated statement of income over the remaining life of the hedged or hedging instrument, if shorter by an adjustment of the yield of the hedged item.

BIL recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges in "Other comprehensive income" under the heading "Gains and losses not recognised in the statement of income" (see "Consolidated statement of changes in shareholders' equity"). Any non-effective portion of the changes in fair value of the hedging instrument is recognised in the statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

1.12 Hedge of the interest rate risk exposure of a portfolio

As explained in 1.1.1 General, BIL makes use of the provisions of IAS 39 as adopted by the European Union ("IAS 39 carveout") because it better reflects the way in which BIL manages its financial instruments.

Hedge accounting is intended to reduce the interest rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

BIL performs an overall analysis of interest rate risk exposure.

This involves assessing fixed-rate exposure, taking into account all the exposure coming from balance sheet and off-balance sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

BIL applies the same methodology to select which assets and/or liabilities will be entered into the the portfolio's hedge of interest rate risk exposure. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio, based on behavioural study to estimate expected maturity date. BIL may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale (AFS) assets or loan portfolios.

On the basis of this gap analysis, which is carried out on a net basis, BIL defines, at inception, the risk exposure to be hedged, the length of the time bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. BIL recognises the hedging items at fair value with adjustments accounted for in the statement of income.

BIL reports the revaluation of elements carried at amortised cost which are on the consolidated balance sheet under the line "Fair value revaluation of portfolios hedged against interest rate risk".

1.13 Day one profit or loss

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:
- the transaction price and the quoted market price; in cases where the transaction is quoted or
- the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment, in cases where the transaction is not quoted.

If BIL considers the main parameters of the model as observable and if Risk Management validates the model, the day one profit or loss will be recognised immediately in the statement of income.

If BIL does not consider the main parameters as observable or if Risk Management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, BIL will recognise the remaining portion of day one profit or loss in the statement of income.

In cases of early termination, the remaining portion of day one profit or loss will be recognised in the statement of income.

In cases of partial early termination, BIL will recognise in the statement of income the part of the day one profit or loss relating to the partial early termination.

1.14 Tangible fixed assets

Tangible fixed assets include property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

Typical useful lives are linked to asset categories as follows:
- buildings (including acquisition costs and non-deductible taxes): 20 to 50 years
- computer equipment: 3 to 6 years
- leasehold improvements, equipment and furniture: 2 to 12 years
- vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:
- structure of the building: 50 years
- roof, and frontage: 30 years
- technical installations: 10 to 20 years
- fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually, the group determines the recoverable amount of the cash generating unit (CGU) or group of CGUs to which the asset belongs.

Investment properties are those properties held to earn rentals or appreciate in capital. BIL may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property only if BIL holds an insignificant portion for its own use.

Investment properties are recorded at their cost less accumulated depreciation and impairments. Investment properties are depreciated over their useful lives on a straight-line basis.

Depreciation on buildings and other assets given in operating lease are booked under "Other net income".

Gains and losses on disposals of property and equipment and investment property are determined by reference to theircarrying amount and are included under "Net income on investments".

1.15 Intangible assets

Intangible assets consist mainly of (a) internally-generated and (b) acquired softwares. Costs associated with maintaining computer softwares are recognised as expenses as incurred.

However, expenditure that enhances or extends the benefits of computer softwares beyond one year is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, from the time the software is available for use. This amortization period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.

As borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, they are capitalised. Other borrowing costs are recognised as an expense.

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount, and are included under "Net income on investments".

1.16 Non-current assets held for sale and discontinued operations

If the carrying amount of a non-current asset (or disposal group) is recovered principally through a sale transaction, rather than through continuing use, it will be classified as "held for sale" or as "discontinued operations", if the disposal group represents a segment of activities.

BIL measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount or its fair value less costs to sell. Non-current assets (or disposal groups) classified as held for sale are presented separately in the consolidated balance sheet, without restatement for previous years. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for the previous period is performed.

When a disposal group is classified as held for sale or discontinued operations, the related elements of its Other Comprehensive Income are isolated in a separate line of the equity. The carrying amount of a disposal group, being the difference of assets less liabilities and non-controlling interests, is composed of the group part of the equity. If this equity included other comprehensive income (OCI) elements, this OCI part is recycled in the consolidated statement of income at the sale of the disposal group. It may therefore happens that the result of the sale of a disposal group is recorded in two different periods, mainly when the fair value less cost to sell is lower than the carrying amount and the carrying amount includes negative OCI, like AFS reserve of cumulative translation adjustments, that will be recorded in the following accounting period, when the disposal is realised.

The disposal group held for sale and discontinued operations consist mainly of financial assets, as the group is active in financial activities. If the disposal group's fair value less costs to sell is lower than its carrying amount after impairing the non-current assets that are in the measurement scope of IFRS 5, the difference is allocated to the other assets of the disposal group, including financial assets, and is accounted for in the consolidated statement of income for the period. The difference will be adjusted at each year-end until the sale.

If a non-current asset ceases to be classified as held for sale, due to a change in market conditions or to the impossibility of selling it because of a lack of counterparties or other reasons, it will be reclassified in its original portfolio and restated at the value at which it would have been recognised if it had never been classified as held for sale. In this case, the difference between the fair value less cost to sell and the value, if no reclassification had taken place, is reversed.

1.17 Goodwill

1.17.1 Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between:

- the sum of the following elements:
  - consideration transferred
  - amount of any non-controlling interests in the acquiree and
  - fair value of the acquirer's previously held equity interest in the acquiree (if any) and is
- net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in the consolidated statement of income as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered to be transactions with shareholders.

Therefore, neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

1.17.2 Impairment of goodwill

The carrying amount of goodwill is reviewed at each yearend. For the purpose of this impairment testing, BIL allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of CGUs to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is higher). The "value in use" is the sum of the future cash flows expected to be derived from a CGU, Expected cash flows used by BIL are those of the 3-year management-improved financial plan.

The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

For subsidiaries operating in economically mature and financially stable markets, the discount rate used is BIL's Cost of Equity defined under a dividend discount model. For subsidiaries operating on emerging markets, a specific discount rate is applied on a case-by-case basis.

1.18 Other assets

Other assets mainly include accrued incomes (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivable, etc.), and plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standards, less any allowance for impairment if applicable or following the applicable standards. Plan assets are recognised in accordance with IAS 19 requirements

1.19 Leases

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.19.1 BIL is the lessee
BIL uses operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the consolidated statement of income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

If the lease agreement substantially transfers the risk and rewards of the asset's ownership, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recorded as the present value of the minimum lease payments or the fair value (whichever is lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to BIL. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

1.19.2 BIL is the lessor

BIL grants both operating and finance leases.

Revenue from operating leases is recognised in the consolidated statement of income on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.

For finance leases, BIL recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.

The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.20 Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised and remain in their original category. The corresponding liability is recorded under "Amounts due to credit institutions" or "Amounts due to customers", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Loans and advances to credit institutions" or "Loans and advances to customers".

The difference between the sale and the repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are not derecognised but, rather, recorded in the consolidated financial statements in the same heading. Securities borrowed are not recognised in the consolidated balance sheet.

If they are sold to third parties, the gain or loss is recorded under "Net trading income and net result of hedge accounting" and the obligation to return them is recorded at fair value under "Financial liabilities measured at fair value through profit or loss".

1.21 Deferred tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loans and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.

The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred income tax.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences and tax losses can be utilised.

Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to the fair value re-measurement of available-for-sale financial assets and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.22 Employee benefits

1.22.1 Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.

Expenses relating to bonus which is payable at a future date subject only to the requirement for continued employment for a further period (the "loyalty" period) is recognised as the employees render the service that increases the amount to be paid. As the amount of the bonus does not increase after the earning period, BIL measures the obligation – for the full amount expected to be paid taking into consideration the expected forfeitures – in its entirety as from the end of the earning period.

1.22.2 Post-employment benefits

If BIL has a legal or constructive obligation to pay postemployment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". BIL offers a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held by insurance companies or pension funds. These pension plans are generally funded by payments from both BIL and its employees. In some cases, BIL provides post-retirement health care benefits to its retirees.

1.22.2.1 Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds (Iboxx Corp AA), which have terms to maturity approximating the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions including both demographic assumptions and financial assumptions such as the inflation rate.

Pension costs are determined based on the projected units credit method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Net cumulative unrecognised actuarial gains and losses are recognised in other comprehensive income.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods) and reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and are recorded separately, if those assets are held by an entity of the Group.

Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Qualified external actuaries carry out valuations of these obligations. All the valuations' assumptions and results are reviewed and validated by an external actuary for BIL, which ensures that all calculations are harmonised and calculated in compliance with IAS 19 Revised.

1.22.2.2 Defined contribution pension plans

BIL's contributions to defined contribution pension plans are charged to the statement of income for the year to which they relate. Under such plans, BIL's obligations are limited to the contributions that BIL agrees to pay into the insurance company on behalf of its employees.

1.22.2.3 Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

1.22.3 Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, remeasurements relating to these benefits are immediately recognised. All past service costs are recognised immediately in the consolidated statement of income.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and longservice leave as a result of services rendered by employees up to the balance sheet date.

1.22.4 Termination benefits

A termination benefit provision is only recorded when BIL is obliged to terminate the employment before the normal date of retirement or to provide benefits as a result of an offer made in order to encourage voluntary redundancy. In such cases, BIL has a detailed formal plan and no realistic possibility of withdrawal.

1.23 Provisions

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Provisions are recognised when:

- BIL has a present legal or constructive obligation as a result of past events.
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognised when there is uncertainty about the creditworthiness of the counterpart.

1.24 Share capital and treasury shares

1.24.1 Share issue costs

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity, net of any related income tax.

1.24.2 Dividends on BIL's ordinary shares

BIL recognises its dividends on its ordinary shares as a liability from the date upon which they are declared. Any dividends for the year declared post-balance sheet date are disclosed in the "Proposed allocation of income" note.

1.24.3 Preferred shares

BIL classifies preferred shares that are non-redeemable and upon which dividends are declared, at the directors' discretion, as equity.

1.24.4 Treasury shares

Where BIL or one of its subsidiaries purchase BIL's shares capital or is obliged to purchase a fixed number of treasury shares for a fixed amount of cash, the consideration paid - including any attributable transaction costs, net of income taxes - is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account within equity.

1.25 Fiduciary activities

Assets and income arising thereon, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements in cases where BIL acts in a fiduciary capacity such as nominee, trustee or agent.

1.26 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with an initial maturity of 3 months from acquisition date, included within cash and balances with central banks, loans and advances to credit institutions and available for sale financial assets.

1.27 Earnings per share

The "Basic earnings per share" are calculated by dividing the net income by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by BIL and held as treasury shares. For the "Diluted earnings per share", the weighted average number of ordinary shares in issue and the net income are adjusted to assume conversion of all dilutive potential ordinary shares, such as the convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

Note 2: Material changes in scope of consolidation and list of subsidiaries and associates

2.1 Changes compared with 2013:

A. Companies consolidated for the first time or no longer consolidated

Companies fully consolidated for the first time
Belair House SA (incorporated January 10, 2014)
BIL Reinsurance SA (incorporated May 12, 2014)

Companies no longer fully consolidated
BIL Invest N.V. (liquidated)
BIL Part Investments N.V. (liquidated)
BIL RE SA (sold)

Companies proportionally consolidated for the first time
N/A

Companies no longer proportionally consolidated
N/A

Companies accounted for by the equity method for the first time
Europay Luxembourg S.C.
Société de la Bourse de Luxembourg SA

The equity method is now applied for these two participations which were previously considered as immaterial. The Bank considers that the application of the equity method regarding these companies provides a more adequate information. 2013 financial statements have been restated in order to give comparative figures.

BALANCE SHEET ITEMS IMPACTED BY THE RESTATEMENT

(in EUR)	31/12/13	31/12/13 restated	Impact of restatement
V. Financial Investments	5,480,341,698	5,452,103,867	(28,237,831)
VIII. Investments in associates	0	19,320,010	19,320,010
TOTAL ASSETS	**19,698,961,762**	**19,690,043,941**	**(8,917,821)**
XV. Reserves and retained earnings	88,687,150	104,297,798	15,610,648
XVI. Net income for the period	113,229,814	114,107,332	877,518
XVII. Gains and losses not recognised in the consolidated statement of income	119,438,639	94,032,652	(25,405,987)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19,698,961,762**	**19,690,043,941**	**(8,917,821)**

Companies no longer accounted for by the equity method
N/A

B. Main changes in the Group's interest percentage

	From	To
Société du 25 juillet 2013 SA	99.99	100.00

N/A

C. Changes in corporate names

N/A

2.2 List of fully consolidated subsidiaries, non-consolidated subsidiaries and associates not accounted for by the equity method

A. Fully consolidated subsidiaries

Name	Head office	% of capital held
Banque Internationale à Luxembourg (Suisse) SA	Beethovenstrasse 48 PO Box 2192 CH-8022 Zürich	100
Belair House SA	2, boulevard Grande-Duchesse Charlotte L-1330 Luxembourg	100
BIL Asia Singapore Ltd	9 Raffles Place #29-01 Republic Plaza Singapore 048619	100
BIL Auto Lease Luxembourg SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Manage Invest SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Reinsurance SA	69, route d'Esch L-2953 Luxembourg	100
Experta Corporate and Trust Services SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
Experta Immobilien A.G.	c/o Banque Internationale à Luxembourg (Suisse) SA Steinengraben 22 P.O. Box 2652 CH-4002 Basel	100
I.B. Finance SA	69, route d'Esch L-2953 Luxembourg	100
Selskabet af 18 December 2013 A/S	Gronningen 17 DK-1270 Copenhagen	100
Société du 25 juillet 2013 SA (in liquidation)	54-56 avenue Hoche Building Regus F-75008 Paris	100
Société Luxembourgeoise de Leasing - BIL-LEASE SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100

B. Non-consolidated subsidiaries

Name	Head office	% of capital held	Reason for exclusion
Audit-Trust SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
BIL Trust Ltd	Canada Court 14 PO Box 48 St Peter Port Guernsey GY1 3BQ, Channel Islands	100	insignificant
Compagnie Financière BIL SA & Cie S.e.c.s.	69, route d'Esch L-2953 Luxembourg	100	in liquidation
Koffour SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Lannage SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Private II Wealth Management SARL	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Valon SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant

C. Associates accounted for by the equity method

Name	Head office	% of capital held
Europay Luxembourg S.C.	10, rue Gabriel Lippmann L-5365 Munsbach	35.20
Société de la Bourse de Luxembourg SA	35A, boulevard Joseph II L-1840 Luxembourg	21.41

D. Associates not accounted for by the equity method

Name	Head office	% of capital held	Reason for non-inclusion
CD-PME, Société Luxembourgeoise de Capital-Développement pour les PME SA	7, rue du Saint-Esprit L-1475 Luxembourg	10	insignificant
FS-B Sàrl	29, boulevard Prince Henri L-1724 Luxembourg	17.66	insignificant
FS-T Sàrl	29, boulevard Prince Henri L-1724 Luxembourg	17.66	insignificant
Luxair, Société Luxembourgeoise de Navigation Aérienne SA	Aéroport de Luxembourg L-2987 Luxembourg	13.14	insignificant
Visalux S.C.	10, rue Gabriel Lippmann L-5365 Munsbach	16.24	insignificant

Note 3: Business and geographic reporting

A segment is a distinguishable component of BIL that is engaged either in providing specific products or services (business segment) or in providing specific products or services within a particular economic environment (geographic segment), which is subject to risks and returns that differ from those of other segments. Segments for which a majority of their revenue is earned from sales to external customers and for which income, income before tax or assets represent 10% or more of the total are reported separately.

In 2014, BIL maintained the 2013 segmentation as follows:
- "Retail, Corporate and Private Banking" was organised around three business lines, Retail Banking, Corporate & Investment Banking and Private Banking, in order to improve synergies between the three pillars, based on client needs.
- "Treasury and Financial Markets" split into four desks: Treasury, Investment Portfolio, Assets & Liabilities Management (ALM) and Financial Markets.

INCOME [1] (in EUR thousands)	**31/12/13**			
	Income	***of which net income from associates***	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Private Banking	421,711	*0*	*243,334*	105,163
Treasury and Financial Markets	41,072	*0*	*2,573*	5,516
Group Center	42,529	*1,889*	*3,543*	29,377
TOTAL	**505,312**	***1,889***	***249,450***	**140,056**
Net income before tax				140,056
Tax expense				(25,949)
NET INCOME				**114,107**

	31/12/14			
	Income	***of which net income from associates***	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Private Banking	443,155	*0*	*256,492*	126,739
Treasury and Financial Markets	69,040	*0*	*6,136*	35,210
Group Center	17,088	*3,113*	*8,876*	2,492
TOTAL	**529,283**	***3,113***	***271,504***	**164,442**
Net income before tax				164,442
Tax expense				(41,927)
NET INCOME				**122,515**

[1] Some amounts may not add up due to rounding off.

ASSETS AND LIABILITIES [1] (in EUR thousands)	31/12/13 [2]		31/12/14	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Private Banking	10,062,413	14,208,710	10,838,506	14,677,531
Treasury and Financial Markets	8,703,517	3,417,597	8,587,903	3,511,644
Group Center	924,114	903,233	858,373	863,470
TOTAL	**19,690,044**	**18,529,540**	**20,284,782**	**19,052,645**

OTHER SEGMENT INFORMATION [1] (in EUR thousands)	31/12/13				
	Capital expenditures	Depreciation and amortisation	Impairments [3]		Other non-cash expenses [4]
			Allowances	Write-backs	
Retail, Corporate and Private Banking	0	0	(42,077)	18,887	(271)
Treasury and Financial Markets	0	0	(1,040)	56	0
Group Center	11,548	(24,872)	(545)	816	(20,065)
TOTAL	**11,548**	**(24,872)**	**(43,662)**	**19,759**	**(20,336)**

	31/12/14				
	Capital expenditures	Depreciation and amortisation	Impairments [3]		Other non-cash expenses [4]
			Allowances	Write-backs	
Retail, Corporate and Private Banking	0	0	(52,134)	31,804	(3,857)
Treasury and Financial Markets	0	0	(199)	143	0
Group Center	13,299	(24,897)	(6,630)	157	(15,286)
TOTAL	**13,299**	**(24,897)**	**(58,963)**	**32,103**	**(19,143)**

Relations between product lines, in particular commercial product lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, carried out according to market conditions. The results of each product line also include:

- earnings from commercial transformation, including the management costs of this transformation
- cost of financing.

Tangible and intangible fixed assets are allocated to the "Group Center" segment, except when they are directly managed by a commercial or financial product line.

GEOGRAPHIC BREAKDOWN (in EUR thousands)	Belgium	Denmark	France	Luxembourg	Singapore	Switzerland	Other	Total
Net income before tax	(2,205)	(2,145)	(6,863)	156,261	2,236	(8,535)	1,307	140,056
Tax expenses	0	31	(151)	(40,943)	15,136	(22)	0	(25,949)
NET INCOME AS AT 31/12/13	**(2,205)**	**(2,114)**	**(7,014)**	**115,318**	**17,372**	**(8,557)**	**1,307**	**114,107**
Net income before tax	(6,191)	532	(224)	168,804	1,970	4	(453)	164,442
Tax expenses	0	0	0	(42,635)	638	70	0	(41,927)
NET INCOME AS AT 31/12/14	**(6,191)**	**532**	**(224)**	**126,169**	**2,608**	**74**	**(453)**	**122,515**

The geographic zone is determined by the country of the company concluding the transaction and not by the country of the transaction's counterpart.

[1] Some amounts may not add up due to rounding off.
[2] 2013 figures have been reviewed leading to a transfer of EUR 56 million from Group Center to Treasury and Financial Markets in order to better reflect the Bank activities.
[3] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.
[4] Include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

Note 4: Material items in the consolidated statement of income

These items are included in point 1 of the consolidated management report.

Note 5: Post-balance sheet events

There were no other occurrences of significant post-balance sheet events likely to have a major impact on the financial statements of BIL other than those referred to in the consolidated management report.

Note 6: Litigation

6.1 Banque Internationale à Luxembourg SA and Banque Internationale à Luxembourg (Suisse) SA

Following the bankruptcy of Bernard L. Madoff Investment Securities ("BLMIS"), the official receivers of BLMIS and certain investment funds linked to B. Madoff instituted legal proceedings against numerous financial institutions and institutional investors that had purchased Madoff securities and investment products linked to B. Madoff. In accordance with the "clawback principle", they are claiming the return of profits and redemptions obtained on these investments over a period of several years until the discovery of the fraudulent set-up put in place by BLMIS that culminated in its collapse.

Some of these clawback actions were brought against Banque Internationale à Luxembourg SA and its subsidiary Banque Internationale à Luxembourg (Suisse) SA, the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 68 million, most of which corresponds to investments made by Banque Internationale à Luxembourg SA on behalf of third parties.

At this time, Banque Internationale à Luxembourg SA is not able to express a reasonable opinion on the duration or outcome of actions sub judice or on any potential financial impact.

As at December 31, 2014, no provision for clawback actions had been made.

Some clients who invested in products linked to Mr Madoff have also brought legal proceedings against Banque Internationale à Luxembourg SA.

6.2 Banque Internationale à Luxembourg Bank Danmark A/S

A Danish bank, EBH BANK, went bankrupt in the turbulent conditions of the 2008 crisis, and people connected with this bank were charged with fraud and market manipulation as part of transactions involving EBH BANK shares and those of other listed companies.

As part of this case, complaints were lodged with the police by the Danish regulator against Banque Internationale à Luxembourg Bank Danmark A/S ("BIL DK") and one of its traders for aiding EBH BANK in allegedly manipulating the market. This trader and, subsequently, BIL DK, were investigated for this alleged aid. The police investigation is still in progress and is likely to result in BIL DK and former its trader being charged.

BIL DK denies any involvement or responsibility in connection with the actions targeted by the investigation. Effective on December 18, 2013, BIL DK transferred its assets and obligations to a newly created branch of BIL in Denmark. BIL DK will however continue to exist until the foregoing investigation is closed or otherwise terminated; BIL DK has been renamed Selskabet af 18 December 2013 A/S.

The Bank is not involved in any other material litigation, where adequate provisions have not been funded, that readers may need to consider in evaluating the risks related to possible credit risks or current or potential litigation.

Note 7: Notes on the assets of the consolidated balance sheet (in EUR)

7.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Cash and balances with central banks	1,216,639,373	1,189,678,087
Loans and advances to credit institutions	547,589,910	496,405,425
Financial assets available for sale	227,030,446	464,533,795
TOTAL	1,991,259,729	2,150,617,307

B. OF WHICH RESTRICTED CASH	31/12/13	31/12/14
Mandatory reserves[1]	210,118,174	103,710,035
TOTAL RESTRICTED CASH	210,118,174	103,710,035

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.

The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should interest rate fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

7.2 Cash and balances with central banks

ANALYSIS BY NATURE	31/12/13	31/12/14
Cash in hand	48,649,264	44,352,198
Balances with central banks other than mandatory reserve deposits	957,871,935	1,041,615,854
Mandatory reserve deposits	210,118,174	103,715,247
TOTAL	1,216,639,373	1,189,683,299
of which included in cash and cash equivalents	*1,216,639,373*	*1,189,678,087*

7.3 Loans and advances to credit institutions

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Nostro accounts	263,909,681	156,615,266
Cash collateral	549,520,955	428,440,900
Reverse repurchase agreements	200,053,040	0
Loans and other advances	360,602,933	574,825,803
Less:		
Collective impairment	(3,398)	(9,066)
TOTAL	1,374,083,211	1,159,872,903
of which included in cash and cash equivalents	*547,589,910*	*496,405,425*

B. QUALITATIVE ANALYSIS

see note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see note 12.1

[1] Mandatory reserves: minimum reserves deposited by credit institutions with Central Bank of Luxembourg or other central banks.

7.4 Loans and advances to customers

A. ANALYSIS BY COUNTERPART	31/12/13	31/12/14
Public sector	144,975,884	120,940,169
Other (primarily fixed advances and property loans)	9,876,027,209	10,685,815,200
Impaired loans	292,107,595	314,282,159
Less:		
Specific impairment of impaired loans and debt instruments	(230,596,261)	(256,012,021)
Collective impairment	(20,100,937)	(26,519,394)
TOTAL	**10,062,413,490**	**10,838,506,113**
of which included in the finance lease [1]	*175,163,004*	*173,744,232*

B. ANALYSIS BY NATURE	31/12/13	31/12/14
Cash collateral	14,777,115	93,003,854
Loans and other advances	10,298,333,573	11,028,033,674
of which finance lease	*175,163,004*	*173,744,232*
of which consumer credits granted to households	*279,378,148*	*337,950,169*
of which mortgage loans	*3,236,521,335*	*3,406,690,886*
of which current accounts	*1,633,796,708*	*1,543,098,997*
of which impaired loans	*292,107,595*	*314,282,159*
of which other loans (including lombard loans and term loans)	*4,681,366,783*	*5,252,267,231*
Less:		
Specific impairment of impaired loans and debt instruments	(230,596,261)	(256,012,021)
Collective impairment	(20,100,937)	(26,519,394)
TOTAL	**10,062,413,490**	**10,838,506,113**
of which included in the finance lease [1]	*175,163,004*	*173,744,232*

C. QUALITATIVE ANALYSIS
see note 7.13

D. ANALYSIS BY MATURITY AND INTEREST RATE
see notes 12.4, 12.5 and 12.6

E. ANALYSIS OF THE FAIR VALUE
see note 12.1

[1] See note 7.12

7.5 Financial assets measured at fair value through profit or loss

Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/13	31/12/14
Public sector	10,382,867	9,132,539
Credit institutions	47,378,461	41,097,583
Other	50,050,221	31,911,427
TOTAL	**107,811,549**	**82,141,549**

B. ANALYSIS BY NATURE	31/12/13	31/12/14
Bonds issued by public bodies	10,382,867	9,132,539
Other bonds and fixed-income instruments	97,278,704	72,962,458
Equities and other variable-income instruments	149,978	46,552
TOTAL	**107,811,549**	**82,141,549**

C. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see note 12.1

Financial assets designated at fair value through profit or loss (fair value option)

As at December 31, 2013 and 2014, the Bank does not hold any financial assets designated at fair value through profit or loss (fair value option).

7.6 Financial investments

A. ANALYSIS BY COUNTERPART	31/12/13	31/12/14
Public sector	3,799,560,277	3,990,393,889
Credit institutions	1,052,445,564	1,201,285,390
Other	598,351,214	635,957,802
Impaired financial investments	20,888,603	24,851,329
TOTAL BEFORE IMPAIRMENT	**5,471,245,658**	**5,852,488,410**
Specific and collective impairment on financial investments	(19,141,791)	(20,927,126)
TOTAL	**5,452,103,867**	**5,831,561,284**
of which included in cash and cash equivalents	*227,030,446*	*464,533,795*

B. QUALITATIVE ANALYSIS

see note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

D. ANALYSIS BY NATURE	Available for sale financial assets		Held to maturity financial assets	
	31/12/13	31/12/14	31/12/13	31/12/14
Bonds issued by public bodies	3,759,599,142	3,847,460,735	39,961,135	142,933,153
Other bonds and fixed-income instruments	1,501,522,271	1,705,998,391	0	20,877,384
Equities and other variable-income instruments [1]	170,163,110	135,218,747	n.a.	n.a.
TOTAL BEFORE IMPAIRMENT	5,431,284,523	5,688,677,873	39,961,135	163,810,537
Specific and collective impairment on financial investments	(19,141,791)	(20,927,126)	0	0
TOTAL	5,412,142,732	5,667,750,747	39,961,135	163,810,537

7.7 Investments in associates

A. CARRYING VALUE	2013	2014
CARRYING VALUE AS AT JANUARY 1	0	19,320,010
- Changes in the scope of consolidation	19,009,523	0
- Share of result before tax	2,850,970	4,297,485
- Share of tax	(961,551)	(1,184,968)
- Dividend paid	(1,006,023)	(1,002,222)
- Gains and losses not recognised in the statement of income	(572,909)	1,229,893
CARRYING VALUE AS AT DECEMBER 31	19,320,010	22,660,198

B. LIST OF MAIN ASSOCIATES as at 31/12/14	Acquisition cost	Equity method valuation	Reference to website
Europay Luxembourg S.C.	260,823	849,503	
Société de la Bourse de Luxembourg SA	319,806	21,810,695	https://www.bourse.lu/
TOTAL	580,629	22,660,198	

Financial statements of Europay Luxembourg S.C.

(in EUR)	31/12/13	31/12/14
Assets	8,135,601	12,082,378
Liabilities	6,282,527	9,559,728
Shareholders' equity	1,853,074	2,522,650
Revenue	8,239,589	7,647,329
Other comprehensive income	127,646	109,288
Net income	96,933	687,934
Total comprehensive income	224,579	797,222

2014 figures have been estimated based on unaudited interimediary financial statements.

Financial statements of Société de la Bourse de Luxembourg SA

(in EUR)	31/12/13	31/12/14
Assets	187,281,505	203,693,783
Liabilities	101,055,147	103,480,126
Shareholders' equity	86,226,358	100,213,657
Revenue	40,685,180	42,665,320
Other comprehensive income	(2,675,981)	5,744,667
Net income	8,665,853	13,407,090
Total comprehensive income	5,989,872	19,151,757

2014 figures are unaudited.

[1] The amount of variable-income securities recorded at cost amounted to EUR 1.9 million as at December 31, 2014 (EUR 8.4 million as at December 31, 2013).

7.8 Tangible fixed assets

A. NET CARRYING VALUE	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Operating lease		
ACQUISITION COST AS AT 01/01/13	302,677,806	121,225,147	7,303,711	219,384,751	650,591,415
- Acquisitions	8,035,059	3,147,191	0	365,430	11,547,680
- Disposals	(2,231,594)	(684,843)	0	(1,016,293)	(3,932,730)
- Transfers and cancellations	(3,062,054)	(236,753)	236,753	3,062,054	0
- Translation adjustments	0	(183,774)	0	0	(183,774)
ACQUISITION COST AS AT 31/12/13 (A)	305,419,217	123,266,968	7,540,464	221,795,942	658,022,591
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/13	(200,242,554)	(112,736,831)	(4,012,920)	(53,647,035)	(370,639,340)
- Booked	(8,155,500)	(2,064,989)	(753,442)	(11,762,434)	(22,736,365)
- Write-off	769,096	541,706	0	13,055	1,323,857
- Transfers and cancellations	(64,339)	457,611	126,632	(2,620,698)	(2,100,794)
- Translation adjustments	0	170,340	0	0	170,340
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/13 (B)	(207,693,297)	(113,632,163)	(4,639,730)	(68,017,112)	(393,982,302)
NET CARRYING VALUE AS AT 31/12/13 (A)+(B)	97,725,920	9,634,805	2,900,734	153,778,830	264,040,289

	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Operating lease		
ACQUISITION COST AS AT 01/01/14	305,419,217	123,266,968	7,540,464	221,795,942	658,022,591
- Acquisitions	7,106,062	5,923,269	0	269,586	13,298,917
- Disposals	(1,119,457)	(229,983)	(6,470,328)	(3,916,415)	(11,736,183)
- Transfers and cancellations	(504,155)	(116,575)	0	(5,390)	(626,120)
- Translation adjustments	21,764	230,311	0	0	252,075
ACQUISITION COST AS AT 31/12/14 (A)	310,923,431	129,073,990	1,070,136	218,143,723	659,211,280
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/14	(207,693,297)	(113,632,163)	(4,639,730)	(68,017,112)	(393,982,302)
- Booked	(8,525,334)	(2,219,324)	(753,442)	(11,790,248)	(23,288,348)
- Write-off	802,655	137,651	4,801,893	0	5,742,199
- Transfers and cancellations	487,691	150,175	0	0	637,866
- Translation adjustments	(3,109)	(210,002)	0	0	(213,111)
- Other	0	16,999	0	0	16,999
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/14 (B)	(214,931,394)	(115,756,664)	(591,279)	(79,807,360)	(411,086,697)
NET CARRYING VALUE AS AT 31/12/14 (A)+(B)	95,992,037	13,317,326	478,857	138,336,363	248,124,583

B. FAIR VALUE OF INVESTMENT PROPERTIES	31/12/13	31/12/14
Fair value subject to an independent valuation[1]	N/A	128,550,000

The Esch Belval property was revalued in July 2014 by an independent valuator, CBRE Luxembourg. The Bank considers that this valuation does not constitute in itself an objective evidence of depreciation as internal indicators are not triggered (value in use). Moreover, due to the cost model treatment, the carrying amount of this asset will run into the CBRE fair value in the very short term. In addition, the "fair value less costs to sell" approach compare to the "value in use" approach is not in accordance with the going concern basis applied by the Bank on this kind of investment.

[1] The fair value of investment properties is revalued every five years.

7.9 Intangible fixed assets and goodwill

	Positive goodwill [1]	Internally-developed software	Other intangible fixed assets [2]	Total
ACQUISITION COST AS AT 01/01/13	**42,383,450**	**102,519,887**	**17,444,662**	**162,347,999**
- Acquisitions	0	17,067,347	385,417	17,452,764
- Disposals	0	0	(1,635)	(1,635)
- Transfers	0	0	0	0
- Translation adjustments	0	(20,697)	(20,503)	(41,200)
ACQUISITION COST AS AT 31/12/13 (A)	**42,383,450**	**119,566,537**	**17,807,941**	**179,757,928**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/13	**(11,734,189)**	**(71,886,115)**	**(13,335,200)**	**(96,955,504)**
- Booked	0	(13,114,839)	(1,633,636)	(14,748,475)
- Write-off	0	0	376	376
- Transfers	0	0	0	0
- Translation adjustments	0	19,823	20,443	40,266
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/13 (B)	**(11,734,189)**	**(84,981,131)**	**(14,948,017)**	**(111,663,337)**
NET CARRYING VALUE AS AT 31/12/13 (A)+(B)	**30,649,261**	**34,585,406**	**2,859,924**	**68,094,591**

	Positive goodwill [1]	Internally-developed software	Other intangible fixed assets [2]	Total
ACQUISITION COST AS AT 01/01/14	**42,383,450**	**119,566,537**	**17,807,941**	**179,757,928**
- Acquisitions	0	13,765,410	963,905	14,729,315
- Disposals	0	(633,617)	(4,065,427)	(4,699,044)
- Transfers	0	26,494	(26,494)	0
- Translation adjustments	0	9,778	29,060	38,838
ACQUISITION COST AS AT 31/12/14 (A)	**42,383,450**	**132,734,602**	**14,708,985**	**189,827,037**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/14	**(11,734,189)**	**(84,981,131)**	**(14,948,017)**	**(111,663,337)**
- Booked	0	(15,434,275)	(1,052,734)	(16,487,009)
- Write-off	0	633,617	4,065,427	4,699,044
- Transfers	0	0	0	0
- Translation adjustments	0	(9,778)	(27,699)	(37,477)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/14 (B)	**(11,734,189)**	**(99,791,567)**	**(11,963,023)**	**(123,488,779)**
NET CARRYING VALUE AS AT 31/12/14 (A)+(B)	**30,649,261**	**32,943,035**	**2,745,962**	**66,338,258**

7.10 Tax assets

	31/12/13	31/12/14
Current taxes assets	2,274	7,891
Deferred tax assets (see note 9.2)	359,190,591	303,498,936
TOTAL	**359,192,865**	**303,506,827**

[1] Origin of goodwill:
- EUR 30.7 million goodwill from the acquisition of Bikuben Girobank International SA Luxembourg in 2001.
- Fully depreciated EUR 6.3 million goodwill from the acquisition of Petersen-Hinrichsen Holding Danmark at the end of year 2000.

The impairment test has been performed on the relating cash generating unit based on the discounted cash flow methodology with indefinite lifetime assumption. Cash flows are assumed to be stable. They have been computed as revenue of the generating unit less direct and indirect cost, and after taxes. No further impairment is required as at the end of 2014 (goodwill valuation of EUR 66 million). Sensisivity test: +1% increase of the discount rate generates EUR – 8.3 million goodwill value whereas -1% decrease of this rate generates EUR +11 million goodwill value.

[2] Other intangible fixed assets include, inter alia, softwares purchased.

7.11 Other assets

	31/12/13	31/12/14
Other assets*	62,379,756	101,772,755
Other assets specific to insurance activities	64,862	1,678,891
TOTAL	62,444,618	103,451,646

*ANALYSIS BY NATURE	31/12/13	31/12/14
Receivables	1,508,152	3,232,927
Prepaid fees	385,733	697,490
Other receivables	38,356,811	35,218,970
Pension plan assets	3,501,000	1,776,001
Operating taxes	7,026,942	9,284,739
Other assets [1]	11,601,118	51,562,628
TOTAL	62,379,756	101,772,755

7.12 Leasing

1. BIL as lessor

A. FINANCE LEASE

Gross investment in finance lease:	31/12/13	31/12/14
Less than 1 year	75,193,996	70,614,593
More than 1 year and less than 5 years	240,678,360	238,383,813
SUBTOTAL (A)	315,872,356	308,998,406
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	(140,709,352)	(135,254,174)
NET INVESTMENT IN FINANCE LEASE (A)-(B)	175,163,004	173,744,232

Net investment in finance lease may be analysed as follows:	31/12/13	31/12/14
Less than 1 year	23,265,798	27,851,336
More than 1 year and less than 5 years	151,897,206	145,892,896
TOTAL	175,163,004	173,744,232

	31/12/13	31/12/14
Amount of doubtful debts on finance lease included in the loan loss provision at the end of the financial year	4,256,440	3,826,532
Estimated fair value of finance lease	175,163,004	173,744,232
Accumulated provision for irrecoverable minimum lease payments	3,227,334	2,855,568

Overview of the significant provisions of leasing contracts (see IFRS 7)

The assets managed by BIL Lease SA and BIL Auto Lease Luxembourg SA may be broken down as follows:

- 67.7% of the assets is composed of vehicles, mainly passenger cars but also commercial vehicles
- 13.2% is composed of IT equipment
- 18.8% is composed of industrial equipment: machinery, medical equipment, etc.
- 0.3% of the assets is composed primarily of office furniture.

[1] Transactions linked to current business awaiting settlement.

B. OPERATING LEASE

BIL is the operating lessor of certain land and buildings. Relating information is detailed in note 7.8.

Future net minimum lease payments under operating lease:	31/12/13	31/12/14
Less than 1 year	6,638,000	6,638,000
More than 1 year and less than 5 years	13,276,000	6,638,000
TOTAL	**19,914,000**	**13,276,000**

No contingent rents were recognised in 2013 and 2014.

2. BIL as lessee

A. FINANCE LEASE

BIL is the financial lessee of certain land and buildings. Relating information is detailed in note 7.8.

Given that the total amounts are not material, additional information has not been provided in this note.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease:	31/12/13	31/12/14
Less than 1 year	4,415,010	5,743,089
More than 1 year and less than 5 years	6,236,509	5,303,689
More than 5 years	1,244,736	707,936
TOTAL	**11,896,255**	**11,754,714**

Lease and sublease payments recognised as an expense during the financial year: - minimum lease payments	5,029,226	4,583,960
TOTAL	**5,029,226**	**4,583,960**

7.13 Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/13	31/12/14
Normal loans and advances to credit institutions	1,374,086,609	1,159,881,969
Normal loans to customers	10,021,003,093	10,806,755,370
Normal financial investments held to maturity	39,961,135	163,810,537
Normal financial investments available for sale	5,410,395,920	5,663,826,544
of which bonds and fixed-income instruments	*5,261,121,413*	*5,553,459,126*
of which equities and other variable-income instruments	*149,274,507*	*110,367,418*
Collective impairment on normal loans [1]	(20,104,335)	(26,528,461)
TOTAL	**16,825,342,422**	**17,767,745,959**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Net amount (B+C)	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Impaired loans and advances to customers	292,107,595	314,282,159	(230,596,261)	(256,012,021)	61,511,334	58,270,138
Impaired financial assets available for sale	20,888,603	24,851,329	(19,141,791)	(20,927,126)	1,746,812	3,924,203
of which equities and other variable-income instruments	*20,888,603*	*24,851,329*	*(19,141,791)*	*(20,927,126)*	*1,746,812*	*3,924,203*
TOTAL	**312,996,198**	**339,133,488**	**(249,738,052)**	**(276,939,147)**	**63,258,146**	**62,194,341**

Analysis of normal and impaired loans and securities	Gross amount (A+B)		Specific loan loss allowance (C)		Net amount (A+B+C)	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Loans and advances to credit institutions	1,374,086,609	1,159,881,969	0	0	1,374,086,609	1,159,881,969
Loans and advances to customers	10,313,110,688	11,121,037,529	(230,596,261)	(256,012,021)	10,082,514,427	10,865,025,508
Financial investments held to maturity	39,961,135	163,810,537	0	0	39,961,135	163,810,537
Financial investments available for sale	5,431,284,523	5,688,677,873	(19,141,791)	(20,927,126)	5,412,142,732	5,667,750,747
of which bonds and fixed-income instruments	*5,261,121,413*	*5,553,459,126*	*0*	*0*	*5,261,121,413*	*5,553,459,126*
of which equities and other variable-income instruments	*170,163,110*	*135,218,747*	*(19,141,791)*	*(20,927,126)*	*151,021,319*	*114,291,621*
Collective impairment on normal loans [1]	(20,104,335)	(26,528,461)	n.a.	n.a.	(20,104,335)	(26,528,461)
TOTAL	**17,138,338,620**	**18,106,879,447**	**(249,738,052)**	**(276,939,147)**	**16,888,600,568**	**17,829,940,300**

[1] For the countervalue in profit or loss, see note 11.12.

Note 8: Notes on the liabilities of the consolidated balance sheet (in EUR)

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/13	31/12/14
On demand	273,019,687	347,638,276
Term	301,003,130	374,673,316
Cash collateral	410,120,789	232,858,678
Repurchase agreements	367,976,085	373,337,959
Central banks [1]	30,724,579	213,522,069
Other borrowings [2]	347,401,120	467,194,241
TOTAL	**1,730,245,390**	**2,009,224,539**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Demand deposits	5,862,533,453	7,875,456,416
Savings deposits	4,035,957,572	3,671,537,670
Term deposits	2,588,666,280	1,889,110,202
Cash collateral	8,633,450	7,251,723
TOTAL CUSTOMER DEPOSITS	**12,495,790,755**	**13,443,356,011**
Other borrowings	1,233,944	777,532
TOTAL CUSTOMER BORROWINGS	**1,233,944**	**777,532**
TOTAL	**12,497,024,699**	**13,444,133,543**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

[1] The Management Board decided to participate for EUR 200 million at the September 2014 TLTRO (Targeted longer-term refinancing operations).
[2] Other borrowings represent day-to-day cash management operations.

8.3 Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Other bonds	760,315	126,377
TOTAL	760,315	126,377

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

Financial liabilities designated at fair value through profit or loss (fair value option)

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Non-subordinated liabilities	1,794,825,648	1,023,273,436
TOTAL	1,794,825,648	1,023,273,436

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

The BIL group primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

8.4 Debt securities

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Certificates of deposit	64,509,357	61,125,788
Non-convertible bonds	824,116,321	953,702,625
TOTAL	888,625,678	1,014,828,413

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

Consolidated management report
Consolidated financial statements
Financial statements of the parent company

8.5 Subordinated debt

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Non-convertible subordinated debts [1]	330,425,705	301,539,478
Hybrid capital and redeemable preferred shares [2]	87,127,513	0
Contingent convertible bond (compound instrument) [3]	0	149,660,636
TOTAL	417,553,218	451,200,114

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

8.6 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Litigation [4]	15,910,437	13,163,798
Restructuring	17,424,742	12,107,863
Defined benefit plans	28,877,068	39,337,146
Other long-term employee benefits	13,836,501	14,520,046
Provision for off-balance sheet credit commitments	252,800	31,931
Other provisions	3,244,986	1,549,658
TOTAL	79,546,534	80,710,442

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/13	10,116,813	16,799,313	41,119,756	331,500	2,704,571
Exchange differences	(14,080)	(20,539)	(91,999)	0	(31,870)
Additional provisions	9,546,837	9,060,366	4,022,792	380,275	2,580,361
Unused amounts reversed	(3,008,647)	(44,349)	(3,987,388)	(30,974)	(304,760)
Used during the year	(790,122)	(8,370,049)	(1,917,757)	0	(1,703,316)
Transfers	59,636	0	(4,068,638)	(428,001)	0
Revaluation through reserves [5]	n.a.	n.a.	7,636,803	n.a.	n.a.
Other movements	0	0	0	0	0
AS AT 31/12/13	15,910,437	17,424,742	42,713,569	252,800	3,244,986
AS AT 01/01/14	15,910,437	17,424,742	42,713,569	252,800	3,244,986
Exchange differences	554,596	3,942	49,843	0	59,864
Additional provisions	459,471	2,349,495	4,352,295	29,131	910,619
Unused amounts reversed	(608,833)	(40,654)	(1,763,707)	(14,000)	(1,197,475)
Used during the year	(3,231,873)	(7,629,662)	(3,540,445)	0	(1,468,336)
Transfers	0	0	0	(236,000)	0
Revaluation through reserves [5]	n.a.	n.a.	12,045,637	n.a.	n.a.
Other movements	80,000	0	0	0	0
AS AT 31/12/14	13,163,798	12,107,863	53,857,192	31,931	1,549,658

C. ANALYSIS BY MATURITY

see note 12.6

[1] List available upon request.
[2] During 2014, the Bank purchased back part of its hybrid debt, mainly through its Liability Management Exercise. On October 6, BIL proceeded to an early repayment of the remaining outstanding in order to reimburse the Participation in whole.
[3] On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital.
[4] Provisions for legal litigation, including those for staff and tax-related litigation.
[5] See point 1.22 of note 1.

D. PROVISIONS FOR PENSIONS AND OTHER LONG-TERM BENEFITS

Employees hired on or after November 1, 2007 partake in a defined-contribution pension plan, while employees hired prior to November 1, 2007 partake either in a defined-contribution or a defined-benefit pension plan. All these commitments are shown in the table below.

a. Reconciliation of benefit obligations	31/12/13	31/12/14
Defined benefit obligations at the beginning of the year	242,318,236	253,502,189
Current service cost	9,726,989	10,334,243
Interest cost	7,598,393	7,115,815
Past service cost and gains and losses arising from settelements	3,000	435,000
Actuarial gains/losses	12,225,616	32,719,904
Stemming from changes in demographic assumptions	*0*	*0*
Stemming from changes in financial assumptions	*7,074,408*	*35,541,028*
Experience adjustments	*5,151,208*	*(2,821,124)*
Benefits paid	(17,853,631)	(19,937,580)
Out of which: amounts paid in respect of settlements	*0*	*0*
Pension plan participant contributions	629,699	588,817
Currency adjustment	(390,986)	472,883
Business combination and disposals	1,248,008	5,068,448
Other	(2,003,135)	(2,074,819)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**253,502,189**	**288,224,900**

b. Reconciliation of fair value of pension plan assets	31/12/13	31/12/14
Fair value of pension plan assets at the beginning of the year	224,557,299	228,127,994
Actual return on pension plan assets	9,238,034	25,396,830
Interest income	*7,261,692*	*6,552,592*
Return on pension plan assets (excluding interest income)	*1,976,342*	*18,844,238*
Employer contributions	12,720,548	13,080,613
Pension plan participant contributions	629,699	588,817
Benefits paid	(17,853,631)	(19,937,580)
Out of which: amounts paid in respect of settlements	*0*	*0*
Currency adjustment	(383,607)	436,542
Business combination and disposals	1,248,008	5,068,448
Other	(2,028,356)	(2,097,909)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**228,127,994**	**250,663,755**

c. Reconciliation of the effect of the asset ceiling	31/12/13	31/12/14
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
Other	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

d. Funded status	31/12/13	31/12/14
Pension plan assets in excess of benefit obligation	(3,501,000)	(1,776,000)
Unrecognised assets	0	0
UNFUNDED ACCRUED/PREPAID PENSION COST	**(25,374,195)**	**(37,561,145)**

e. Movement in net defined benefit pension liability or asset	31/12/13	31/12/14
Unfunded accrued/prepaid pension cost at the beginning of the year	(17,760,937)	(25,374,195)
Net periodic pension cost recognised in the income statement	(10,091,910)	(11,355,557)
Remeasurements recognised in OCI	(10,249,275)	(13,875,666)
Employer contributions	12,720,548	13,080,613
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	0	0
Currency adjustments	7,379	(36,340)
Other	0	0
UNFUNDED ACCRUED/PREPAID PENSION COST AT THE END OF THE YEAR	**(25,374,195)**	**(37,561,145)**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/13	31/12/14
Recognised reserve at the beginning of the year	(9,450,995)	(19,627,144)
Remeasurements recognised in OCI	(10,176,149)	(13,995,045)
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(19,627,144)**	**(33,622,189)**

g. Amounts recognised in the income statement	31/12/13	31/12/14
Current service cost	9,726,989	10,334,243
Net interest on the defined benefit liability/asset	336,701	563,223
Past service cost	3,000	435,000
Gains and losses arising from settlements	0	0
Other	25,220	23,091
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**10,091,910**	**11,355,557**

h. Amounts recognised in other comprehensive income	31/12/13	31/12/14
Actuarial gains/losses on the defined benefit obligation	12,225,616	32,719,904
Actual return on plan assets (excluding amounts included in interest income)	(1,976,341)	(18,844,238)
Currency adjustments	(73,126)	119,379
TOTAL OTHER COMPREHENSIVE INCOME	**10,176,149**	**13,995,045**

Actual return on pension plan assets	31/12/13	31/12/14
	4.08%	10.61%

Breakdown of pension plan assets	31/12/13	31/12/14
Fixed income		
Quoted market price on an active market	66.71%	67.69%
Equities		
Quoted market price on an active market	20.28%	17.03%
Alternatives		
Quoted market price on an active market	3.23%	2.33%
Cash	1.70%	5.38%
Other	8.08%	7.57%
TOTAL	**100.00%**	**100.00%**

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR -1%	10.82%
	Scenario DR +1%	(9.30%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase	
Scenario SR -1%	(2.88%)
Scenario SR +1%	4.56%

Expected contributions for next year	(13,166,553)

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures

In Luxembourg, pension plans for "active people" are two hybrid defined benefit (DB) / defined contribution (DC) pension plans (closed plans) and one DC with guaranteed return pension plan (open plan).
For retirees, pension plan is a DB plan (closed). No specific event occurred in Luxembourg during the year 2014.
Risk exposure is actually an exposure to financial risk, and for part of the plans, to the longevity and inflation risks.

In Switzerland, pension plan is a DC plan with guaranteed return, where the financial risk is borne by an insurer.
No specific event occurred during the year 2014.

B. Methods and assumptions used in preparing the sensitivity analysis

The principal assumptions used to assess the defined benefit obligation are as follows:

	Luxembourg		Switzerland	
	31/12/13	31/12/14	31/12/13	31/12/14
Discount rate	3.00%	1.50%	2.25%	1.25%
Salary increase	3.00%	3.00%	1.00%	1.00%
of which inflation	*2.00%*	*2.00%*	-	-

C. Description of ALM strategies

In Luxembourg, investment strategy is based on ALM objectives, trying to align as far as possible assets maturities with liabilites profile and is also based on return objectives, with limited risks exposure.
Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicle local GAAP).
In Switzerland, investment strategy is in the hands of the insurer.

D. Description of funding arrangements

In Luxembourg, pension plans are funded through pension fund arrangements.
In the pension plans for "active people", employer contributions are calculated according to an Aggregate Cost method.
In the pension plans for "retirees", pensions are fully funded.
For all plans, minimum funding applies according to the legislation in force, and employer is due to make additional contributions in case assets do not meet the funding requirements.
Asset ceiling under IAS 19 does not apply.

In Switzerland, pension plan is funded through an insurance agreement.
This pension plan is subject to asset ceiling under IAS 19, however the plan shows a Net Liability as of December 31, 2014.

8.7 Tax liabilities

ANALYSIS BY NATURE	31/12/13	31/12/14
Current tax liabilities	1,440,382	1,445,632
Deferred tax liabilities (see note 9.2)	22,670,390	584,624
TOTAL	**24,110,772**	**2,030,256**

8.8 Other liabilities

	31/12/13	31/12/14
Other liabilities*	255,449,606	242,512,581
Other liabilities specific to insurance activities	459,252	1,795,498
TOTAL	255,908,858	244,308,079

*ANALYSIS BY NATURE	31/12/13	31/12/14
Accrued costs	8,063,525	7,130,226
Deferred income	6,845,297	6,281,504
Other payables[1]	151,979,369	149,590,735
Other granted amounts received	1,371,114	1,218,045
Salaries and social security costs (payable)	25,498,690	23,908,731
Other operating taxes	52,510,657	47,788,156
Other liabilities	9,180,954	6,595,184
TOTAL	255,449,606	242,512,581

Note 9: Other notes on the consolidated balance sheet (in EUR)

9.1 Derivatives

A. ANALYSIS BY NATURE	31/12/13		31/12/14	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	543,150,240	502,253,052	311,960,448	287,348,357
Derivatives designated as fair value hedge	52,541,752	207,355,904	7,881,951	357,217,358
Derivatives designated as cash flow hedge	29,343,266	55,484,568	30,801,792	53,001,818
Derivatives designated as portfolio hedge against interest rate	62,922,698	16,888,896	74,413,575	14,452,388
TOTAL	687,957,956	781,982,420	425,057,766	712,019,921

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,101,789,891**	**5,103,337,818**	**148,649,313**	**162,693,515**
FX forward	3,715,343,454	3,711,782,925	33,225,805	29,705,002
FX future	120,014,153	122,355,648	550,037	3,413,089
Cross currency swap	973,863,136	977,889,133	108,358,422	123,827,651
FX options	292,569,148	291,310,112	6,515,049	5,747,773
Interest rate derivatives	**5,411,489,746**	**5,451,877,950**	**359,661,742**	**335,342,697**
Options-Caps-Floors-Collars-Swaptions	286,777,414	286,777,413	1,245,750	1,249,911
IRS	5,029,297,342	5,029,297,342	358,415,992	334,092,786
Interest futures	95,414,990	135,803,195	0	0
Equity derivatives	**288,352,813**	**252,407,452**	**34,839,185**	**4,216,840**
Equity futures	1,039,632	3,635,271	0	0
Equity options	126,086,585	87,545,585	22,948,031	0
Other equity derivatives	161,226,596	161,226,596	11,891,154	4,216,840
TOTAL	10,801,632,450	10,807,623,220	543,150,240	502,253,052

[1] As at December 31, 2013 and 2014, the heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,590,730,673**	**5,571,392,015**	**92,099,704**	**83,462,818**
FX forward	5,263,070,838	5,250,108,415	72,256,638	50,088,784
FX future	0	0	0	0
Cross currency swap	187,623,794	187,132,997	19,067,556	32,280,360
FX options	140,036,041	134,150,603	775,510	1,093,674
Interest rate derivatives	**2,404,331,910**	**2,419,144,479**	**206,439,330**	**202,079,865**
Options-Caps-Floors-Collars-Swaptions	296,400,988	296,400,988	1,534,515	1,538,681
IRS	2,107,930,922	2,107,930,922	204,904,815	200,541,184
Interest futures	0	14,812,569	0	0
Equity derivatives	**305,461,220**	**270,814,797**	**13,421,414**	**1,805,674**
Equity futures	3,005,206	6,969,605	0	0
Equity options	163,094,852	124,484,030	1,008,581	0
Other equity derivatives	139,361,162	139,361,162	12,412,833	1,805,674
TOTAL	**8,300,523,803**	**8,261,351,291**	**311,960,448**	**287,348,357**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE

	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	2,482,288,616	2,482,288,616	52,541,752	207,355,904
IRS	2,482,288,616	2,482,288,616	52,541,752	207,355,904
TOTAL	**2,482,288,616**	**2,482,288,616**	**52,541,752**	**207,355,904**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**2,997,593,418**	**2,997,593,418**	**7,881,951**	**357,217,358**
IRS	2,997,593,418	2,997,593,418	7,881,951	357,217,358
TOTAL	**2,997,593,418**	**2,997,593,418**	**7,881,951**	**357,217,358**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**35,483,535**	**34,966,945**	**36,978**	**0**
Cross currency swap	35,483,535	34,966,945	36,978	0
Other currency derivatives	0	0	0	0
Interest rate derivatives	**802,432,994**	**802,432,994**	**29,306,288**	**55,484,568**
IRS	802,432,994	802,432,994	29,306,288	55,484,568
TOTAL	**837,916,529**	**837,399,939**	**29,343,266**	**55,484,568**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**93,655,712**	**95,572,474**	**0**	**0**
Cross currency swap	0	0	0	0
Other currency derivatives	93,655,712	95,572,474	0	0
Interest rate derivatives	**757,093,286**	**757,093,286**	**30,801,792**	**53,001,818**
IRS	757,093,286	757,093,286	30,801,792	53,001,818
TOTAL	**850,748,998**	**852,665,760**	**30,801,792**	**53,001,818**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interest generated by derivatives designated as cash flow hedge amounted to EUR -7.4 million in 2014 (EUR -3.7 million in 2013).

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	69,570,653	86,301,525	1,546,306	673,456
Interest rate derivatives	984,055,853	984,055,853	61,376,392	16,215,440
TOTAL	**1,053,626,506**	**1,070,357,378**	**62,922,698**	**16,888,896**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	62,365,588	81,361,147	1,897,400	314,351
Interest rate derivatives	796,875,570	796,875,570	72,516,175	14,138,037
TOTAL	**859,241,158**	**878,236,717**	**74,413,575**	**14,452,388**

9.2 Deferred tax

A. ANALYSIS	31/12/13	31/12/14
Deferred tax assets (liabilities) recognised	336,520,201	302,914,312
of which:		
Deferred tax liabilities	*(22,670,390)*	*(584,624)*
Deferred tax assets	*359,190,591*	*303,498,936*
DEFERRED TAX	**336,520,201**	**302,914,312**

B. MOVEMENTS	2013	2014
AS AT JANUARY 1	**355,998,965**	**336,520,201**
Movements during the financial year:		
- Amounts recognised in the statement of income	(43,132,396)	(38,025,352)
- Items directly computed by equity	20,828,783	(18,101,983)
- Effect of change in tax rates - statement of income	2,580,032	0
- Changes in consolidation scope	0	20,439,476
- Exchange differences	101,829	90,718
- Other movements	142,988	1,991,252
AS AT DECEMBER 31	**336,520,201**	**302,914,312**

Deferred tax coming from balance sheet assets	31/12/13		31/12/14	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Cash, loans and loan loss provisions	5,501,918	(471,755)	7,397,785	1,895,478
Securities	(25,979,019)	1,025,979	(45,072,500)	(1,056,531)
Derivatives	5,823,725	0	4,944,240	0
Tangible and intangible fixed assets	6,189,066	(237,051)	5,940,458	(248,648)
Other - non-allocated	0	0	0	0
TOTAL	**(8,464,310)**	**317,173**	**(26,790,017)**	**590,299**

Deferred tax coming from balance sheet liabilities	31/12/13		31/12/14	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Borrowings, deposits and issuance of debt securities	0	0	(1,451,869)	(1,451,869)
Provisions	(26,757,762)	(178,440)	(27,347,345)	(611,194)
Pensions	11,366,398	(668,553)	14,394,200	(438,280)
Other liabilities specific to insurance companies	(18,401,356)	(1,797,150)	(545,626)	(545,626)
Legal tax free provisions	(510,976)	0	0	0
Other - non-allocated	0	(150,600)	0	0
TOTAL	**(34,303,696)**	**(2,794,743)**	**(14,950,640)**	**(3,046,969)**

Deferred tax coming from other items	31/12/13		31/12/14	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Tax losses carried forward	554,648,441	141,908,222	530,401,107	(36,012,342)
Tax credit carried forward	(584)	0	0	0
less: impairments	*(175,359,650)*		*(185,746,135)*	
TOTAL	**379,288,207**	**141,908,222**	**344,654,972**	**(36,012,342)**

Considering that:

- A large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts).
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years.
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future.
- Future taxable profits over the next years will enable to use the unused tax losses over a medium term period (no time restriction applied in Luxembourg).

Based on these considerations, BIL Luxembourg has recognised the full amount of unused tax losses.

9.3 Share-based payments

There is no Stock option plan settled in BIL shares.

9.4 Related parties transactions

A. RELATED PARTIES TRANSACTIONS

(in EUR thousands)	Key management		Subsidiaries	
	31/12/13	31/12/14	31/12/13	31/12/14
Loans [1]	7,529	10,945	0	19
Deposits	12,659	13,090	1,026	255
Contingent convertible bond (compound instrument)	0	0	0	0
Interest paid	0	0	0	0
Guarantees and commitments given by the Group	0	24	0	0
Guarantees and commitments given to the Group	6	1,319	0	0
Assets entrusted from third parties	14,258	11,351	0	0

	Associates		Other related parties	
	31/12/13	31/12/14	31/12/13	31/12/14
Loans [1]	32	32	0	0
Interest received	0	0	2	14
Deposits	7,737	11,704	149	1
Contingent convertible bond (compound instrument)	0	0	0	150,000
Interest paid	0	(7)	(10)	(120)
Guarantees and commitments given by the Group	0	0	35	35
Guarantees and commitments given to the Group	0	0	0	0
Assets entrusted from third parties	0	0	0	150,000

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see note 11.8 "Staff expenses")

9.5 Securitisation

As at December 31, 2014, the BIL group has no securitisation vehicles included in its scope of consolidation. The relevant accounting rules are described in note 1.3.

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.

9.6 Acquisitions and disposals of consolidated companies

A. MAIN ACQUISITIONS

Year 2013
None.

Year 2014
None.

B. MAIN DISPOSALS

Year 2013
None. However, the activities of Société du 25 juillet 2013 SA have been sold during the year.

Year 2014
BIL RE SA was sold on September 19, 2014 to Melio Luxembourg International Sàrl.

The assets and liabilities sold as at September 19, 2014, were as follows:	BIL RE SA
Loans and advances to credit institutions	77,211,902
Other assets	2,248,549
Other liabilities	21,384,370
NET ASSETS	58,076,081
Proceeds from the sale	70,368,209
Less: Transaction cost	(117,786)
NET PROCEEDS ON THE SALE	70,250,423

9.7 Subscribed and authorised capital

By share category	31/12/13	31/12/14
Number of shares authorised and not issued [1]	1,553,942	1,553,942
Number of shares issued and fully paid up	2,017,487	2,017,487
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	970	970

9.8 Exchange rates

The main exchange rates used are the followings:		31/12/13		31/12/14	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.5384	1.3943	1.4845	1.4719
Canadian dollar	CAD	1.4626	1.3765	1.4058	1.4628
Swiss franc	CHF	1.2270	1.2292	1.2028	1.2126
Danish krone	DKK	7.4594	7.4577	7.4460	7.4544
Pound sterling	GBP	0.8323	0.8503	0.7775	0.8026
Hong Kong dollar	HKD	10.6767	10.3212	9.4045	10.2485
Japanese yen	JPY	144.4575	130.2865	145.1121	140.5139
Norwegian krone	NOK	8.3676	7.8673	9.0523	8.3952
Polish zloty	PLN	4.1498	4.2154	4.3002	4.1963
Swedish krone	SEK	8.8640	8.6626	9.4314	9.1158
Singapore dollar	SGD	1.7393	1.6676	1.6057	1.6774
US dollar	USD	1.3769	1.3306	1.2126	1.3214

[1] As at December 31, 2014, the subscribed and paid-up capital of the Bank is EUR 141,224,090 (2013: EUR 141,224,090) represented by 2,017,487 shares (2013: 2,017,487 shares) with an accounting par value of EUR 70 (2013: EUR 70). Following the general meeting of November 16, 2010, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 250 million, without prejudice to possible renewals, until September 30, 2015.

Note 10: Notes on the consolidated off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/13	31/12/14
Loans to be delivered	473,310,479	410,963,975
Borrowings to be received	446,148,597	415,379,496

10.2 Guarantees

	31/12/13	31/12/14
Guarantees given to credit institutions	156,499,116	157,200,169
Guarantees given to customers	666,677,515	673,820,685
Guarantees received from credit institutions	78,377,622	273,411
Guarantees received from customers	2,567,583,196	2,906,859,490

10.3 Loan commitments

	31/12/13	31/12/14
Unused credit lines granted to credit institutions	909,769	969,979
Unused credit lines granted to customers	1,351,185,600	1,640,748,313

10.4 Other commitments

	31/12/13	31/12/14
Banking activity - Other commitments given	28,851,141,268	31,135,874,567
Banking activity - Other commitments received [1]	31,415,889,572	35,262,001,356

[1] Other commitments received are composed of assets held on behalf of third parties, which amounted to EUR 27.9 billion as at December 31, 2014 and EUR 25.2 billion as at December 31, 2013.

Note 11: Notes on the consolidated statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/13	31/12/14
INTEREST AND SIMILAR INCOME	709,256,101	596,832,866
a) Interest and similar income of assets not measured at fair value through profit or loss	**319,690,814**	**336,793,154**
Cash and balances with central banks	659,618	210,789
Loans and advances to credit institutions	4,808,092	8,253,307
Loans and advances to customers	221,412,180	229,957,967
Financial assets available for sale	90,665,661	94,865,284
Investments held to maturity	2,145,263	3,505,807
b) Interest and similar income of assets measured at fair value through profit or loss	**389,565,287**	**260,039,712**
Financial assets held for trading	2,540,209	2,033,487
Financial assets designated at fair value through profit or loss	0	0
Derivatives held for trading	254,695,064	157,947,554
Derivatives used for hedging purposes	132,330,014	100,058,671
INTEREST AND SIMILAR EXPENSES	(461,996,892)	(330,160,933)
a) Interest and similar expense of liabilities not measured at fair value through profit or loss	**(57,136,950)**	**(49,298,359)**
Amounts due to credit institutions	(5,445,488)	(6,675,783)
Amounts due to customers	(37,014,182)	(28,397,547)
Debt securities	(7,962,075)	(10,576,464)
Subordinated debt	(6,634,266)	(2,822,434)
Interest on preferred shares and hybrid capital	0	(811,104)
Other	(80,939)	(15,027)
b) Interest and similar expense of liabilities measured at fair value through profit or loss	**(404,859,942)**	**(280,862,574)**
Financial liabilities held for trading	(1,598)	(10)
Financial liabilities designated at fair value through profit or loss	(51,970,542)	(32,397,407)
Derivatives held for trading	(211,284,940)	(127,284,835)
Derivatives used for hedging purposes	(141,602,862)	(121,180,322)
NET INTEREST INCOME	247,259,209	266,671,933

11.2 Dividend income

	31/12/13	31/12/14
Financial assets available for sale	2,173,813	4,827,810
Financial assets held for trading	17,318	3,823
TOTAL	2,191,131	4,831,633

11.3 Net income from associates

	31/12/13	31/12/14
Income from associates before tax	2,850,970	4,297,485
Share of tax	(961,551)	(1,184,968)
TOTAL	1,889,419	3,112,517

11.4 Net trading income and net result of hedge accounting

	31/12/13	31/12/14
Net income from transactions	10,123,936	(2,964,205)
of which income from trading securities	*1,461,355*	*8,679,216*
of which income from trading derivatives	*8,662,581*	*(11,643,421)*
Net result of hedge accounting	24,076,782	111,127
Net result of financial instruments designated at fair value through profit or loss*	12,936	919,186
Change in own credit risk [1]	(5,600,717)	(560,448)
Net foreign exchange gain/(loss)	16,506,324	22,983,523
TOTAL	**45,119,261**	**20,489,183**

	31/12/13	31/12/14
* including hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	**1,236,462**	**(4,416,459)**

Result of hedge accounting	**31/12/13**	**31/12/14**
	Net gain/(loss)	**Net gain/(loss)**
Fair value hedge	**(51,267)**	**(18,874)**
Change in the fair value of the hedged item attributable to the hedged risk	(44,489,830)	187,110,392
Change in the fair value of the hedging derivatives	44,438,563	(187,129,266)
Portfolio hedge against interest rate risk	**(204,370)**	**95,001**
Change in the fair value of the hedged item	22,457,663	(13,810,009)
Change in the fair value of the hedging derivatives	(22,662,033)	13,905,010
Discontinuation of cash flow hedge accounting (cash flows not expected to occur) – amounts recorded in interest margin	**24,332,419**	**35,000**
TOTAL	**24,076,782**	**111,127**

Interest paid and received on assets, liabilities and derivatives are recorded in the interest margin. Consequently, the net trading income resulting from hedge accounting only includes changes in the valuation of derivatives, the revaluation of assets and liabilities involved in a hedge relationship and the revaluation of the trading portfolio, as well as the ineffectiveness of hedge relationships.

[1] For liabilities revalued at fair value through profit or loss, own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions (see note 12.2.H.)

11.5 Net income on investments (assets and liabilities not measured at fair value through profit or loss)

	31/12/13	31/12/14
Gains on loans and advances	1,379,324	4,550,485
Gains on financial assets available for sale	25,048,067	71,520,562
Gains on tangible fixed assets	2,140,296	742,858
Gains on liabilities	38,943,620	3,895,657
TOTAL GAINS	**67,511,307**	**80,709,562**
Losses on loans and advances	(776)	(1,544)
Losses on financial assets available for sale	(3,275,435)	(3,462,517)
Losses on tangible fixed assets	(28,995)	(3,527)
Other losses	(5,436,000)	0
TOTAL LOSSES	**(8,741,206)**	**(3,467,588)**
NET IMPAIRMENT	**(459,576)**	**(271,659)**
TOTAL	**58,310,525**	**76,970,315**

The impact of net income on financial assets available for sale of EUR 68,058,045 as at December 31, 2014 (EUR 21,772,632 as at December 31, 2013) should be compared with the EUR -49,554,108 impact of the sale of securities on the AFS reserves as at December 31, 2014 (EUR -22,625,402 as at December 31, 2013).

Net impairment	Specific Risk		Total
	Allowances	Write-backs	
AS AT DECEMBER 31, 2013			
Available for sale securities	(1,236,939)	777,363	(459,576)
TOTAL	**(1,236,939)**	**777,363**	**(459,576)**
AS AT DECEMBER 31, 2014			
Available for sale securities	(3,683,567)	3,411,908	(271,659)
TOTAL	**(3,683,567)**	**3,411,908**	**(271,659)**

11.6 Fees and commissions income and expenses

	31/12/13			31/12/14		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	20,259,279	(1,024,885)	19,234,394	22,716,409	(2,052,475)	20,663,934
Administration of unit trusts and mutual funds	100,343	0	100,343	234,983	0	234,983
Insurance activity	13,201,833	0	13,201,833	10,633,344	0	10,633,344
Credit activity	13,482,241	(286,015)	13,196,226	15,325,464	(270,056)	15,055,408
Purchase and sale of securities	27,212,553	(6,877,466)	20,335,087	27,921,731	(8,986,416)	18,935,315
Purchase and sale of units trusts and mutual funds	7,630,726	(762,782)	6,867,944	8,434,533	(982,342)	7,452,191
Payment services	28,260,211	(904,253)	27,355,958	28,174,334	(794,287)	27,380,047
Commissions to non-exclusive brokers	148,526	(413,994)	(265,468)	151,496	(389,045)	(237,549)
Financial engineering	8,476,580	(59,160)	8,417,420	7,479,181	(212,183)	7,266,998
Services on securities other than safekeeping	3,206,001	(495,035)	2,710,966	2,501,185	(616,027)	1,885,158
Custody	16,736,320	(2,275,788)	14,460,532	19,089,233	(3,338,646)	15,750,587
Issues and placements of securities	6,397,313	(199,309)	6,198,004	3,912,329	(8,058)	3,904,271
Private banking	33,092,641	(3,462,127)	29,630,514	42,268,631	(8,073,461)	34,195,170
Clearing and settlement	1,362,876	(1,585,256)	(222,380)	1,614,643	(1,421,802)	192,841
Securities lending	0	(96,701)	(96,701)	0	(25,569)	(25,569)
Other	5,780,969	(352,837)	5,428,132	9,931,326	(1,994,724)	7,936,602
TOTAL	**185,348,412**	**(18,795,608)**	**166,552,804**	**200,388,822**	**(29,165,091)**	**171,223,731**

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11.7 Other net income

	31/12/13	31/12/14
Rental income	15,793,190	13,843,370
Other banking income [1]	427,430	869,072
Other income on other activities [2]	10,093,374	9,854,575
OTHER INCOME	**26,313,994**	**24,567,017**
Operating taxes	(1,601,711)	(1,094,385)
Maintenance and repair of investment property	(4,305,692)	(1,174,860)
Other bank charges	(75,879)	0
Other expenses in relation to other activities [3]	(36,341,092)	(36,313,845)
OTHER EXPENSES	**(42,324,374)**	**(38,583,090)**
TOTAL	**(16,010,380)**	**(14,016,073)**

Advances paid to the AGDL in 2008:	37,876,176
Reimbursements received from the AGDL in 2009:	(11,572,127)
Reimbursements received from the AGDL in 2010:	(4,951,593)
Reimbursements received from the AGDL in 2011:	(2,322,004)
Reimbursements received from the AGDL in 2012:	(2,187,355)
Reimbursements received from the AGDL in 2013:	(427,430)
Reimbursements received from the AGDL in 2014:	(869,072)
Advances paid to the AGDL and not reimbursed as at December 31, 2014	15,546,595

In 2008, in order to pay advances to the AGDL, an expense of EUR 37.9 million was recorded in the statement of income. Reimbursements of EUR 22.3 million were made in 2009 till 2014 and recorded under other net operating income. Lastly, no reimbursements are expected from the AGDL in 2015.

11.8 Staff expenses

A. STAFF EXPENSES

	31/12/13	31/12/14
Wages and salaries	(150,399,257)	(160,112,450)
Social security and insurance costs	(20,425,254)	(20,539,052)
Staff benefits	(10,655,968)	(12,977,169)
Restructuring expenses	(9,016,017)	(3,508,841)
Other expenses	(3,837,060)	(3,271,467)
TOTAL	**(194,333,556)**	**(200,408,979)**

B. WORKFORCE

(Average FTE)	2013	2014
Senior management	42	51
Employees	1,881	1,876
Other	2	2
TOTAL	**1,925**	**1,929**

[1] This consists primarily of the recovery of AGDL (Association pour la Garantie des Dépôts Luxembourg) payments made in 2008 following the bankruptcies of Icelandic banks.

[2] This consists primarily of write-backs of provisions for litigation and extraordinary operating income.

[3] This consists primarily of depreciation of investment property for EUR -11.8 million (EUR -11.8 million in 2013), provisions for litigation and extraordinary loss.

(Average FTE)[1] **as at 31/12/13**	**Belgium**	**Luxembourg**	**Other Europe**	**Other non-Europe**	**Total BIL**
Senior management	1	36	3	2	42
Employees	6	1,747	105	23	1,881
Other	0	0	2	0	2
TOTAL	**7**	**1,783**	**110**	**25**	**1,925**

(Average FTE)[1] **as at 31/12/14**	**Belgium**	**Luxembourg**	**Other Europe**	**Other non-Europe**	**Total BIL**
Senior management	1	44	4	2	51
Employees	9	1,742	98	27	1,876
Other	0	0	2	0	2
TOTAL	**10**	**1,786**	**104**	**29**	**1,929**

C. REMUNERATION OF BIL GROUP'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Group granted emoluments to current members of its administrative and managerial bodies and has made contributions in respect of retirements pensions on their behalf as follows:

	2013	**2014**	**2013**	**2014**
	Remuneration		**Retirement pensions**	
Members of the administrative bodies	893,237	900,890	-	-
Members of the managerial bodies	10,688,763	13,180,117	2,645,914	2,467,269
TOTAL	**11,582,000**	**14,081,007**	**2,645,914**	**2,467,269**

11.9 General and administrative expenses

	31/12/13	**31/12/14**
Occupancy	(10,106,416)	(8,355,734)
Operating leases	(4,124,102)	(4,022,032)
Professional fees	(21,450,495)	(17,394,630)
Marketing, advertising and public relations	(5,968,794)	(5,312,236)
Technology and system costs	(28,358,624)	(27,771,341)
Software costs and maintenance expenses	(7,648,234)	(6,622,514)
Repair and maintenance expenses	(304,741)	(162,520)
Operating taxes	(761,388)	(682,144)
Other general and administrative expenses[2]	(43,518,735)	(40,588,858)
TOTAL	**(122,241,529)**	**(110,912,009)**

[1] Breakdown by subsidiary's country of implementation.
[2] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.

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11.10 Independent auditors' fees

The fees payable to the independant auditors of the BIL group for the years 2013 and 2014 are as follows:

	2013	2014
Legal control of annual financial statements	1,637,414	1,617,932
Tax services	5,070	58,305
Other	81,911	69,290
TOTAL	**1,724,395**	**1,745,527**

11.11 Amortisation of tangible and intangible fixed assets

	31/12/13	31/12/14
Depreciation on land and buildings	(8,155,500)	(8,525,334)
Depreciation on other tangible fixed assets	(1,046,550)	(1,186,214)
Depreciation on IT equipment	(921,751)	(1,035,350)
Depreciation on intangible fixed assets	(14,748,475)	(16,487,009)
TOTAL	**(24,872,276)**	**(27,233,907)**

11.12 Impairment on loans and provisions for credit commitments

Collective impairment	31/12/13			31/12/14		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
LOANS	**(1,457,925)**	**2,753,409**	**1,295,484**	**(17,537,726)**	**11,118,382**	**(6,419,344)**

During 2014, the Bank has reviewed its collective impairment methodology in the context of the comprehensive assessment, leading to unusual movements and a net additional allowance of EUR 6.4 million.

Specific impairment	31/12/13				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances to customers	(40,523,721)	23,175,180	(6,395,434)	120	(23,743,855)
Other receivables [1]	(491,969)	261,236	(318,804)	0	(549,537)
Commitments	(380,275)	30,974	n.a.	n.a.	(349,301)
TOTAL	**(41,395,965)**	**23,467,390**	**(6,714,238)**	**120**	**(24,642,693)**

	31/12/14				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances to customers	(36,189,932)	22,848,714	(6,415,124)	0	(19,756,342)
Other receivables [2]	(275,633)	886,639	(1,006,508)	0	(395,502)
Commitments	(29,131)	14,000	n.a.	n.a.	(15,131)
TOTAL	**(36,494,696)**	**23,749,353**	**(7,421,632)**	**0**	**(20,166,975)**

[1] Is published in heading XIV. of the assets.
[2] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.

11.13 Impairment on tangible and intangible fixed assets

	31/12/13	31/12/14
Impairment on other tangible fixed assets	(96,688)	0
TOTAL	(96,688)	0

Value adjustments are recorded when criteria for establishing such adjustments are met.
Market and sale conditions are reviewed on a regular basis, at least once per year.
If the expected loss on the sale is lower than the existing value adjustments, a write-back of the value adjustment is recorded.

11.14 Tax expenses

	31/12/13	31/12/14
Income tax for current financial year	(857,784)	(1,761,711)
Deferred taxes	(40,454,714)	(42,355,955)
Tax on current financial year result (A)	**(41,312,498)**	**(44,117,666)**
Income tax for previous year	15,461,058	0
Deferred taxes for previous year	(97,649)	2,190,322
Other tax expenses (B)	**15,363,409**	**2,190,322**
TOTAL (A)+(B)	(25,949,089)	(41,927,344)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 29.22% as at December 31, 2013 and 2014.
The effective BIL tax rate was 29.90% in 2013 and 27.35% in 2014.
The difference between both rates may be analysed as follows:

	31/12/13	31/12/14
NET INCOME BEFORE TAX	140,056,420	164,442,023
Tax base	**138,167,001**	**161,329,506**
Applicable tax rate at year-end	29.22%	29.22%
Theoretical corporate income tax at standard rate	**(40,372,398)**	**(47,140,482)**
Effect of different tax rates in other countries	595,204	435,966
Tax effect of non-deductible expenses	(1,668,891)	(1,037,072)
Tax effect of non-taxable income	1,311,141	4,375,013
Tax effect of items taxed at a reduced rate	0	(82,004)
Effect of change in tax rates	(405,037)	0
Tax effect on losses not previously recognised in profit or loss [1]	180,793,453	0
Tax effect of utilisation of previously unrecognised tax losses	35,664	0
Impairment on deferred tax assets (tax loss carried forward)	(179,983,016)	417,265
Other	(1,618,618)	(1,086,352)
Tax on current financial year result	**(41,312,498)**	**(44,117,666)**
EFFECTIVE TAX RATE	29.90%	27.35%

11.15 Provisions for legal litigation

The charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of provisions.

[1] This tax effect was mainly due to the loss booked by the Singapore branch in 2011. BIL does not consider these deferred tax assets to be recoverable in the near future.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value

A. BREAKDOWN OF FAIR VALUE

A.1 Fair value of assets	31/12/13			31/12/14		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	1,216,639,373	1,216,639,373	0	1,189,683,299	1,189,683,299	0
Loans and advances to credit institutions	1,374,083,211	1,370,571,414	(3,511,797)	1,159,872,903	1,160,026,352	153,449
Loans and advances to customers	10,062,413,490	10,156,255,751	93,842,261	10,838,506,113	10,993,819,295	155,313,182
Financial assets held for trading	107,811,549	107,811,549	0	82,141,549	82,141,549	0
Financial assets available for sale	5,412,142,732	5,412,142,732	0	5,667,750,747	5,667,750,747	0
Investments held to maturity	39,961,135	41,360,983	1,399,848	163,810,537	175,621,453	11,810,916
Derivatives	687,957,956	687,957,956	0	425,057,766	425,057,766	0
Fair value revaluation of portfolios hedged against interest rate risk	15,942,122	15,942,122	0	13,878,066	13,878,066	0
Investments in associates	19,320,011	19,320,011	0	22,660,198	22,660,198	0
Other assets	753,772,363	753,772,363	0	721,421,314	721,421,314	0
TOTAL	**19,690,043,942**	**19,781,774,254**	**91,730,312**	**20,284,782,492**	**20,452,060,039**	**167,277,547**

A.2 Fair value of liabilities	31/12/13			31/12/14		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	1,730,245,390	1,730,265,208	(19,818)	2,009,224,539	2,013,497,801	(4,273,262)
Amounts due to customers	12,497,024,699	12,498,302,392	(1,277,693)	13,444,133,543	13,454,786,632	(10,653,089)
Financial liabilities held for trading	760,315	760,315	0	126,377	126,377	0
Financial liabilities designated at fair value	1,794,825,648	1,794,825,648	0	1,023,273,436	1,023,273,436	0
Derivatives	781,982,420	781,982,420	0	712,019,921	712,019,921	0
Fair value revaluation of portfolios hedged against interest rate risk	58,956,377	58,956,377	0	70,790,659	70,790,659	0
Debt securities	888,625,678	895,213,904	(6,588,226)	1,014,828,413	1,028,681,176	(13,852,763)
Subordinated debt	417,553,218	419,468,415	(1,915,197)	451,200,114	444,176,464	7,023,650
Other liabilities	359,566,164	359,566,164	0	327,048,777	327,048,777	0
TOTAL	**18,529,539,909**	**18,539,340,843**	**(9,800,934)**	**19,052,645,779**	**19,074,401,243**	**(21,755,464)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see point 1.7).

With the exception of the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”, the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

B. ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as Level 2.

B.1 Assets	31/12/13			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	73,862,824	32,468,509	1,480,216	107,811,549
Financial assets available for sale - bonds	5,130,871,684	130,249,728	0	5,261,121,412
Financial assets available for sale - equities [1]	113,566,692	1,061,764	28,017,334	142,645,790
Derivatives	587,015	672,960,957	14,409,984	687,957,956
TOTAL	**5,318,888,215**	**836,740,958**	**43,907,534**	**6,199,536,707**

	31/12/14			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	55,567,249	22,817,847	3,756,453	82,141,549
Financial assets available for sale - bonds	4,810,072,791	477,248,049	266,138,286	5,553,459,126
Financial assets available for sale - equities	75,151,350	5,753,028	33,387,243	114,291,621
Derivatives	0	414,566,353	10,491,413	425,057,766
TOTAL	**4,940,791,390**	**920,385,277**	**313,773,395**	**6,174,950,062**

Fair value may also be calculated by the interpolation of market prices.

B.2 Liabilities	31/12/13			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	395,868	364,447	0	760,315
Financial liabilities designated at fair value	0	1,479,483,457	315,342,191	1,794,825,648
Derivatives	3,413,089	774,129,911	4,439,420	781,982,420
TOTAL	**3,808,957**	**2,253,977,815**	**319,781,611**	**2,577,568,383**

	31/12/14			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	100,769	25,608	0	126,377
Financial liabilities designated at fair value	0	798,039,398	225,234,038	1,023,273,436
Derivatives	1,542,999	708,581,772	1,895,150	712,019,921
TOTAL	**1,643,768**	**1,506,646,778**	**227,129,188**	**1,735,419,734**

Fair value may also be calculated by the interpolation of market prices.

[1] Excludes variable securities recorded at cost (amounted to EUR 8.4 million as at December 31, 2013).

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets	31/12/13		31/12/14	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets held for trading	0	0	0	0
Financial assets available for sale - bonds	0	0	53,203,572	0
Financial assets available for sale - equities	34,059	5,387,114	5,700,811	0
Derivatives	952	0	0	0
TOTAL	**35,011**	**5,387,114**	**58,904,383**	**0**

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2013 and 2014.

D. LEVEL 3 RECONCILIATION

D.1 Assets	31/12/13				
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	28,854,528	47,884	0	1,791,757	0
Financial assets designated at fair value - equities	36,844,610	0	0	0	0
Financial assets available for sale - bonds	0	0	0	0	0
Financial assets available for sale - equities	26,593,765	(8,069)	(503,008)	131,806	(931)
Derivatives	214,051,884	33,425,345	(28,656,386)	1,452,208	0
TOTAL	**306,344,787**	**33,465,160**	**(29,159,394)**	**3,375,771**	**(931)**

	31/12/13				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	(6,066,900)	0	(23,147,053)	0	1,480,216
Financial assets designated at fair value - equities	0	0	(36,844,610)	0	0
Financial assets available for sale - bonds	0	0	0	0	0
Financial assets available for sale - equities	0	2,347,119	(543,348)	0	28,017,334
Derivatives	(116,994,186)	3,785,738	(92,654,619)	0	14,409,984
TOTAL	**(123,061,086)**	**6,132,857**	**(153,189,630)**	**0**	**43,907,534**

	31/12/14				
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	1,480,216	629	0	3,767,500	0
Financial assets designated at fair value - equities	0	0	0	0	0
Financial assets available for sale - bonds	0	0	0	215,990,100	0
Financial assets available for sale - equities	28,017,334	3,241,655	(1,937,289)	2,527,494	0
Derivatives	14,409,984	(1,770,350)	0	3,336,486	0
TOTAL	**43,907,534**	**1,471,934**	**(1,937,289)**	**225,621,580**	**0**

	31/12/14				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	(1,491,892)	0	0	0	3,756,453
Financial assets designated at fair value - equities	0	0	0	0	0
Financial assets available for sale - bonds	0	50,148,186	0	0	266,138,286
Financial assets available for sale - equities	(3,717,663)	5,868,674	(612,962)	0	33,387,243
Derivatives	(1,541,296)	4,462,901	(8,406,312)	0	10,491,413
TOTAL	**(6,750,851)**	**60,479,761**	**(9,019,274)**	**0**	**313,773,395**

D.2 Liabilities	31/12/13			
	Opening balance	Total gains and losses in the income statement	New issues	Settlement
Financial liabilities designated at fair value	489,858,585	27,202,658	47,778,302	(219,693,430)
Derivatives	185,013,598	(17,890,844)	124,759	(83,082,076)
TOTAL	**674,872,183**	**9,311,814**	**47,903,061**	**(302,775,506)**

	31/12/13			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities designated at fair value	49,522,058	(46,475,892)	(32,850,090)	315,342,191
Derivatives	65,779	(79,791,796)	0	4,439,420
TOTAL	**49,587,837**	**(126,267,688)**	**(32,850,090)**	**319,781,611**

	31/12/14			
	Opening balance	Total gains and losses in the income statement	New issues	Settlement
Financial liabilities designated at fair value	315,342,191	2,562,820	71,383,578	(82,327,192)
Derivatives	4,439,420	(697,348)	702,080	(3,302,155)
TOTAL	**319,781,611**	**1,865,472**	**72,085,658**	**(85,629,347)**

	31/12/14			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities designated at fair value	4,004,187	(85,216,187)	(515,359)	225,234,038
Derivatives	826,978	(73,823)	(2)	1,895,150
TOTAL	**4,831,165**	**(85,290,010)**	**(515,361)**	**227,129,188**

Changes in the amounts declared under Level 3 in 2013 and 2014 can be explained by the "Total gains and losses in the statement of income" column that cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3. We refer to note 11.4 "Result of hedge accounting" for an economic view of the impact in the statement of income.

Following the AQR review, BIL has elaborated a procedure defining the criteria for an active market and the notions of observable and non-observable inputs. These definitions have led the Bank to reconsider the levels of existing positions and led to changes in the levels of some banking and structured bonds activities.

Banking bonds

For each position, the FRM department has obtained from Bloomberg the following information:

- the bid and ask spread
- the issue size (with type of issuer and currency)
- number of contributors providing a direct observable price.

Following these criteria, FRM has submitted a level for advise to a market expert.

The market expert has pointed out that some instruments are still in an active market even though all the criteria are not filled. Therefore, we need to consider the following information:

a) The rarity of the issue: when the overall issuer debt is relatively low, or in the case of securities issued by issuers outside the Eurozone. This is the case of issues from Poland, the Czech Republic (EUR -area size and debt), Slovakia and Lithuania (loan size). The bid/ask spread observed on these bonds can be relatively low as well as the number of contributors.

b) Securitisations: prices are not available on Bloomberg, therefore there is no spread, nor any contributor. However, they are reported on a daily basis by traders and there are at least five contributors per security.

c) The investors "buy and hold" behavior: certain issues are sought by investors but retained in their portfolio, therefore there are less sellers than buyers and as a result the bid/ask spread is low and there are sometime limited contributors. This is particularly the case for emissions from Qatar, Abu Dhabi and Luxembourg.

By taking these rules into consideration, 8 instruments have been transferred from Level 1 to Level 2 and 1 instrument has been transferred from Level 2 to Level 3.

Structured bonds

Levels of structured products as at December 31, 2013 have been set according to the observability of the spot, the forward and the volatility as communicated by Finalyse who is in charge of the valorisation of structured products. The rule applied was the following: if the volatility or the forward are not observable, the instrument is classified in Level 3.

In order to define the levels as at December 31, 2014, Finalyse has communicated for each product the type of data required for the valorisation as well as whether these data are observable or not. The range of data used is therefore larger than in 2013.

Moreover, the market expert has been requested to evaluate the impact of the non observability of the forward data. The expert concludes that forwards SX5E indices such as SMI are known and observable via futures. Regarding Equity single underlyings, when the product is of short maturity and annually callable, the next forward is also known and observable.

By taking these rules into consideration, 4 structured products have been transferred from Level 2 to Level 3 due to the correlation and 31 products have been transferred from Level 3 to Level 2 (Equity products linked to SY5E or SMI or with short maturity).

This new methodology is more complete as it uses a broader and more detailed range of data.

However, the impact on the statement of income is relatively limited as the structured financial instruments are fully hedged against interest rate risk as well as against the risks linked to the structure via the use of fully-backed derivatives.

It should be noted that Level 3 financial instruments held for trading are the result of buy-backs of BIL issues.

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVE SCENARIOS

BIL uses a discounted cash flow model to determine the mark-to-model price. Sensitivity is a measurement of the fair value impact of alternative scenarios relating to the model's unobservable parameters at the closing date.

With regard to the spread valuation, in cases where BIL uses its own models, alternative scenarios relating to unobservable parameters were taken into consideration, in particular for:

- credit spreads: by considering credit spreads available on a single counterpart or, failing that, on similar counterparts or counterparts belonging to similar sectors, or by using credit spreads indexed to liquid CDS indices
- liquidity premiums: by considering the different levels of premiums primarily used in determining the fair value of bonds, and which depend in particular on the eligibility of the security for refinancing with the central banks
- the illiquidity of the financial instrument: by considering a change in the estimated liquidity of the market for a single instrument or similar products, and/or by incorporating an analysis of the bid-ask spread for real transactions.

Tests were carried out on all financial instruments classified under Level 3.

The effects of sensitivity are mainly felt at the level of structured issues recognised at fair value through profit or loss. These effects are, however, offset by a reverse sensitivity at the level of activity-related hedging derivatives.

The most significant stand-alone Level 3 instrument is BIL's participation in Luxair SA. The sensitivity test leads to minor impact in the OCI reserve.

Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair's valuation.

12.2 Credit risk exposures

A. ANALYSIS OF BIL EXPOSURES

Counterparty and geographical exposures are indicated in the consolidated management report. Geographical region is determined according to the country of residence of the counterparty.

Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographical region

(in EUR million)	31/12/13	31/12/14
Belgium	1,302	1,396
France	2,225	2,117
Germany	1,161	1,179
Greece	0	0
Ireland	329	450
Italy	600	598
Luxembourg	9,536	9,810
Spain	418	472
Portugal	41	5
Other EU countries	1,339	1,419
Turkey	20	8
Rest of Europe	1,688	1,904
United States and Canada	234	115
Central and South America	31	4
Japan	37	16
South-east Asia	216	381
Other [1]	279	379
TOTAL	19,456	20,253

Exposures by counterparty category

(in EUR million)	31/12/13	31/12/14
State	5,462	5,225
Local public sector	925	1,372
Corporate	3,870	3,941
ABS/MBS	0	100
Project Finance	35	6
Individuals, SMEs, self-employed	6,898	7,277
Financial institutions	2,191	2,326
Other	75	6
TOTAL	19,456	20,253

Credit risk exposure is shown as follows:

- Balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of the specific provision).
- Derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes).
- Off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposure to credit risk is broken down by geographic region and counterparty category, bearing in mind guarantees received.

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/13		31/12/14	
(in EUR million)	Credit risk exposures [2]	Financial effect of the collateral	Credit risk exposures [2]	Financial effect of the collateral
Available for sale portfolio (excluding variable-income securities)	5,241	0	5,551	0
Held for trading portfolio (excluding variable-income securities)	65	0	56	0
Loans and advances (at amortised cost)	11,777	523	11,926	1,759
Financial assets held to maturity	41	0	164	0
Derivatives	27	377	133	197
Other financial instruments at cost	48	0	46	0
Commitments in respect of loans granted	130	0	189	6
Commitments in respect of guarantees given	2,127	387	2,188	1,052
TOTAL	19,456	1,287	20,253	3,014

[1] Including supranational entities such as the ECB.
[2] Credit risk exposures net of the financial effect of the collateral.

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS

	31/12/13				
	Credit quality of normal financial assets				
(in EUR million)	AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	3,040	1,852	104	245	5,241
Held for trading portfolio (excluding variable-income securities)	21	33	0	11	65
Loans and advances (at amortised cost)	1,781	5,168	4,166	339	11,454
Financial assets held to maturity	0	25	0	16	41
Derivatives	4	18	5	0	27
Other financial instruments at cost	0	5	0	43	48
Commitments in respect of loans granted	11	57	10	52	130
Commitments in respect of guarantees given	305	884	827	70	2,086
TOTAL	**5,162**	**8,042**	**5,112**	**776**	**19,092**

	31/12/14				
	Credit quality of normal financial assets				
(in EUR million)	AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	2,808	2,134	145	464	5,551
Held for trading portfolio (excluding variable-income securities)	12	30	1	13	56
Loans and advances (at amortised cost)	1,679	4,932	4,097	903	11,611
Financial assets held to maturity	124	40	0	0	164
Derivatives	8	109	7	9	133
Other financial instruments at cost	1	3	1	42	47
Commitments in respect of loans granted	14	84	25	65	188
Commitments in respect of guarantees given	259	995	761	158	2,173
TOTAL	**4,905**	**8,327**	**5,037**	**1,654**	**19,923**

The quality of financial assets is determined using internal credit ratings, or external ratings in the event that internal ratings are not available.

Prior to being taken into account in the table, external ratings are converted into internal ratings by means of a correlation table based on default probabilities.

D. PAST DUE OR IMPAIRED FINANCIAL ASSETS

	31/12/13				
	Past due but not impaired assets			Carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	172,801,726	86,738,311	129,667,774	292,107,595	475,092,664
TOTAL	**172,801,726**	**86,738,311**	**129,667,774**	**292,107,595**	**475,092,664**

	31/12/14				
	Past due but not impaired assets			Carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	153,248,228	80,092,300	143,661,147	314,282,159	449,494,617
TOTAL	**153,248,228**	**80,092,300**	**143,661,147**	**314,282,159**	**449,494,617**

BIL has defined three types of past due loans:
- "technical" past due financial assets
- "operational" past due financial assets
- "credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF THE GUARANTEES HELD

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/13	31/12/14
Cash	7,900,578	19,053,867
Debt instruments	2,302,969	1,787,828
TOTAL	**10,203,547**	**20,841,695**

In general, guarantees obtained are immediately converted into cash by BIL.

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/13	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(239,854,233)**	**8,480,145**	**(41,760,660)**	**16,948,430**
Loans and advances to customers	(219,266,623)	6,226,750	(40,523,721)	16,948,430
Financial assets available for sale	(20,587,610)	2,253,395	(1,236,939)	0
of which equities and other variable-income instruments	*(20,587,610)*	*2,253,395*	*(1,236,939)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(21,403,002)**	**0**	**(1,457,925)**	**2,753,409**
TOTAL	**(261,257,235)**	**8,480,145**	**(43,218,585)**	**19,701,839**

	Other adjustments	As at 31/12/13	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**6,448,267**	**(249,738,051)**	**120**	**(6,395,434)**
Loans and advances to customers	6,018,903	(230,596,261)	120	(6,395,434)
Financial assets available for sale	429,364	(19,141,790)	0	0
of which equities and other variable-income instruments	*429,364*	*(19,141,790)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**3,183**	**(20,104,335)**	**0**	**0**
TOTAL	**6,451,450**	**(269,842,386)**	**120**	**(6,395,434)**

	As at 01/01/14	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(249,738,051)**	**9,663,789**	**(39,873,499)**	**16,596,833**
Loans and advances to customers	(230,596,261)	6,251,881	(36,189,932)	16,596,833
Financial assets available for sale	(19,141,790)	3,411,908	(3,683,567)	0
of which equities and other variable-income instruments	*(19,141,790)*	*3,411,908*	*(3,683,567)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(20,104,335)**	**0**	**(17,537,728)**	**11,118,382**
TOTAL	**(269,842,386)**	**9,663,789**	**(57,411,227)**	**27,715,215**

	Other adjustments	As at 31/12/14	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**(13,588,219)**	**(276,939,147)**	**0**	**(6,415,124)**
Loans and advances to customers	(12,074,542)	(256,012,021)	0	(6,415,124)
Financial assets available for sale	(1,513,677)	(20,927,126)	0	0
of which equities and other variable-income instruments	*(1,513,677)*	*(20,927,126)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(4,781)**	**(26,528,462)**	**0**	**0**
TOTAL	**(13,593,000)**	**(303,467,609)**	**0**	**(6,415,124)**

The other adjustments correspond to exchange rate variations over the period affecting provisions recognised in other currencies as well as the deconsolidation of entities.

G. CREDIT RISK LINKED TO FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31/12/13	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity[1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,794,825,648	5,600,717	(1,729,283)	6,486,575

As at 31/12/14	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity[1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,023,273,436	560,448	(1,168,835)	20,467,090

In 2013 and 2014, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposures towards its subsidiaries (BIL group) and towards its sister company (KBL European Private Bankers SA and its subsidiaries) in the calculation of large exposures limits, in accordance with Part XVI, point 24 of Circular 06/273, as amended. The amount of exposures covered by this exemption is null as at December 31, 2013 (as on a consolidated basis, exposures on entities of BIL group are excluded from the large exposures reporting). This exemption was granted on November 22, 2012.

I. INFORMATION ON FORBORNE EXPOSURES

According to EBA's definition, forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). While the CSSF definition of restructured credit is close from that defined by the EBA, the latter provides institutions with more details regarding the way this notion should be addressed across different jurisdictions.

In order to comply with the EBA definition, BIL group has set up a dedicated project aiming at:

- identifying the criteria leading to the forborne classification;
- classifying the Bank's existing exposures between the forborne and non-forborne ones;
- implementing these criteria across the systems.

For non-Retail counterparties, dedicated analyses have been conducted at single credit files level in order to identify those that should be classified as forborne according to the EBA's definition. For the Retail counterparties, a specific methodology has been implemented in order to catch all the forborne candidates. In a nutshell, this methodology first tries to identify the credits for which concessions have been granted to the debtors and then analyses if these concessions coincided with financial difficulties at the debtor level (based on criteria like past due, rating ...).

From an accounting perspective, impairment events include significant financial difficulties of the obligor and the lender's granting to the borrower a concession that the lender would not otherwise consider due to the borrower's financial difficulty. The granting of forbearance measure is likely to constitute an impairment trigger, meaning that the loan should be assessed for impairment either individually or as part of a collective assessment.

The early repayment indemnity is recognised directly in profit or loss (if restructuring terms are substantively different from the initial ones) or spread over the term of the new loan.

As at the end 2014, forborne exposures according to CSSF definition amounted to EUR 185 million. The important decrease observed since the end of 2013 (EUR 386 million as at December 31, 2013) is mainly explained by the deep analyses conducted this year in order to refine the forborne perimeter on the retail portfolio resulting from the application of the above described statistical approach.

[1] This amount includes premiums/discounts and the fair value adjustment.

J. INFORMATION ON SOVEREIGN DEBTS

For 2013 and 2014, this statement refers to bonds issued by central & local governments and governmental bodies.

As at 31/12/13	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	95,487,124	*6,627,176*				
More than 5 years	130,997,142	*(1,624,682)*	*(2,011,344)*			
Belgium						
Between 1 and 5 years	89,570,021	*235,355*	*(125,406)*		547,096	*(3,480)*
More than 5 years	740,526,576	*11,834,651*	*(10,326,492)*		47	
Canada						
Between 1 and 5 years					750	*(2)*
Czech Republic						
Between 1 and 5 years	4,360,018	*(23,561)*				
More than 5 years	22,711,247	*60,662*	*(110,606)*			
Finland						
More than 5 years	23,702,507	*2,418,041*				
France						
More than 5 years	658,131,180	*7,398,870*	*(5,137,721)*		4,992,942	*(62,450)*
Germany						
More than 5 years	153,419,793	*(1,006,917)*	*(2,682,198)*			
Ireland						
Between 1 and 5 years	192,480,303	*7,140,931*	*(160,373)*			
Italy						
Less than a year	201,947,464	*206,358*		39,961,135		
Between 1 and 5 years	189,268,472	*7,509,395*				
Lithuania						
Between 1 and 5 years						
Luxembourg						
Between 1 and 5 years					520,410	*(2,268)*
More than 5 years	57,882,950	*830,584*	*(2,001,035)*		1,593,092	*(8,637)*
Mexico						
More than 5 years						
Poland						
Between 1 and 5 years	21,941,197	*(58,279)*	*145,791*			
More than 5 years	52,416,045	*731,239*	*(341,949)*			
Qatar						
Between 1 and 5 years	57,364,632	*388,958*	*(271,586)*			
More than 5 years	19,550,258	*203,330*	*(1,707,939)*			
Singapore						
Less than a year	81,151,656	*(2,627)*				
Between 1 and 5 years	5,355,061	*17,149*				
Slovakia						
Between 1 and 5 years	4,015,025	*26,691*				
More than 5 years	46,410,283	*1,600,769*	*(2,079,835)*			
Spain						
Less than a year	219,165,702	*406,207*				
Supranational						
Between 1 and 5 years	190,645,036	*1,166,555*			438,552	*(2,322)*
More than 5 years	423,319,278	*12,447,950*	*(7,888,387)*		559,957	*(5,269)*
The Netherlands						
Less than a year					231,922	
Between 1 and 5 years					1,498,099	*(5,098)*
More than 5 years	69,814,775	*(1,910,245)*	*(725,521)*			
United Arab Emirates						
Between 1 and 5 years	7,965,397	*(4,061)*				
TOTAL	**3,759,599,142**	***56,620,499***	***(35,424,601)***	**39,961,135**	**10,382,867**	***(89,526)***

As at 31/12/14	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	59,156,953	*4,455,994*				
More than 5 years	62,845,000	*1,235,857*	*3,718,106*			
Belgium						
Less than a year	133,754,336	*764*				
Between 1 and 5 years	66,335,341	*742,958*	*150,502*			
More than 5 years	673,828,062	*20,453,823*	*25,820,451*			
Canada						
Between 1 and 5 years						
Czech Republic						
Between 1 and 5 years	4,390,817	*23,711*				
More than 5 years	42,919,965	*539,967*	*2,474,740*			
Finland						
Between 1 and 5 years	24,289,507	*3,165,594*				
More than 5 years				51,526,611		
France						
Between 1 and 5 years	70,207,151	*7,186,964*				
More than 5 years	665,548,360	*22,343,472*	*29,287,041*			
Germany						
Between 1 and 5 years	10,271,389	*4,902*	*173,816*			
More than 5 years	102,938,958	*1,121,826*	*6,013,427*	30,966,496	1,770,393	*47,931*
Ireland						
Between 1 and 5 years	192,018,303	*9,347,343*	*950,486*			
More than 5 years	66,868,487	*1,048,924*	*1,736,949*			
Italy						
Less than a year	48,277,248	*(3,811)*		39,852,280		
Between 1 and 5 years	360,367,849	*11,364,191*	*38,345*			
More than 5 years	57,662,866	*259,316*	*957,753*			
Lithuania						
Between 1 and 5 years	4,536,204	*(1,234)*	*(1,950)*			
Luxembourg						
Between 1 and 5 years					6,164,473	*4,462*
More than 5 years	40,368,249	*1,163,059*	*3,450,388*	20,587,766	1,099,779	*15,292*
Mexico						
More than 5 years					26,330	*860*
Poland						
Less than a year	6,390,745	*670*				
Between 1 and 5 years	35,231,879	*265,012*	*114,742*			
More than 5 years	56,877,595	*1,767,448*	*3,777,102*			
Qatar						
Less than a year	41,998,919	*(35,142)*	*4,396*			
Between 1 and 5 years	21,715,094	*334,829*	*(132,262)*			
More than 5 years	23,021,194	*205,739*	*(730,254)*			
Singapore						
Less than a year	96,424,809	*(13,041)*				
Between 1 and 5 years	5,672,195	*382*				
SUB-TOTAL	**2,973,917,475**	***86,979,517***	***77,803,778***	**142,933,153**	**9,060,975**	***68,545***

As at 31/12/14	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
SUB-TOTAL BROUGHT FORWARD	**2,973,917,475**	***86,979,517***	***77,803,778***	**142,933,153**	**9,060,975**	***68,545***
Slovakia						
Between 1 and 5 years	4,179,425	*187,584*				
More than 5 years	112,763,409	*4,118,746*	*3,285,064*			
Spain						
Between 1 and 5 years	69,664,771	*777,388*	*27,372*			
More than 5 years	108,296,771	*1,913,115*	*2,242,931*			
Supranational						
Between 1 and 5 years	163,977,371	*4,727,252*	*132,936*			
More than 5 years	327,133,187	*16,658,287*	*18,802,942*			
The Netherlands						
Less than 1year						
Between 1 and 5 years					71,564	*2,190*
More than 5 years	78,808,175	*2,076,583*	*4,512,259*			
United Arab Emirates						
Between 1 and 5 years	8,720,151	*51,939*				
TOTAL	**3,847,460,735**	***117,490,411***	***106,807,282***	**142,933,153**	**9,132,539**	***70,735***

12.3 Pledged assets

A. GUARANTEES THAT MAY BE SOLD OR REPLEDGED

Type of assets held as guarantees	Guarantees received as at 31/12/13		Guarantees received as at 31/12/14	
	Fair value of guarantees held	Fair value of guarantees sold or repledged	Fair value of guarantees held	Fair value of guarantees sold or repledged
Debt instruments	216,300,022	0	728,698,103	0
Cash collateral	418,754,239	418,754,239	240,110,401	240,110,401
TOTAL	**635,054,261**	**418,754,239**	**968,808,504**	**240,110,401**

Guarantees are obtained within the framework of repo/reverse repo and securities lending activities.

The conditions for using and returning pledged assets are defined either in standard Overseas Securities Lending Agreements (OSLA), amended, where appropriate, by the Legal department, or in agreements drafted directly by this department.

Cash collateral is obtained within the framework of Credit Support Annex (CSA) agreements.

B. FINANCIAL ASSETS PLEDGED AS GUARANTEES

	Carrying value of financial assets pledged as at 31/12/13		Carrying value of financial assets pledged as at 31/12/14	
	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
Loans and securities	991,370,340	0	727,297,632	0
Cash collateral	564,298,070	n.a.	521,444,754	n.a.
TOTAL	**1,555,668,410**	**0**	**1,248,742,386**	**0**

C. FINANCIAL ASSETS PLEDGED AS COLLATERAL: DERECOGNITION AND FINANCIAL LIABILITIES ASSOCIATED WITH TRANSFERRED FINANCIAL ASSETS

	Transferred financial assets entirely recognised as at 31/12/13			
	Transferred assets		Associated liabilities	
	Carrying amount	*Of which: repurchase agreements*	Carrying amount	*Of which: repurchase agreements*
Available for sale financial assets - Debt securities	365,660,621	*365,660,621*	367,976,085	*367,976,085*
TOTAL	**365,660,621**	***365,660,621***	**367,976,085**	***367,976,085***

	Transferred financial assets entirely recognised as at 31/12/14			
	Transferred assets		Associated liabilities	
	Carrying amount	*Of which: repurchase agreements*	Carrying amount	*Of which: repurchase agreements*
Available for sale financial assets - Debt securities	376,594,721	*376,594,721*	373,337,959	*373,337,959*
TOTAL	**376,594,721**	***376,594,721***	**373,337,959**	***373,337,959***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in the note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSL) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/13				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,216,639,373	0	0	0	0
Loans and advances to credit institutions	1,116,471,461	228,022,167	670,299	27,925,000	0
Loans and advances to customers	3,940,525,251	338,811,015	177,849,274	1,045,653,969	4,801,913,138
Financial assets held for trading	33,087,372	3,143,986	7,964,455	35,147,673	27,965,829
Financial assets available for sale	477,930,410	197,150,001	356,036,737	1,366,162,165	2,807,284,317
Investments held to maturity	0	0	0	38,536,340	0
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**6,784,653,867**	**767,127,169**	**542,520,765**	**2,513,425,147**	**7,637,163,284**

	31/12/13				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	0	n.a.	n.a.	1,216,639,373
Loans and advances to credit institutions	0	998,682	0	(3,398)	1,374,084,211
Loans and advances to customers	594,944	11,521,590	(3,758,493)	(250,697,198)	10,062,413,490
Financial assets held for trading	149,978	879,180	(526,924)	n.a.	107,811,549
Financial assets available for sale	45,067,322	63,911,064	117,742,506	(19,141,790)	5,412,142,732
Investments held to maturity	0	1,424,795	0	0	39,961,135
Derivatives	n.a.	63,989,979	623,967,977	n.a.	687,957,956
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	15,942,122	n.a.	15,942,122
TOTAL	**45,812,244**	**142,725,290**	**753,367,188**	**(269,842,386)**	**18,916,952,568**

	31/12/14				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,189,678,087	0	0	0	0
Loans and advances to credit institutions	954,618,053	152,692,875	50,000,000	2,135,000	0
Loans and advances to customers	4,252,423,693	231,939,072	184,392,747	1,046,609,465	5,391,094,917
Financial assets held for trading	35,364,620	3,851,672	2,004,974	16,623,118	23,512,670
Financial assets available for sale	579,357,099	446,794,333	166,373,472	1,504,148,483	2,513,204,200
Investments held to maturity	0	15,000,000	23,430,165	0	122,056,785
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**7,011,441,552**	**850,277,952**	**426,201,358**	**2,569,516,066**	**8,049,868,572**

1 Excluding derivatives and off-balance sheet items.
2 Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see note 12.5).

	31/12/14				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	5,212	n.a.	n.a.	1,189,683,299
Loans and advances to credit institutions	0	436,041	0	(9,066)	1,159,872,903
Loans and advances to customers	0	14,348,067	229,566	(282,531,415)	10,838,506,112
Financial assets held for trading	46,552	415,709	322,234	n.a.	82,141,549
Financial assets available for sale	48,310,847	58,947,562	371,541,877	(20,927,126)	5,667,750,747
Investments held to maturity	0	3,323,587	0	0	163,810,537
Derivatives	n.a.	23,548,681	401,509,085	n.a.	425,057,766
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	13,878,066	n.a.	13,878,066
TOTAL	**48,357,399**	**101,024,859**	**787,480,828**	**(303,467,607)**	**19,540,700,979**

B. LIABILITIES	31/12/13				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,437,199,899	238,600,699	30,009,555	19,389,890	4,750,000
Amounts due to customers	10,003,114,521	1,924,812,591	531,329,319	1,437,956	15,858,340
Financial liabilities held for trading	0	0	0	150,815	602,791
Financial liabilities designated at fair value	293,143,834	247,896,075	417,722,199	555,028,568	249,412,488
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	264,859,193	19,297,625	53,027,411	426,882,382	120,821,551
Subordinated debt	417,197,123	0	0	0	0
TOTAL	**12,415,514,570**	**2,430,606,990**	**1,032,088,484**	**1,002,889,611**	**391,445,170**

	31/12/13			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	295,347	0	1,730,245,390
Amounts due to customers	0	20,471,972	0	12,497,024,699
Financial liabilities held for trading	0	9,071	(2,362)	760,315
Financial liabilities designated at fair value	0	6,213,201	25,409,283	1,794,825,648
Derivatives	n.a.	84,502,296	697,480,124	781,982,420
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	58,956,377	58,956,377
Debt securities	0	3,737,516	0	888,625,678
Subordinated debt	0	356,095	0	417,553,218
TOTAL	**0**	**115,585,498**	**781,843,422**	**18,169,973,745**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see note 12.5).

B. LIABILITIES	31/12/14				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,360,324,996	407,367,331	36,629,565	204,750,000	0
Amounts due to customers	12,233,865,498	180,993,645	545,826,363	454,317,209	11,699,086
Financial liabilities held for trading	11,135	0	319	0	114,128
Financial liabilities designated at fair value	255,036,857	69,935,475	262,598,245	239,342,947	171,850,833
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	417,591,713	25,757,616	104,679,825	405,576,802	56,433,367
Subordinated debt	301,178,055	0	0	0	149,660,636
TOTAL	**14,568,008,254**	**684,054,067**	**949,734,317**	**1,303,986,958**	**389,758,050**

	31/12/14			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	152,647	0	2,009,224,539
Amounts due to customers	895,978	16,535,764	0	13,444,133,543
Financial liabilities held for trading	0	519	276	126,377
Financial liabilities designated at fair value	0	3,996,377	20,512,702	1,023,273,436
Derivatives	n.a.	55,383,012	656,636,909	712,019,921
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	70,790,659	70,790,659
Debt securities	0	4,789,090	0	1,014,828,413
Subordinated debt	0	361,423	0	451,200,114
TOTAL	**895,978**	**81,218,832**	**747,940,546**	**18,725,597,002**

C. NET POSITION	31/12/13					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(5,630,860,703)	(1,663,479,821)	(489,567,719)	1,510,535,536	7,245,718,114	45,812,244

	31/12/14					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,556,566,702)	166,223,885	(523,532,959)	1,265,529,108	7,660,110,522	47,461,421

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

A. TREASURY AND FINANCIAL MARKETS (TFM) ACTIVITIES

BIL's Treasury and Financial Markets activities support the Bank's commercial activities.

Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.

Treasury management - banking - subject to VaR limit and interest rate sensitivity limit.

a. Value at Risk – 99%, 10 days (in EUR million)

In 2014, BIL calculated:

- an interest rate VaR and a Forex VaR based on a historical VaR (99%, 10 days)
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are detailed below:

VaR (10 days, 99%) (in EUR million)		2013[1]							
		IR[2] & FX[3] (Trading and Banking)[4]				EQT[5] Trading			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	5.81	4.59	5.13	4.39	0.01	0.02	0.01	0.00
	Maximum	8.47	6.26	6.09	5.19	0.02	0.03	0.02	0.02
Global	Average	4.99							
	Maximum	8.48							
	End of period	4.61							
	Limit	8.00							

VaR (10 days, 99%) (in EUR million)		2014							
		IR[2] & FX[3] (Trading and Banking)[4]				EQT[5] Trading			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	4.45	2.97	1.57	0.70	0.00	0.00	0.01	0.00
	Maximum	5.45	3.99	2.46	0.96	0.01	0.02	0.01	0.03
Global	Average	2.40							
	Maximum	5.45							
	End of period	0.45							
	Limit	8.00							

The treasury activity is subject to sensitivity limits (on December 31, 2014, the sensitivity (+1%) is EUR -7.7 million, for a limit of EUR 20 million).

[1] On April 1, 2013, switch to the historical VaR methodology
[2] IR: interest rate
[3] FX: forex
[4] IR & FX: without ALM
[5] EQT: equity

b. Investment Treasury Portfolio (in EUR million)

- Exposure

Exposures include swapped and non-swapped positions.

	2013	2014
Investment Treasury Portfolio – AFS	2,378	2,323

- Interest rate sensitivity (+1 basis point)
  The portfolio's interest rate is managed by ALM

	2013	2014
Investment Treasury Portfolio – AFS	(0.19)	(0.15)

- Credit spread sensitivity
  This measure estimates the portfolio sensitivity if the spread increases by 1 basis point.

	2013	2014
Investment Treasury Portfolio – AFS	(0.84)	(0.81)

B. ALM INTEREST RATE RISK, EQUITY AND CREDIT SPREAD RISK

The interest rate risk is followed by an interest rate sensitivity limit. For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1% change in the interest rate position of ALM activities.

(in EUR million)		2013							
		Interest rate [1 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(41)	(2)	(7)	29	(2)	(2)	(2)	(2)

(in EUR million)		2014							
		Interest rate [1 4]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	0	44	68	61	(2)	(2)	(2)	(2)

[1] Sensitivity (+1%).
[2] On December 31, 2013, the interst rate sensitivity limit for BIL ALM reached EUR 95 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2014, the interst rate sensitivity limit for BIL ALM reached EUR 81 million per percent.

b. Investment Portfolio (in EUR million)

- Exposure

	2013	2014
Investment ALM Portfolio – AFS	2,318	2,429

- Interest rate sensitivity (+1 basis point)
  The portfolio's interest rate is managed by the ALM.

	2013	2014
Investment ALM Portfolio – AFS	(0.66)	(0.14)

- Credit spread sensitivity
  This measure estimates the portfolio sensitivity if the spread increases by 1 basis point.

	2013	2014
Investment ALM Portfolio – AFS	(1.75)	(1.88)

c. ALM equity – Sensitivity of listed equities (in EUR million)

The Value at Risk (VaR) evaluates the potential development in market value.
The VaR is calculated with a confidence level of 99%, over a 10 day time horizon.

ALM Equity Portfolio [1]	Market Value	VaR [2]	% VaR [2]
December 31, 2010	60.72	13.69	22.5%
December, 31 2011	57.21	10.02	17.5%
December 31, 2012	59.48	10.46	18%
December 31, 2013	66.30	-	-
December 31, 2014	75.15	-	-

[1] The management of financial establishment shares put in run-off was assigned to TFM.
[2] Not calculated in 2013 and 2014.

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the Risk Management report.

The maturity analysis do not include the remaining contractual maturities for derivative. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received.

A. ASSETS	31/12/13				
	Breakdown of gross amount and premium/discount				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,216,639,373	0	0	0	0
Loans and advances to credit institutions	1,050,977,521	94,161,981	0	227,948,425	0
Loans and advances to customers	2,133,860,447	1,429,712,002	560,155,696	631,938,554	5,380,835,525
Financial assets held for trading	9,442,508	11,872,060	12,292,021	44,218,454	29,484,272
Financial assets available for sale	6,569	357,502,844	350,151,592	1,622,207,043	2,833,099,523
Investments held to maturity	0	0	0	38,536,340	0
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**4,410,926,418**	**1,893,248,887**	**922,599,309**	**2,564,848,816**	**8,243,419,320**

	31/12/13				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	0	n.a.	n.a.	1,216,639,373
Loans and advances to credit institutions	0	998,682	0	(3,398)	1,374,083,211
Loans and advances to customers	168,845,367	11,521,590	(3,758,493)	(250,697,198)	10,062,413,490
Financial assets held for trading	149,978	879,180	(526,924)	n.a.	107,811,549
Financial assets available for sale	86,663,381	63,911,064	117,742,506	(19,141,790)	5,412,142,732
Investments held to maturity	0	1,424,795	0	0	39,961,135
Derivatives	n.a.	63,989,979	623,967,977	n.a.	687,957,956
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	15,942,122	n.a.	15,942,122
TOTAL	**255,658,726**	**142,725,290**	**753,367,188**	**(269,842,386)**	**18,916,951,568**

[1] Residual maturity, excluding derivatives and off-balance sheet items.
[2] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

A. ASSETS	31/12/14				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,189,678,087	0	0	0	0
Loans and advances to credit institutions	352,511,872	171,658,301	432,794,362	202,481,393	0
Loans and advances to customers	2,215,757,189	1,771,918,119	765,260,031	635,581,986	5,717,942,569
Financial assets held for trading	529	7,902,565	10,354,654	8,771,213	54,328,093
Financial assets available for sale	9,625,887	455,900,740	202,734,185	1,834,897,449	2,706,719,326
Investments held to maturity	0	15,000,000	23,430,165	0	122,056,785
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**3,767,573,564**	**2,422,379,725**	**1,434,573,397**	**2,681,732,041**	**8,601,046,773**

	31/12/14				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	5,212	n.a.	n.a.	1,189,683,299
Loans and advances to credit institutions	0	436,041	0	(9,066)	1,159,872,903
Loans and advances to customers	0	14,348,067	229,566	(282,531,415)	10,838,506,112
Financial assets held for trading	46,552	415,709	322,234	n.a.	82,141,549
Financial assets available for sale	48,310,847	58,947,562	371,541,877	(20,927,126)	5,667,750,747
Investments held to maturity	0	3,323,587	0	0	163,810,537
Derivatives	n.a.	23,548,681	401,509,085	n.a.	425,057,766
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	13,878,066	n.a.	13,878,066
TOTAL	**48,357,399**	**101,024,859**	**787,480,828**	**(303,467,607)**	**19,540,700,979**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/13				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,033,263,465	461,012,065	30,901,087	200,023,426	4,750,000
Amounts due to customers	10,006,114,521	1,923,031,211	530,329,120	3,847,716	13,230,159
Financial liabilities held for trading	0	5	0	150,810	602,791
Financial liabilities designated at fair value	0	327,450,348	493,756,746	692,583,582	249,412,488
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	16,523,176	32,815,336	53,027,020	658,128,222	124,394,408
Subordinated debt	0	0	0	330,069,610	87,127,513
TOTAL	**11,055,901,162**	**2,744,308,965**	**1,108,013,973**	**1,884,803,366**	**479,517,359**

	31/12/13			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	295,347	0	1,730,245,390
Amounts due to customers	0	20,471,972	0	12,497,024,699
Financial liabilities held for trading	0	9,071	(2,362)	760,315
Financial liabilities designated at fair value	0	6,213,201	25,409,283	1,794,825,648
Derivatives	n.a.	84,502,296	697,480,124	781,982,420
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	58,956,377	58,956,377
Debt securities	0	3,737,516	0	888,625,678
Subordinated debt	0	356,095	0	417,553,218
TOTAL	**0**	**115,585,498**	**781,843,422**	**18,169,973,745**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/14				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	793,279,846	574,412,481	236,629,565	400,550,000	4,200,000
Amounts due to customers	11,705,472,651	709,779,680	545,677,344	454,073,040	11,699,086
Financial liabilities held for trading	0	0	319	11,115	114,148
Financial liabilities designated at fair value	0	92,139,415	320,881,989	413,892,120	171,850,833
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	15,003,813	96,881,553	176,668,796	664,751,803	56,733,358
Subordinated debt	0	0	0	301,178,055	149,660,636
TOTAL	**12,513,756,310**	**1,473,213,129**	**1,279,858,013**	**2,234,456,133**	**394,258,061**

	31/12/14			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	152,647	0	2,009,224,539
Amounts due to customers	895,978	16,535,764	0	13,444,133,543
Financial liabilities held for trading	0	519	276	126,377
Financial liabilities designated at fair value	0	3,996,377	20,512,702	1,023,273,436
Derivatives	n.a.	55,383,012	656,636,909	712,019,921
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	70,790,659	70,790,659
Debt securities	0	4,789,090	0	1,014,828,413
Subordinated debt	0	361,423	0	451,200,114
TOTAL	**895,978**	**81,218,832**	**747,940,546**	**18,725,597,002**

C. NET POSITION	31/12/13					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(6,644,974,744)	(851,060,078)	(185,414,664)	680,045,450	7,763,901,961	255,658,726

	31/12/14					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(8,746,182,746)	949,166,596	154,715,384	447,275,908	8,206,788,712	47,461,421

Asset liquidity and the refinancing of assets are not taken into account in this table; some long-term assets may be sold in the event that liquidity is required.

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

12.7 Currency risk

	31/12/13				
	EUR	Other EU currencies	USD	Other	Total
Assets	16,728,230,763	377,786,718	894,722,007	1,689,304,453	19,690,043,941
Liabilities	16,312,650,157	489,219,555	1,924,528,273	963,645,956	19,690,043,941
NET ON-BALANCE SHEET POSITION	**415,580,606**	**(111,432,837)**	**(1,029,806,266)**	**725,658,497**	**0**
Off-balance sheet – receivable	1,554,063,713	255,511,701	2,658,558,820	1,158,817,690	5,626,951,924
Off-balance sheet – payable	2,060,957,643	142,248,384	1,604,325,677	1,837,210,696	5,644,742,400
NET OFF-BALANCE SHEET POSITION	**(506,893,930)**	**113,263,317**	**1,054,233,143**	**(678,393,006)**	**(17,790,476)**

	31/12/14				
	EUR	Other EU currencies	USD	Other	Total
Assets	16,980,825,946	336,070,970	1,061,111,652	1,906,773,922	20,284,782,490
Liabilities	16,690,247,284	533,696,013	2,054,084,853	1,006,754,340	20,284,782,490
NET ON-BALANCE SHEET POSITION	**290,578,662**	**(197,625,043)**	**(992,973,201)**	**900,019,582**	**0**
Off-balance sheet – receivable	2,145,491,695	325,936,844	2,415,684,454	1,169,445,692	6,056,558,685
Off-balance sheet – payable	2,521,786,288	117,754,314	1,398,056,412	2,020,893,732	6,058,490,746
NET OFF-BALANCE SHEET POSITION	**(376,294,593)**	**208,182,530**	**1,017,628,042**	**(851,448,040)**	**(1,932,061)**

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/13	31/12/14
TOTAL REGULATORY CAPITAL	**904,309,969**	**979,083,438**
Regulatory capital in the strict sense	**649,777,354**	**915,012,975**
Core shareholders' equity	1,037,020,523	1,064,432,273
Translation adjustments - Group	(12,133,768)	(11,114,307)
Deductions and prudential filters	(375,109,401)	(288,304,991)
Additional Tier 1 (Contingent convertible bond issued on June 30, 2014)	0	150,000,000
TIER 2 CAPITAL	**254,532,615**	**64,070,463**
Fixed-term subordinated loans	176,163,816	60,250,036
Deductions and prudential filters	78,368,799	3,820,427

	31/12/13	31/12/14
WEIGHTED RISKS	**4,353,508,526**	**5,006,413,548**
Credit risk	3,537,942,113	4,140,187,282
Market risk	119,027,925	136,407,162
Operational risk	696,538,488	691,762,971
Credit Valuation Adjustment	N/A	38,056,133
SOLVENCY RATIOS		
Common Equity Tier 1 ratio	14.93%	15.28%
Tier 1 ratio	14.93%	18.28%
Capital Adequacy ratio	20.77%	19.56%

2014 figures are computed according to Basel III rules (CRR 575/2013 and CSSF 14-01 rules).
The previous ratios were based on Basel II regulation.

Financial statements of the parent company

Report of the "réviseur d'entreprises agréé"

To the Board of Directors of
Banque Internationale à Luxembourg SA
69, Route d'Esch
L-2953 Luxembourg

Report on the financial statements

Following our appointment by the Board of Directors, we have audited the accompanying financial statements of Banque Internationale à Luxembourg SA, which comprise the balance sheet as at 31 December 2014, the statement of income, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg SA as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

April 1, 2015

Balance sheet

ASSETS (in EUR)		Notes	31/12/13	31/12/14
I.	Cash and balances with central banks	7.2	1,138,593,576	1,031,428,253
II.	Loans and advances to credit institutions	7.3	1,383,683,490	1,197,296,464
III.	Loans and advances to customers	7.4	10,046,666,978	10,776,879,010
IV.	Financial assets measured at fair value through profit or loss	7.5	107,811,549	82,141,549
V.	Financial investments	7.6	5,400,268,762	5,841,074,229
VI.	Derivatives	9.1	687,445,943	422,025,785
VII.	Fair value revaluation of portfolios hedged against interest rate risk		15,942,122	13,878,066
VIII.	Investment property	7.8 / 7.12	153,778,831	138,336,363
IX.	Property, plant and equipment	7.8 / 7.12	109,642,872	109,109,097
X.	Intangible fixed assets	7.9	37,410,029	35,572,105
XI.	Current tax assets	7.10	669	1,471
XII.	Deferred tax assets	7.10 / 9.2	355,729,504	299,908,641
XIII.	Other assets	7.11	58,865,257	99,055,326
TOTAL ASSETS			19,495,839,582	20,046,706,359

The notes are an integral part of these consolidated financial statements.

LIABILITIES

(in EUR)		Notes	31/12/13	31/12/14
I.	Amounts due to credit institutions	8.1	1,946,552,568	2,249,564,864
II.	Amounts due to customers	8.2	12,247,428,259	13,063,317,586
III.	Financial liabilities measured at fair value through profit or loss	8.3	1,795,899,825	1,023,713,675
IV.	Derivatives	9.1	780,418,071	711,943,973
V.	Fair value revaluation of portfolios hedged against interest rate risk		58,956,377	70,790,659
VI.	Debt securities	8.4	888,625,678	1,014,828,413
VII.	Subordinated debt	8.5	417,553,218	451,200,114
VIII.	Provisions and other obligations	8.6	65,404,064	67,338,638
IX.	Current tax liabilities	8.7	14,660	0
X.	Deferred tax liabilities	8.7 / 9.2	759,447	0
XI.	Other liabilities	8.8	239,509,974	226,870,726
TOTAL LIABILITIES			**18,441,122,141**	**18,879,568,648**

SHAREHOLDERS' EQUITY

(in EUR)		Notes	31/12/13	31/12/14
XII.	Subscribed capital	9.6	141,224,090	141,224,090
XIII.	Additional paid-in capital		708,297,160	708,297,160
XIV.	Treasury shares		(1,455,000)	(1,455,000)
XV.	Reserves and retained earnings		11,269,434	77,094,204
XVI.	Net income for the year		167,860,341	169,293,589
CORE SHAREHOLDERS' EQUITY			**1,027,196,025**	**1,094,454,043**
XVII.	Gains and losses not recognised in the statement of income		27,521,416	72,683,668
	a) AFS reserve		*97,177,219*	*150,018,444*
	b) Other reserves		*(69,655,803)*	*(77,334,776)*
TOTAL SHAREHOLDERS' EQUITY			**1,054,717,441**	**1,167,137,711**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**19,495,839,582**	**20,046,706,359**

The notes are an integral part of these consolidated financial statements.

Statement of income

(in EUR)		Notes	31/12/13	31/12/14
I.	Interest and similar income	11.1	699,729,758	589,463,898
II.	Interest and similar expense	11.1	(464,752,001)	(332,830,292)
III.	Dividend income	11.2	5,704,648	6,757,889
IV.	Net trading income and net result of hedge accounting	11.3	43,078,914	18,357,360
V.	Net income on investments (assets and liabilities not designated at fair value through profit or loss)	11.4	107,831,421	128,208,585
VI.	Fee and commission income	11.5	158,791,939	176,538,852
VII.	Fee and commission expense	11.5	(16,114,563)	(25,088,353)
VIII.	Other net income	11.6	(15,919,898)	(20,805,504)
INCOME			**518,350,218**	**540,602,435**
IX.	Staff expenses	11.7	(172,103,922)	(180,341,482)
X.	General and administrative expenses	11.8	(106,884,452)	(100,589,676)
XI.	Amortisation of tangible and intangible fixed assets	11.10	(24,192,437)	(26,780,946)
EXPENSES			**(303,180,811)**	**(307,712,104)**
GROSS OPERATING INCOME			**215,169,407**	**232,890,331**
XII.	Impairment on loans and provisions for credit commitments	11.11	(22,451,169)	(26,034,064)
XIII.	Provisions for legal litigation	11.13	(364,290)	299,998
NET INCOME BEFORE TAX			**192,353,948**	**207,156,265**
XIV.	Tax expenses	11.12	(24,493,607)	(37,862,676)
NET INCOME FOR THE YEAR			**167,860,341**	**169,293,589**

The notes are an integral part of these consolidated financial statements.

Statement of comprehensive income

(in EUR)	31/12/13	31/12/14
NET INCOME FOR THE YEAR RECOGNISED IN THE STATEMENT OF INCOME	167,860,341	169,293,589
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	(84,778,861)	45,162,252
Items that will not be reclassified to profit or loss	**(6,898,541)**	**(8,329,832)**
Actuarial gains (losses) on defined benefit pension plans - Gross	(9,746,456)	(11,768,624)
Actuarial gains (losses) on defined benefit pension plans - Tax	2,847,915	3,438,792
Items that may be reclassified to profit or loss	**(77,880,320)**	**53,492,084**
Gains (losses) on net investment hedge	(128,271)	(95,022)
Translation adjustments	995,509	(1,412,271)
Gains (losses) on cash flow hedge	(21,716,095)	3,009,872
Unrealised gains (losses) on available for sale financial investments	(67,975,469)	73,565,799
Tax on items that may be reclassified to profit or loss	10,944,006	(21,576,294)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	83,081,480	214,455,841

The notes are an integral part of these consolidated financial statements.

Statement of changes in equity

CORE SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the year	Core shareholders' equity
AS AT 01/01/13	**141,224,090**	**708,297,160**	**(1,455,000)**	**2,307,919**	**30,669,088**	**881,043,257**
Classification of income 2012				30,669,088	(30,669,088)	0
Classification of income to hybrid capital[1]				(21,707,573)		(21,707,573)
Net income for the year					167,860,341	167,860,341
AS AT 31/12/13	**141,224,090**	**708,297,160**	**(1,455,000)**	**11,269,434**	**167,860,341**	**1,027,196,025**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Other reserves	Translation adjustments[2]	Gains and losses not recognised in the statement of income
AS AT 01/01/13	**160,591,605**	**631,260**	**(3,170,031)**	**(45,752,557)**	**112,300,277**
Net change in fair value through equity - Available for sale investments	7,152,719				7,152,719
Net change in fair value through equity - Cash flow hedges		1,761,044			1,761,044
Net change in other reserves			(6,898,541)		(6,898,541)
Translation adjustments	(1,542)			995,508	993,966
Changes in scope	4,423				4,423
Cancellation of fair value following AFS disposals	(70,569,986)				(70,569,986)
Cash flow hedge - Break in hedging		(17,222,486)			(17,222,486)
AS AT 31/12/13	**97,177,219**	**(14,830,182)**	**(10,068,572)**	**(44,757,049)**	**27,521,416**

The notes are an integral part of these consolidated financial statements.

[1] Amount net of tax.
[2] As at December 31, 2013, translation adjustments comprise an amount of EUR -34,294,962 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

CORE SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings [1]	Net income for the year	Core shareholders' equity
AS AT 01/01/14	141,224,090	708,297,160	(1,455,000)	11,269,434	167,860,341	1,027,196,025
Interim dividend paid				(99,986,656)		(99,986,656)
Classification of income 2013				167,860,341	(167,860,341)	0
Classification of income to hybrid capital				(2,962,684)		(2,962,684)
Cancellation of deferred tax liabilities on hybrid capital				865,696		865,696
Dividend received on own shares				48,073		48,073
Net income for the year					169,293,589	169,293,589
AS AT 31/12/14	141,224,090	708,297,160	(1,455,000)	77,094,204	169,293,589	1,094,454,043

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Other reserves	Translation adjustments [2]	Gains and losses not recognised in the statement of income
AS AT 01/01/14	97,177,219	(14,830,182)	(10,068,572)	(44,757,049)	27,521,416
Net change in fair value through equity - Available for sale investments	87,910,700				87,910,700
Net change in fair value through equity - Cash flow hedges		2,098,130			2,098,130
Net change in other reserves			(8,329,832)		(8,329,832)
Translation adjustments	3			(1,412,271)	(1,412,268)
Reimbursements for the period, disposals or maturities	4,152				4,152
Cancellation of fair value following AFS disposals	(35,073,630)				(35,073,630)
Cash flow hedge - Break in hedging		(35,000)			(35,000)
AS AT 31/12/14	150,018,444	(12,767,052)	(18,398,404)	(46,169,320)	72,683,668

The notes are an integral part of these consolidated financial statements.

[1] Of which AGDL (Association pour la Garantie des Dépôts Luxembourg) reserve for EUR 10 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2014, translation adjustments comprise an amount of EUR -37,105,106 relating to net investment hedges linked to foreign exchange differences in consolidated investments (as at December 31, 2013: EUR -34,294,962).

Cash flow statement

(in EUR)	Notes	31/12/13	31/12/14
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		167,860,341	169,293,589
Adjustment for:			
- Depreciation and amortisation	7.8 / 7.9	36,708,313	39,324,637
- Impairment on bonds, equities and other assets	11.4 / 11.11	20,331,618	14,282,874
- Net gains/(losses) on investments		(48,119,512)	(70,962,986)
- Provisions (including collective impairment)	7.11 / 8.6 / 8.8 / 11.11	(3,974,434)	(2,019,938)
- Change in unrealised gains/(losses)	11.3	(24,076,782)	(111,127)
- Deferred taxes	11.12	38,607,168	37,862,676
Changes in operating assets and liabilities		(2,402,576,938)	(55,405,780)
NET CASH FLOW FROM OPERATING ACTIVITIES		**(2,215,240,226)**	**132,263,945**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.8 / 7.9	(28,623,458)	(27,400,933)
Sale of fixed assets	7.8 / 7.9	4,554,329	6,617,914
Purchase of non-consolidated shares		(2,881,480)	(8,862,331)
Sales of non-consolidated shares		81,145,212	12,425,639
Sales of subsidiaries/branch closures		0	66,517,115
NET CASH FLOW FROM INVESTING ACTIVITIES		**54,194,603**	**49,297,404**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase		0	3,462,875
Issuance of subordinated debts		0	150,000,000
Reimbursement of subordinated debts		(339,373,338)	(138,997,158)
Dividends paid		0	(99,986,656)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(339,373,338)**	**(85,520,939)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,500,418,961)**	**96,040,410**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,434,745,437**	**1,922,833,633**
Net cash flow from operating activities		(2,215,240,226)	132,263,945
Net cash flow from investing activities		54,194,603	49,297,404
Net cash flow from financing activities		(339,373,338)	(85,520,939)
Effect of change in exchange rate on cash and cash equivalents		(11,492,843)	10,806,606
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7.1	**1,922,833,633**	**2,029,680,649**
ADDITIONAL INFORMATION			
Taxes paid		4,405	(15,471)
Dividends received	11.2	5,704,648	6,757,889
Interest received		756,351,204	630,890,285
Interest paid		(508,809,695)	(367,172,843)

The BIL group decided to classify operations relating to core shareholders' equity, treasury shares and other elements eligible as regulatory capital as financing activities.

Investing activities are limited to tangible and intangible fixed assets and to transactions on consolidated or non-consolidated available for sale shares.

The notes are an integral part of these consolidated financial statements.

Notes to the financial statements of the parent company

Preliminary note:
Presentation of the accounts

If the balance of an item is nil for the financial year under review as well as for the comparative year, this item is not included in the financial statements. This rule applies to the presentation of the balance sheet, the statement of income, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, as well as to the notes to the financial statements.

Note 1: Accounting principles and rules of the financial statements

As the parent company's annual financial statements have been published using IFRS since 2008, the accounting principles and rules applying to the parent company's financial statements are explained in detail in the note 1 to the consolidated financial statements herein.

Specific information relating to the financial statements of the parent company:
Consolidated participating interests are recorded at cost in accordance with IAS 27.

Note 2: Changes in branches and list of main subsidiaries and associates

2.1 Changes in branches

Openings
Banque Internationale à Luxembourg SA, Dubai Branch
(September 9, 2014)

Closings
Banque Internationale à Luxembourg SA, Bahrain Branch
(December 30, 2014)

2.2 List of main subsidiaries and associates

As at December 31, 2014, the Bank has a participating interest of at least 10% in the capital of the following undertakings:

Name	Head office	% of capital held
Banque Internationale à Luxembourg (Suisse) SA	Beethovenstrasse 48 PO Box 2192 CH-8022 Zürich	100
BIL Asia Singapore Ltd	9 Raffles Place #29-01 Republic Plaza Singapore 048619	100
BIL Auto Lease Luxembourg SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Manage Invest SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Reinsurance SA	69, route d'Esch L-2953 Luxembourg	100
BIL Trust Ltd	Canada Court 14 PO Box 48 St Peter Port Guernsey GY1 3BQ, Channel Islands	100
CD-PME, Société Luxembourgeoise de Capital-Développement pour les PME SA	7, rue du Saint-Esprit L-1475 Luxembourg	10
Compagnie Financière BIL SA & Cie S.e.c.s.	69, route d'Esch L-2953 Luxembourg	99.99
Europay Luxembourg S.C	10, rue Gabriel Lippmann L-5365 Munsbach	35.20
Experta Corporate and Trust Services SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100

Name	Head office	% of capital held
FS-B Sàrl	29, boulevard Prince Henri L-1724 Luxembourg	17.66
FS-T Sàrl	29, boulevard Prince Henri L-1724 Luxembourg	17.66
I.B. Finance SA	69, route d'Esch L-2953 Luxembourg	100
Luxair, Société Luxembourgeoise de Navigation Aérienne SA	Aéroport de Luxembourg L-2987 Luxembourg	13.14
Private II Wealth Management SARL	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
Selskabet af 18 December 2013 A/S	Gronningen 17 DK-1270 Copenhagen	100
Société de la Bourse de Luxembourg SA	35A, boulevard Joseph II L-1840 Luxembourg	21.41
Société du 25 juillet 2013 SA	54-56 avenue Hoche Building Regus F-75008 Paris	100
Société Luxembourgeoise de Leasing - BIL-LEASE SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
Visalux S.C.	10, rue Gabriel Lippmann L-5365 Munsbach	16.24

Note 3: Business and geographic reporting

Please refer to note 3 to the consolidated financial statements.

INCOME (in EUR thousands)	31/12/13		
	Income	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Private Banking	390,980	*233,420*	111,793
Treasury and Financial Markets	41,072	*2,573*	5,516
Group Center	86,298	*4,689*	75,045
TOTAL	**518,350**	***240,682***	**192,354**
Net income before tax			192,354
Tax expense			(24,494)
NET INCOME			**167,860**

	31/12/14		
	Income	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Private Banking	413,538	*248,017*	128,077
Treasury and Financial Markets	69,040	*6,136*	35,210
Group Center	58,024	*9,238*	43,869
TOTAL	**540,602**	***263,391***	**207,156**
Net income before tax			207,156
Tax expense			(37,862)
NET INCOME			**169,294**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/13[1]		31/12/14	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Private Banking	10,046,667	13,959,113	10,776,879	14,296,716
Treasury and Financial Markets	8,538,785	3,632,340	8,395,920	3,751,908
Group Center	910,388	849,669	873,907	830,945
TOTAL	**19,495,840**	**18,441,122**	**20,046,706**	**18,879,569**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/13				
	Capital expenditures	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Private Banking	0	0	(41,879)	18,872	(271)
Treasury and Financial Markets	0	0	(1,040)	56	0
Group Center	11,179	(24,192)	(2,221)	815	(18,795)
TOTAL	**11,179**	**(24,192)**	**(45,140)**	**19,743**	**(19,066)**

	31/12/14				
	Capital expenditures	Depreciation and amortisation	Impairments[2]		Other non-cash expenses[3]
			Allowances	Write-backs	
Retail, Corporate and Private Banking	0	0	(51,692)	31,919	(3,857)
Treasury and Financial Markets	0	0	(199)	143	0
Group Center	12,787	(24,444)	(6,929)	155	(13,653)
TOTAL	**12,787**	**(24,444)**	**(58,820)**	**32,217**	**(17,510)**

Relations between product lines, in particular commercial product lines, financial markets and production and service centers are subject to retrocessions and/or analytical transfers, carried out according to market conditions. The results of each product line also include:

- earnings from commercial transformation, including the management costs of this transformation
- cost of financing.

Tangible and intangible fixed assets are allocated to the "Group Center" segment, except when they are directly managed by a commercial or financial product line.

GEOGRAPHIC BREAKDOWN (in EUR thousands)	Belgium	Bahrain	Denmark	Luxembourg	Singapore	United Arab Emirates	Total
Net income before tax	(2,205)	1,317	(3,358)	194,332	2,267	0	192,353
Tax expenses	0	0	(15)	(39,614)	15,136	0	(24,493)
NET INCOME AS AT 31/12/13	**(2,205)**	**1,317**	**(3,373)**	**154,718**	**17,403**	**0**	**167,860**
Net income before tax	(6,191)	1,362	489	211,330	1,981	(1,814)	207,157
Tax expenses	0	0	0	(38,500)	637	0	(37,863)
NET INCOME AS AT 31/12/14	**(6,191)**	**1,362**	**489**	**172,830**	**2,618**	**(1,814)**	**169,294**

The geographic zone is determined by the country of the company concluding the transaction and not by the country of the transaction's counterpart.

[1] 2013 figures have been reviewed leading to a transfer of EUR 56 million from Group Center to Treasury and Financial Markets in order to better reflect the Bank activities.

[2] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.

[3] Include net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

Note 4: Material items in the statement of income

These items are included in point 1 of the consolidated management report.

Note 5: Post-balance sheet events

There were no other occurrences of significant post-balance sheet events likely to have a major impact on the financial statements of BIL other than those referred to in the consolidated management report.

Note 6: Litigation

Following the bankruptcy of Bernard L. Madoff Investment Securities ("BLMIS"), the official receivers of BLMIS and certain investment funds linked to B. Madoff instituted legal proceedings against numerous financial institutions and institutional investors that had purchased Madoff securities and investment products linked to B. Madoff. In accordance with the "clawback principle", they are claiming the return of profits and redemptions obtained on these investments over a period of several years until the discovery of the fraudulent set-up put in place by BLMIS that culminated in its collapse.

Some of these clawback actions were brought against Banque Internationale à Luxembourg SA and its subsidiary Banque Internationale à Luxembourg (Suisse) SA, the plaintiffs claiming the reimbursement of an amount in principal estimated at approximately USD 68 million, most of which corresponds to investments made by Banque Internationale à Luxembourg SA on behalf of third parties.

At this time, Banque Internationale à Luxembourg SA is not able to express a reasonable opinion on the duration or outcome of actions sub judice or on any potential financial impact.

As at December 31, 2013 and 2014, no provision for clawback actions had been made.

Some clients who invested in products linked to Mr Madoff have also brought legal proceedings against Banque Internationale à Luxembourg SA.

The Bank is not involved in any other material litigation, where adequate provisions have not been funded, that readers may need to consider in evaluating the risks related to possible credit risks or current or potential litigation.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

Note 7: Notes on the assets of the balance sheet (in EUR)

7.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents may be broken down as follows (balances with initial maturity less than 90 days):

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Cash and balances with central banks	1,138,593,576	1,031,423,041
Loans and advances to credit institutions	557,209,611	533,723,813
Financial assets available for sale	227,030,446	464,533,795
TOTAL	**1,922,833,633**	**2,029,680,649**

B. OF WHICH RESTRICTED CASH	31/12/13	31/12/14
Mandatory reserves[1]	209,891,071	103,710,035
TOTAL RESTRICTED CASH	**209,891,071**	**103,710,035**

Cash collateral is primarily paid or received based on the market value of collateralised derivatives.
The collateralised derivatives used by BIL are interest rate derivatives that hedge fixed rate assets. Should interest rates fall, the fair value of the assets increases and the value of the hedging derivatives decreases. This decrease generates a cash collateral payment. Against the backdrop of a general decline in interest rates, cash collateral remains at a high level and can no longer be considered as a cash equivalent that fluctuates in the short term. It has therefore been excluded from cash equivalents. Financial assets designated at fair value and financial assets held for trading have also been excluded.

7.2 Cash and balances with central banks

ANALYSIS BY NATURE	31/12/13	31/12/14
Cash in hand	46,974,975	42,838,354
Balances with central banks other than mandatory reserve deposits	881,727,530	884,874,652
Mandatory reserve deposits	209,891,071	103,715,247
TOTAL	**1,138,593,576**	**1,031,428,253**
of which included in cash and cash equivalents	*1,138,593,576*	*1,031,423,041*

7.3 Loans and advances to credit institutions

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Nostro accounts	260,664,682	123,433,193
Cash collateral	549,520,955	428,440,900
Reverse repurchase agreements	200,053,040	0
Loans and other advances	373,448,211	645,431,437
Less:		
Collective impairment	(3,398)	(9,066)
TOTAL	**1,383,683,490**	**1,197,296,464**
of which included in cash and cash equivalents	*557,209,611*	*533,723,813*

[1] Mandatory reserves: minimum reserves deposited by credit institutions with Central Bank of Luxembourg or other central banks.

B. QUALITATIVE ANALYSIS
see note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE
see notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE
see note 12.1

7.4 Loans and advances to customers

A. ANALYSIS BY COUNTERPART	31/12/13	31/12/14
Public sector	144,975,884	120,940,169
Other (primarily fixed advances and property loans)	9,861,003,490	10,624,319,957
Impaired loans	286,429,503	308,935,395
Less:		
Specific impairment of impaired loans and debt instruments	(225,947,275)	(251,636,221)
Collective impairment	(19,794,624)	(25,680,290)
TOTAL	**10,046,666,978**	**10,776,879,010**

B. ANALYSIS BY NATURE	31/12/13	31/12/14
Cash collateral	14,777,115	93,003,854
Loans and other advances	10,277,631,762	10,961,191,667
of which consumer credits granted to households	*279,378,148*	*246,188,733*
of which mortgage loans	*3,236,521,335*	*3,406,690,886*
of which current accounts	*1,627,740,897*	*1,539,018,935*
of which impaired loans	*286,429,503*	*308,935,395*
of which other loan (including lombard loans and term loans)	*4,847,561,879*	*5,460,357,718*
Less:		
Specific impairment of impaired loans and debt instruments	(225,947,275)	(251,636,221)
Collective impairment	(19,794,624)	(25,680,290)
TOTAL	**10,046,666,978**	**10,776,879,010**

C. QUALITATIVE ANALYSIS
see note 7.13

D. ANALYSIS BY MATURITY AND INTEREST RATE
see notes 12.4, 12.5 and 12.6

E. ANALYSIS OF THE FAIR VALUE
see note 12.1

7.5 Financial assets measured at fair value through profit or loss

Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/13	31/12/14
Public sector	10,382,867	9,132,539
Credit institutions	47,378,461	41,097,583
Other	50,050,221	31,911,427
TOTAL	**107,811,549**	**82,141,549**

B. ANALYSIS BY NATURE	31/12/13	31/12/14
Bonds issued by public bodies	10,382,867	9,132,539
Other bonds and fixed-income instruments	97,278,704	72,962,458
Equities and other variable-income instruments	149,978	46,552
TOTAL	**107,811,549**	**82,141,549**

C. ANALYSIS BY MATURITY AND INTEREST RATE
see notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE
see note 12.1

Financial assets designated at fair value through profit or loss (fair value option)

As at December 31, 2013 and 2014, the Bank does not hold any financial assets designated at fair value through profit or loss (fair value option).

7.6 Financial investments

A. ANALYSIS BY COUNTERPART	31/12/13	31/12/14
Public sector	3,798,519,458	3,989,250,420
Credit institutions	1,014,671,813	1,143,299,951
Other	575,857,680	696,432,244
Impaired financial investments	53,856,367	49,297,391
TOTAL BEFORE IMPAIRMENT	**5,442,905,318**	**5,878,280,006**
Specific and collective impairment on financial investments	(42,636,556)	(37,205,777)
TOTAL	**5,400,268,762**	**5,841,074,229**
of which included in cash and cash equivalents	*227,030,446*	*464,533,795*

B. QUALITATIVE ANALYSIS
see note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE
see notes 12.4, 12.5 and 12.6

D. ANALYSIS BY NATURE	Available for sale financial assets		Held to maturity financial assets	
	31/12/13	31/12/14	31/12/13	31/12/14
Bonds issued by public bodies	3,758,558,324	3,846,317,267	39,961,135	142,933,153
Other bonds and fixed-income instruments	1,406,789,273	1,639,022,471	0	20,877,384
Equities and other variable-income instruments [1 2]	237,596,586	229,129,731	n.a.	n.a.
TOTAL BEFORE IMPAIRMENT	**5,402,944,183**	**5,714,469,469**	**39,961,135**	**163,810,537**
Specific and collective impairment on financial investments	(42,636,556)	(37,205,777)	0	0
TOTAL	**5,360,307,627**	**5,677,263,692**	**39,961,135**	**163,810,537**

7.7 Investments in participating interests

	31/12/13	31/12/14
Net carrying value	177,081,407	178,158,188

A. ANALYSIS BY COUNTERPARTY (NET CARRYING VALUE)	31/12/13	31/12/14
Banks	106,510,242	104,500,171
Other	70,571,165	73,658,017
TOTAL	**177,081,407**	**178,158,188**

B. ANALYSIS BY NATURE (NET CARRYING VALUE)	31/12/13	31/12/14
Unlisted equities and other variable-income instruments	177,081,407	178,158,188
TOTAL	**177,081,407**	**178,158,188**

[1] The amount of non-consolidated variable income securities recorded at cost amounted to EUR 1.9 million as at December 31, 2014 (EUR 8.4 million as at December 31, 2013).
[2] Include investments in participating interests as described in note 7.7.

7.8 Tangible fixed assets

A. NET CARRYING VALUE	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Financing lease		
ACQUISITION COST AS AT 01/01/13	**302,677,806**	**111,639,954**	**7,303,711**	**219,384,751**	**641,006,222**
- Acquisitions	8,035,059	2,778,515	0	365,430	11,179,004
- Disposals	(2,231,594)	(276,862)	0	(1,016,293)	(3,524,749)
- Transfers	(3,062,054)	(236,753)	236,753	3,062,054	0
- Translation adjustments	0	(53,570)	0	0	(53,570)
- Other	0	872,831	0	0	872,831
ACQUISITION COST AS AT 31/12/13 (A)	**305,419,217**	**114,724,115**	**7,540,464**	**221,795,942**	**649,479,738**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/13	**(200,242,554)**	**(104,346,283)**	**(4,012,920)**	**(53,647,034)**	**(362,248,791)**
- Booked	(8,155,500)	(1,410,955)	(753,442)	(11,762,434)	(22,082,331)
- Write-off	769,096	276,861	0	13,055	1,059,012
- Transfers	(64,339)	417,187	126,632	(2,620,698)	(2,141,218)
- Translation adjustments	0	50,888	0	0	50,888
- Other	0	(695,595)	0	0	(695,595)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/13 (B)	**(207,693,297)**	**(105,707,897)**	**(4,639,730)**	**(68,017,111)**	**(386,058,035)**
NET CARRYING VALUE AS AT 31/12/13 (A)+(B)	**97,725,920**	**9,016,218**	**2,900,734**	**153,778,831**	**263,421,703**

	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Financing lease		
ACQUISITION COST AS AT 01/01/14	**305,419,217**	**114,724,115**	**7,540,464**	**221,795,942**	**649,479,738**
- Acquisitions	7,106,062	5,411,771	0	269,586	12,787,419
- Disposals	(1,119,457)	(70,786)	(6,470,328)	(3,916,415)	(11,576,986)
- Transfers	(504,155)	(159,823)	0	(5,390)	(669,368)
- Translation adjustments	21,764	67,819	0	0	89,583
ACQUISITION COST AS AT 31/12/14 (A)	**310,923,431**	**119,973,096**	**1,070,136**	**218,143,723**	**650,110,386**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/14	**(207,693,297)**	**(105,707,897)**	**(4,639,730)**	**(68,017,111)**	**(386,058,035)**
- Booked	(8,525,335)	(1,802,885)	(753,442)	(11,790,249)	(22,871,911)
- Write-off	802,655	81,971	4,801,893	0	5,686,519
- Transfers	487,691	150,175	0	0	637,866
- Translation adjustments	(3,109)	(56,256)	0	0	(59,365)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/14 (B)	**(214,931,395)**	**(107,334,892)**	**(591,279)**	**(79,807,360)**	**(402,664,926)**
NET CARRYING VALUE AS AT 31/12/14 (A)+(B)	**95,992,036**	**12,638,204**	**478,857**	**138,336,363**	**247,445,460**

B. FAIR VALUE OF INVESTMENT PROPERTIES	31/12/13	31/12/14
Fair value subject to an independent valuation[1]	n.a.	128,550,000

The Esch Belval property was revalued in July 2014 by an independent valuator, CBRE Luxembourg.
The Bank considers that this valuation does not constitute in itself an objective evidence of depreciation as internal indicators are not triggered (value in use).

Moreover, due to the cost model treatment, the carrying amount of this asset will run into the CBRE fair value in the very short term.
In addition, the "fair value less costs to sell" approach compare to the "value in use" approach is not in accordance with the going concern basis applied by the Bank on this kind of investment.

[1] The fair value of investment properties is revalued every five years.

7.9 Intangible fixed assets

	Internally-developed software	Other intangible fixed assets [1]	Total
ACQUISITION COST AS AT 01/01/13	**102,519,889**	**14,432,689**	**116,952,578**
- Acquisitions	17,067,347	377,107	17,444,454
- Disposals	0	0	0
- Transfers	0	0	0
- Translation adjustments	(20,697)	213	(20,484)
- Other	0	1,560,402	1,560,402
ACQUISITION COST AS AT 31/12/13 (A)	**119,566,539**	**16,370,411**	**135,936,950**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/13	**(71,886,115)**	**(10,900,185)**	**(82,786,300)**
- Booked	(13,114,839)	(1,511,143)	(14,625,982)
- Write-off	0	0	0
- Translation adjustments	19,823	(155)	19,668
- Other	0	(1,134,307)	(1,134,307)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/13 (B)	**(84,981,131)**	**(13,545,790)**	**(98,526,921)**
NET CARRYING VALUE AS AT 31/12/13 (A)+(B)	**34,585,408**	**2,824,621**	**37,410,029**

	Internally-developed software	Other intangible fixed assets [1]	Total
ACQUISITION COST AS AT 01/01/14	**119,566,539**	**16,370,411**	**135,936,950**
- Acquisitions	13,765,410	848,104	14,613,514
- Disposals	(633,617)	(4,065,427)	(4,699,044)
- Transfers	26,494	(26,494)	0
- Translation adjustments	9,778	3,569	13,347
ACQUISITION COST AS AT 31/12/14 (A)	**132,734,604**	**13,130,163**	**145,864,767**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/14	**(84,981,131)**	**(13,545,790)**	**(98,526,921)**
- Booked	(15,434,275)	(1,018,452)	(16,452,727)
- Write-off	633,617	4,065,427	4,699,044
- Translation adjustments	(9,778)	(2,280)	(12,058)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/14 (B)	**(99,791,567)**	**(10,501,095)**	**(110,292,662)**
NET CARRYING VALUE AS AT 31/12/14 (A)+(B)	**32,943,037**	**2,629,068**	**35,572,105**

7.10 Tax assets

	31/12/13	31/12/14
Taxes/Current	669	1,471
Deferred tax assets (see note 9.2)	355,729,504	299,908,641
TOTAL	**355,730,173**	**299,910,112**

[1] Other intangible fixed assets include, inter alia, softwares purchased.

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7.11 Other assets

	31/12/13	31/12/14
Other assets*	58,865,257	99,055,326
TOTAL	**58,865,257**	**99,055,326**

* ANALYSIS BY NATURE	31/12/13	31/12/14
Receivables	848,081	2,828,180
Prepaid fees	273,250	422,704
Other receivables	37,174,827	32,957,586
Pension plan assets	3,501,000	1,776,001
Operating taxes	5,947,365	8,555,997
Other assets [1]	11,120,734	52,514,858
TOTAL	**58,865,257**	**99,055,326**

7.12 Leasing

1. BIL as lessor

BIL is the operating lessor of certain land and buildings. Relating information is detailed in note 7.8.

Future net minimum lease payments under operating lease:	31/12/13	31/12/14
Less than 1 year	6,638,000	6,638,000
More than 1 year and less than 5 years	13,276,000	6,638,000
TOTAL	**19,914,000**	**13,276,000**

2. BIL as lessee

A. FINANCIAL LEASE

BIL is the financial lessee of certain land and buildings. Relating information is detailed in note 7.8.
Given that the total amounts are below materiality, additional information has not been provided in this note.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease:	31/12/13	31/12/14
Less than 1 year	1,773,182	3,139,615
More than 1 year and less than 5 years	37,297	906,935
TOTAL	**1,810,479**	**4,046,550**

Lease and sublease payments recognised as an expense during the financial year: - minimum lease payments	2,004,893	2,176,425
TOTAL	**2,004,893**	**2,176,425**

[1] Transactions linked to current business awaiting settlement.

7.13 Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/13	31/12/14
Normal loans and advances to credit institutions	1,383,686,888	1,197,305,530
Normal loans to customers	10,005,979,374	10,745,260,126
Normal financial investments held to maturity	39,961,135	163,810,537
Normal financial investments available for sale	5,349,087,815	5,665,172,078
of which bonds and fixed-income instruments	*5,165,347,596*	*5,485,339,738*
of which equities and other variable-income instruments	*183,740,219*	*179,832,340*
Collective impairment on normal loans [1]	(19,798,022)	(25,689,357)
TOTAL	**16,758,917,190**	**17,745,858,914**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Net amount (B+C)	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Impaired loans and advances to customers	286,429,503	308,935,395	(225,947,275)	(251,636,221)	60,482,228	57,299,174
Impaired financial assets available for sale	53,856,367	49,297,391	(42,636,556)	(37,205,777)	11,219,811	12,091,614
of which equities and other variable-income instruments	*53,856,367*	*49,297,391*	*(42,636,556)*	*(37,205,777)*	*11,219,811*	*12,091,614*
TOTAL	**340,285,870**	**358,232,786**	**(268,583,831)**	**(288,841,998)**	**71,702,039**	**69,390,788**

Analysis of normal and impaired loans and securities	Gross amount (A+B)		Specific loan loss allowance (C)		Net amount (A+B+C)	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Loans and advances to credit institutions	1,383,686,888	1,197,305,530	0	0	1,383,686,888	1,197,305,530
Loans and advances to customers	10,292,408,877	11,054,195,521	(225,947,275)	(251,636,221)	10,066,461,602	10,802,559,300
Financial investments held to maturity	39,961,135	163,810,537	0	0	39,961,135	163,810,537
Financial investments available for sale	5,402,944,182	5,714,469,469	(42,636,556)	(37,205,777)	5,360,307,626	5,677,263,692
of which bonds and fixed-income instruments	*5,165,347,595*	*5,485,339,738*	*0*	*0*	*5,165,347,595*	*5,485,339,738*
of which equities and other variable-income instruments	*237,596,587*	*229,129,731*	*(42,636,556)*	*(37,205,777)*	*194,960,031*	*191,923,954*
Collective impairment on normal loans [1]	(19,798,022)	(25,689,357)	n.a.	n.a.	(19,798,022)	(25,689,357)
TOTAL	**17,099,203,060**	**18,104,091,700**	**(268,583,831)**	**(288,841,998)**	**16,830,619,229**	**17,815,249,702**

[1] For the countervalue in profit or loss, see note 11.11.

Note 8: Notes on the liabilities of the balance sheet (in EUR)

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/13	31/12/14
On demand	300,548,324	361,638,837
Term	340,761,846	446,436,084
Cash collateral	410,120,789	232,858,678
Repurchase agreements	367,976,085	373,337,959
Central banks [1]	30,724,579	213,522,069
Other borrowings [2]	496,420,945	621,771,237
TOTAL	**1,946,552,568**	**2,249,564,864**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Demand deposits	5,606,967,611	7,489,175,484
Savings deposits	4,036,377,555	3,674,780,177
Term deposits	2,595,449,643	1,892,110,202
Cash collateral	8,633,450	7,251,723
TOTAL	**12,247,428,259**	**13,063,317,586**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

[1] The Management Board decided to participate for EUR 200 million at the September 2014 TLTRO (Targeted longer-term refinancing operations).
[2] Other borrowings represent day-to-day cash management operations.

8.3 Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Other bonds	760,315	126,377
TOTAL	760,315	126,377

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

Financial liabilities designated at fair value through profit or loss (fair value option)

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Non-subordinated liabilities	1,795,139,510	1,023,587,298
TOTAL	1,795,139,510	1,023,587,298

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

The Bank primarily uses the fair value option (FVO) to eliminate or at least significantly reduce the measurement or recognition inconsistency (also known as the accounting mismatch) that would arise from measuring financial assets or liabilities or recognising the gains and losses on these assets and liabilities on a different basis.

The fair value of unlisted financial instruments was determined using pricing tools and procedures established by Group Risk Management. These pricing tools are discounted cash flow models that allow the current value to be determined on the basis of an interest rate curve that is applicable to similar securities and takes into account the Bank's own credit rating.

8.4 Debt securities

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Certificates of deposit	64,509,357	61,125,788
Non-convertible bonds	824,116,321	953,702,625
TOTAL	888,625,678	1,014,828,413

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

Consolidated management report

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8.5 Subordinated debt

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Non-convertible subordinated debt [1]	330,425,705	301,539,478
Hybrid capital and redeemable preferred shares [2]	87,127,513	0
Contingent convertible bond (compound instrument) [3]	0	149,660,636
TOTAL	**417,553,218**	**451,200,114**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see note 12.1

8.6 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/13	31/12/14
Litigation [4]	6,305,239	5,447,194
Restructuring	17,064,821	12,087,699
Defined benefit plans	27,585,704	35,831,334
Other long-term employee benefits	12,909,101	13,439,489
Provision for off-balance sheet credit commitments	252,800	31,931
Other provisions	1,286,399	500,991
TOTAL	**65,404,064**	**67,338,638**

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/13	**7,571,547**	**15,529,800**	**34,862,628**	**331,500**	**1,951,661**
Exchange differences	23,316	0	0	0	(31,958)
Additional provisions	919,707	9,060,366	2,317,089	380,275	363,387
Unused amounts reversed	(1,723,526)	0	(2,415,651)	(30,974)	(182,296)
Used during the year	(545,441)	(7,525,345)	(1,917,757)	0	(814,395)
Transfers	59,636	0	0	(428,001)	0
Revaluation through reserves [5]	n.a.	n.a.	7,648,496	n.a.	n.a.
AS AT 31/12/13	**6,305,239**	**17,064,821**	**40,494,805**	**252,800**	**1,286,399**
AS AT 01/01/14	**6,305,239**	**17,064,821**	**40,494,805**	**252,800**	**1,286,399**
Exchange differences	240	0	0	0	34,758
Additional provisions	250,000	2,349,495	2,974,016	29,131	435,928
Unused amounts reversed	(516,312)	0	(1,692,964)	(14,000)	(607,704)
Used during the year	(591,973)	(7,326,617)	(2,443,628)	0	(648,390)
Transfers	0	0	0	(236,000)	0
Revaluation through reserves [5]	n.a.	n.a.	9,938,594	n.a.	n.a.
AS AT 31/12/14	**5,447,194**	**12,087,699**	**49,270,823**	**31,931**	**500,991**

[1] List available upon request.
[2] During 2014, the Bank purchased back part of its hybrid debt, mainly through its Liability Management Exercise. On October 6, BIL proceeded to an early repayment of the remaining outstanding in order to reimburse the Participation in whole.
[3] On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital.
[4] Provisions for legal litigations, including those for staff and tax-related litigation.
[5] See point 1.22 of note 1 to the Consolidated financial statements.

C. ANALYSIS BY MATURITY

see note 12.6

D. PROVISIONS FOR PENSIONS AND OTHER LONG-TERM BENEFITS

Employees hired on or after November 1, 2007 partake in a defined-contribution pension plan, while employees hired prior to November 1, 2007 partake either in a defined-contribution or a defined-benefit pension plan. All these commitments are shown in the table below.

a. Reconciliation of benefit obligations	31/12/13	31/12/14
Defined benefit obligations at the beginning of the year	213,904,001	228,253,142
Current service cost	8,395,342	8,978,297
Interest cost	6,874,672	6,532,316
Past service cost and gains and losses arising from settlements	3,000	435,000
Actuarial gains / (losses)	12,821,647	30,295,614
Stemming from changes in demographic assumptions	*0*	*0*
Stemming from changes in financial assumptions	*6,627,333*	*31,470,334*
Stemming from experience adjustments	*6,194,313*	*(1,174,720)*
Benefits paid	(12,015,000)	(15,512,000)
Out of which: amounts paid in respect of settlements	*0*	*0*
Pension plan participant contributions	0	0
Currency adjustment	0	0
Business combination and disposals	0	0
Other	(1,730,520)	(1,826,033)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**228,253,142**	**257,156,336**

b. Reconciliation of fair value of plan assets	31/12/13	31/12/14
Fair value of pension plan assets at the beginning of the year	197,119,000	204,171,000
Actual return on pension plan assets	9,610,000	24,505,000
Expected return on pension plan assets	*6,534,810*	*5,978,010*
Actuarial gains / (losses)	*3,075,190*	*18,526,990*
Employer contributions	11,187,520	11,763,033
Pension plan participant contributions	0	0
Benefits paid	(12,015,000)	(15,512,000)
Out of which: amounts paid in respect of settlements	*0*	*0*
Currency adjustment	0	0
Business combination and disposals	0	0
Other	(1,730,520)	(1,826,033)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**204,171,000**	**223,101,000**

c. Reconciliation of the effect of the asset ceiling	31/12/13	31/12/14
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
Other	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

d. Funded status	31/12/13	31/12/14
Pension plan assets in excess of benefit obligation	(3,501,000)	(1,776,000)
Unrecognised assets	0	0

UNFUNDED ACCRUED/PREPAID PENSION COST	**(24,082,140)**	**(34,055,334)**

e. Movement in net defined benefit pension liability or asset	31/12/13	31/12/14
Unfunded accrued/prepaid pension cost at the beginning of the year	(16,785,000)	(24,082,140)
Net periodic pension cost recognised in the income statement	(8,738,203)	(9,967,603)
Remeasurements recognised in OCI	(9,746,457)	(11,768,624)
Employer contributions	11,187,520	11,763,033
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	0	0
Currency adjustments	0	0
Other	0	0
UNFUNDED ACCRUED/PREPAID PENSION COST AT THE END OF THE YEAR	**(24,082,140)**	**(34,055,334)**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/13	31/12/14
Recognised reserve at the beginning of the year	(4,478,709)	(14,225,166)
Remeasurements recognised in OCI	(9,746,457)	(11,768,624)
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(14,225,166)**	**(25,993,790)**

g. Amounts recognised in the income statement	31/12/13	31/12/14
Current service cost	8,395,342	8,978,297
Net interest on the defined benefit liability/asset	339,862	554,306
Past service cost	3,000	435,000
Gains and losses arising from settlements	0	0
Other	0	0
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**8,738,204**	**9,967,603**

h. Amounts recognised in other comprehensive income	31/12/13	31/12/14
Actuarial gains/losses on the defined benefit obligation	12,821,647	30,295,614
Actual return on plan assets (excluding amounts included in interest income)	(3,075,190)	(18,526,990)
Change in the effect of the asset ceiling	0	0
TOTAL OTHER COMPREHENSIVE INCOME	**9,746,457**	**11,768,624**

Actual return on pension plan assets	31/12/13	31/12/14
	4.79%	11.47%

Breakdown of pension plan assets	31/12/13	31/12/14
Fixed-income		
Quoted market price on an active market	73.21%	72.96%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	22.07%	18.27%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	3.54%	3.24%
Unquoted	0.00%	0.00%
Cash	1.18%	5.53%
Real estate	0.00%	0.00%
Other	0.00%	0.00%
TOTAL	**100.00%**	**100.00%**

The assets do not include any own transferable financial instruments issued by the Bank nor any assets occupied or used by the Bank itself.

Significant actuarial assumptions used (at the end of the year)

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR -1%	9.84%
	Scenario DR +1%	(8.63%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR -1%	(2.97%)
	Scenario SR +1%	4.78%

Expected contributions for next year	11,763,033

Additional descriptions

A. Description of the plan - Events in the financial year - Focus on risk exposures

In Luxembourg, pension plans for "active people" are two hybrid defined benefit (DB) / defined contribution (DC) pension plans (closed plans) and one DC with guaranteed return pension plan (open plan).
In the open plan, DC depends on seniority.
For retirees, pension plan is a DB plan (closed). No specific event occurred in Luxembourg during the year 2014.
Risk exposure is actually an exposure to financial risk, and for part of the plans, to the longevity and inflation risks.

B. Methods and assumptions used in preparing the sensitivity analysis

The principal assumptions used to assess the defined benefit obligation are as follows:

	31/12/13	31/12/14
Discount rate	3.00%	1.50%
Salary increase	3.00%	3.00%
Inflation	2.00%	2.00%

C. Description of ALM strategies

In Luxembourg, investment strategy is based on ALM objectives, trying to align as far as possible assets maturities with liabilites profile and is also based on return objectives, with limited risks exposures.
Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).

D. Description of funding arrangements

In Luxembourg, pension plans for "active people" are funded through pension fund arrangements and pension plan for retired people is funded through an insurance agreement.

8.7 Tax liabilities

ANALYSIS BY NATURE	31/12/13	31/12/14
Current income tax	14,660	0
Deferred tax liabilities (see note 9.2)	759,447	0
TOTAL	774,107	0

As at December 31, 2013, deferred tax liabilities originated with the Singapore branch.

8.8 Other liabilities

ANALYSIS BY NATURE	31/12/13	31/12/14
Accrued costs	3,906,816	2,099,021
Deferred income	4,463,613	3,506,500
Other payables [1]	147,834,575	146,572,214
Other granted amounts received	1,371,114	1,218,045
Salaries and social security costs (payable)	25,448,510	23,697,810
Other operating taxes	48,717,288	45,482,585
Other liabilities	7,768,058	4,294,551
TOTAL	239,509,974	226,870,726

Note 9: Other notes on the balance sheet (in EUR)

9.1 Derivatives

A. ANALYSIS BY NATURE	31/12/13		31/12/14	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	542,675,205	500,688,703	308,928,467	287,272,409
Derivatives designated as fair value hedge	52,541,752	207,355,904	7,881,951	357,217,358
Derivatives designated as cash flow hedge	29,306,288	55,484,568	30,801,792	53,001,818
Derivatives of portfolio hedge	62,922,698	16,888,896	74,413,575	14,452,388
TOTAL	687,445,943	780,418,071	422,025,785	711,943,973

[1] As at December 31, 2013 and 2014, the heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

B. DETAIL OF DERIVATIVES HELD FOR TRADING

	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,116,983,556**	**5,117,969,321**	**148,174,277**	**161,129,166**
FX forward	3,850,551,272	3,848,770,076	33,300,807	31,553,742
Cross currency swap	973,863,136	977,889,133	108,358,421	123,827,651
FX options	292,569,148	291,310,112	6,515,049	5,747,773
Interest rate derivatives	**5,411,489,746**	**5,451,877,950**	**359,661,742**	**335,342,697**
Options-Caps-Floors-Collars-Swaptions	286,777,414	286,777,413	1,245,750	1,249,911
IRS	5,029,297,342	5,029,297,342	358,415,992	334,092,786
Interest futures	95,414,990	135,803,195	0	0
Equity derivatives	**288,352,813**	**252,407,452**	**34,839,186**	**4,216,840**
Equity futures	1,039,632	3,635,271	0	0
Equity options	126,086,585	87,545,585	22,948,032	0
Other equity derivatives	161,226,596	161,226,596	11,891,154	4,216,840
TOTAL	**10,816,826,115**	**10,822,254,723**	**542,675,205**	**500,688,703**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**5,742,615,613**	**5,726,267,911**	**89,067,723**	**83,386,870**
FX forward	5,414,955,778	5,394,984,311	69,224,657	50,012,836
Cross currency swap	187,623,794	187,132,997	19,067,556	32,280,360
FX options	140,036,041	144,150,603	775,510	1,093,674
Interest rate derivatives	**2,404,331,910**	**2,419,144,479**	**206,439,330**	**202,079,865**
Options-Caps-Floors-Collars-Swaptions	296,400,988	296,400,988	1,534,515	1,538,681
IRS	2,107,930,922	2,107,930,922	204,904,815	200,541,184
Interest futures	0	14,812,569	0	0
Equity derivatives	**305,461,220**	**270,814,797**	**13,421,414**	**1,805,674**
Equity futures	3,005,206	6,969,605	0	0
Equity options	163,094,852	124,484,030	1,008,581	0
Other equity derivatives	139,361,162	139,361,162	12,412,833	1,805,674
TOTAL	**8,452,408,743**	**8,416,227,187**	**308,928,467**	**287,272,409**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE

	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**2,482,288,616**	**2,482,288,616**	**52,541,752**	**207,355,904**
IRS	2,482,288,616	2,482,288,616	52,541,752	207,355,904
TOTAL	**2,482,288,616**	**2,482,288,616**	**52,541,752**	**207,355,904**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**2,997,593,418**	**2,997,593,418**	**7,881,951**	**357,217,358**
IRS	2,997,593,418	2,997,593,418	7,881,951	357,217,358
TOTAL	**2,997,593,418**	**2,997,593,418**	**7,881,951**	**357,217,358**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**802,432,994**	**802,432,994**	**29,306,288**	**55,484,568**
IRS	802,432,994	802,432,994	29,306,288	55,484,568
TOTAL	**802,432,994**	**802,432,994**	**29,306,288**	**55,484,568**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**757,093,286**	**757,093,286**	**30,801,792**	**53,001,818**
IRS	757,093,286	757,093,286	30,801,792	53,001,818
TOTAL	**757,093,286**	**757,093,286**	**30,801,792**	**53,001,818**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.

Interest generated by derivatives designated as cash flow hedge amounted to EUR -7.4 million in 2014 (EUR -3.7 million in 2013).

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE	31/12/13			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	69,570,653	86,301,525	1,546,306	673,456
Interest rate derivatives	984,055,853	984,055,853	61,376,392	16,215,440
TOTAL	**1,053,626,506**	**1,070,357,378**	**62,922,698**	**16,888,896**

	31/12/14			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	62,365,588	81,361,147	1,897,400	314,351
Interest rate derivatives	796,875,570	796,875,570	72,516,175	14,138,037
TOTAL	**859,241,158**	**878,236,717**	**74,413,575**	**14,452,388**

9.2 Deferred tax

A. ANALYSIS	31/12/13	31/12/14
Deferred tax assets (liabilities) recognised	530,329,708	485,654,776
of which:		
Deferred tax liabilities	*(759,447)*	*0*
Deferred tax assets	*531,089,155*	*485,654,776*
Impaired deferred tax assets	*(175,359,652)*	*(185,746,135)*
Deferred tax [1]	**354,970,056**	**299,908,641**
[1] of which unrecognised deferred tax assets	*0*	*0*

B. MOVEMENTS	2013	2014
AS AT JANUARY 1	**370,684,711**	**354,970,056**
Movements during the financial year:		
- Amounts recognised in the statement of income	(38,607,168)	(37,193,279)
- Items directly computed by equity	22,754,586	(18,825,771)
- Changes in consolidation scope	44,460	0
- Exchange differences	93,467	91,939
- Other movements	0	865,696
AS AT DECEMBER 31	**354,970,056**	**299,908,641**

Deferred tax coming from balance sheet assets	31/12/13		31/12/14	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Cash, loans and loan loss provisions	5,501,918	(471,755)	7,349,614	1,847,695
Securities	(22,488,837)	1,002,033	(44,379,022)	(1,056,531)
Derivatives	5,823,725	0	4,944,240	0
Tangible and intangible fixed assets	6,189,066	(237,051)	5,940,458	(248,648)
TOTAL	**(4,974,128)**	**293,227**	**(26,144,710)**	**542,516**

Deferred tax coming from balance sheet liabilities	31/12/13		31/12/14	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Borrowings, deposits and issuance of debt securities	0	0	(1,451,869)	(1,451,869)
Provisions	(27,048,154)	(125,012)	(27,304,465)	(256,398)
Pensions	11,027,961	(643,779)	13,476,419	(455,600)
TOTAL	**(16,020,193)**	**(768,791)**	**(15,279,915)**	**(2,163,867)**

Deferred tax coming from other items	31/12/13		31/12/14	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Tax losses carried forward	551,324,029	141,369,444	527,079,402	(36,015,589)
less: impairments	*(175,359,650)*	*0*	*(185,746,135)*	*0*
TOTAL	**375,964,379**	**141,369,444**	**341,333,267**	**(36,015,589)**

Considering that:

- a large part of the unused tax losses results from identifiable causes which are unlikely to recur (the significant amount of 2011 losses result indeed from the sale of the Legacy portfolio, from sales of participations and from deleveraging impacts)
- BIL decided to re-focus on its historical business which is unlikely to generate such losses in the future, but rather a stable to increasing profitability over the next years
- BIL new strategies are clear with a limited risk appetite, which again limits the risk that significant unexpected losses may occur in the future
- future taxable profit over the next years will enable to use the unused tax losses over a medium term period (no time restriction applied in Luxembourg).

Based on these considerations, BIL Luxembourg has recognised the full amount of unused tax losses.

9.3 Share-based payments

There is no stock option plan settled in BIL shares.

9.4 Related parties transactions

A. RELATED PARTIES TRANSACTIONS

(in EUR thousands)	Key management		Subsidiaries	
	31/12/13	31/12/14	31/12/13	31/12/14
Loans [1]	4,956	7,411	224,575	285,741
Interest received	0	0	3,255	2,711
Deposits	9,876	10,481	249,550	263,414
Contingent convertible bond (compound instrument)	0	0	0	0
Interest paid	0	0	(2,774)	(2,748)
Other income – fee and commission expense	0	0	142	37
Guarantees and commitments given by the Group	0	9	53,020	53,471
Guarantees and commitments given to the Group	6	1,319	11,261	10,364
Assets entrusted from third parties	12,340	10,672	0	0

	Associates		Other related parties	
	31/12/13	31/12/14	31/12/13	31/12/14
Loans [1]	32	32	2,573	3,535
Interest received	0	0	2	14
Deposits	7,737	11,704	2,932	2,610
Contingent convertible bond (compound instrument)	0	0	0	150,000
Interest paid	0	(7)	(10)	(120)
Other income – fee and commission expense	0	0	0	0
Guarantees and commitments given by the Group	0	0	35	50
Guarantees and commitments given to the Group	0	0	0	0
Assets entrusted from third parties	0	0	1,917	150,679

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see note 11.7 "Staff expenses")

9.5 Securitisation

As at December 31, 2013 and 2014, the BIL group has no securitisation vehicles included in its scope of consolidation.
The relevant accounting rules are described in note 1.3 of note 1 to the consolidated financial statements.

9.6 Subscribed and authorised capital

By share category	31/12/13	31/12/14
Number of shares authorised and not issued [2]	1,553,942	1,553,942
Number of shares issued and fully paid up	2,017,487	2,017,487
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	970	970

[1] All loans were granted at market conditions. No depreciation was recorded on the loans granted to the related parties.
[2] As at December 31, 2014, the subscribed and paid-up capital of the Bank is EUR 141,224,090 (2013: EUR 141,224,090) represented by 2,017,487 shares (2013: 2,017,487 shares) with an accounting par value of EUR 70 (2013: EUR 70). Following the general meeting of November 16, 2010, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 250 million, without prejudice to possible renewals, until September 30, 2015.

9.7 Exchange rates

The main exchange rates used are the followings:

		31/12/13		31/12/14	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.5384	1.3943	1.4845	1.4719
Canadian dollar	CAD	1.4626	1.3765	1.4058	1.4628
Swiss franc	CHF	1.2270	1.2292	1.2028	1.2126
Danish krone	DKK	7.4594	7.4577	7.4460	7.4544
Pound sterling	GBP	0.8323	0.8503	0.7775	0.8026
Hong Kong dollar	HKD	10.6767	10.3212	9.4045	10.2485
Japanese yen	JPY	144.4575	130.2865	145.1121	140.5139
Norwegian krone	NOK	8.3676	7.8673	9.0523	8.3952
Polish zloty	PLN	4.1498	4.2154	4.3002	4.1963
Swedish krone	SEK	8.8640	8.6626	9.4314	9.1158
Singapore dollar	SGD	1.7393	1.6676	1.6057	1.6774
US dollar	USD	1.3769	1.3306	1.2126	1.3214

Note 10: Notes on the off-balance sheet items (in EUR)

10.1 Regular way trade

	31/12/13	31/12/14
Loans to be delivered	476,385,660	434,967,115
Borrowings to be received	449,605,825	437,783,437

10.2 Guarantees

	31/12/13	31/12/14
Guarantees given to credit institutions	156,499,116	157,200,169
Guarantees given to customers	664,767,300	671,966,238
Guarantees received from credit institutions	89,261,000	10,363,637
Guarantees received from customers	2,567,583,196	2,906,859,490

10.3 Loan commitments

	31/12/13	31/12/14
Unused credit lines granted to credit institutions	909,769	969,979
Unused credit lines granted to customers	1,271,433,028	1,604,033,909

10.4 Other commitments

	31/12/13	31/12/14
Banking activity - Other commitments given [1]	28,901,182,810	31,186,366,675
Banking activity - Other commitments received [2]	31,445,556,299	34,020,130,142

[1] Other commitments given are mainly composed of assets entrusted to third parties.

[2] Other commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 26.6 billion as at December 31, 2014 and EUR 25.1 billion as at December 31, 2013.

Note 11: Notes on the statement of income (in EUR)

11.1 Interest and similar income – Interest and similar expenses

	31/12/13	31/12/14
INTEREST AND SIMILAR INCOME	699,729,758	589,463,898
a) Interest and similar income of assets not measured at fair value through profit or loss	**310,612,033**	**329,680,867**
Cash and balances with central banks	659,617	210,789
Loans and advances to credit institutions	4,223,993	7,100,077
Loans and advances to customers	215,053,553	225,714,703
Financial assets available for sale	88,529,607	93,149,491
Investments held to maturity	2,145,263	3,505,807
b) Interest and similar income of assets measured at fair value through profit or loss	**389,117,725**	**259,783,031**
Financial assets held for trading	2,536,302	2,033,487
Financial assets designated at fair value through profit or loss	0	0
Derivatives held for trading	254,509,283	157,963,444
Derivatives used for hedging purposes	132,072,140	99,786,100
INTEREST AND SIMILAR EXPENSES	(464,752,001)	(332,830,292)
a) Interest and similar expense of liabilities not measured at fair value through profit or loss	**(59,914,497)**	**(51,997,857)**
Amounts due to credit institutions	(8,017,431)	(9,208,016)
Amounts due to customers	(37,062,832)	(28,592,806)
Debt securities	(8,128,210)	(10,576,265)
Subordinated debt	(6,634,266)	(2,809,452)
Interest on preferred shares and hybrid capital	0	(811,104)
Other	(71,758)	(214)
b) Interest and similar expense of liabilities measured at fair value through profit or loss	**(404,837,504)**	**(280,832,435)**
Financial liabilities held for trading	(1,598)	(10)
Financial liabilities designated at fair value through profit or loss	(51,970,542)	(32,397,407)
Derivatives held for trading	(211,302,883)	(127,287,370)
Derivatives used for hedging purposes	(141,562,481)	(121,147,648)
NET INTEREST INCOME	234,977,757	256,633,606

11.2 Dividend income

	31/12/13	31/12/14
Financial assets available for sale	5,704,648	6,754,066
Financial assets held for trading	0	3,823
TOTAL	5,704,648	6,757,889

11.3 Net trading income and net result of hedge accounting

	31/12/13	31/12/14
Net income from transactions	10,054,193	(2,964,205)
of which income from trading securities	*1,391,571*	*8,679,216*
of which income from trading derivatives	*8,662,622*	*(11,643,421)*
Net result of hedge accounting	24,076,782	111,127
Net result of financial instruments designated at fair value through profit or loss*	12,936	919,186
Change in own credit risk [1]	(5,600,717)	(560,448)
Net foreign exchange gain/(loss)	14,535,720	20,851,700
TOTAL	**43,078,914**	**18,357,360**

	31/12/13	31/12/14
* including hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	**1,236,462**	**(4,416,459)**

Result of hedge accounting	**31/12/13**	**31/12/14**
	Net gain/(loss)	**Net gain/(loss)**
Fair value hedge	**(51,267)**	**(18,874)**
Change in the fair value of the hedged item attributable to the hedged risk	(44,489,830)	187,110,392
Change in the fair value of the hedging derivatives	44,438,563	(187,129,266)
Portfolio hedge against interest rate risk	**(204,370)**	**95,001**
Change in the fair value of the hedged item	22,457,663	(13,810,009)
Change in the fair value of the hedging derivatives	(22,662,033)	13,905,010
Discontinuation of cash flow hedge accounting (cash flows not expected to occur) – amounts recorded in interest margin	**24,332,419**	**35,000**
TOTAL	**24,076,782**	**111,127**

Interest paid and received on assets, liabilities and derivatives are recorded in the interest margin. Consequently, the net trading income resulting from hedge accounting only includes changes in the valuation of derivatives, the revaluation of assets and liabilities involved in a hedge relationship and the revaluation of the trading portfolio, as well as the ineffectiveness of hedge relationships.

[1] For liabilities revalued at fair value through profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions (see note 12.2.H.).

11.4 Net income on investments (assets and liabilities not measured at fair value through profit or loss)

	31/12/13	31/12/14
Gains on loans and advances	1,379,324	4,550,485
Gains on financial assets available for sale	77,472,911	122,952,860
Gains on tangible fixed assets	2,108,125	730,973
Gains on liabilities	38,943,620	3,895,657
TOTAL GAINS	**119,903,980**	**132,129,975**
Losses on loans and advances	(776)	(1,544)
Losses on financial assets available for sale	(9,106,045)	(3,349,143)
Losses on tangible fixed assets	(19,533)	(3,527)
Other losses	0	0
TOTAL LOSSES	**(9,126,354)**	**(3,354,214)**
NET IMPAIRMENT	**(2,946,205)**	**(567,176)**
TOTAL	**107,831,421**	**128,208,585**

The impact of net income on financial assets available for sale of EUR 119,603,717 as at December 31, 2014 (EUR 68,366,866 as at December 31, 2013) should be compared with the EUR -49,553,023 impact of the sale of securities on the AFS reserves as at December 31, 2014 (EUR -77,114,152 as at December 31, 2013).

Net impairment	Specific Risk		Total
	Allowances	Write-backs	
AS AT DECEMBER 31, 2013			
Available for sale securities	(3,723,568)	777,363	(2,946,205)
TOTAL	**(3,723,568)**	**777,363**	**(2,946,205)**
AS AT DECEMBER 31, 2014			
Available for sale securities	(3,979,084)	3,411,908	(567,176)
TOTAL	**(3,979,084)**	**3,411,908**	**(567,176)**

11.5 Fees and commissions income and expenses

	31/12/13			31/12/14		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	19,692,043	(842,421)	18,849,622	20,040,173	(1,092,486)	18,947,687
Administration of unit trusts and mutual funds	100,343	0	100,343	234,983	0	234,983
Insurance activity	12,862,203	0	12,862,203	10,400,018	0	10,400,018
Credit activity	13,194,790	(261,015)	12,933,775	15,041,173	(157,901)	14,883,272
Purchase and sale of securities	22,424,489	(5,535,951)	16,888,538	24,118,359	(7,657,413)	16,460,946
Purchase and sale of units trusts and mutual funds	6,269,472	(894,708)	5,374,764	7,381,138	(984,488)	6,396,650
Payment services	28,118,002	(903,147)	27,214,855	28,015,927	(790,614)	27,225,313
Commissions to non-exclusive brokers	148,526	(274,542)	(126,016)	151,496	(389,045)	(237,549)
Financial engineering	0	0	0	0	0	0
Services on securities other than safekeeping	3,074,204	(495,035)	2,579,169	2,383,480	(616,027)	1,767,453
Custody	11,692,613	(1,460,577)	10,232,036	13,865,181	(2,253,943)	11,611,238
Issues and placements of securities	5,858,875	(198,143)	5,660,732	3,889,544	(6,837)	3,882,707
Private banking	29,383,077	(3,370,827)	26,012,250	39,918,441	(7,825,988)	32,092,453
Clearing and settlement	1,393,106	(1,521,883)	(128,777)	1,652,039	(1,372,229)	279,810
Securities lending	0	(96,701)	(96,701)	0	(25,569)	(25,569)
Other	4,580,196	(259,613)	4,320,583	9,446,900	(1,915,813)	7,531,087
TOTAL	**158,791,939**	**(16,114,563)**	**142,677,376**	**176,538,852**	**(25,088,353)**	**151,450,499**

11.6 Other net income

	31/12/13	31/12/14
Rental income	15,793,190	13,843,370
Other banking income [1]	427,430	869,072
Other income on other activities [2]	4,039,550	2,242,235
OTHER INCOME	**20,260,170**	**16,954,677**
Operating taxes	(941,543)	(892,186)
Maintenance and repair of investment property	(4,305,692)	(1,174,860)
Other bank charges	(75,880)	0
Other expenses in relation to other activities [3]	(30,856,953)	(35,693,135)
OTHER EXPENSES	**(36,180,068)**	**(37,760,181)**
TOTAL	**(15,919,898)**	**(20,805,504)**

Advances paid to the AGDL in 2008:	37,876,176
Reimbursements received from the AGDL in 2009:	(11,572,127)
Reimbursements received from the AGDL in 2010:	(4,951,593)
Reimbursements received from the AGDL in 2011:	(2,322,004)
Reimbursements received from the AGDL in 2012:	(2,187,355)
Reimbursements received from the AGDL in 2013:	(427,430)
Reimbursements received from the AGDL in 2014:	(869,072)
Advances paid to the AGDL and not reimbursed as at December 31, 2014	15,546,595

In 2008, in order to pay advances to the AGDL, an expense of EUR 37.9 million was recorded in the statement of income. Reimbursements of EUR 22.3 million were made in 2009 till 2014 and recorded under other net operating income. Lastly, no reimbursements are expected from the AGDL in 2015.

11.7 Staff expenses

A. STAFF EXPENSES

	31/12/13	31/12/14
Wages and salaries	(133,266,931)	(144,162,946)
Social security and insurance costs	(17,742,585)	(19,053,246)
Staff benefits	(9,342,674)	(11,303,099)
Restructuring expenses	(9,060,366)	(3,549,495)
Other expenses	(2,691,366)	(2,272,696)
TOTAL	**(172,103,922)**	**(180,341,482)**

B. WORKFORCE

(Average FTE)	2013	2014
Senior management	36	42
Employees	1,751	1,732
TOTAL	**1,787**	**1,774**

[1] This consists primarily of the recovery of AGDL (Association pour la Garantie des Dépôts Luxembourg) payments made in 2008 following the bankruptcies of Icelandic banks.

[2] This consists primarily of write-backs for litigation for EUR 0.1 million (EUR 1.7 million in 2013) and extraordinary income from previous year for 1.8 million (EUR 2.0 million in 2013).

[3] This consists primarily of depreciation of investment property for EUR -11.8 million (EUR -11.8 million in 2013), extraordinary losses from previous year for EUR 2.8 million (EUR -4.2 million in 2013) and other exceptional results.

C. REMUNERATION OF THE BANK'S ADMINISTRATIVE AND MANAGERIAL BODIES

During the financial year, the Bank granted emoluments to current members of its administrative and managerial bodies and has made contributions in respect of retirements pensions on their behalf as follows:

	2013	2014	2013	2014
	Remuneration		Retirement pensions	
Members of the administrative bodies	837,000	846,167	-	-
Members of the managerial bodies	9,277,030	11,065,005	2,604,710	2,373,840
TOTAL	**10,114,030**	**11,911,172**	**2,604,710**	**2,373,840**

11.8 General and administrative expenses

	31/12/13	31/12/14
Occupancy	(8,767,374)	(7,544,697)
Operating leases	(1,351,370)	(1,754,895)
Professional fees	(20,960,017)	(16,926,010)
Marketing, advertising and public relations	(5,211,966)	(4,504,801)
Technology and system costs	(26,170,407)	(25,982,499)
Software costs and maintenance expenses	(6,326,017)	(5,470,402)
Repair and maintenance expenses	(21,125)	(82,247)
Operating taxes	0	0
Other general and administrative expenses [1]	(38,076,176)	(38,324,125)
TOTAL	**(106,884,452)**	**(100,589,676)**

11.9 Independent auditor's fees

The fees payable to the independant auditor of the BIL group for the years 2013 and 2014 are as follows:

	2013	2014
Legal control of annual financial statements	1,004,458	1,160,079
Tax services	5,070	58,305
Other	81,911	69,290
TOTAL	**1,091,439**	**1,287,674**

11.10 Amortisation of tangible and intangible fixed assets

	31/12/13	31/12/14
Depreciation on land and buildings	(8,155,500)	(8,525,334)
Depreciation on other tangible fixed assets	(754,354)	(956,288)
Depreciation on IT equipment	(656,601)	(846,598)
Depreciation on intangible fixed assets	(14,625,982)	(16,452,726)
TOTAL	**(24,192,437)**	**(26,780,946)**

11.11 Impairment on loans and provisions for credit commitments

Collective impairment	31/12/13			31/12/14		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
LOANS	**(1,074,430)**	**2,753,409**	**1,678,979**	**(17,006,493)**	**11,118,382**	**(5,888,111)**

[1] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.

During 2014, the Bank has reviewed its collective impairment methodology in the context of the comprehensive assessment, leading to unusual movements and a net additional allowance of EUR 5.9 million.

Specific impairment	31/12/13			
	Allowances	Write-backs	Losses	Total
Loans and advances to customers	(39,993,230)	22,607,818	(6,395,434)	(23,780,846)
Commitments	(380,276)	30,974	n.a.	(349,302)
TOTAL	**(40,373,506)**	**22,638,792**	**(6,395,434)**	**(24,130,148)**

Specific impairment	31/12/14			
	Allowances	Write-backs	Losses	Total
Loans and advances to customers	(35,621,138)	21,905,440	(6,415,124)	(20,130,822)
Commitments	(29,131)	14,000	n.a.	(15,131)
TOTAL	**(35,650,269)**	**21,919,440**	**(6,415,124)**	**(20,145,953)**

11.12 Tax expenses

	31/12/13	31/12/14
Income tax for current financial year	(14,663)	0
Deferred taxes	(38,509,518)	(40,052,998)
Tax on current financial year result (A)	**(38,524,181)**	**(40,052,998)**
Income tax for previous year	14,128,223	0
Deferred taxes for previous year	(97,649)	2,190,322
Other tax expenses (B)	**14,030,574**	**2,190,322**
TOTAL (A)+(B)	**(24,493,607)**	**(37,862,676)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 29.22% as at December 31, 2013 and 2014.
The effective BIL tax rate was 20.03% in 2013 and 19.33% in 2014.
The difference between both rates may be analysed as follows:

	31/12/13	31/12/14
NET INCOME BEFORE TAX	**192,353,948**	**207,156,265**
Tax base	**192,353,948**	**207,156,265**
Applicable tax rate at year-end	29.22%	29.22%
Theoretical corporate income tax at standard rate	**(56,205,824)**	**(60,531,061)**
Effect of different tax rates in other countries	625,375	426,003
Tax effect of non-deductible expenses	(242,204)	(691,119)
Tax effect of non-taxable income	17,654,837	22,152,818
Tax effect of items taxed at a reduced rate	0	(82,004)
Tax effect on the use of previous tax losses not recognised in the assets	(749,471)	0
Tax effect on losses not previously recognised in profit or loss [1]	180,901,233	0
Impairment on deferred tax assets (tax loss carried forward)	(179,501,048)	417,265
Other	(1,007,079)	(1,744,900)
Tax on current financial year result	**(38,524,181)**	**(40,052,998)**
EFFECTIVE TAX RATE	**20.03%**	**19.33%**

11.13 Provisions for legal litigation

The charges recognised under this item mainly comprised legal fees, provisions for existing litigation and write-backs of provisions.

[1] This tax effect was mainly due to the loss booked by the Singapore branch in 2011. BIL does not consider these deferred tax assets to be recoverable in the near future.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value

A. BREAKDOWN OF FAIR VALUE

A.1. Fair value of assets	31/12/13			31/12/14		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	1,138,593,576	1,138,593,576	0	1,031,428,253	1,031,428,253	0
Loans and advances to credit institutions	1,383,683,490	1,380,070,182	(3,613,308)	1,197,296,464	1,197,449,913	153,449
Loans and advances to customers	10,046,666,978	10,140,304,437	93,637,459	10,776,879,010	10,931,353,087	154,474,077
Financial assets held for trading	107,811,549	107,811,549	0	82,141,549	82,141,549	0
Financial assets available for sale	5,360,307,627	5,360,307,627	0	5,677,263,692	5,677,263,692	0
Investments held to maturity	39,961,135	41,360,983	1,399,848	163,810,537	175,621,453	11,810,916
Derivatives	687,445,943	687,445,943	0	422,025,785	422,025,785	0
Fair value revaluation of portfolios hedged against interest rate risk	15,942,122	15,942,122	0	13,878,066	13,878,066	0
Other assets	715,427,162	715,427,162	0	681,983,003	681,983,003	0
TOTAL	**19,495,839,582**	**19,587,263,581**	**91,423,999**	**20,046,706,359**	**20,213,144,801**	**166,438,442**

A.2. Fair value of liabilities	31/12/13			31/12/14		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	1,946,552,568	1,946,572,386	(19,818)	2,249,564,864	2,253,838,126	(4,273,262)
Amounts due to customers	12,247,428,259	12,248,705,952	(1,277,693)	13,063,317,586	13,073,970,675	(10,653,089)
Financial liabilities held for trading	760,315	760,315	0	126,377	126,377	0
Financial liabilities designated at fair value	1,795,139,510	1,795,139,510	0	1,023,587,298	1,023,587,298	0
Derivatives	780,418,071	780,418,071	0	711,943,973	711,943,973	0
Fair value revaluation of portfolios hedged against interest rate risk	58,956,377	58,956,377	0	70,790,659	70,790,659	0
Debt securities	888,625,678	895,213,904	(6,588,226)	1,014,828,413	1,028,681,176	(13,852,763)
Subordinated debt	417,553,218	419,468,415	(1,915,197)	451,200,114	444,176,464	7,023,650
Other liabilities	305,688,145	305,688,145	0	294,209,364	294,209,365	0
TOTAL	**18,441,122,141**	**18,450,923,075**	**(9,800,934)**	**18,879,568,648**	**18,901,324,113**	**(21,755,464)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see note 1.7).

With the exception of the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”, the yield differential due to our own credit quality was deemed unchanged for the purpose of calculating the fair value.

B. ANALYSIS OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provides an analysis of the fair value of financial instruments measured at fair value after their initial recognition, grouped in three levels from 1 to 3, according to the degree of observability of the fair value:

Level 1: fair value measurements are based on (unadjusted) prices quoted on active markets for similar assets or liabilities.

Level 2: fair value measurements are based on data other than the quoted prices included in Level 1, which are observable for the assets or liabilities, either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: fair value measurements are based on valuation techniques that include assets or liabilities data that are not based on observable market data (non-observable data).

Fair value of financial instruments which are not fair valued according to their classification and nature is considered as Level 2.

B.1 Assets	31/12/13			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	73,862,824	32,468,509	1,480,216	107,811,549
Financial assets available for sale - bonds	5,035,097,868	130,249,728	0	5,165,347,596
Financial assets available for sale - equities [1]	5,932,779	29,299,595	27,923,317	63,155,691
Derivatives	0	673,035,959	14,409,984	687,445,943
TOTAL	**5,114,893,471**	**865,053,791**	**43,813,517**	**6,023,760,779**

	31/12/14			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	55,567,249	22,817,847	3,756,453	82,141,549
Financial assets available for sale - bonds	4,741,953,403	477,248,049	266,138,286	5,485,339,738
Financial assets available for sale - equities	0	158,626,245	33,297,709	191,923,954
Derivatives	0	411,534,372	10,491,413	422,025,785
TOTAL	**4,797,520,652**	**1,070,226,513**	**313,683,861**	**6,181,431,026**

Fair value may also be calculated by the interpolation of market prices.

B.2 Liabilities	31/12/13			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	395,868	364,447	0	760,315
Financial liabilities designated at fair value	0	1,479,797,319	315,342,191	1,795,139,510
Derivatives	0	775,978,651	4,439,420	780,418,071
TOTAL	**395,868**	**2,256,140,417**	**319,781,611**	**2,576,317,896**

	31/12/14			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	100,769	25,608	0	126,377
Financial liabilities designated at fair value	0	798,353,260	225,234,038	1,023,587,298
Derivatives	0	710,048,823	1,895,150	711,943,973
TOTAL	**100,769**	**1,508,427,691**	**227,129,188**	**1,735,657,648**

[1] In 2013, the figures exclude variable securities recorded at cost (amounted to EUR 8.4 million as at December 31, 2013) and consolidated participating interests amounted to EUR 123 million as at December 31, 2013).

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C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets	31/12/13		31/12/14	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets held for trading	0	0	0	0
Financial assets available for sale - bonds	0	0	53,203,572	0
Financial assets available for sale - equities	34,059	5,387,114	5,700,811	0
Derivatives	952	0	0	0
TOTAL	**35,011**	**5,387,114**	**58,904,383**	**0**

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2013 and 2014.

D. LEVEL 3 RECONCILIATION

D.1 Assets	31/12/13			
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase
Financial assets held for trading	28,854,528	47,884	0	1,791,757
Financial assets designated at fair value - equities	36,844,610	0	0	0
Financial assets available for sale - bonds	0	0	0	0
Financial assets available for sale - equities	26,490,748	0	(503,004)	131,802
Derivatives	214,051,885	33,425,345	(28,656,386)	1,452,208
TOTAL	**306,241,771**	**33,473,229**	**(29,159,390)**	**3,375,767**

	31/12/13			
	Settlement	Transfer to Level 3	Transfer from Level 3	Total
Financial assets held for trading	(6,066,900)	0	(23,147,053)	1,480,216
Financial assets designated at fair value - equities	0	0	(36,844,610)	0
Financial assets available for sale - bonds	0	0	0	0
Financial assets available for sale - equities	0	2,347,119	(543,348)	27,923,317
Derivatives	(116,994,186)	3,785,737	(92,654,619)	14,409,984
TOTAL	**(123,061,086)**	**6,132,856**	**(153,189,630)**	**43,813,517**

	31/12/14			
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase
Financial assets held for trading	1,480,216	629	0	3,767,500
Financial assets designated at fair value - equities	0	0	0	0
Financial assets available for sale - bonds	0	0	0	215,990,100
Financial assets available for sale - equities	27,923,317	3,246,138	(1,937,289)	2,527,494
Derivatives	14,409,984	(1,770,350)	0	3,336,486
TOTAL	**43,813,517**	**1,476,417**	**(1,937,289)**	**225,621,580**

	31/12/14			
	Settlement	Transfer to Level 3	Transfer from Level 3	Total
Financial assets held for trading	(1,491,892)	0	0	3,756,453
Financial assets designated at fair value - equities	0	0	0	0
Financial assets available for sale - bonds	0	50,148,186	0	266,138,286
Financial assets available for sale - equities	(3,717,663)	5,868,674	(612,962)	33,297,709
Derivatives	(1,541,296)	4,462,901	(8,406,312)	10,491,413
TOTAL	**(6,750,851)**	**60,479,761**	**(9,019,274)**	**313,683,861**

D.2 Liabilities	31/12/13			
	Opening balance	Total gains and losses in the income statement	New issues	Settlement
Financial liabilities designated at fair value	489,858,585	27,202,658	47,778,302	(219,693,430)
Derivatives	185,013,598	(17,890,844)	124,759	(83,082,076)
TOTAL	**674,872,183**	**9,311,814**	**47,903,061**	**(302,775,506)**

	31/12/13			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities designated at fair value	49,522,058	(46,475,892)	(32,850,090)	315,342,191
Derivatives	65,779	(79,791,796)	0	4,439,420
TOTAL	**49,587,837**	**(126,267,688)**	**(32,850,090)**	**319,781,611**

	31/12/14			
	Opening balance	Total gains and losses in the income statement	New issues	Settlement
Financial liabilities designated at fair value	315,342,191	2,562,820	71,383,578	(82,327,192)
Derivatives	4,439,420	(697,348)	702,080	(3,302,155)
TOTAL	**319,781,611**	**1,865,472**	**72,085,658**	**(85,629,347)**

	31/12/13			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities designated at fair value	4,004,187	(85,216,187)	(515,359)	225,234,038
Derivatives	826,978	(73,823)	(2)	1,895,150
TOTAL	**4,831,165**	**(85,290,010)**	**(515,361)**	**227,129,188**

Changes in the amounts declared under Level 3 in 2013 and 2014 can be explained by the "Total gains and losses in the statement of income" column that cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3. We refer to note 11.3 "Result of hedge accounting" for an economic view of the impact in the statement of income.

Following the AQR review, BIL has elaborated a procedure defining the criteria for an active market and the notions of observable and non-observable inputs. These definitions have led the Bank to reconsider the levels of existing positions and led to changes in the levels of some banking and structured bonds activities.

Banking bonds

For each position, the FRM department has obtained from Bloomberg the following information:

- the bid and ask spread
- the issue size (with type of issuer and currency)
- number of contributors providing a direct observable price.

Following these criteria, FRM has submitted a level for advise to a market expert.

The market expert has pointed out that some instruments are still in an active market even though all the criteria are not filled. Therefore, we need to consider the following information:

a) The rarity of the issue: when the overall issuer debt is relatively low , or in the case of securities issued by issuers outside the Eurozone. This is the case of issues from Poland, the Czech Republic (EUR area size and debt), Slovakia and Lithuania (loan size). The bid/ask spread observed on these bonds can be relatively low as well as the number of contributors.

b) Securitisations: prices are not available on Bloomberg, therefore there is no spread, nor any contributor. However, they are reported on a daily basis by traders and there are at least five contributors per security.

c) The investors "buy and hold" behavior: certain issues are sought by investors but retained in their portfolio, therefore there are less sellers than buyers and as a result the bid/ask spread is low and there are sometime limited contributors. This is particularly the case for emissions from Qatar, Abu Dhabi and Luxembourg.

By taking these rules into consideration, 8 instruments have been transferred from Level 1 to Level 2 and 1 instrument has been transferred from Level 2 to Level 3.

Structured bonds

Levels of structured products as at December 2013 have been set according to the observability of the spot, the forward and the volatility as communicated by Finalyse who is in charge of the valorisation of structured products. The rule applied was the following: if the volatility or the forward are not observable, the instrument is classified in Level 3.

In order to define the levels as at December 2014, Finalyse has communicated for each product the type of data required for the valorisation as well as whether these data are observable or not. The range of data used is therefore larger than in 2013.

Moreover, the market expert has been requested to evaluate the impact of the non observability of the forward data. The expert concludes that forwards SX5E indices such as SMI are known and observable via futures. Regarding Equity single underlyings, when the product is of short maturity and annually callable, the next forward is also known and observable.

By taking these rules into consideration, 4 structured products have been transferred from Level 2 to Level 3 due to the correlation and 31 products have been transferred from Level 3 to Level 2 (Equity products linked to SY5E or SMI or with short maturity).

This new methodology is more complete as it uses a broader and more detailed range of data.

However, the impact on the statement of income is relatively limited as the structured financial instruments are fully hedged against interest rate risk as well as against the risks linked to the structure via the use of fully-backed derivatives.

It should be noted that Level 3 financial instruments held for trading are the result of buy-backs of BIL issues.

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVE SCENARIOS

BIL uses a discounted cash flow model to determine the mark-to-model price. Sensitivity is a measurement of the fair value impact of alternative scenarios relating to the model's unobservable parameters at the closing date.

With regard to the spread valuation, in cases where BIL uses its own models, alternative scenarios relating to unobservable parameters were taken into consideration, in particular for:

- credit spreads: by considering credit spreads available on a single counterpart or, failing that, on similar counterparts or counterparts belonging to similar sectors, or by using credit spreads indexed to liquid CDS indices
- liquidity premiums: by considering the different levels of premiums primarily used in determining the fair value of bonds, and which depend in particular on the eligibility of the security for refinancing with the central banks
- the illiquidity of the financial instrument: by considering a change in the estimated liquidity of the market for a single instrument or similar products, and/or by incorporating an analysis of the bid-ask spread for real transactions.

Tests were carried out on all financial instruments classified under Level 3.

The effects of sensitivity are mainly felt at the level of structured issues recognised at fair value through profit or loss. These effects are, however, offset by a reverse sensitivity at the level of activity-related hedging derivatives.

The most significant stand-alone Level 3 instrument is BIL's participation in Luxair SA. The sensitivity test leads to a minor impact in the OCI reserve. Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair's valuation.

12.2 Credit risk exposures

A. ANALYSIS OF BIL EXPOSURES

Counterparty and geographical exposures are indicated in the consolidated management report. Geographical region is determined according to the country of residence of the counterparty.

Credit risk includes counterparty risk in relation to balance sheet items and confirmed off-balance sheet items.

Risks are evaluated after taking into account the effect of guarantees and impairment.

The risks relate to all entities in which BIL is a majority shareholder.

Exposures by geographical region

(in EUR million)	31/12/13	31/12/14
Belgium	1,298	1,395
France	2,200	2,092
Germany	1,144	1,162
Greece	0	0
Ireland	329	450
Italy	600	598
Luxembourg	9,583	9,854
Portugal	41	5
Spain	416	472
Other EU countries	1,311	1,396
Turkey	20	8
Rest of Europe	1,630	1,842
United States and Canada	234	115
Central and South America	4	4
Japan	37	16
South-east Asia	202	381
Other [1]	276	379
TOTAL	19,325	20,169

Exposures by counterparty category

(in EUR million)	31/12/13	31/12/14
State	5,393	5,063
Local public sector	925	1,372
Corporate	3,941	4,024
ABS/MBS	0	100
Project Finance	35	6
Individuals, SMEs, self-employed	6,760	7,129
Financial institutions	2,204	2,474
Other	67	1
TOTAL	19,325	20,169

Credit risk exposure is shown as follows:
- Balance sheet assets other than derivative contracts are valued at their net value (i.e. the carrying value after deduction of the specific provision).
- Derivative contracts are recorded at their mark-to-market value plus add-on ("add-on" is an estimate of potential future exposure; this value is not recorded but is added on for regulatory purposes).
- Off-balance sheet items are shown in terms of total commitment.

The total amount of off-balance sheet commitments corresponds to unused lines of credit or to the maximum amount of guarantees granted by BIL to third parties.

Exposure to credit risk is broken down by geographic region and counterparty category, bearing in mind guarantees received.

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/13		31/12/14	
(in EUR million)	Credit risk exposures [2]	Financial effect of the collateral	Credit risk exposures [2]	Financial effect of the collateral
Available for sale portfolio (excluding variable-income securities)	5,169	0	5,485	0
Held for trading portfolio (excluding variable-income securities)	65	0	56	0
Loans and advances (at amortised cost)	11,779	481	11,868	1,674
Financial assets held to maturity	41	0	164	0
Derivatives	27	377	133	197
Other financial instruments at cost	36	0	31	0
Commitments in respect of loans granted	130	0	185	3
Commitments in respect of guarantees given	2,078	372	2,247	1,042
TOTAL	19,325	1,230	20,169	2,916

[1] Including supranational entities such as the ECB.
[2] Credit risk exposures net of the financial effect of the collateral.

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS

(in EUR million)	31/12/13 Credit quality of normal financial assets AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	2,989	1,831	104	245	5,169
Held for trading portfolio (excluding variable-income securities)	21	33	0	11	65
Loans and advances (at amortised cost)	1,715	5,300	4,062	380	11,457
Financial assets held to maturity	0	25	0	16	41
Derivatives	3	18	5	0	26
Other financial instruments at cost	0	5	0	31	36
Commitments in respect of loans granted	10	57	10	52	129
Commitments in respect of guarantees given	306	886	774	70	2,036
TOTAL	**5,044**	**8,155**	**4,955**	**805**	**18,959**

(in EUR million)	31/12/14 Credit quality of normal financial assets AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	2,763	2,113	145	463	5,484
Held for trading portfolio (excluding variable-income securities)	12	31	1	13	57
Loans and advances (at amortised cost)	1,522	5,097	3,988	946	11,553
Financial assets held to maturity	124	40	0	0	164
Derivatives	9	110	7	9	135
Other financial instruments at cost	1	4	1	27	33
Commitments in respect of loans granted	14	84	22	65	185
Commitments in respect of guarantees given	259	1,080	734	158	2,231
TOTAL	**4,704**	**8,559**	**4,898**	**1,681**	**19,842**

The quality of financial assets is determined using internal credit ratings, or external ratings in the event that internal ratings are not available.

Prior to being taken into account in the table, external ratings are converted into internal ratings by means of a correlation table based on default probabilities.

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D. PAST DUE OR IMPAIRED FINANCIAL ASSETS

	31/12/13				
	Past due but not impaired assets			Carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	172,799,225	86,738,311	129,667,774	286,429,503	475,092,664
TOTAL	**172,799,225**	**86,738,311**	**129,667,774**	**286,429,503**	**475,092,664**

	31/12/14				
	Past due but not impaired assets			Carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	148,494,278	79,701,591	143,588,993	308,935,395	449,494,617
TOTAL	**148,494,278**	**79,701,591**	**143,588,993**	**308,935,395**	**449,494,617**

BIL has defined three types of past due loans:
- "technical" past due financial assets
- "operational" past due financial assets
- "credit" past due financial assets.

For reporting purposes, the financial assets in question have exceeded the payment deadline by more than 14 days for an amount of more than EUR 25.

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF THE GUARANTEES HELD

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/13	31/12/14
Cash	7,900,578	19,053,867
Debt instruments	2,302,969	1,787,828
TOTAL	**10,203,547**	**20,841,695**

In general, guarantees obtained are immediately converted into cash by BIL.

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/13	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(432,381,595)**	**187,463,611**	**(43,716,799)**	**16,381,068**
Loans and advances to customers	(211,802,646)	6,226,750	(39,993,231)	16,381,068
Financial assets available for sale	(220,578,949)	181,236,861	(3,723,568)	0
of which equities and other variable-income instruments	*(220,578,949)*	*181,236,861*	*(3,723,568)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(20,444,139)**	**0**	**(1,074,431)**	**2,753,409**
TOTAL	**(452,825,734)**	**187,463,611**	**(44,791,230)**	**19,134,477**

	Other adjustments	Transfers between allowances	As at 31/12/13	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**3,669,885**	**0**	**(268,583,830)**	**(6,395,434)**
Loans and advances to customers	3,240,784	0	(225,947,275)	(6,395,434)
Financial assets available for sale	429,101	0	(42,636,555)	0
of which equities and other variable-income instruments	*429,101*	*0*	*(42,636,555)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(1,032,861)**	**0**	**(19,798,022)**	**0**
TOTAL	**2,637,024**	**0**	**(288,381,852)**	**(6,395,434)**

	As at 01/01/14	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(268,583,830)**	**17,175,420**	**(39,600,222)**	**15,653,559**
Loans and advances to customers	(225,947,275)	6,251,881	(35,621,138)	15,653,559
Financial assets available for sale	(42,636,555)	10,923,539	(3,979,084)	0
of which equities and other variable-income instruments	*(42,636,555)*	*10,923,539*	*(3,979,084)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(19,798,022)**	**0**	**(17,006,493)**	**11,118,382**
TOTAL	**(288,381,852)**	**17,175,420**	**(56,606,715)**	**26,771,941**

	Other adjustments	Transfers between allowances	As at 31/12/14	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**(13,250,925)**	**(236,000)**	**(288,841,998)**	**(6,415,124)**
Loans and advances to customers	(11,737,248)	(236,000)	(251,636,221)	(6,415,124)
Financial assets available for sale	(1,513,677)	0	(37,205,777)	0
of which equities and other variable-income instruments	*(1,513,677)*	*0*	*(37,205,777)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(3,223)**	**0**	**(25,689,356)**	**0**
TOTAL	**(13,254,148)**	**(236,000)**	**(314,531,354)**	**(6,415,124)**

The other adjustments correspond to exchange rate variations over the period affecting provisions recognised in other currencies as well as the deconsolidation of entities.

G. CREDIT RISK LINKED TO FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31/12/13	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity [1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,795,139,510	5,600,717	(1,729,283)	6,800,437

As at 31/12/14	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity [1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	1,023,587,298	560,448	(1,168,835)	20,780,952

In 2013 and 2014, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposures towards its subsidiaries (BIL group) and towards its sister company (KBL European Private Bankers SA and its subsidiaries) in the calculation of large exposures limits, in accordance with Part XVI, point 24 of Circular 06/273, as amended. The amount of exposures covered by this exemption is null as at December 31, 2014. This exemption was granted on November 22, 2012.

I. INFORMATION ON FORBORNE EXPOSURES

According to EBA's definition, forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). While the CSSF definition of restructured credit is close from that defined by the EBA, the latter provides institutions with more details regarding the way this notion should be addressed across different jurisdictions.

In order to comply with the EBA definition, BIL group has set up a dedicated project aiming at:

- identifying the criteria leading to the forborne classification
- classifying the Bank's existing exposures between the forborne and non-forborne ones
- implementing these criteria across the systems.

For non-Retail counterparties, dedicated analyses have been conducted at single credit files level in order to identify those that should be classified as forborne according to the EBA's definition. For the Retail counterparties, a specific methodology has been implemented in order to catch all the forborne candidates. In a nutshell, this methodology first tries to identify the credits for which concessions have been granted to the debtors and then analyses if these concessions coincided with financial difficulties at the debtor level (based on criteria like past due, rating ...).

From an accounting perspective, impairment events include significant financial difficulties of the obligor and the lender's granting to the borrower a concession that the lender would not otherwise consider due to the borrower's financial difficulty. The granting of forbearance measure is likely to constitute an impairment trigger, meaning that the loan should be assessed for impairment either individually or as part of a collective assessment.

The early repayment indemnity is recognised directly in profit or loss (if restructuring terms are substantively different from the initial ones) or spread over the term of the new loan.

As at the end 2014, forborne exposures according to CSSF definition amounted to EUR 185 million. The important decrease observed since the end of 2013 (EUR 386 million as at December 31, 2013) is mainly explained by the deep analyses conducted this year in order to refine the forborne perimeter on the retail portfolio resulting from the application of the above described statistical approach.

[1] This amount includes premiums / discounts and the fair value adjustment.

J. INFORMATION ON SOVEREIGN DEBTS

For 2013 and 2014, this statement refers to bonds issued by central & local governments and governmental bodies.

As at 31/12/13	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	95,487,124	*6,627,176*				
More than 5 years	130,997,142	*(1,624,682)*	*(2,011,344)*			
Belgium						
Between 1 and 5 years	89,570,021	*235,355*	*(125,406)*		547,096	*(3,480)*
More than 5 years	740,526,577	*11,834,651*	*(10,326,492)*		47	
Canada						
Between 1 and 5 years					750	*(2)*
Czech Republic						
Between 1 and 5 years	4,360,018	*(23,561)*				
More than 5 years	22,711,247	*60,662*	*(110,606)*			
Finland						
More than 5 years	23,702,507	*2,418,041*				
France						
More than 5 years	658,131,180	*7,398,870*	*(5,137,721)*		4,992,942	*(62,450)*
Germany						
More than 5 years	153,419,793	*(1,006,917)*	*(2,682,198)*			
Ireland						
Between 1 and 5 years	192,480,303	*7,140,931*	*(160,373)*			
Italy						
Less than a year	201,947,464	*206,358*		39,961,135		
Between 1 and 5 years	189,268,472	*7,509,395*				
Lithuania						
Between 1 and 5 years						
Luxembourg						
Between 1 and 5 years					520,410	*(2,268)*
More than 5 years	56,842,131	*799,771*	*(2,001,035)*		1,593,092	*(8,637)*
Mexico						
More than 5 years						
Poland						
Between 1 and 5 years	21,941,197	*(58,279)*	*145,791*			
More than 5 years	52,416,045	*731,239*	*(341,949)*			
Qatar						
Between 1 and 5 years	57,364,632	*388,958*	*(271,586)*			
More than 5 years	19,550,258	*203,330*	*(1,707,939)*			
Singapore						
Less than a year	81,151,656	*(2,627)*				
Between 1 and 5 years	5,355,061	*17,149*				
Slovakia						
Between 1 and 5 years	4,015,025	*26,691*				
More than 5 years	46,410,283	*1,600,769*	*(2,079,835)*			
Spain						
Less than a year	219,165,702	*406,207*				
Supranational						
Between 1 and 5 years	190,645,036	*1,166,555*			438,552	*(2,322)*
More than 5 years	423,319,278	*12,447,950*	*(7,888,387)*		559,957	*(5,269)*
The Netherlands						
Less than a year					231,922	
Between 1 and 5 years					1,498,099	*(5,098)*
More than 5 years	69,814,775	*(1,910,245)*	*(725,521)*			
United Arab Emirates						
Between 1 and 5 years	7,965,397	*(4,061)*				
TOTAL	**3,758,558,324**	***56,589,686***	***(35,424,601)***	**39,961,135**	**10,382,867**	***(89,526)***

As at 31/12/14	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	59,156,953	*4,455,994*				
More than 5 years	62,845,000	*1,235,857*	*3,718,106*			
Belgium						
Between 1 and 5 years	133,754,336	*764*				
Between 1 and 5 years	66,335,341	*742,958*	*150,502*			
More than 5 years	673,828,063	*20,453,823*	*25,820,451*			
Canada						
Between 1 and 5 years						
Czech Republic						
Between 1 and 5 years	4,390,817	*23,711*				
More than 5 years	42,919,965	*539,967*	*2,474,740*			
Finland						
Between 1 and 5 years	24,289,507	*3,165,594*				
More than 5 years				51,526,611		
France						
Between 1 and 5 years	70,207,151	*7,186,964*				
More than 5 years	665,548,360	*22,343,472*	*29,287,041*			
Germany						
Between 1 and 5 years	10,271,389	*4,902*	*173,816*			
More than 5 years	102,938,958	*1,121,826*	*6,013,427*	30,966,496	1,770,393	*47,931*
Ireland						
Between 1 and 5 years	192,018,303	*9,347,343*	*950,486*			
More than 5 years	66,868,487	*1,048,924*	*1,736,949*			
Italy						
Less than a year	48,277,248	*(3,811)*		39,852,280		
Between 1 and 5 years	360,367,849	*11,364,191*	*38,345*			
More than 5 years	57,662,866	*259,316*	*957,753*			
Lithuania						
Between 1 and 5 years	4,536,204	*(1,234)*	*(1,950)*			
Luxembourg						
Between 1 and 5 years					6,164,473	*4,462*
More than 5 years	39,224,780	*1,029,596*	*3,450,388*	20,587,766	1,099,779	*15,292*
Mexico						
More than 5 years					26,330	*860*
Poland						
Less than a year	6,390,745	*670*				
Between 1 and 5 years	35,231,879	*265,012*	*114,742*			
More than 5 years	56,877,595	*1,767,448*	*3,777,102*			
Qatar						
Less than a year	41,998,919	*(35,142)*	*4,396*			
Between 1 and 5 years	21,715,094	*334,829*	*(132,262)*			
More than 5 years	23,021,194	*205,739*	*(730,254)*			
Singapore						
Less than a year	96,424,809	*(13,041)*				
Between 1 and 5 years	5,672,195	*382*				
Slovakia						
Between 1 and 5 years	4,179,425	*187,584*				
More than 5 years	112,763,409	*4,118,746*	*3,285,064*			
SUB-TOTAL	**3,089,716,841**	***91,152,384***	***81,088,842***	**142,933,153**	**9,060,975**	***68,545***

As at 31/12/14	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
SUB-TOTAL BROUGHT FORWARD	**3,089,716,841**	***91,152,384***	***81,088,842***	**142,933,153**	**9,060,975**	***68,545***
Spain						
Between 1 and 5 years	69,664,771	*777,388*	*27,372*			
More than 5 years	108,296,771	*1,913,115*	*2,242,931*			
Supranational						
Between 1 and 5 years	163,977,371	*4,727,252*	*132,936*			
More than 5 years	327,133,187	*16,658,287*	*18,802,942*			
The Netherlands						
Less than a year						
Between 1 and 5 years					71,564	*2,190*
More than 5 years	78,808,175	*2,076,583*	*4,512,259*			
United Arab Emirates						
Between 1 and 5 years	8,720,151	*51,939*				
TOTAL	**3,846,317,267**	***117,356,948***	***106,807,282***	**142,933,153**	**9,132,539**	***70,735***

12.3 Pledged assets

A. GUARANTEES THAT MAY BE SOLD OR REPLEDGED

Type of assets held as guarantees	Guarantees received as at 31/12/13		Guarantees received as at 31/12/14	
	Fair value of guarantees held	Fair value of guarantees sold or repledged	Fair value of guarantees held	Fair value of guarantees sold or repledged
Debt instruments	216,300,022	0	728,698,103	0
Cash collateral	418,754,239	418,754,239	240,110,401	240,110,401
TOTAL	**635,054,261**	**418,754,239**	**968,808,504**	**240,110,401**

Guarantees are obtained within the framework of repo/reverse repo and securities lending activities.

The conditions for using and returning pledged assets are defined either in standard Overseas Securities Lending Agreements (OSLA), amended, where appropriate, by the Legal department, or in agreements drafted directly by this department.

Cash collateral is obtained within the framework of Credit Support Annex (CSA) agreements.

B. FINANCIAL ASSETS PLEDGED AS GUARANTEES

	Carrying value of financial assets pledged as at 31/12/13		Carrying value of financial assets pledged as at 31/12/14	
	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
Loans and securities	1,041,411,882	0	727,297,632	0
Cash collateral	564,298,070	n.a.	521,444,754	n.a.
TOTAL	**1,605,709,952**	**0**	**1,248,742,386**	**0**

Assets are pledged primarily to provide collateral for repurchase agreements and securities lending activities.

C. FINANCIAL ASSETS PLEDGED AS COLLATERAL: DERECOGNITION AND FINANCIAL LIABILITIES ASSOCIATED WITH TRANSFERRED FINANCIAL ASSETS

	Transferred financial assets entirely recognised as at 31/12/13			
	Transferred assets		Associated liabilities	
	Carrying amount	*Of which: repurchase agreements*	Carrying amount	*Of which: repurchase agreements*
Available for sale financial assets - Debt securities	365,660,621	*365,660,621*	367,976,085	*367,976,085*
TOTAL	**365,660,621**	***365,660,621***	**367,976,085**	***367,976,085***

	Transferred financial assets entirely recognised as at 31/12/14			
	Transferred assets		Associated liabilities	
	Carrying amount	*Of which: repurchase agreements*	Carrying amount	*Of which: repurchase agreements*
Available for sale financial assets - Debt securities	376,594,721	*376,594,721*	373,337,959	*373,337,959*
TOTAL	**376,594,721**	***376,594,721***	**373,337,959**	***373,337,959***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in the note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSL) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/13				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,138,593,576	0	0	0	0
Loans and advances to credit institutions	1,107,789,418	246,322,911	670,299	27,925,000	0
Loans and advances to customers	3,969,887,623	338,338,945	135,553,222	1,038,907,534	4,801,913,138
Financial assets held for trading	33,087,372	3,143,986	7,964,455	35,147,673	27,965,829
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	624,869,741	197,150,001	337,315,907	1,299,045,123	2,803,012,721
Investments held to maturity	0	0	0	38,536,340	0
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**6,874,227,730**	**784,955,843**	**481,503,883**	**2,439,561,670**	**7,632,891,688**

	31/12/13				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	0	n.a.	n.a.	1,138,593,576
Loans and advances to credit institutions	0	979,260	0	(3,398)	1,383,683,490
Loans and advances to customers	0	11,566,908	(3,758,493)	(245,741,899)	10,046,666,978
Financial assets held for trading	149,978	879,180	(526,924)	n.a.	107,811,549
Financial assets designated at fair value	0	0	0	n.a.	0
Financial assets available for sale	28,153	62,843,761	78,678,775	(42,636,555)	5,360,307,627
Investments held to maturity	0	1,424,795	0	0	39,961,135
Derivatives	n.a.	63,959,841	623,486,102	n.a.	687,445,943
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	15,942,122	n.a.	15,942,122
TOTAL	**178,131**	**141,653,745**	**713,821,582**	**(288,381,852)**	**18,780,412,420**

A. ASSETS	31/12/14				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,031,423,041	0	0	0	0
Loans and advances to credit institutions	921,435,980	223,193,336	50,000,000	2,135,000	0
Loans and advances to customers	4,264,999,445	179,773,880	153,116,422	1,050,882,221	5,391,094,917
Financial assets held for trading	35,364,620	3,851,672	2,004,974	16,623,118	23,512,670
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	713,919,327	445,801,895	136,398,450	1,474,769,534	2,513,204,200
Investments held to maturity	0	15,000,000	23,430,165	0	122,056,785
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**6,967,142,413**	**867,620,783**	**364,950,011**	**2,544,409,873**	**8,049,868,572**

[1] Excluding derivatives and off-balance sheet items.
[2] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see note 12.5).

	31/12/14				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	5,212	n.a.	n.a.	1,031,428,253
Loans and advances to credit institutions	0	541,214	0	(9,066)	1,197,296,464
Loans and advances to customers	0	14,099,070	229,566	(277,316,511)	10,776,879,010
Financial assets held for trading	46,552	415,709	322,234	n.a.	82,141,549
Financial assets designated at fair value	0	0	0	n.a.	0
Financial assets available for sale	40,820,038	58,285,468	331,270,557	(37,205,777)	5,677,263,692
Investments held to maturity	0	3,323,587	0	0	163,810,537
Derivatives	n.a.	23,566,248	398,459,537	n.a.	422,025,785
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	13,878,066	n.a.	13,878,066
TOTAL	**40,866,590**	**100,236,508**	**744,159,960**	**(314,531,354)**	**19,364,723,356**

B. LIABILITIES	31/12/13				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,450,037,143	282,867,398	71,920,321	126,602,076	14,530,350
Amounts due to customers	9,751,521,735	1,926,812,591	531,325,501	1,437,956	15,858,340
Financial liabilities held for trading	0	0	0	150,815	602,791
Financial liabilities designated at fair value	293,143,834	247,896,075	417,722,199	555,028,568	249,412,488
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	264,859,193	19,297,625	53,027,411	426,882,382	120,821,551
Subordinated debt	417,197,123	0	0	0	0
TOTAL	**12,176,759,028**	**2,476,873,689**	**1,073,995,432**	**1,110,101,797**	**401,225,520**

	31/12/13			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	595,280	0	1,946,552,568
Amounts due to customers	0	20,472,136	0	12,247,428,259
Financial liabilities held for trading	0	9,071	(2,362)	760,315
Financial liabilities designated at fair value	0	6,213,201	25,723,145	1,795,139,510
Derivatives	n.a.	84,552,921	695,865,150	780,418,071
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	58,956,377	58,956,377
Debt securities	0	3,737,516	0	888,625,678
Subordinated debt	0	356,095	0	417,553,218
TOTAL	**0**	**115,936,220**	**780,542,310**	**18,135,433,996**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see note 12.5).

B. LIABILITIES	31/12/14				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,427,740,404	409,322,990	96,293,533	305,752,479	9,976,721
Amounts due to customers	11,850,945,519	180,993,645	545,826,363	454,317,209	14,699,086
Financial liabilities held for trading	11,135	0	319	0	114,128
Financial liabilities designated at fair value	255,036,857	69,935,475	262,598,245	239,342,947	171,850,833
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	417,591,713	25,757,616	104,679,825	405,576,802	56,433,367
Subordinated debt	301,178,055	0	0	0	149,660,636
TOTAL	**14,252,503,683**	**686,009,726**	**1,009,398,285**	**1,404,989,437**	**402,734,771**

	31/12/14			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	478,737	0	2,249,564,864
Amounts due to customers	0	16,535,764	0	13,063,317,586
Financial liabilities held for trading	0	519	276	126,377
Financial liabilities designated at fair value	0	3,996,377	20,826,564	1,023,587,298
Derivatives	n.a.	55,431,836	656,512,137	711,943,973
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	70,790,659	70,790,659
Debt securities	0	4,789,090	0	1,014,828,413
Subordinated debt	0	361,423	0	451,200,114
TOTAL	**0**	**81,593,746**	**748,129,636**	**18,585,359,284**

C. NET POSITION	31/12/13					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(5,302,531,298)	(1,691,917,846)	(592,491,549)	1,329,459,873	7,231,666,168	178,131

	31/12/14					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,285,361,270)	181,611,057	(644,448,274)	1,139,420,436	7,647,133,801	40,866,590

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

A. TREASURY AND FINANCIAL MARKETS (TFM) ACTIVITIES

BIL's Treasury and Financial Markets activities support the Bank's commercial activities.

Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and/or sensitivity limit.

Treasury management - banking - subject to VaR limit and interest rate sensitivity limit.

a. Value at Risk – 99%, 10 days (in EUR million)

In 2014, BIL calculated:

- an interest rate VaR and a Forex VaR based on a historical VaR (99%, 10 days)
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are detailed below:

VaR (10 days, 99%) (in EUR million)		**2013** [1]							
		IR [2] & FX [3] (Trading and Banking) [4]				**EQT [5] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	5.81	4.49	5.13	4.39	0.00	0.00	0.00	0.00
	Maximum	8.44	6.05	6.08	5.20	0.00	0.00	0.00	0.01
Global	Average	4.96							
	Maximum	8.44							
	End of period	4.62							
	Limit	8.00							

VaR (10 days, 99%) (in EUR million)		**2014**							
		IR [2] & FX [3] (Trading and Banking) [4]				**EQT [5] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	4.45	2.97	1.57	0.70	0.00	0.00	0.01	0.00
	Maximum	5.45	4.00	2.46	0.95	0.01	0.02	0.01	0.03
Global	Average	2.40							
	Maximum	5.45							
	End of period	0.44							
	Limit	8.00							

The treasury activity is subject to sensitivity limits (on December 31, 2014, the sensitivity (+1%) is EUR -7.5 million, for a limit of EUR 20 million).

[1] On April 1, 2013, switch to the historical VaR methodology
[2] IR: interest rate
[3] FX: forex
[4] IR & FX: without ALM
[5] EQT: equity

b. Investment Treasury Portfolio (in EUR million)

• Exposure

Exposures include swapped and non-swapped positions.

	2013	2014
Investment Treasury Portfolio – AFS	2,378	2,323

• Interest rate sensitivity (+1 basis point)

The portfolio's interest rate is managed by ALM

	2013	2014
Investment Treasury Portfolio – AFS	(0.19)	(0.15)

• Credit spread sensitivity

This measure estimates the portfolio sensitivity if the spread increases by 1 basis point.

	2013	2014
Investment Treasury Portfolio – AFS	(0.84)	(0.81)

B. ALM INTEREST RATE RISK, EQUITY AND CREDIT SPREAD RISK

The interest rate risk is followed by an interest rate sensitivity limit. For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).

Sensitivity is the measure of the change in fair value due to a 1% change in the interest rate position of ALM activities.

(in EUR million)		2013							
		Interest rate [1,2]				Equity [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(33)	7	1	36	(2)	(2)	(2)	(2)

(in EUR million)		2014							
		Interest rate [1,4]				Equity [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	6	51	75	67	(2)	(2)	(2)	(2)

[1] Sensitivity (+1%).
[2] On December 31, 2013, the interst rate sensitivity limit for BIL ALM reached EUR 95 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2014, the interst rate sensitivity limit for BIL ALM reached EUR 81 million per percent.

b. Investment Portfolio (in EUR million)

- Exposure

	2013	2014
Investment ALM Portfolio – AFS	2,248	2,429

- Interest rate sensitivity (+1 basis point)
  The portfolio's interest rate is managed by the ALM.

	2013	2014
Investment ALM Portfolio – AFS	(0.64)	(0.13)

- Credit spread sensitivity
  This measure estimates the portfolio sensitivity if the spread increases by 1 basis point.

	2013	2014
Investment ALM Portfolio – AFS	(1.68)	(1.87)

c. ALM equity – Sensitivity of listed equities (in EUR million)

The Value at Risk (VaR) evaluates the potential development in market value.
The VaR is calculated with a confidence level of 99%, over a 10 day time horizon.

ALM Equity Portfolio [1]	Market Value	VaR [2]	% VaR [2]
December 31, 2010	60.72	13.69	22.5%
December, 31 2011	57.21	10.02	17.5%
December 31, 2012	59.48	10.46	18%
December 31, 2013	0.00	-	-
December 31, 2014	0.00	-	-

[1] The management of financial establishment shares put in run-off was assigned to TFM.
[2] Not calculated in 2013 and 2014.

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the Risk Management report.

The maturity analysis do not include the remaining contractual maturities for derivative. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received.

A. ASSETS	31/12/13				
	Breakdown of gross amount and premium/discount				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,138,593,576	0	0	0	0
Loans and advances to credit institutions	1,042,296,478	112,462,725	0	227,948,425	0
Loans and advances to customers	2,154,922,819	1,438,164,929	508,084,814	531,175,285	5,484,002,192
Financial assets held for trading	9,442,508	11,872,060	12,292,021	44,218,454	29,484,272
Financial assets available for sale	0	357,502,845	331,430,762	1,555,090,000	2,975,773,827
Investments held to maturity	0	0	0	38,536,340	0
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**4,345,255,381**	**1,920,002,559**	**851,807,597**	**2,396,968,504**	**8,489,260,291**

	31/12/13				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	0	n.a.	n.a.	1,138,593,576
Loans and advances to credit institutions	0	979,260	0	(3,398)	1,383,683,490
Loans and advances to customers	168,250,423	11,566,908	(3,758,493)	(245,741,899)	10,046,666,978
Financial assets held for trading	149,978	879,180	(526,924)	n.a.	107,811,549
Financial assets available for sale	41,624,212	62,843,761	78,678,775	(42,636,555)	5,360,307,627
Investments held to maturity	0	1,424,795	0	0	39,961,135
Derivatives	n.a.	63,959,841	623,486,102	n.a.	687,445,943
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	15,942,122	n.a.	15,942,122
TOTAL	**210,024,613**	**141,653,745**	**713,821,582**	**(288,381,852)**	**18,780,412,420**

[1] Residual maturity, excluding derivatives and off-balance sheet items.
[2] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

A. ASSETS	31/12/14				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,031,423,041	0	0	0	0
Loans and advances to credit institutions	319,329,799	242,158,762	432,794,362	202,481,393	0
Loans and advances to customers	2,203,964,735	1,762,160,363	715,180,165	640,619,053	5,717,942,569
Financial assets held for trading	529	7,902,565	10,354,654	8,771,213	54,328,093
Financial assets available for sale	9,625,886	454,908,302	172,759,163	1,805,518,501	2,841,281,554
Investments held to maturity	0	15,000,000	23,430,165	0	122,056,785
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**3,564,343,990**	**2,482,129,992**	**1,354,518,509**	**2,657,390,160**	**8,735,609,001**

	31/12/14				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	5,212	n.a.	n.a.	1,031,428,253
Loans and advances to credit institutions	0	541,214	0	(9,066)	1,197,296,464
Loans and advances to customers	0	14,099,070	229,566	(277,316,511)	10,776,879,010
Financial assets held for trading	46,552	415,709	322,234	n.a.	82,141,549
Financial assets available for sale	40,820,038	58,285,468	331,270,557	(37,205,777)	5,677,263,692
Investments held to maturity	0	3,323,587	0	0	163,810,537
Derivatives	n.a.	23,566,248	398,459,537	n.a.	422,025,785
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	13,878,066	n.a.	13,878,066
TOTAL	**40,866,590**	**100,236,508**	**744,159,960**	**(314,531,354)**	**19,364,723,356**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES

	31/12/13				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,066,550,818	465,438,765	72,811,853	326,625,502	14,530,350
Amounts due to customers	9,751,521,735	1,925,031,211	530,325,302	3,847,716	16,230,159
Financial liabilities held for trading	0	5	0	150,810	602,791
Financial liabilities designated at fair value	0	327,450,348	493,756,746	692,583,582	249,412,488
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	16,523,176	32,815,336	53,027,020	658,128,222	124,394,408
Subordinated debt	0	0	0	330,069,610	87,127,513
TOTAL	**10,834,595,729**	**2,750,735,665**	**1,149,920,921**	**2,011,405,442**	**492,297,709**

	31/12/13			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	595,280	0	1,946,552,568
Amounts due to customers	0	20,472,136	0	12,247,428,259
Financial liabilities held for trading	0	9,071	(2,362)	760,315
Financial liabilities designated at fair value	0	6,213,201	25,723,145	1,795,139,510
Derivatives	n.a.	84,552,921	695,865,150	780,418,071
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	58,956,377	58,956,377
Debt securities	0	3,737,516	0	888,625,678
Subordinated debt	0	356,095	0	417,553,218
TOTAL	**0**	**115,936,220**	**780,542,310**	**18,135,433,996**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/14				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	860,695,254	576,368,140	296,293,533	501,552,479	14,176,721
Amounts due to customers	11,322,552,672	709,779,680	545,677,344	454,073,040	14,699,086
Financial liabilities held for trading	0	0	319	11,115	114,148
Financial liabilities designated at fair value	0	92,139,415	320,881,989	413,892,120	171,850,833
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	15,003,813	96,881,553	176,668,796	664,751,803	56,733,358
Subordinated debt	0	0	0	301,178,055	149,660,636
TOTAL	**12,198,251,739**	**1,475,168,788**	**1,339,521,981**	**2,335,458,612**	**407,234,782**

	31/12/14			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	478,737	0	2,249,564,864
Amounts due to customers	0	16,535,764	0	13,063,317,586
Financial liabilities held for trading	0	519	276	126,377
Financial liabilities designated at fair value	0	3,996,377	20,826,564	1,023,587,298
Derivatives	n.a.	55,431,836	656,512,137	711,943,973
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	70,790,659	70,790,659
Debt securities	0	4,789,090	0	1,014,828,413
Subordinated debt	0	361,423	0	451,200,114
TOTAL	**0**	**81,593,746**	**748,129,636**	**18,585,359,284**

C. NET POSITION	31/12/13					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(6,489,340,348)	(830,733,106)	(298,113,324)	385,563,062	7,996,962,582	210,024,613

	31/12/14					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(8,633,907,749)	1,006,961,204	14,996,528	321,931,548	8,328,374,219	40,866,590

Asset liquidity and the refinancing of assets are not taken into account in this table; some long-term assets may be sold in the event that liquidity is required.

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

12.7 Currency risk

	31/12/13				
	EUR	Other EU currencies	USD	Other	Total
Assets	16,705,885,775	376,927,522	874,121,674	1,538,904,611	19,495,839,582
Liabilities	16,144,483,689	497,074,621	1,895,150,426	959,130,846	19,495,839,582
NET ON-BALANCE SHEET POSITION	**561,402,086**	**(120,147,099)**	**(1,021,028,752)**	**579,773,765**	**0**
Off-balance sheet – receivable	1,513,344,469	255,511,701	2,646,743,171	1,194,137,894	5,609,737,235
Off-balance sheet – payable	2,044,696,647	143,449,908	1,610,214,652	1,829,117,979	5,627,479,186
NET OFF-BALANCE SHEET POSITION	**(531,352,178)**	**112,061,793**	**1,036,528,519**	**(634,980,085)**	**(17,741,951)**

	31/12/14				
	EUR	Other EU currencies	USD	Other	Total
Assets	17,030,398,099	335,298,029	1,015,678,062	1,665,332,169	20,046,706,359
Liabilities	16,596,230,117	538,028,026	1,953,428,663	959,019,553	20,046,706,359
NET ON-BALANCE SHEET POSITION	**434,167,982**	**(202,729,997)**	**(937,750,601)**	**706,312,616**	**0**
Off-balance sheet – receivable	2,072,375,165	325,215,355	2,432,786,672	1,306,913,861	6,137,291,053
Off-balance sheet – payable	2,492,642,323	119,040,458	1,480,303,678	2,048,211,650	6,140,198,109
NET OFF-BALANCE SHEET POSITION	**(420,267,158)**	**206,174,897**	**952,482,994**	**(741,297,789)**	**(2,907,056)**

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/13	31/12/14
TOTAL REGULATORY CAPITAL	**854,632,751**	**938,108,643**
Regulatory capital in the strict sense	**643,270,953**	**876,775,349**
Core shareholders' equity	1,006,025,926	1,025,147,110
Translation adjustments - Group	(44,757,044)	(46,169,322)
Deductions and prudential filters	(317,997,929)	(252,202,439)
Additional Tier 1 (Contingent convertible bond issued on June 30, 2014)	0	150,000,000
TIER 2 CAPITAL	**211,361,798**	**61,333,294**
Fixed-term subordinated loans	174,996,386	60,250,036
Deductions and prudential filters	36,365,412	1,083,258

	31/12/13	31/12/14
WEIGHTED RISKS	**4,324,767,551**	**5,223,025,428**
Credit risk	3,592,300,263	4,424,342,709
Market risk	117,981,425	136,406,503
Operational risk	614,485,863	624,136,115
Credit Valuation Adjustment	n.a.	38,140,101
SOLVENCY RATIOS		
Common Equity Tier 1 ratio	14.87%	13.91%
Tier 1 ratio	14.87%	16.79%
Capital Adequacy ratio	19.76%	17.96%

2014 figures are computed according to Basel III rules (CRR 575/2013 and CSSF 14-01 rules).
The previous ratios were based on Basel II regulation.

Proposed allocation of 2014 net income

The Board of Directors proposed to the General Meeting of Shareholders that the profit be used as follows:

EUR	
Net income for the year	169,293,589
Interim dividend of EUR 49.56 gross per share on 2,017,487 shares [1]	(99,986,656)
Additional dividend of EUR 27.26 gross per share on 2,017,487 shares [2]	(54,996,696)
Allocation to "Legal reserve" [3]	0
Allocation to "AGDL reserve"	(10,000,000)
Allocation to "Retained earnings"	(4,310,237)
TOTAL	**0**

1 In line with the board decision dated November 19, 2014 in accordance with the article 72-2 of the law of August 10, 1915 as modified.
2 In line with the board decision dated March 11, 2015 in accordance with the article 72-2 of the law of August 10, 1915 as modified.
3 No additional allocation is mandatory since the legal reserve already amounts to 10% of the subscribed capital.