Semi annual Report

as at June 30, 2013

BANQUE
INTERNATIONALE
À LUXEMBOURG

Semi annual Report

as at June 30, 2013

Consolidated management report

Corporate governance (as at June 30, 2013)

Board of Directors

CHAIRMAN

Frank Wagener

VICE CHAIRMAN

George Nasra – CEO, Precision Capital SA

MEMBERS

François Pauly – CEO, Banque Internationale à Luxembourg SA
Robert Glaesener – CEO, Trendiction SA
Sarah Khabirpour – Premier Conseiller de Gouvernement, Chef de cabinet, Ministère des Finances
Jacques Lanners – CEO, Ceratizit SA
François Moes – Director
Etienne Reuter – Premier Conseiller de Gouvernement, Ministère des Finances
Jacquot Schwertzer – CEO, Energus SA
Martine Birmann – Employees' Delegation, BIL
Serge Schimoff – Employees' Delegation, BIL
Donny Wagner – Employees' Delegation, BIL
Fernand Welschbillig – Employees' Delegation, BIL

Management Board

CHAIRMAN

François Pauly

VICE CHAIRMAN

Pierre Malevez – Finance, Risks and Human Resources

MEMBERS

Thierry Delroisse – Chief Operations Officer
André Lecoq – Private Banking Europe
Adrian Leuenberger – Private Banking International
Marcel Leyers – Corporate & Institutional Banking
Bernard Mommens – Secretary General
Claude Schon – Treasury and Financial Markets
Christian Strasser – Retail Banking

AUDIT

Pia Haas

Strategy Committee

CHAIRMAN
George Nasra

MEMBERS
Sarah Khabirpour
Frank Wagener

INVITEE
François Pauly

Audit and Compliance Committee

CHAIRMAN
Frank Wagener

MEMBERS
Robert Glaesener
Etienne Reuter

INVITEES
François Pauly
Pia Haas
Marie Bourlond *
Bernard Mommens

Risk Committee

CHAIRMAN
François Moes

MEMBERS
George Nasra
Frank Wagener

INVITEES
François Pauly
Pierre Malevez

Remuneration and Nominations Committee

CHAIRMAN
Jacques Lanners

MEMBERS
George Nasra
Etienne Reuter

INVITEES
François Pauly
Pierre Malevez

* Chief Compliance Officer

Business review and results

1. Highlights of the first half of 2013

The announcement of solid 2012 results and BIL's strategic growth plan for 2015 marked a significant turning point in the Bank's history.

The first half of 2013 has been part of this ongoing new dynamic, with the implementation of numerous initiatives revolving around four major themes:
- Product and service excellence.
- Geographic expansion and refocusing of certain activities.
- Strength of commercial franchises.
- Return to profitability.

PRODUCT AND SERVICE EXCELLENCE

BIL is continuously improving in the interests of its customers, ensuring the excellence and diversity of its products and services:
- Since March, the Bank has implemented a new cash deposit service called *Servibank+*, available 24/7, for the use of individuals and merchants.
- Since May, the Bank has modified its branches' opening hours in order to be ever more available to its customers. BIL has thus become the only large bank in the country to welcome its customers up to 7:00 p.m. every Wednesday, by appointment. BIL now offers free wi-fi internet access in its branches, the first bank in the financial centre to do so.
- Since June, the Bank's web and mobile applications, BILnet and BILnet Mobile, have been given a makeover, and now offer their customers more comfort, ease and security in carrying out their banking transactions, at home or on the move.
- In order to better address Luxembourg's significant Portuguese community, the Bank launched a dedicated Portuguese-language internet site, featuring the Bank's Portuguese-speaking employees.
- In the context of recent changes in European tax regulation and following the Luxembourg government announcements concerning a move to the automatic exchange of information from 2015, BIL offers support and solutions adapted to its customers' needs in dealing with these developments.
- As a signatory of the International Capital Market Association (ICMA) quality charter at the end of 2012, BIL has simultaneously committed itself to respecting the principles of integrity, transparency and professionalism in relations between financial institutions and its customers.
- BIL was appointed as Principal Paying Agent in the launch of the first Luxembourg government bond issued on March 12, 2013 through LuxCSD, a domestic central securities depository. The Bank's role was to oversee efficient communications between the issuer and the joint-lead managers/investors and to handle the delivery against payment transaction in the financial systems. BIL was also appointed as Listing Agent in the second Luxembourg government bond issuance on July 2, 2013.

In addition to this series of achievements, BIL has strengthened its communication strategy, with numerous awareness campaigns focused on various areas such as wealth planning, Private Banking's new identity and the *BIL Start* campaign aimed at young entrepreneurs.

GEOGRAPHIC EXPANSION AND REFOCUSING OF CERTAIN ACTIVITIES

Pursuant to the April 26, 2013 announcement, BIL has expanded its geographic footprint and refocused some of its activities:
- BIL Belgique SA
  BIL received the necessary regulatory approvals to open a Brussels branch, which aims at private clients resident in Belgium, and also certain professionals from the world of private management, such as IFAs and Family Offices, etc. BIL's expertise in the management and cross-border structuring of wealth, reinforced by the many advantages offered by Luxembourg, enables the Bank to distinguish itself on the Belgian market and seize the many growth opportunities generated by the creation of this branch.
- BIL Manage Invest SA
  On June 28, 2013, BIL created BIL Manage Invest SA, a Luxembourg subsidiary, in the context of activities governed by the Alternative Investment Fund Managers (AIFM) Directive.
- BIL Finance SA
  At the end of June, BIL sold the BIL Finance SA business, given the non-strategic nature of its activities.

STRENGTH OF COMMERCIAL FRANCHISES

The Retail, Corporate and Private Banking activities have once more turned in a robust performance during the first half of 2013.

- Customer deposits were up by 5% to reach 12.1 billion (versus 11.5 billion at year-end 2012) notably in Luxembourg.
- Customer funds (assets under management - AuM) decreased by 4.8% to 28.5 billion, against 29.9 billion at the end of 2012 (2012 was a record year, increasing by 10.4%). Corrected by the announced exit of a large corporate client, customer funds reduced slightly during the first half of 2013 by 449 million (-1.5%). This decrease is due to the negative market effect during the first half of the year (-585 million) compensated by an additional 137 million of new net inflows.
- Customer loans displayed sustained growth of 2.1% to 9.8 billion (9.6 billion at the end of 2012). This strong performance confirms BIL's support for the national economy and in particular for SMEs, as well as in loans to individuals.

RETURN TO PROFITABILITY

Core activities (Core New BIL) reported a pre-tax net income of 92 million in 2013, a significant increase compared to June 2012 (53 million), exceeding expectations. This result reveals a solid performance from commercial banking activities and a substantial increase of the Financial Markets contribution.

In a press release on June 26, 2013, the Fitch Ratings agency confirmed these positive results with an upwards review of the "stand-alone" rating from BBB to BBB+ (Viability Rating), due to a variety of positive indicators, such as BIL's new shareholding, the reinforcement of its shareholders' equity, the reconquest of its commercial franchises, its liquidity surplus and its prospects for profitability.

2. Statement of income and balance sheet

INTERIM FINANCIAL STATEMENTS

The Group's consolidated accounts for the first half of 2013 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. Accounting principles and regulations are described in Note 1 of the consolidated financial statements.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

STATEMENT OF INCOME – GLOBAL VIEW

(in EUR millions)	30/06/12	30/06/13
Income	174	258
Expenses	(152)	(165)
Gross operating income	**23**	**93**
Cost of risk and provisions for legal litigation	(8)	(2)
Income before tax	**14**	**91**
Tax expense	4	(24)
Net Income	**18**	**67**

STATEMENT OF INCOME ON "CORE NEW BIL" AND "NON-CORE ACTIVITIES"

(in EUR millions)	Core New BIL		Non-core activities		TOTAL	
	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13
Income	212	264	(38)	(6)	174	258
Expenses	(151)	(163)	(1)	(1)	(152)	(165)
Gross Operating Income	**61**	**101**	**(39)**	**(7)**	**23**	**93**
Cost of risk and provisions for legal litigation	(8)	(9)	0	7	(8)	(2)
Income before tax	**53**	**92**	**(39)**	**(1)**	**14**	**91**
Tax expense					4	(24)
Net Income					**18**	**67**

Consolidated net income before tax for the BIL group totalled 91 million compared with 14 million during the first half of 2012 (**+77 million**).

The contribution of "Non-core activities" was very limited at the end of June 2013 compared with June 2012, -1 million vs. -39 [1] million (up by **+38 million**). "Core New BIL" activities contributed significantly with 92 million versus 53 million (**+39 million**). At the end of the first half 2013, net income after tax stood at 67 million (**+49 million**) due to encouraging results from "Core New BIL" as described below and the limited "Non-core" contribution.

CONTRIBUTION TO "CORE NEW BIL" STATEMENT OF INCOME BY BUSINESS LINE

"Core New BIL" can be further broken down between Commercial Activities, Financial Markets and Group Center.

(in EUR millions)	Retail, Corporate and Private Banking		Treasury and Financial Markets		Group Center		TOTAL Core New BIL	
	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13	30/06/12	30/06/13
Income	187	209	9	35	16	20	212	264
Expenses	(136)	(146)	(15)	(18)	0	0	(151)	(163)
Gross Operating Income	**51**	**63**	**(6)**	**18**	**16**	**20**	**61**	**101**
Cost of risk and provisions for legal litigation	(9)	(9)	0	0	1	0	(8)	(9)
Income before tax	**42**	**54**	**(6)**	**18**	**17**	**20**	**53**	**92**

[1] -39 million in 2012 were attributable to the realised loss of 42 million on the partial sale of the Bank's Portuguese exposure, a negative exchange rate impact of 16 million relating to the conversion into euro of the losses arising to the sale of the legacy portfolio, partly offset by a 18 million dividend paid by Dexia Asset Management.

Income

Income increased significantly by **52 million** (+25% compared with the first half of 2012) with a positive development in each business line.

"Retail, Corporate and Private Banking" activities generated an income of 209 million, up by **22 million** due to a business increase occurring mainly in Luxembourg (19.6 million). Average AuM has increased markedly at 2.4 billion above the comparable period in 2012. This increase in clients' AuM and an increased turnover on securities positively impacted fees and commissions by 15 million. Interest income improved by 6 million: the decrease of the margin on savings accounts was offset by an improved margin and a 6% growth on the loan book since June 2012.

"Treasury and Financial Markets" income increased by **26 million** compared to the first half of 2012, reaching 35 million. 2012 was a transitional year for the markets activities, due to the progressive transfer of the legacy portfolio to Dexia Crédit Local (DCL) and Dexia group constraints on the reinvestment of excess cash. The progressive transfer of legacy assets to DCL provided BIL with excess cash. This liquidity was placed with the central banks as the Bank was not allowed to invest in financial instruments or bonds due to the European Commission restrictions imposed upon the Dexia group. Since the finalisation of BIL's sale and the decision in July 2012 by the European Commission that this transaction was not state aid, all previous restrictions have been lifted and "Treasury and Financial Markets" can develop activities in line with the risk profile defined with the new shareholders. Investments in the new portfolio started in the second half of 2012 (3.1 billion) and 2013 investments of 1.1 billion have followed to reach the targeted portfolio size and to generate 22.7 million over the first half of 2013. ALM is leveraging this portfolio to actively manage the long term interest rate exposure of the Bank, contributing by 5 million to Financial Markets income in 2013 compared with -19 million the previous year.

"Group Center" generated 20 million in income (**+4 million**).

Expenses

General expenses amounted to 163 million for the first half of 2013. Costs increased by 8.4% (**12 million**) compared with the first six months of 2012. Since the change of ownership of BIL in October 2012, the Bank started to work extensively on the implementation of the "BIL is Back" programme focused on realising its 2015 growth ambitions. The Bank invested in people, external consultants and technology developments to support this programme. After the transitional pre-closing period, the Bank has also increased its marketing presence to improve its visibility in the market. Consequently, staff costs increased by 6 million, consultancy fees grew by 3 million, IT charges and software depreciation by 2 million and other operational expenses by 1 million. The programme is on track and the initiative to enhance the Bank's presence in Belgium will be achieved by the opening of its Branch in Brussels during the third quarter.

Gross operating income

Gross operating income amounted to 101 million, up by 40 million compared with 2012, of which 12 million are attributable to commercial activities and 24 million to market activities.

Cost of risk and impairment

In the first half of 2013, BIL group booked net provisions of 9 million. The risk cost remains very limited and in line with the same period in 2012.

Net income before tax

At the end of the first half of the year, "Core New BIL" generated a strong performance with a net profit before tax of 92 million (**+39 million**). This return to high profitability is primarily due to encouraging results and initiatives from each business line.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

The summary balance sheet changed as follows:

(in EUR billions)	31/12/12	30/06/13	Change
ASSETS	**21.3**	**20.3**	**(5%)**
Loans and advances to credit institutions	5.2	3.5	(33%)
Loans and advances to customers	9.6	9.8	2%
Loans and securities available for sale	3.8	4.9	28%
Positive value of derivative products	1.7	1.0	(41%)
Other assets	1.0	1.1	14%
LIABILITIES	**21.3**	**20.3**	**(5%)**
Amounts owed to credit institutions	2.6	2.1	(18%)
Customer Deposits	11.5	12.1	5%
Negative value of derivative products	1.6	1.1	(32%)
Debt securities	3.3	2.9	(11%)
Subordinated and convertible debt	0.8	0.5	(29%)
Other liabilities	0.5	0.5	0%
Shareholders' equity	1.1	1.1	2%

Over the first six months of 2013, the balance sheet size has decreased by **1 billion** (-5%). This development is mainly driven by a significant decrease of BIL's derivatives portfolio and the resulting impacts on its revaluation and on posted and received collateral.

In 2012, BIL transferred the legacy portfolio to DCL. This bond portfolio was historically hedged against interest risk using interest rate swaps. At each bond transfer, the hedging transaction with an external counterpart was mirrored and a mirror swap with DCL was made in order to transfer the hedging together with the underlying bond.

Since the sale of BIL, the Bank has worked together with its external counterparts to effectively transfer the hedge transactions to DCL through novations. Thus, BIL reduced its outstanding legacy swaps portfolio by a nominal amount of 1.9 billion and the swap book size towards DCL was similarly reduced by 1.9 billion.

The total decrease of 3.8 billion of the swap portfolio size explains the drop of "fair value of derivative products" recognised as assets and liabilities in the balance sheet as well as a decrease of 0.5 billion of cash collateral received and posted.

Asset movements

"Loans and advances to customers" increased by 0.2 billion (+2%) as the Bank continued to develop its Retail and Corporate activities in Luxembourg. During the first half of 2013, outstanding mortgage loans rose by 95 million (+3.1%) and corporate loans by 116 million (+3%).

Over the last six months, the Bank continued to build up its new investment portfolio which reached a nominal amount of 4.1 billion, leading to an increase of 1.1 billion of "Loans and securities available for sale". It is mainly composed of assets eligible for the main refinancing operations of the European Central Bank (ECB) and qualified as liquidity reserves under Basel III.

"Loans and advances to credit institutions" decreased in the same period by 1.7 billion (-33%) as excess cash was progressively invested in the bond portfolio (1.1 billion) and cash collateral posted decreased by 0.5 billion as explained above. The Bank remains highly liquid and at the end of June 2013, in excess of the liquidity buffer formed by the investment portfolio, the Bank held 1.8 billion cash with the Swiss and Luxembourg central banks.

Movements in liabilities

"Amounts owed to credit institutions" decreased by 0.5 billion as the reduction in the size of the interest rate swap portfolio reduced the need for cash collateral received (-0.5 billion).

"Customer deposits" showed an increase of 0.5 billion (+5%). In a volatile equities market and a very low long-term interest rate environment, clients preferred to increase the share of their assets held in cash and short term products. This growth in deposits was driven mainly by growth in demand deposits.

"Debt securities" decreased slightly as clients only partly reinvested maturing structured products and the Bank was not actively raising funding in the wholesale market as its comfortable liquidity position did not require supplementary institutional funding.

In January, the Bank launched a Liability Management Exercise, on its hybrid capital instrument and four subordinated issues, and purchased a nominal amount of 123 million in subordinated debt and 119 million in hybrid debt. Consequently, "Subordinated and convertible debt" decreased by 0.2 billion (-29%).

"Shareholders' equity" went up by 2%. This change was mainly due to the net profit for 2013 of 67 million compensated by the decrease of revaluation reserves on the available for sale portfolio of 29.5 million (134.7 million compared with 164.3 million in December 2012).

3. Outlook

During the first half of 2013, the Bank successfully pursued its strategic development in a difficult economic and financial context for the banking sector as a whole.

BIL continued to develop its commercial offering, as it is notably evidenced by the new positioning of Private Banking, intended to improve its visibility and to differentiate it from its national and international competitors.

On the local level, BIL will continue to offer its long-standing support for the economy by maintaining a presence at many trade shows and local events as well as in the media. The Bank will also remain committed to its role in financing projects for individuals and companies, supporting them at all key moments.

On the international scale, BIL is continuing its strategic expansion in Belgium and in Asia through a targeted offer for High Net Worth Individuals (HNWIs) and in the Middle East the Bank has set itself the objective of expanding its range of products and services intended for wealthy customers.

The new challenges facing the financial sector represent a unique opportunity for BIL to comprehensively transform itself and to develop a commercial approach appropriate to each category of customers, according to their needs.

Risk Management

1. Introduction

BIL's risk cartography was updated in 2012 within the Internal Capital Adequacy Assessment Process (ICAAP) framework. The main risks identified within the Bank were classified into five large categories: credit, market and ALM, operational, enterprise and behavioural risks. To ensure the sound management of these risks, the Bank set up an effective organisation and strong governance of its Risk Management, which are described in detail in the BIL 2012 Pillar 3 report (available online at www.bil.com).

BIL's goal is to grow in a balanced manner, while staying true to its core values in terms of risk and financial strength. The Bank thus complies with the strictest possible standards as regards lending, risk management, operating activities and product quality.

2. Credit risk

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. The total commitment corresponds 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 whose risk weighting is lower. Therefore, counterparts presented hereafter are final counterparts, i.e. after taking into account the eligible guarantees.

The Bank's total credit risk exposure amounted to 19.74 billion as at June 30, 2013.

Exposures by geographic region

(in EUR millions)	30/06/12	30/06/13
Luxembourg	10,311	9,613
France	2,130	1,836
Belgium	838	1,462
Germany	812	1,181
Italy	121	572
Spain	106	510
Ireland	4	247
Portugal	41	9
Greece	3	0
Other EU countries	1,083	1,019
Turkey	11	5
Rest of Europe	344	2,674
United States and Canada	925	88
South and Central America	105	29
Japan	3	46
Southeast Asia	78	212
Others [1]	363	238
TOTAL	17,278	19,742

As at June 30, 2013 the Bank's exposure is still mainly concentrated in Europe (97%, EUR 19 billion): primarily in Luxembourg (49%), France (9%) and Belgium (7%).

The composition of the new investment portfolio explains the main exposures variations: the Bank invested in Belgian (EUR 762 millions), French (EUR 477 millions) and Italian (EUR 317 millions) bonds.

Exposures by counterpart category

(in EUR millions)	30/06/12	30/06/13
Central Governments	1,646	5,878
Public Sector Entities	732	936
Corporate	3,087	3,564
Project Finance	114	110
Individuals, SME & Self Employed	7,051	7,194
Financial Institutions	4,568	2,048
Others	80	12
TOTAL	17,278	19,742

The transfer of the legacy portfolio to Dexia Crédit Local (DCL), mainly concentrated on financial institutions, and the composition of the new investment portfolio, more government bond-oriented, sharply modified the exposure breakdown. Indeed, the proportion of central government counterparts increased to 30% at June 30, 2013 against 10% at June 30, 2012; the proportion of financial institutions decreased to 10% at June 30, 2013 against 26% at June 30, 2012.

[1] Includes supranational entities such as the ECB.

Breakdown of the government bond portfolio for sensitive European countries – non-trading

(in EUR millions)	banking 30/06/12	banking 30/06/13
Italy	34	332
Ireland	0	225
Spain	0	50
Greece	0	0
Portugal	30	0
TOTAL	64	606

3. Market risk

VaR (10 days, 99%) per activity	2013 YTD			
(in EUR millions)	IR[1] & FX[2] (Trading & Banking)[3]	EQT[4] Trading	Total	Limit
Average	5.20	0.02	5.22	
End of period	6.06	0.02	6.07	8
Maximum	8.47	0.03	8.51	
Minimum	3.32	0.00	3.32	

4. Asset quality

(in EUR millions)	30/06/12	31/12/12	30/06/13
Gross amount of non impaired loans	9,523.79	9,531.47	9,720.55
Impaired loans to customers	257.26	263.39	278.25
Specific provisions	215.49	219.27	220.17
Asset quality ratio[5]	2.63%	2.69%	2.78%
Coverage ratio[6]	83.77%	83.25%	79.13%

5. Solvency monitoring

See Note 8 of the consolidated financial statements.

[1] IR: interest-rate.
[2] FX: forex.
[3] IR and FX: without ALM.
[4] EQT: equity.
[5] Impaired loans as a percentage of total loans outstanding.
[6] The coverage ratio measures specific provisions recognised for loans and receivables in relation to total outstanding impaired loans and advances to customers.

Consolidated financial statements

Consolidated balance sheet (unaudited)

ASSETS (in EUR)		30/06/12	31/12/12	30/06/13
I.	Cash and balances with central banks	610,124,838	3,358,966,568	1,870,571,127
II.	Loans and advances to credit institutions	2,362,234,066	1,856,457,339	1,616,918,559
III.	Loans and advances to customers	9,544,511,712	9,554,192,423	9,757,361,396
IV.	Financial assets at fair value through profit and loss	109,070,680	124,171,032	175,268,268
V.	Financial investments	691,926,863	3,894,147,186	4,971,034,291
VI.	Derivatives	1,857,178,076	1,709,753,839	1,005,248,673
VII.	Fair value revaluation of portfolios hedged against interest-rate risk	26,616,673	25,452,345	17,127,417
VIII.	Tangible fixed assets	286,266,839	279,952,075	271,577,629
IX.	Intangible fixed assets and goodwill	62,850,870	65,392,495	67,066,422
X.	Tax assets	404,345,931	376,068,944	375,477,333
XI.	Other assets	4,572,792,445	61,158,415	170,643,417
TOTAL ASSETS		**20,527,918,993**	**21,305,712,661**	**20,298,294,532**

LIABILITIES (in EUR)		30/06/12	31/12/12	30/06/13
I.	Amounts owed to credit institutions	2,659,845,712	2,578,571,093	2,107,807,769
II.	Amounts owed to customers	10,161,606,281	11,546,279,875	12,085,394,893
III.	Financial liabilities at fair value through profit and loss	2,955,342,625	2,672,791,875	2,213,518,583
IV.	Derivatives	1,847,041,601	1,573,878,656	1,073,136,015
V.	Fair value revaluation of portfolios hedged against interest-rate risk	81,232,840	91,611,929	68,708,370
VI.	Debt securities	829,858,764	619,234,370	702,524,934
VII.	Subordinated debt	771,198,978	751,562,232	531,834,588
VIII.	Provisions and other obligations	84,781,093	71,753,667	61,406,575
IX.	Tax liabilities	34,137,270	36,340,787	36,598,231
X.	Other liabilities	272,533,734	258,776,696	292,647,196
TOTAL LIABILITIES		**19,697,578,898**	**20,200,801,180**	**19,173,577,154**

SHAREHOLDERS' EQUITY (in EUR)		30/06/12	31/12/12	30/06/13
XI.	Subscribed capital	141,224,090	141,224,090	141,224,090
XII.	Additional paid-in capital	504,450,703	708,297,160	708,297,160
XIII.	Treasury shares	(1,455,000)	(1,455,000)	(1,455,000)
XIV.	Reserves and retained earnings	85,848,199	80,217,434	88,687,143
XV.	Net income for the period	18,143,701	30,177,288	67,116,227
CORE SHAREHOLDERS' EQUITY		**748,211,693**	**958,460,972**	**1,003,869,620**
XVI.	Gains and losses not recognised in the statement of income	82,128,402	146,450,509	120,847,758
	a) AFS reserve	*90,795,663*	*164,307,820*	*134,721,685*
	b) Other reserves	*(8,667,261)*	*(17,857,311)*	*(13,873,927)*
GROUP EQUITY		**830,340,095**	**1,104,911,481**	**1,124,717,378**
TOTAL SHAREHOLDERS' EQUITY		**830,340,095**	**1,104,911,481**	**1,124,717,378**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**20,527,918,993**	**21,305,712,661**	**20,298,294,532**

Consolidated statement of income
(unaudited)

(in EUR)		30/06/12	31/12/12	30/06/13
I.	Interest received	512,561,426	991,778,618	379,019,796
II.	Interest paid	(403,394,066)	(774,157,491)	(258,049,600)
III.	Dividends	20,906,675	22,075,603	3,162,092
IV.	Net trading income and net result of hedge accounting	(1,308,289)	4,363,972	9,800,005
V.	Net income on investments	(39,959,413)	(53,281,481)	43,693,019
VI.	Fee and commission income	81,108,298	169,463,630	92,397,338
VII.	Fee and commission expense	(9,371,049)	(20,117,361)	(8,944,045)
VIII.	Other net income	13,632,646	19,517,121	(2,781,704)
INCOME		**174,176,228**	**359,642,611**	**258,296,901**
IX.	Staff expense	(86,955,004)	(188,275,168)	(92,639,684)
X.	General and administrative expenses	(54,345,677)	(120,090,630)	(60,932,586)
XI.	Amortisation of tangible and intangible fixed assets	(10,328,636)	(22,292,441)	(11,237,558)
EXPENSES		**(151,629,317)**	**(330,658,239)**	**(164,809,828)**
GROSS OPERATING INCOME		**22,546,911**	**28,984,372**	**93,487,073**
XII.	Impairment of loans and provisions for credit commitments	(8,228,789)	(18,430,898)	(2,185,568)
XIII.	Impairment of tangible and intangible fixed assets	0	0	(96,689)
XIV.	Provisions for legal litigation	(5,000)	11,184,137	(78,371)
NET INCOME BEFORE TAX		**14,313,122**	**21,737,611**	**91,126,445**
XV.	Tax expense	3,830,579	8,439,677	(24,010,218)
NET INCOME		**18,143,701**	**30,177,288**	**67,116,227**
	Net income-Group share	18,143,701	30,177,288	67,116,227
	Earnings per share			
	- basic	9.00	14.97	33.28
	- diluted	9.00	14.97	33.28

Consolidated statement of changes in equity (unaudited)

CORE SHAREHOLDERS' EQUITY, GROUP 2012 (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31/12/11, IFRS	**141,224,090**	**617,668,312**	**(1,455,000)**	**1,887,809,361**	**(1,948,660,693)**	**696,586,070**
Classification of income 2011		(113,217,609)		(1,835,443,084)	1,948,660,693	0
Classification of income to hybrid capital [1]				33,631,771		33,631,771
Changes in scope of consolidation				(149,849)		(149,849)
Net income for the period					18,143,701	18,143,701
AS AT 30/06/12, IFRS	**141,224,090**	**504,450,703**	**(1,455,000)**	**85,848,199**	**18,143,701**	**748,211,693**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Translation adjustments [2]	Other reserves	Gains and losses not recognised in the statement of income
AS AT 31/12/11, IFRS	**60,752,553**	**769,185**	**(19,488,013)**	**0**	**42,033,725**
Net change in fair value through equity – Available for sale investments	4,101,286				4,101,286
Net change in fair value through equity – Cash flow hedge		1,965,398			1,965,398
Net change in other reserves					0
Translation adjustments	5,643		8,959,532		8,965,175
Reimbursements for the period, disposals or maturities	(5,007)				(5,007)
Cancellation of fair value following AFS disposals	25,941,188				25,941,188
Cash flow hedge – Break in hedging		(873,363)			(873,363)
AS AT 30/06/12, IFRS	**90,795,663**	**1,861,220**	**(10,528,481)**	**0**	**82,128,402**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31/12/11, IFRS	**340,145**	**0**	**340,145**
Changes in scope of consolidation	(340,145)		(340,145)
AS AT 30/06/12, IFRS	**0**	**0**	**0**

[1] Amount net of tax.
[2] As at June 30, 2012, translation adjustments comprise an amount of EUR -37,092,891 relating to net investment hedges linked to foreign exchange differences in consolidated investments (as at December 31, 2011: EUR -35,431,536).

Consolidated management report

Consolidated financial statements

CORE SHAREHOLDERS' EQUITY, GROUP 2013 (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 31/12/12, IFRS	**141,224,090**	**708,297,160**	**(1,455,000)**	**80,217,428**	**30,177,288**	**958,460,966**
Classification of income 2012				30,177,288	(30,177,288)	0
Classification of income to hybrid capital [1]				(21,707,573)		(21,707,573)
Changes in scope of consolidation						0
Net income for the period					67,116,227	67,116,227
AS AT 30/06/13, IFRS	**141,224,090**	**708,297,160**	**(1,455,000)**	**88,687,143**	**67,116,227**	**1,003,869,620**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Translation adjustments [2]	Other reserves	Gains and losses not recognised in the statement of income
AS AT 31/12/12, IFRS	**164,307,820**	**631,264**	**(11,091,673)**	**(7,396,901)**	**146,450,510**
Net change in fair value through equity – Available for sale investments	(14,384,266)				(14,384,266)
Net change in fair value through equity – Cash flow hedge		3,572,779			3,572,779
Net change in other reserves				66,438	66,438
Translation adjustments	(46,000)		268,869	75,296	298,165
Reimbursements for the period, disposals or maturities					0
Cancellation of fair value following AFS disposals	(15,155,868)				(15,155,868)
Cash flow hedge – Break in hedging					0
AS AT 30/06/13, IFRS	**134,721,686**	**4,204,043**	**(10,822,804)**	**(7,255,167)**	**120,847,758**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 31/12/12, IFRS	**0**	**0**	**0**
Changes in scope of consolidation			
AS AT 30/06/13, IFRS	**0**	**0**	**0**

[1] Amount net of tax.

[2] As at June 30, 2013, translation adjustments comprise an amount of EUR -33,919,998 relating to net investment hedges linked to foreign exchange differences in consolidated investments (as at December 31, 2012: EUR -36,297,941).

Consolidated statement of comprehensive income (unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [1] (in EUR)	30/06/12	31/12/12	30/06/13
NET INCOME RECOGNISED IN THE STATEMENT OF INCOME	**18,143,701**	**30,177,288**	**67,116,227**
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	**40,094,678**	**104,416,784**	**(25,602,751)**
Items that will not be reclassified to profit or loss	**0**	**(7,396,902)**	**141,736**
Actuarial gains (losses) on defined benefit pension plans - Gross	0	(10,132,710)	189,979
Actuarial gains (losses) on defined benefit pension plans - Tax	0	2,735,808	(47,243)
Items that may be reclassified to profit or loss	**40,094,678**	**111,813,686**	**(25,744,487)**
Gains (losses) on net investment hedge	(89,501)	(58,915)	(96,900)
Translation adjustments	8,959,533	8,396,340	268,869
Gains (losses) on cash flow hedge	1,623,256	(129,535)	5,132,220
Unrealised gains (losses) on available for sale financial investments	43,340,665	143,883,325	(44,812,338)
Tax on components of income not recognised in the statement of income	(13,739,275)	(40,277,529)	13,763,662
TOTAL GLOBAL INCOME FOR THE FINANCIAL YEAR	**58,238,379**	**134,594,072**	**41,513,476**
Attributable to minority interest (non-controlling interest)	0	0	0
Attributable to equity holders of the parent company	**58,238,379**	**134,594,072**	**41,513,476**

[1] Including changes in the AFS reserves for the period.

Consolidated management report

Consolidated financial statements

Consolidated cash flow statement

(in EUR)	30/06/12	31/12/12	30/06/13
CASH FLOW FROM OPERATING ACTIVITIES			
Net income after income taxes	18,143,701	30,177,288	67,116,227
Adjustment for :			
- Depreciation, amortisation and other impairment	16,006,442	33,927,407	18,280,285
- Impairment on bonds, equities and other assets	4,547,177	13,174,970	(4,999,392)
- Net gains/(losses) on investments	1,594,640	1,780,872	(381,988)
- Charges for provisions	(5,735,496)	(29,152,755)	(4,172,415)
- Unrealised gains or (losses)	(1,622,016)	(1,602,280)	48,314
- Deferred taxes	(17,870,850)	(24,709,484)	24,425,084
- Other adjustments	2,022,675	0	0
Changes in operating assets and liabilities	(502,784,137)	1,965,405,836	(1,121,657,806)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES	**(485,697,864)**	**1,989,001,854**	**(1,021,341,691)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(10,371,690)	(25,132,631)	(12,317,090)
Sale of fixed assets	0	66,207	997,832
Purchase of non-consolidated shares	(2,163,553)	(2,163,553)	(862,480)
Sales of non-consolidated shares	3,218,043	3,617,292	1,658,462
Acquisitions of subsidiaries	(490,000)	(490,000)	0
Sales of subsidiaries/branch closures	(3,255,023)	(4,904,426)	0
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES	**(13,062,223)**	**(29,007,111)**	**(10,523,276)**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase	0	203,846,457	0
Reimbursement of subordinated debts	0	0	(240,702,035)
NET CASH FLOW PROVIDED (USED) BY FINANCING ACTIVITIES	**0**	**203,846,457**	**(240,702,035)**
NET CASH PROVIDED	**(498,760,087)**	**2,163,841,200**	**(1,272,567,002)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**2,245,590,078**	**2,245,590,078**	**4,412,893,222**
Net cash flow from operating activities	(485,697,864)	1,989,001,854	(1,021,341,691)
Net cash flow from investing activities	(13,062,223)	(29,007,111)	(10,523,276)
Net cash flow from financing activities	0	203,846,457	(240,702,035)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents	3,057,293	3,461,944	(5,076,677)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,749,887,284**	**4,412,893,222**	**3,135,249,543**
ADDITIONAL INFORMATION			
Taxes paid	(967,376)	(1,039,991)	47,828
Dividends received	20,906,675	22,075,603	3,162,092
Interest received	519,223,803	959,970,225	401,387,167
Interest paid	(452,345,740)	(865,835,606)	(261,330,845)

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.

Financing activities are not split between those attributable to equity holders and those attributable to non-controlling interests.

The amounts indicated include cash flows attributable to the Group and third parties.

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 financial statements. This rule applies to the presentation of the balance sheet, the statement of income and the notes to the financial statements, as well as to the statement of changes in equity and the cash flow statement.

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

General information

The holding 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 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 August 2, 2013, and signed by François Pauly, Chairman of the Management Board of the BIL group and Chief Executive Officer.

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 RULES AND METHODS

1.1. Basis accounting

1.1.1. General information

BIL's consolidated financial statements are prepared in accordance with the IFRS, as adopted by the European Union (EU). BIL's consolidated financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the European Commission up to June 30, 2013, including the conditions of application of interest rate portfolio hedging and the ability to hedge core deposits.

Our accounting principles include only elements where an IFRS text allows a choice.

The consolidated financial statements are prepared on a "going-concern basis" and are given 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 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 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;
- Financial instruments for which no quoted market prices in 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 volume traded, market liquidity, bid offer spread, etc;
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques;
- Determination on whether BIL controls the investee, including special purpose entities;
- The appropriateness of designating derivatives as hedging instruments;
- Existence of a present obligation with probable outflows in the context of litigation; and
- Identification of impairment triggers.

Estimates are principally made in the following areas:

- The measurement of hedge effectiveness in hedging relations;
- Determination of the market value correction to adjust for market value and model uncertainty;
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets;
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets;
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets; and
- Estimation of the recoverable amount of cash-generating units for goodwill impairment.

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 June 30, 2013.

1.2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2013

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from January 1, 2013.

- Amendment to IAS 19 "Employee Benefits" mainly changes the recognition and measurement of defined benefit pension plans (notably with the abolition of the "corridor" mechanism) and enhances the disclosures on such plans required in the notes. The amendment to IAS 19 applies from January 1, 2013, and impacts BIL. As a result of this amendment, BIL has to present the net assets or liabilities of defined benefits in its financial statements. BIL is no longer permitted to use the corridor method because, under this amendment, the total amount of actuarial gains or losses is recognised in gains/losses not recognised in the statement of income. Net remuneration on defined benefit liabilities is calculated using a discount rate corresponding to the interest rate on high-quality corporate bonds. Lastly, taxes payable in respect of the scheme for contributions related to services before the reporting date or for benefits resulting from these services are included in the valuation of obligations in respect of defined benefits.
- Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income" clarifies the requirements for the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability. This amendment is effective as from January 1, 2013 and impacts the Bank's presentation of other comprehensive income.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation has no impact on BIL.
- Amendments to IAS 12 "Income Taxes - Deferred Tax: Recovery of Underlying Assets". These amendments do not impact BIL's financial statements.
- Amendments to IFRS 7 "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" require additional disclosures of recognised financial instruments that are set off and of recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The amended IFRS 7 is applicable as from January 1, 2013 and expands BIL's disclosures regarding offsetting of financial instruments in annual and interim reporting.
- IFRS 13 "Fair Value Measurement" describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. IFRS 13 is applicable as from January 1, 2013 and impacts BIL in how fair value is measured.
- Amendment to IFRS 1 "Government Loans" (issued by IASB in March 2012). This amendment is effective as from January 1, 2013 and does not impact the financial statements of the Bank, which is no longer a first-time adopter.
- "Annual Improvements 2009-2011 cycle" (issued by IASB in May 2012), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from January 1, 2013. The Bank does not expect these amendments to have a material impact on its financial statements.
- 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, 2013. This publication comprises the following:
  - IFRS 10 "Consolidated Financial Statements" introduces one single consolidation model for all entities, based on control and regardless of the nature of the investee. BIL does not expect a material impact from this standard on its financial reporting.
  - IFRS 11 "Joint Arrangements" does no 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.
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". These amendments have no impact on BIL.
- Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) (issued June 28, 2012) have no impact on the Bank.

1.2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from January 1, 2013

- 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 will be applicable as from January 1, 2014 and will not impact the Bank.
- "Investment Entities" (amendments to IFRS 10, IFRS 12 and IAS 27) (issued on October 31, 2012). These amendments are effective as from January 1, 2014 and will have no impact on the Bank.

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

- "Recoverable Amount Disclosures for Non-Financial Assets" (amendments to IAS 36) (issued on May 29, 2013). This amendment is effective as from January 1, 2014 and will have 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 could impact the Bank.
- IFRIC Interpretation 21 "Levies" (issued on May 20, 2013). This interpretation is effective as from January 1, 2014 and will have no impact on the Bank.

1.2.4. Change in accounting policies

We consider the death-in-service lump sum benefit and some disability-in-service pensions, i.e. benefits not depending on the years of service and initially included in the Defined Benefit Obligation, to be treated as cash accounting based on the insurance premiums payments without any further provision required for this risk.

This generates a retained earnings impact which is reflected in 2012 figures for a positive gross amount of EUR 5.93 million (net amount of EUR 4.20 million).

Note 2: Significant changes in the scope of consolidation from July 1, 2012 to June 30, 2013

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

Companies fully consolidated for the first time
BIL Manage Invest SA

Companies no longer fully consolidated
N/A

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
N/A

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

B. Main changes in the Group's interest percentage
N/A

C. Changes in corporate names
N/A

Note 3: Business 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 NBI, net income or assets represent 10% or more of the total are reported separately.

INCOME (in EUR thousands)	30/06/12		
	Income	*of which interest income*	Income before tax
Retail, Corporate and Private Banking	**187,175**	***111,919***	**42,419**
Treasury and Financial Markets	**9,046**	***(13,485)***	**(6,096)**
Group Center	**(22,045)**	***31,640***	**(22,010)**
Core	15,850	*19,770*	16,802
Non Core	(37,895)	*11,870*	(38,812)
TOTAL	174,176	*130,074*	14,313
Profit before tax			14,313
Taxes			3,831
NET RESULT			18,144

INCOME (in EUR thousands)	30/06/13		
	Income	*of which interest income*	Income before tax
Retail, Corporate and Private Banking	**208,983**	***118,232***	**54,068**
Treasury and Financial Markets	**35,360**	***4,242***	**17,640**
Group Center	**13,954**	***1,658***	**19,418**
Core	19,889	*1,660*	19,983
Non Core	(5,935)	*(2)*	(565)
TOTAL	258,297	*124,132*	91,126
Profit before tax			91,126
Taxes			(24,010)
NET RESULT			67,116

ASSETS AND LIABILITIES (in EUR thousands)	31/12/12		30/06/13	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Private Banking	9,554,192	11,546,280	9,757,361	12,085,395
Treasury and Financial Markets	10,666,159	8,287,650	9,365,007	6,698,080
Group Center	1,085,362	366,871	1,175,927	390,102
TOTAL	21,305,713	20,200,801	20,298,295	19,173,577

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 and the equity capital allocated to this activity on the basis of medium and long-term assets;
- 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.

Note 4: Subordinated debt and debt securities

Subordinated debt

ANALYSIS BY NATURE	30/06/12	31/12/12	30/06/13
Non-convertible subordinated debt [1]	579,830,750	560,194,004	427,092,185
Hybrid capital and redeemable preferred shares [2]	191,368,228	191,368,228	104,742,403
TOTAL	**771,198,978**	**751,562,232**	**531,834,588**

Debt securities

ANALYSIS BY NATURE	30/06/12	31/12/12	30/06/13
Certificates of deposit	113,551,763	96,919,701	85,098,651
Non-convertible bonds	716,307,001	522,314,669	617,426,283
TOTAL	**829,858,764**	**619,234,370**	**702,524,934**

Note 5: Exchange rates

		30/06/12		31/12/12		30/06/13	
		Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.2388	1.2571	1.2720	1.2451	1.4195	1.3093
Canadian dollar	CAD	1.2934	1.3074	1.3148	1.2908	1.3678	1.3408
Swiss franc	CHF	1.2019	1.2029	1.2073	1.2040	1.2305	1.2288
Danish krone	DKK	7.4338	7.4351	7.4604	7.4448	7.4589	7.4572
Pound sterling	GBP	0.8083	0.8217	0.8130	0.8115	0.8567	0.8541
Hong Kong dollar	HKD	9.8414	10.1012	10.2380	10.0213	10.0952	10.1749
Japanese yen	JPY	101.0449	103.5911	114.0795	103.4487	129.1119	125.5710
Norwegian krone	NOK	7.5319	7.5617	7.3495	7.4655	7.9324	7.5918
Polish zloty	PLN	4.2389	4.2211	4.0816	4.1724	4.3371	4.2190
Swedish krone	SEK	8.7529	8.8615	8.5978	8.6793	8.7659	8.5450
Singapore dollar	SGD	1.6065	1.6378	1.6133	1.6074	1.6503	1.6343
US dollar	USD	1.2685	1.3017	1.3210	1.2921	1.3014	1.3113

Note 6: Material items in the statement of income

These items are included in the consolidated management report.

[1] List available upon request

[2] In first instance, 2011 loss has been allocated to all available reserves. In accordance with the "Loss Participation" clause, as defined in the hybrid capital prospectus issued by BIL, the amount of loss exceeding the available reserves has been shared on a prorata basis, between the amount of hybrid capital (for EUR 34 million), on the one hand, and the sum of the share capital and share premium adjusted for the amount of own shares, on the other hand.

Note 7: Post-balance sheet events

There were no 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 8: Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	30/06/12	31/12/12	30/06/13
TOTAL REGULATORY CAPITAL (AFTER ALLOCATION)	**735,875,636**	**819,763,873**	**813,199,090**
Regulatory capital in the strict sense, including hybrid capital	**432,555,492**	**605,211,660**	**558,378,580**
Core shareholders' equity	730,067,992	923,595,444	936,753,393
Translation adjustments - Group	(10,528,479)	(11,091,671)	(10,822,803)
Deductions and prudential filters	(371,999,383)	(307,292,113)	(367,552,010)
Hybrid capital eligible as Core shareholders' equity [1]	85,015,362	0	0
TIER 2 CAPITAL	**303,320,144**	**214,552,213**	**254,820,510**
Fixed-term subordinated loans	317,116,008	170,740,037	175,943,253
Deductions and prudential filters	(13,795,864)	43,812,176	78,877,257

	30/06/12	31/12/12	30/06/13
WEIGHTED RISKS	**7,958,036,863**	**4,206,851,250**	**4,335,958,888**
Credit risk	7,033,287,750	3,367,163,188	3,493,982,000
Market risk	136,873,438	145,058,075	147,346,900
Operational risk	787,875,675	694,629,988	694,629,988
SOLVENCY RATIOS			
Tier 1 ratio	5.44%	14.39%	12.88%
Capital Adequacy Ratio	9.25%	19.49%	18.75%

[1] This amount is the result of a single operation: it consists of hybrid capital issued by BIL on July 6, 2001, in the amount of EUR 225 million entered in the financial statements under subordinated debt. As at June 30, 2012, so as to adhere to the 15% Tier 1 hybrid capital ceiling, we only include this issue in the amount of EUR 85,015,362. The nature of Hybrid Tier 1 has been modified on September 14, 2012 following General Meeting and in consequence, it has to be assimilated under lower Tier 2 within the lower Tier 2 limits imposed by the regulatory authorities.

Note 9: Litigation

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 a principal amount 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 financial impact.

As at June 30, 2013, 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.

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 and one of its traders for aiding EBH BANK in allegedly manipulating the market. This trader and, subsequently, Banque Internationale à Luxembourg Bank Danmark A/S, as a legal entity, were investigated for this alleged aid. The police investigation is still in progress and is likely to result in Banque Internationale à Luxembourg Bank Danmark A/S and its trader being charged.

Banque Internationale à Luxembourg Bank Danmark A/S firmly denies any involvement in any alleged criminal acts.

The Bank is not involved in any other legal 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 10: Fair value

A. BREAKDOWN OF FAIR VALUE

A.1. Fair value of assets	31/12/12			30/06/13		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	3,358,966,568	3,358,966,568	0	1,870,571,127	1,870,571,127	0
Loans and advances to credit institutions	1,856,457,339	1,859,181,013	2,723,674	1,616,918,559	1,619,041,510	2,122,951
Loans and advances to customers	9,554,192,423	9,672,730,260	118,537,837	9,757,361,396	9,847,494,141	90,132,745
Financial assets held for trading	87,326,422	87,326,422	0	135,602,103	135,602,103	0
Financial assets designated at fair value	36,844,610	36,844,610	0	39,666,165	39,666,165	0
Financial assets available for sale	3,847,760,033	3,847,760,033	0	4,929,278,166	4,929,278,166	0
Investments held to maturity	46,387,153	47,356,233	969,080	41,756,125	43,360,901	1,604,776
Derivatives	1,709,753,839	1,709,753,839	0	1,005,248,673	1,005,248,673	0
Fair value revaluation of portfolios hedged against interest-rate risk	25,452,345	25,452,345	0	17,127,417	17,127,417	0
Other assets	782,571,929	782,571,929	0	884,764,802	884,764,802	0
TOTAL	**21,305,712,661**	**21,427,943,252**	**122,230,591**	**20,298,294,533**	**20,392,155,005**	**93,860,472**

A.2. Fair value of liabilities	31/12/12			30/06/13		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts owed to credit institutions	2,578,571,093	2,585,007,761	(6,436,668)	2,107,807,769	2,113,868,895	(6,061,126)
Amounts owed to customers	11,546,279,875	11,548,432,592	(2,152,717)	12,085,394,893	12,085,763,288	(368,395)
Financial liabilities held for trading	902,323	902,323	0	1,925,096	1,925,096	0
Financial liabilities designated at fair value	2,671,889,552	2,671,889,552	0	2,211,593,487	2,211,593,487	0
Derivatives	1,573,878,656	1,573,878,656	0	1,073,136,015	1,073,136,015	0
Fair value revaluation of portfolios hedged against interest-rate risk	91,611,929	91,611,929	0	68,708,370	68,708,370	0
Debt securities	619,234,370	628,487,478	(9,253,108)	702,524,934	715,651,882	(13,126,948)
Subordinated debt	751,562,232	830,619,026	(79,056,794)	532,384,588	573,653,122	(41,268,534)
Other liabilities	366,871,150	366,871,150	0	390,102,002	390,102,002	0
TOTAL	**20,200,801,180**	**20,297,700,467**	**(96,899,287)**	**19,173,577,154**	**19,234,402,157**	**(60,825,003)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see point 1.7 of Note 1 "Accounting principles" of the 2012 consolidated financial statements).

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).

B.1. Assets	31/12/12			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	45,224,445	13,247,449	28,854,528	87,326,422
Financial assets designated at fair value - equities	0	0	36,844,610	36,844,610
Financial assets available for sale - bonds	3,653,654,483	0	0	3,653,654,483
Financial assets available for sale - equities [1]	117,982,943	39,792,871	26,593,765	184,369,579
Derivatives	287,290	1,495,414,664	214,051,885	1,709,753,839
TOTAL	**3,817,149,161**	**1,548,454,984**	**306,344,788**	**5,671,948,933**

	30/06/13			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	57,056,538	78,068,667	476,898	135,602,103
Financial assets designated at fair value - equities	0	39,666,165	0	39,666,165
Financial assets available for sale - bonds	4,426,132,507	310,533,761	0	4,736,666,268
Financial assets available for sale - equities [1]	61,149,932	123,424,413	0	184,574,345
Derivatives	214,372	1,005,034,301	0	1,005,248,673
TOTAL	**4,544,553,349**	**1,556,727,307**	**476,898**	**6,101,757,554**

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

B.2. Liabilities	31/12/12			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	902,323	0	0	902,323
Financial liabilities designated at fair value	0	2,182,030,967	489,858,585	2,671,889,552
Derivatives	1,137,291	1,387,727,767	185,013,598	1,573,878,656
TOTAL	**2,039,614**	**3,569,758,734**	**674,872,183**	**4,246,670,531**

	30/06/13			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	1,437,297	487,799	0	1,925,096
Financial liabilities designated at fair value	0	2,210,965,615	627,872	2,211,593,487
Derivatives	1,868,073	1,071,267,943	0	1,073,136,016
TOTAL	**3,305,370**	**3,282,721,357**	**627,872**	**3,286,654,599**

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

[1] Excludes variable securities recorded at cost (amounted to EUR 9.7 million as at December 31, 2012 and EUR 8.0 million as at June 30, 2013).

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1. Assets	31/12/12		30/06/13	
	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	4,130,171	1,169,761	0
Financial assets available for sale - bonds	0	0	0	1,634,007,868
Financial assets available for sale - equities	0	0	0	10,328,976
TOTAL	**0**	**4,130,171**	**1,169,761**	**1,644,336,844**

C.2. Liabilities	31/12/12		30/06/13	
	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 liabilities held for trading	0	0	111,116	0
TOTAL	**0**	**0**	**111,116**	**0**

D. LEVEL 3 RECONCILIATION

D.1. Assets

	31/12/12					
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale	Settlement
Financial assets held for trading	28,232,508	2,907,068	0	884,130	(527,840)	(2,641,338)
Financial assets designated at fair value - equities	0	3,340,675	0	0	0	0
Financial assets available for sale - bonds	8,538,731	0	0	0	0	0
Financial assets available for sale - equities	27,186,033	(700,000)	36,664	594,848	(2,354)	0
Derivatives	156,023,019	71,341,560	9,090,934	0	0	(22,766,948)
TOTAL	**219,980,291**	**76,889,303**	**9,127,598**	**1,478,978**	**(530,194)**	**(25,408,286)**

	31/12/12					
	Transfer to Level 3	Transfer from Level 3	Changes in the method of consolidation	Conversion differences	Departure from the scope of consolidation	Total
Financial assets held for trading	0	0	0	0	0	28,854,528
Financial assets designated at fair value - equities	33,503,935	0	0	0	0	36,844,610
Financial assets available for sale - bonds	0	(7,489,172)	0	(1,049,559)	0	0
Financial assets available for sale - equities	0	0	0	(521,426)	0	26,593,765
Derivatives	370,646	(7,326)	0	0	0	214,051,885
TOTAL	**33,874,581**	**(7,496,498)**	**0**	**(1,570,985)**	**0**	**306,344,788**

	30/06/13					
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale	Settlement
Financial assets held for trading	28,854,528	0	0	476,898	0	0
Financial assets designated at fair value - equities	36,844,610	0	0	0	0	0
Financial assets available for sale - bonds	0	0	0	0	0	0
Financial assets available for sale - equities	26,593,765	0	0	0	0	0
Derivatives	214,051,885	0	0	0	(233,369)	0
TOTAL	**306,344,788**	**0**	**0**	**476,898**	**(233,369)**	**0**

	30/06/13					
	Transfer to Level 3	Transfer from Level 3	Changes in the method of consolidation	Conversion differences	Departure from the scope of consolidation	Total
Financial assets held for trading	0	(28,854,528)	0	0	0	476,898
Financial assets designated at fair value - equities	0	(36,844,610)	0	0	0	0
Financial assets available for sale - bonds	0	0	0	0	0	0
Financial assets available for sale - equities	0	(26,593,765)	0	0	0	0
Derivatives	0	(213,818,516)	0	0	0	0
TOTAL	**0**	**(306,111,419)**	**0**	**0**	**0**	**476,898**

D.2. Liabilities	31/12/12						
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale	New issues	Settlement
Financial liabilities designated at fair value	699,528,736	(13,512,688)	0	0	(111,400,697)	103,425,899	(176,667,931)
Derivatives	129,648,011	98,899,253	0	0	0	0	(41,909,331)
TOTAL	829,176,747	85,386,565	0	0	(111,400,697)	103,425,899	(218,577,262)

	31/12/12					
	Transfer to Level 3	Transfer from Level 3	Changes in the method of consolidation	Conversion differences	Departure from the scope of consolidation	Total
Financial liabilities designated at fair value	0	(11,514,734)	0	0	0	489,858,585
Derivatives	0	(1,624,335)	0	0	0	185,013,598
TOTAL	0	(13,139,069)	0	0	0	674,872,183

	30/06/13						
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale	New issues	Settlement
Financial liabilities designated at fair value	489,858,585	0	0	0	0	627,872	0
Derivatives	185,013,598	0	0	0	0	0	0
TOTAL	674,872,183	0	0	0	0	627,872	0

	30/06/13					
	Transfer to Level 3	Transfer from Level 3	Changes in the method of consolidation	Conversion differences	Departure from the scope of consolidation	Total
Financial liabilities designated at fair value	0	(489,858,585)	0	0	0	627,872
Derivatives	0	(185,013,598)	0	0	0	0
TOTAL	0	(674,872,183)	0	0	0	627,872

Changes in the amounts declared under Level 3 in 2012 and 2013 can be explained as follows:

- the "Total gains and losses in the statement of income" column 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 a different level;
- improvements in internal models and satisfactory back-testing results led to transfers between levels, primarily from Level 3 to Level 2;
- the detailed revision of complex structured issues carried out by local Risk Management also explains the transfers from Level 3 of financial liabilities designated at fair value due to the observable nature of the data used for their measurement;
- IFRS 13 implementation led to transfers, especially from Level 2 to Level 1 for AFS bonds.

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 buybacks of BIL issues.

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVES 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 and loss. These effects are, however, offset by a reverse sensitivity at the level of activity-related hedging derivatives.

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