Annual Report 2013

BIL
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BANQUE
INTERNATIONALE
À LUXEMBOURG

Annual Report 2013

Consolidated management report

Corporate governance (as at January 1, 2014)

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	(until March 1, 2014) Premier Conseiller de Gouvernement, 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
Michel Scharff	Employees' Delegation, BIL
Serge Schimoff	Employees' Delegation, BIL
Donny Wagner	Employees' Delegation, BIL
Fernand Welschbillig	Employees' Delegation, BIL

Strategy Committee

Chairman	*Members*
George Nasra	Sarah Khabirpour (until March 1, 2014)
	Frank Wagener

Audit and Compliance Committee

Chairman	*Members*
Frank Wagener	Robert Glaesener
	Etienne Reuter

Risk Committee

Chairman	*Members*
François Moes	George Nasra
	Frank Wagener

Remuneration and Nominations Committee

Chairman	*Members*
Jacques Lanners	George Nasra
	Etienne Reuter

Management Board

Chairman

François Pauly

Vice Chairman

Pierre Malevez	Finance and Risks

Members

Thierry Delroisse	Chief Operations Officer
Adrian Leuenberger	Wealth and Investment Management
Marcel Leyers	Corporate and Institutional Banking
Claude Schon	Treasury and Financial Markets
Christian Strasser	Retail Banking

Audit

Pia Haas

Legal and Corporate Secretary

Carole Wintersdorff

Business Review and Results

1. Highlights of 2013 and early 2014

In October 2012, Precision Capital and the Grand Duchy of Luxembourg became the majority shareholders of Banque Internationale à Luxembourg SA (hereinafter "BIL" or the "Bank"), which therefore became again an independent bank.

In April 2013, the Bank launched the "BIL is Back" programme with the medium-term objective of consolidating BIL's position as a leading player on both the Luxembourg market and targeted international markets. As shown by the good financial results achieved by BIL in 2013 and the strong performance of its commercial franchise in a difficult macroeconomic environment, the objectives of the BIL is Back programme were achieved or exceeded in several areas.

In the context of its strategic growth plan for 2013-2015, BIL continues to pursue its ambitions for business growth and geographical consolidation and expansion.

- In view of the requirements of the European directive on alternative investment fund managers (the "AIFM Directive"), BIL has formed its own management company, BIL Manage Invest ("BMI"), on June 28, 2013.
- At the end of June 2013, the Bank sold its operating activity in BIL Finance in France, owing to the non-strategic nature of this business. The surviving company, renamed Société du 25 Juillet 2013, will be liquidated.
- The Bank has opened a new branch in Belgium in August 2013 which focuses on private banking and wealth management activities. At December 31, 2013, the commercial franchise reached an encouraging achievement for the first months of activity of BIL's Belgium branch.
- In September 2013, BIL set up a multi-family office, named Belair House, which obtained its ministerial approval on February 17, 2014. The aim of Belair House is to enhance and complete BIL's service offering for ultra-high net worth individuals and families.
- The Bank started preparating the transfer of business activity from BIL Bahrain in late 2013 to the newly created branch of BIL in Dubai. BIL intends to focus and strengthen its presence in the Middle East region in Dubai and close the Bahrain branch during the first half of 2014. The new branch in Dubai will be operational during the first semester of 2014.
- At the end of November 2013, IBM took over Associated Dexia Technology Services (ADTS) and renamed it Innovative Solutions for Finance (IS4F) responsible for managing IT infrastructure. As a long-term shareholder of ADTS, BIL remains a customer of the new company. The change of ownership of ADTS severs the last operational link that existed between BIL and its previous shareholder.
- On December 18, 2013 BIL transferred the activities of its Danish subsidiary to a newly created branch in Denmark. BIL's Danish subsidiary, renamed Selskabet af 18. December 2013 A/S, will continue to exist until the resolution of the pending investigation into the EBH Bank market manipulation matter which dates back to 2008.
- On February 6, 2014, BIL was voted Best Local Private Bank in Luxembourg and the country's Best Private Bank for Super Affluent Clients (with assets of between $500,000 and $1 million) by Euromoney's 2014 Banking and Wealth Management Survey.

In order to meet its customers' requirements and expectations as effectively as possible, BIL carried out a series of major projects over the last 12 months:

- In 2013, several branches in Luxembourg (Esch, Echternach, Findel and Dudelange) were given a makeover to provide a more modern, comfortable and efficient experience. In this context, the Bank unveiled the new design and layout of its headquarters branch, Indépendance, to customers on December 16, 2013.
- Since May 2013, BIL has been offering appointments until 7.00 pm to customers who now have free Wi-Fi Internet access in all its branches. Additionally, customers can take advantage of the new Servibank+ cash withdrawal and deposit points available 24 hours a day, 7 days a week.
- The Bank also continues to develop web and mobile apps in order to offer greater security and ease-of-use in conducting transactions. In terms of volume, 2013 was promising, with nearly 10% growth in transactions through the various electronic distribution channels (BILnet, BILnet Mobile, Quick Banking, Multiline, GAB). To supplement this, BIL has decided to implement Digicash©, a mobile payment solution that is operational since the end of March 2014.
- Advertising campaigns about the new wealth management offering and the new private banking website, and targeting Portuguese-speaking customers, transparent pricing, the new programme for young customers ("Billy"), and the 15th "Repères" conference, among many other initiatives, demonstrated BIL's strong presence on the market and the media in 2013.
- For over a year, the Bank has been offering new services such as those described above and also in connection with the new regulations on standardised OTC derivatives contracts (EMIR) and the harmonisation of means of payment in euro (SEPA).
- The know-how of BIL's Treasury & Financial Markets team, with 50 years' experience in bond trading was confirmed through its role as the principal paying agent for Luxembourg's first 750 million bond issue launched through LuxCSD, the Luxembourg central securities depository incorporated in 2010 and jointly owned by the Luxembourg Central Bank and Clearstream International. For the Grand Duchy's second bond issue in 2013, BIL acted as Listing Agent on the Luxembourg Stock Exchange.

- Following the Luxembourg government's announcements regarding automatic exchange information with foreign tax authorities from 2015, BIL is assisting its customers and offering solutions tailored to their needs. The various initiatives descrived above are also intended to mitigate the impact that the announcement of the automatic exchange of information may have in 2014 on the Bank's assets under management, although the effect in 2013 has been quite limited. Certain categories of customers from countries such as Belgium have begun to withdraw their assets from Luxembourg in connection with their participation in tax regularisation programs in their home countries. BIL's aim is to transfer a portion of its departing Belgian customers to its Belgian branch.

The Bank has implemented in 2013, or is in the process of implementing, the following circulars issued by the Luxembourg financial regulator, the Commission de Surveillance du Secteur Financier ("CSSF").

- Circular 13/555: This circular notifies the decision made by the board of directors of the Luxembourg deposit guarantee scheme AGDL (Association pour la Garantie des Dépôts, Luxembourg) to introduce the Single Customer View system ("SCV") which obligates banks to establish and maintain a system that will allow the creation of a SCV file about any customer, at any time and within three days from the request. Each Luxembourg banking institution is by law a member of the AGDL and had to put into place a SCV system by December 31, 2013. The SCV file is intended to provide a unique and coherent aggregate overview of the deposits with Luxembourg credit institutions covered by the AGDL deposit guarantee scheme.
- Circular 12/552 amended by circular 13/653 and completed by the CSSF Procedure named "Prudential approval process for holders of key functions in credit institutions and investment firms" published on February 14, 2014: CSSF circular 12/552 (followed by circular 13/653 and the above-described CSSF procedure) on central administration, internal governance and risk management, applies to all Luxembourg credit institutions and investment firms and to the Luxembourg branches of credit institutions and investment firms from outside the European Economic Area. These regulations implement guidelines issued by the European Banking Authority and the Basel Committee in order to strengthen the governance of Europe's financial institutions in the aftermath of the 2008 financial crisis. Furthermore, these CSSF circulars and the Procedure incorporate into the Luxembourg regulatory framework certain common sense rules on risk management in the area of credit (in particular residential mortgages to individuals) and private banking. Circulars 12/552 and 13/653 repeal and replace the following circulars on the same topics (IML 95/120, 96/126 and 98/143; CSSF 04/155, 05/178 and 10/466). The governance framework required by circular 12/552 is built on the "three lines of defense" model: (1) Management controls and internal controls; (2) Compliance and risk management; and (3) Internal audit. A number of procedures and policies have been adopted by BIL's Management Board in connection with the implementation of this circular, including an Outsourcing Policy; an Accounting Manual; a BIL group Risk Policy; a governance charter for BIL's subsidiaries and branches (including a governance charter for each branch or subsidiary that did not yet have one); and a policy formalising the legal and regulatory watch process under the supervision of the BIL Compliance department. The Bank is still in the process of finalising its Risk Transfer Pricing framework and expects to complete this by April 2014.

The activities "Retail Banking", "Corporate & Institutional Banking" and "Private Banking" of the Bank performed well in 2013:

- Customer deposits increased by 8.2%, reaching 12.5 billion (11.5 billion at year-end 2012), mainly in BIL SA (12.2 billion versus 11.3 billion at year-end 2012).
- Customer funds (assets under management) fell slightly by 0.7% to 28.8 billion, compared with 29 billion on a comparable basis at year-end 2012[1]. This change resulted from a 182 million reduction in new net inflows and a negative market effect of 22 million. It should be noted that customer funds grew by 244 million over the second half of 2013. The announcements relating to the automatic exchange of information did not have a significant impact in 2013.
- Customer loans saw a robust increase of 5.3% to 10.1 billion, compared to 9.6 billion at year-end 2012. BIL has once again confirmed its support of the Luxembourg economy, particularly for corporate and individual customers.

As part of their annual review, the rating agencies Fitch Ratings (November 6, 2013) and Standard & Poor's (November 20, 2013) announced that they were maintaining their "A-" rating for BIL's long-term debt. Fitch Ratings upgraded the stand-alone rating of the Bank by one notch (bbb to bbb+).

Fitch Ratings has revised the outlook on 18 European Union commercial banks' Long-term Issuer Default Ratings (IDR) (including BIL) from Stable to Negative on March 26, 2014. The outlook revisions are in conjunction with a global review of sovereign support for banks.

[1] AuM in 2012 of 29.9 billion recalculated following the withdrawal of 979 million by an institutional customer at the start of 2013.

2. Business line segmentation

In 2013, BIL maintained the following segmentation of its business lines:

- **Retail, Corporate and Private Banking**, organised around the three following business lines: Retail Banking, Corporate & Investment Banking, and Private Banking.
- **Treasury and Financial Markets**, organised around four desks: Treasury, Investment Portfolio, Assets and Liabilities Management (ALM), and Financial Markets, with dedicated desks supporting the commercial business lines.
- **Group Center**, which mainly includes dividends from unconsolidated shareholdings, the income generated by the reinvestment of shareholders' equity, the results of non-operating entities, 2013 results relating to the Liability Management Exercise programme, and certain types of costs not chargeable to the business lines.

2012, a year of change, was impacted by activities which no longer form part of the Bank's strategy as developed with the new shareholders. In order to facilitate comparison with the Bank's current scope, the 2012 contribution from these non-strategic activities is shown separately under "Non-core". As a reminder, the 2012 statement of income was significantly impacted by the sale of our exposure to Portugal, the negative exchange rate impact of the conversion into euro of losses realised at the end of 2011 arising from the sale of the Legacy portfolio, and the dividends received from Dexia Asset Management.

3. Consolidated statement of income and consolidated balance sheet

PRELIMINARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the BIL group for the financial year 2013 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 the Note 1 to the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

As at December 31, 2013, BIL SA (the "parent company") comprises the head office in Luxembourg and four branches in Singapore, Bahrain, Belgium and Denmark as described in the Note 2 to the financial statements of the parent company. The weight of these branches as at December 31, 2013 was 163 million in terms of assets, 13 million in terms of net income and 71 employees.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME - GLOBAL VIEW

(in EUR million)	31/12/12	31/12/13
Income	**360**	**504**
Expenses	(331)	(341)
Gross operating income	**29**	**163**
Cost of risk and provisions for legal litigation	(7)	(24)
Net Income	**22**	**139**
Tax expense	8	(26)
Net Income Group share	**30**	**113**

As at December 31, 2013, net income for the BIL group totalled 113 million, i.e. a highly significant growth of 83 million (+275%) compared with December 31, 2012.

CONSOLIDATED STATEMENT OF INCOME ADJUSTED FOR THE "NON-CORE" CONTRIBUTION IN 2012

(in EUR million)	31/12/12			31/12/13	Change versus
	Total	Non-core	Core		Core 2012
Income	**360**	**(60)**	**420**	**504**	**84**
Expenses	(331)	(6)	(325)	(341)	(16)
Gross Operating Income	**29**	**(66)**	**95**	**163**	**68**
Cost of risk and provisions for legal litigation [1]	(7)	9	(16)	(24)	(7)
Net income before tax [1]	**22**	**(56)**	**78**	**139**	**61**
Tax expense	8	29	(21)	(26)	(5)
Net Income	**30**	**(27)**	**57**	**113**	**56**

The 83 million change in net income resulted from the negative contribution (-27 million) by "Non-core" activities in 2012 [2] and 56 million (+98%) from a substantial increase by strategic activities compared with the previous year.

CONTRIBUTION TO STATEMENT OF INCOME BY BUSINESS LINE (EXCLUDING NON-CORE 2012)

(in EUR million)	Retail, Corporate and Private Banking		Treasury and Financial Markets		Group Center		TOTAL	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Income	**391**	**422**	**(2)**	**41**	**30**	**42**	**420**	**504**
Expenses	(291)	(293)	(31)	(36)	(3)	(13)	(325)	(341)
Gross operating income	**100**	**129**	**(33)**	**6**	**27**	**29**	**95**	**163**
Cost of risk and provisions for legal litigation	(17)	(23)	0	0	1	0	(16)	(24)
Net income before tax	**83**	**105**	**(33)**	**6**	**28**	**28**	**78**	**139**
Tax expense							(21)	(26)
Net income							**57**	**113**

[1] Rounding differences.
[2] The income of -60 million was mainly impacted by the sale of exposure to Portugal for -56 million, by the conversion into euro of losses made at the end of 2011 for -17 million and by the dividends received from Dexia Asset Management for +18 million, the expenses of -6 million by BIL Finance and costs arising from the Bank's strategic review and the cost of risk for +9 million impacted by the write-backs including 11 million related to the "Madoff" affair.

Income

Solid growth in income at 84 million (+20%) was supported by all the different businesses and confirms the performance already observed during the first half of 2013.

Income from "Retail, Corporate and Private Banking" activities reached 422 million at year-end 2013, i.e. growth of 31 million compared with 2012 (8%) in a difficult macroeconomic environment. Since the signature of the binding memorandum of understanding on December 20, 2011, assets under management have increased by over 9% (+2.4 billion), mainly in terms of the corporate banking and private banking activities. On average, assets under management grew by 1.7 billion compared with average assets in 2012 mainly in Luxembourg. This performance explains the origin of the increase in fee and commission income of 19 million, mainly from private banking. Interest income in 2013 also grew by 14 million, underpinned by an increase in outstanding mortgage loans and investment loans at corporate banking and retail banking levels.

Income from "Treasury and Financial Markets" activities came to 41 million, a sharp increase of 43 million compared with 2012. The year 2012 was a transitional one for financial markets activities following the gradual transfer of the "Legacy Portfolio" and constraints in terms of reinvestment of surplus liquidity. Since the acquisition was finalised in October 2012, "Treasury and Financial Markets" has been able to expand these activities in conjunction with the risk profile defined with the new shareholders. The nominal amount outstanding in the bond portfolio stood at 4.6 billion at year-end 2013 (+1.6 billion in 2013) with income of 41 million (+13 million compared with 2012). Active management of long-term exposure enabled ALM activity to generate 21 million in additional income. Treasury activities also contributed 8.8 million to this growth in income through its active management of the Bank's surplus liquidity.

"Group Center" activities generated income of 42 million in 2013. The level of income was influenced by the success of the debt-management exercise conducted in 2013 (income of 55 million), reduced by the relative cost of selling BIL Finance's operating activities (-6 million) and the own credit risk adjustment related to the measurement of debts at fair value (-6 million). The sale of BIL SA's stake in Luxempart to IB Finance generated a capital gain of 54.7 million at BIL SA level eliminated in the consolidated accounts (intra-group transaction).

Expenses

General expenses totalled 341 million in 2013, up 5% compared with 2012, mainly in Luxembourg. Effective cost control remained a key concern at the Bank and thus enabled the increase to be contained despite the ambitious projects undertaken throughout 2013. In 2012, the Bank hired additional staff in order to conduct its business on a "stand-alone" basis. This hiring combined with the effects of inflation for all staff and the Bank's decision at the end of 2013 to propose an early retirement scheme in 2014 explain approximately 60% of this increase. Since 2012, the Bank has successfully pursued the implementation of the "BIL is Back" programme, focused on achieving the 2015 objectives. In 2013, the Bank put many of these initiatives into practice with the help of its staff and through the use of external consultants. It also undertook the technology developments needed to support the programme. Achievements worthy of note include branch renovation work, development of distribution channels (mobile web, cash "recyclers"), the opening of the Brussels branch office, the launch of the BMI subsidiary, ongoing advertising campaigns and compliance with new regulations (EMIR, SEPA, etc.). Consultancy fees, IT costs (investment and depreciation), building-related expenses, investment costs relating to expanding to Brussels and administrative expenses accounted for the remaining 40%.

Costs related to commercial business lines and financial market activities remained under control, with the increase limited to 2%. Group Center bore the costs of the early retirement scheme, the estimated costs incurred by the full review instigated by the European Central Bank at the end of October 2013 (AQR, Stress Test, etc.) and costs not chargeable to the business lines. Despite this increase, commercial activities cost-income ratio has improved in 2013 with a ratio of 70% against 74% in 2012.

Gross operating income

Gross operating income amounted to 163 million, up 68 million compared with 2012, of which 29 million was from commercial activities and 39 million from financial market activities.

Cost of risk and impairments

In the course of 2013, the BIL group recorded net provisions of 24 million. The cost of risk includes an in-depth review of the exposures in connection with the full assessment which will be carried out by the European Central Bank in 2014 through the Asset Quality Review exercise. Impaired loans as a percentage of total loans outstanding came to 2.83% in 2013 compared with 2.69% in 2012, demonstrating the quality of assets. The coverage ratio[1] of 78.94% was in line with the cautious policy in terms of provisions.

[1] Ratio between specific provisions and the total outstanding impaired loans and advances to customers.

Net income before tax

Net income before tax stood at 139 million compared with 78 million at year-end 2012 (+61 million, i.e. +78 %).

Tax

The 2013 tax expense of 26 million corresponds to the breakdown of taxable income between the various BIL group entities in jurisdictions with varying taxation rates. This expense was positively influenced by a tax provision write-back amounting to 15 million following approval by the Singapore tax authorities for carrying tax losses forward.

Net income

The Bank's dynamism and the numerous strategic initiatives supported by the "BIL is Back" programme in particular made a significant contribution to the net income of 113 million.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

(in EUR billion)	31/12/12	31/12/13	Change
ASSETS	**21.3**	**19.7**	**-7.5 %**
Loans and advances to credit institutions	5.2	2.6	-50 %
Loans and advances to customers	9.6	10.1	5 %
Loans and securities available for sale	3.8	5.4	41 %
Positive fair value of derivative products	1.7	0.7	-60 %
Other assets	1.0	0.9	-6 %
LIABILITIES	**21.3**	**19.7**	**-7.5 %**
Amounts owed to credit institutions	2.6	1.7	-33 %
Customer deposits	11.5	12.5	8 %
Negative fair value of derivative products	1.6	0.8	-50 %
Debt securities	3.3	2.7	-18 %
Subordinated debt	0.8	0.4	-44 %
Other liabilities	0.5	0.4	-9 %
Shareholders' equity	1.1	1.2	6 %

During the 2013 financial year, the size of the consolidated balance sheet decreased by 1.6 billion (-7.5 %). This change can be explained mainly by a significant reduction in BIL's derivatives portfolio with a corresponding reduction in the fair value of the derivatives and underlying collateral.

In 2012, BIL transferred the "Legacy Portfolio Management" portfolio in its entirety to Dexia Crédit Local (DCL). Historically, this bond portfolio was hedged against interest-rate risk using interest-rate swaps. On each transfer, the initial hedging transaction with an external counterparty was reflected by a mirror swap with DCL. Since the start of 2013, the Bank has worked with external counterparties to transfer these hedging transactions directly to DCL. BIL has thus reduced its swap portfolio by a nominal amount of 2.3 billion and by an equivalent amount for mirror swaps.

The total 4.6 billion reduction in the swap portfolio explains the fall in the "value of derivative products [1]" shown in balance sheet assets and liabilities and the 700 million reduction in collateral received and booked.

[1] Variations in assets and liabilities are not symmetrical as the Bank used interest-rate swaps to hedge the interest-rate risk of the bond portfolio and the EMTN programme.

Asset movements

"Loans and advances to customers" increased by 508 million (+5.3 %). The Bank continued to develop its retail banking and corporate banking mortgage activities, primarily in Luxembourg. In 2013, outstanding mortgage loans grew by 163 million (+5.3 %) and investment credit by 343 million (+8 %).

"Loans and securities available for sale" reached 5.4 billion (+41 %), an increase resulting from additional investment of 1.6 billion in high quality bond positions in 2013. The new investment portfolio stood at 4.6 billion at the end of December 2013. It consists of assets eligible for refinancing with the European Central Bank and qualifying as liquidity reserves under Basel III and the CRD IV Directive. These assets enable the Bank to comply fully with liquidity ratio requirements (LCR and NSFR).

"Loans and advances to credit institutions" decreased by 2.6 billion in 2013 (-50 %). This is due to the reduction caused by collateral related to derivative products and to a reduction in deposits with the Swiss and Luxembourg Central Banks amounting to 2.1 billion owing to investments in the bond portfolio in 2013 and the increase in loans to customers. The Bank remained highly liquid as at end December 2013; in addition to the liquidity constituted by the investment portfolio, the Bank held 1.2 billion in deposits with the Swiss and Luxembourg Central Banks.

Movements in liabilities

"Amounts due to credit institutions" decreased by 840 million (-33 %), due mainly to the reduction in the swap portfolio and requirements in terms of collateral deposited by counterparts.

"Customer deposits" saw a highly satisfactory increase of 8.2 % to 12.5 billion in 2013, 12.2 billion of which in Luxembourg. In an uncertain market environment owing to the economic situation and market volatility, customers preferred to keep some of their assets on deposit, mainly in current accounts and savings accounts. Thanks to this high level of deposits, the "loan / deposit ratio" remained one of the best in the Benelux region in 2013 at 81 %.

"Debt securities" corresponding to issues under our EMTN programme (institutional MTN and customer BSPs [1]), decreased by 608 million (-18 %). Despite adverse market conditions, the Bank was nonetheless able to extend a considerable proportion of maturities and did not need to make use of new issues on institutional markets thanks to its highly comfortable cash position.

In 2013, the Bank redeemed part of its Tier 2 subordinated debt and its hybrid capital instrument which resulted in a 334 million (-44 %) reduction in "subordinated debt".

"Shareholders' equity" rose by 64 million (+6 %). This increase was mainly due to the net profit of 113 million recorded in 2013, a reduction of 27 million in revaluation reserves (119 million compared with 147 million at year-end 2012) and by an allocation of 2012 profit of 22 million (net) to BIL's hybrid capital in accordance with the "loss participation" clause as defined in the prospectus of this issued note.

4. Movements in share capital

At the end of December 2013, the Bank's share capital stood at 141,224,090 represented by 2,017,487 treasury shares (no change compared with 2012).

During 2013, the Bank held 970 BIL treasury shares, representing a value of 1,455,000. No shares were sold during the financial 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 2012, the Bank defined a 2013-2015 strategic growth through the "BIL is Back" programme, oriented to clients in terms of quality of service, 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, the Middle East or Asia.

[1] Medium Term Notes and BIL Structured Products.

6. Post-balance sheet events

Since closure of the financial year, no event that might affect the financial or commercial situation of the Group has occurred.

7. Outlook / Strategies

The year 2013 was filled with achievements for the Bank.

Thanks to the support of its shareholders, Precision Capital and the Grand Duchy of Luxembourg, BIL was able to fully focus on its ambitious growth, business development and geographical expansion targets.

In order to confirm and boost this development, on December 13, 2013 the Board of Directors signed off on an ambitious budget for 2014, reflecting both the challenges of the private banking business and the economic environment which remains fragile, particularly in Europe.

The Bank will continue to attribute particular importance to the excellence of its customised products and services.

By providing its customers with attractive products adapted to their needs and assistance with the important events in their lives, BIL will be able to differentiate itself from its competitors and increase its market share.

As a bank of systemic importance, BIL will continue to play an important role both at national and European level. Indeed, BIL has been selected by the European Central Bank as one of the 130 euro zone banks to be subjected to its Asset Quality Review and to undergo stress-testing. These procedures are part of the ECB's preparations for supervising the European banking union in late 2014.

Risk Management

1. Introduction

1.1 KEY EVENTS

BIL group's Risk Management department has followed the development of the Bank's activities and risk profile during 2013. On the one hand, the Bank pursued the developments begun in 2012 regarding its monitoring and controlling frameworks; on the other hand, it reorganised itself in order to better face the coming internal and external challenges.

Risk Appetite framework

In 2013, BIL's risk appetite framework has been reviewed in order to support the Bank's strategic objectives. Risk appetite expresses the maximum level of risk an institution is able and willing to take in order to reach its business and strategic objectives, given the expectations from key stakeholders (shareholders, debt holders, supervisors, rating agencies, customers, etc.).

In August 2013, the Board of Directors approved a new risk appetite framework adequately scaled to BIL's business model and strategy, which was based on five pillars: capital, earnings stability, liquidity, reputation and operational effectiveness. Each of the pillars had its own objectives from which have been derived a series of macro and micro indicators. Those figures, to which triggers are assigned, are continuously monitored and regularly reported to the Board Risk Committee.

Corporate structure and risk profile

During this year, the Bank has continued to deploy its "BIL is Back" strategy which focusses 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.

To achieve its goal, BIL has taken some strategic decisions to optimise the group's structure and to provide efficient services:

- The opening of the Belgian branch during the summer of 2013 involved substantial efforts by all the bank's departments, including Risk Management, who adapted their procedures and guidelines. While the branch hired its own on-site risk manager, the main daily risk functions are carried out at the Head Office.
- For BIL Manage Invest, the risk management process fulfils the requirements of the Alternative Investment Fund Managers Directive and the delegated regulation for the Alternative Investment Fund Managers Directive (AIFMD) issued by the European Commission. The Risk Management department is governed by the BIL Manage Invest risk management policy. This policy includes all the necessary procedures enabling the management company to assess and monitor the risks to which the AIFs it manages are or might be exposed.

Other events have slightly modified the Bank's risk profile, which remains quite stable overall. This is especially the case for the banking portfolio, whose size has increased during 2013. The main purpose of this portfolio is to create value while serving as a liquidity reserve for the Bank (Basel III, Liquidity Coverage Ratio – LCR). The portfolio is primarily composed of top-quality assets with low capital requirements (Risk Weighted Assets - RWA). A small share 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 their portfolio guidelines which provide a set of limits in terms of duration, liquidity aspects, geographic area, currency, RWA, rating and concentration.

Internal Governance

Following the dismantling of the Dexia group at the end of 2012 and the subsequent purchase of BIL by its majority shareholder, Precision Capital, the Bank had to adapt to the new situation by setting up an adequate risk management structure able to handle all of the functions, tools and processes that were previously undertaken by the former Dexia group, especially as regards the on-going use of the Basel II Pillar I Advanced Internal Rating Based (AIRB) approach and the implementation of the Pillar II Internal Capital Adequacy Assessment Process (ICAAP) requirements.

In 2013, the transitional period following BIL's purchase had come to an end. Subsequently, the Bank decided to reorganise its Risk Management department in order to build-up a sound and sustainable structure allowing the efficient handling of the forthcoming challenges imposed by changes in the business and the regulatory environment. To achieve this task, BIL has hired a head of BIL group Risk Management, whose main mission will be to implement this strategy (please refer to section 2.2 for further details).

1.2 BASEL FRAMEWORK (PILLAR 1, PILLAR 2 AND PILLAR 3)

Basel II refers to the revision of the 1988 regulatory framework defining the capital requirements for banking institutions. The main objectives of the capital agreement ("Basel II framework") put in place by the Basel Committee on Banking Supervision are to improve the regulatory framework in order to:

- Further strengthen the soundness and stability of the international banking system.

- Promote the adoption of stronger risk management practices by the banking industry.
- Prevent any competitive regulatory inequality among internationally active banks.

To achieve these objectives, the Basel framework is based on three pillars:

- The first pillar – minimum capital requirements – defines how banking institutions calculate their regulatory capital requirements in order to cover credit, market and operational risks.
- The second pillar – supervisory review – provides national regulators with a framework to help them in assessing the adequacy of banks' internal capital for covering credit risk, market risk and operational risk, but also other risks not identified in the first pillar, such as concentration risk.
- The third pillar – market discipline – encourages market discipline by establishing a set of qualitative and quantitative disclosures allowing market participants to make a better assessment of capital, risk exposure, risk assessment processes, and hence the capital adequacy of the institution. BIL will, in this context, publish the Pillar 3 document every year on its internet site.

The implementation of the forthcoming Basel III framework and its European implementation (the CRD IV package) is in progress within the Bank. Although still based on the Basel II three-pillar approach, some major changes have been made to the framework (e.g. new liquidity framework, leverage ratio, etc.).

1.3 CHANGES IN THE REGULATORY FRAMEWORK

2013 has been a busy year in terms of regulatory changes impacting banking institutions. The bank has invested time and resources in making sure that it is and will always be compliant with those new requirements.

Starting with the implementation of Basel III, the CRR/CRD IV package was published in the European Official Journal on June 27, 2013. This package introduces important changes to the banking prudential requirements in terms of capital base for covering risks (with additional capital buffers), liquidity monitoring, enhanced governance and transparency.

On July 26, 2013, the European Banking Authority (EBA) published its final Implementing Technical Standards (ITS) on supervisory reporting. This includes expanded Common Reporting (COREP), immovable properties (IP) losses, large exposures, liquidity ratios (Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and forthcoming monitoring tools), leverage ratio and the new Financial Reporting (FINREP). In addition, the EBA published its final draft of technical standards on non-performing loans (NPL) and forbearance reporting requirements (Oct. 21, 2013) and technical standards on asset encumbrance (Oct. 30, 2013).

The first dates for reporting are March 31, 2014 for own funds, large exposures, leverage and liquidity ratios, June 30, 2014 for IP losses and asset encumbrance, September 30, 2014 for consolidated FINREP and December 31, 2014 for NPL or forbearance. All the Risk Management department's units have started implementing these new requirements in collaboration with other Bank departments.

In terms of the effort to find better ways to resolve financial crises, the G20 has issued recommendations over the past few years in order to establish effective recovery and resolution regimes. Recovery and resolution plans make up an essential component of these measures. In 2013, the EBA published recommendations and draft regulatory technical standards aiming at specifying the scope, content and assessment of such plans. Following a request from the CSSF, the BIL group has actively been working during 2013 on the development of its own recovery plan, the final version of which will be submitted for approval to the Board of Directors.

On October 29, 2013, the European Union formally adopted the creation of a Single Supervisory Mechanism (SSM), led by the European Central Bank. The European Central Bank (ECB) will directly supervise the largest banks in the whole euro zone. According to the selection criteria set up by the ECB, the BIL group (as part of Precision Capital SA) has been identified as a "significant bank" and will thus be centrally supervised as of the end of 2014. Meanwhile, the Bank is actively preparing itself for this challenge and is involved in the forthcoming Asset Quality Review (AQR) and Stress-Testing (ST) exercises, both part of the Comprehensive Assessment (CA) that will lead to the effective implementation of the SSM in autumn 2014.

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 authorised management 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 undertake in order to achieve its strategic and financial goals;
- **To ensure compliance with banking regulation requirements** by submitting regular reports to the CSSF (and the BCL, EBA and ECB), taking part in regulatory discussions and analysing all new requirements related to risk management that could affect the regulatory monitoring of Bank's activities.

2.2 ORGANISATION

Following the dismantling of the Dexia group at the end of 2012 and the subsequent purchase of BIL by its major shareholder, Precision Capital SA, the Bank had to adapt to the new situation by setting up an adequate risk management structure able to carry out all of the functions, tools and processes, previously undertaken by the former Dexia group, notably regarding the on-going use of the Basel II Pillar I AIRB approaches and the implementation of the Pillar II ICAAP requirements.

Following this transitional period, the Bank decided in 2013 to reorganise its Risk Management department in order to build-up a sound and sustainable structure allowing it to efficiently handle the forthcoming challenges imposed by changes to the business and the regulatory environment.

At the Management Board level, the overall Risk Management framework remains under the Chief Risk Officer's responsibility, and the CRO is responsible for providing executive management with any relevant information on risks, enabling the management of the Bank's overall risk profile.

In order to achieve the reorganisation task, in 2013 BIL group hired a head of BIL group Risk Management whose main mission will be to implement the above-mentioned strategy.

The head of BIL group Risk Management initiated the new configuration according to the organisational chart visible on p.19.

Credit Risk Management

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

- While the "Country and Bank Analysis" team is in charge of the assessment and monitoring of risk related to banks and sovereigns counterparts, the "Retail, Midcorp, Corp and Private Bank Analysis" team does the same thing for retail, corporate and institutional counterparts. Both of them are in charge of assigning internal ratings to BIL counterparts, but also of monitoring the corresponding portfolio.
- "GIP" (Gestion intensive et particulière) manages the assets deemed to be "sensitive" with a pro-active approach, in order to minimise the potential losses for the Bank in case of a counterpart's default.
- The "Data Management & the 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 corresponding regulatory reporting requirements.
- The "Risk Reportings" team is responsible for the production of regulatory and internal reports related to credit risk such as the COREP, large exposures, quarterly risk report, and deals with ad-hoc requests from regulatory authorities.

Financial Risk Management

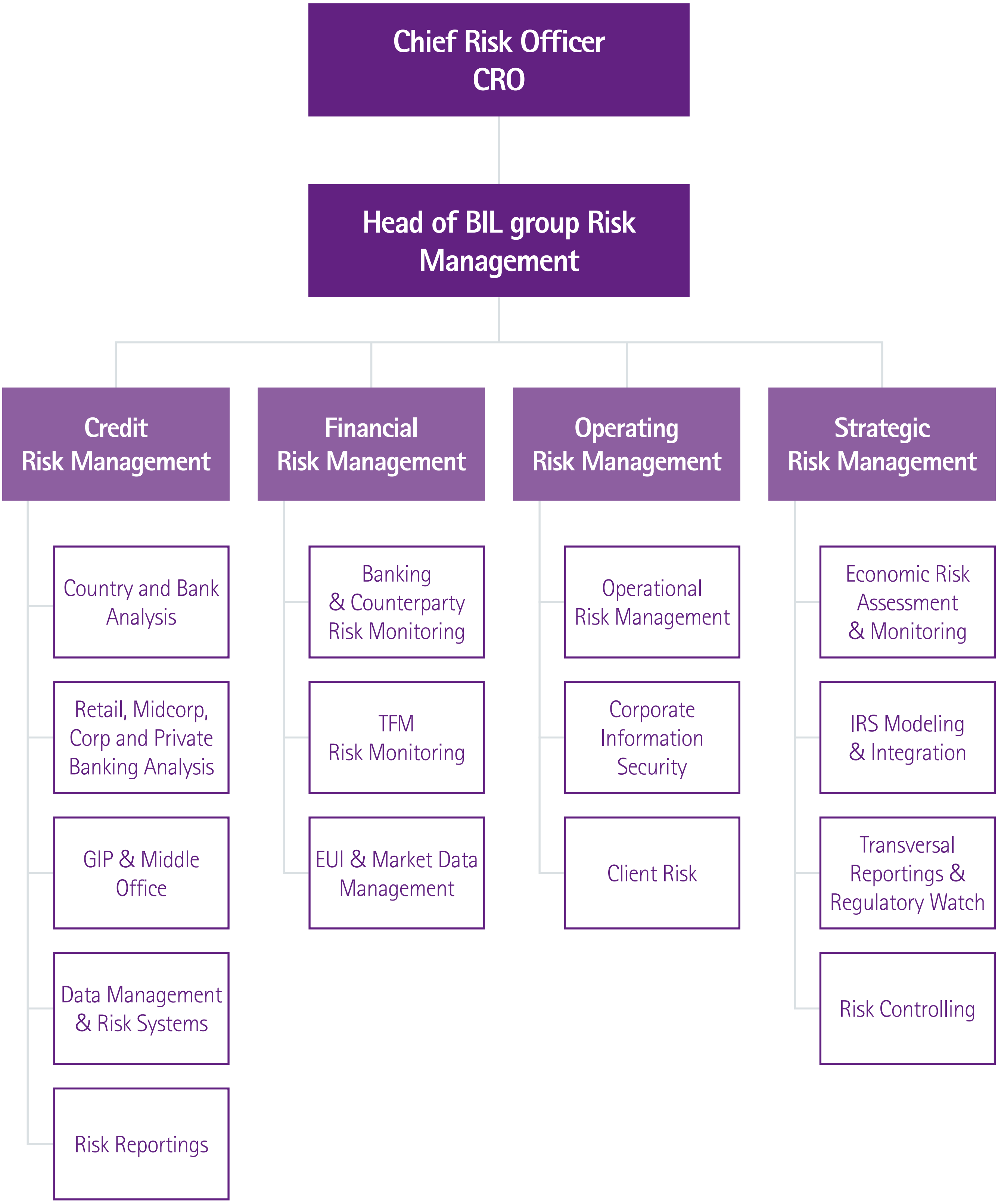
The Financial Risk Management unit is in charge of defining policies and guidelines on financial market activities, and of identifying, analysing, monitoring and reporting on risks and results. The department is split into three teams:

- The "Banking & Counterparty Risk Monitoring" team is in charge of verifying counterparts' limits, of margin calls for collateral management purposes, of banking book activity and of liquidity risk. It also implements the new regulatory ratios (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 (fixed income, forex, structured products and brokerage), the calculation of the BIL group Value at Risk (VaR), the detection of suspicious transactions and the reconciliation of positions and profit or loss.
- The "EUI (End-User Integration) and the Market Data Management" teams are in charge of the maintenance and the development of market risk data as well as dealing with dedicated reports and systems.

Operating Risks Management

The activity of this department covers the management of operational risks as well as of customer-related risks.

The first activity is carried out by two teams, "Operational Risk Management" being in charge of defining policies and guidelines as well as monitoring the operational risk, "Corporate Information Security" being responsible for security policies and guidelines, as well as business continuity management (BCP and DRP).


Chief Risk Officer
CRO
Head of BIL group Risk Management
Credit Risk Management
Financial Risk Management
Operating Risk Management
Strategic Risk Management
Country and Bank Analysis
Retail, Midcorp, Corp and Private Banking Analysis
GIP & Middle Office
Data Management & Risk Systems
Risk Reportings
Banking & Counterparty Risk Monitoring
TFM Risk Monitoring
EUI & Market Data Management
Operational Risk Management
Corporate Information Security
Client Risk
Economic Risk Assessment & Monitoring
IRS Modeling & Integration
Transversal Reportings & Regulatory Watch
Risk Controlling

The second activity is managed by the "Client Risk" team, which oversees, in close cooperation with Compliance, of second level controls relating to retail and commercial banking (RCB) activity. These controls include ex-post suitability, appropriateness and respect of contractual / regulatory constraints.

Strategic Risk Management

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

- The "Economic Risk Assessment & Monitoring" team develops an overall framework for the assessment and the monitoring of economic risks facing the Bank. This includes the development and the integration of the Bank's ICAAP process (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 Modelling & Integration" team is in charge of the modelling of the Bank's internal rating systems (developed within the AIRB framework) and their subsequent integration within the businesses. This mandate includes also the monitoring of key credit risk indicators (non-performing loans, provisioning) as well as the carrying out of the Bank's credit risk related stress-tests.
- The "Transversal Reportings & Regulatory Watch" team aims to centralise all of the Group's risk 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 Group-wide reports comprising, among others, the Basel II Pillar III 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 branches / subsidiaries. Moreover, this team is also in charge of regulatory monitoring and the coordination of the Group-wide projects dedicated to these matters (e.g. Basel III, ECB's Comprehensive Assessment, etc.).
- The "Risk Controlling" team's aim is to validate 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 the dissemination of their corresponding outputs within the Bank's information systems (quality control).

2.3 GOVERNANCE

Each of the previously described departments ensures that the CRO and the Management Board have an accurate understanding of every type of risk within the Bank, and are aware of major issues concerning sources of risk within the Bank. Each of these departments is involved in risk governance and is responsible for defining policies, guidelines and procedures encompassing risks within its scope.

The Management Board ensures that risk taking and risk management standards fit with the principles and targets set by the Board of Directors. Risk management committees do not relieve the Board of Directors or the Management Board of the general supervision of the Bank's operations and risks. They have very specific remits and help with developing and implementing good governance and decision-making practices.

The Risk Committee (Board [1]) is a specialised committee supporting the Board of Directors on subjects related to risk. Among its roles, this 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 the group's risks; it reviews, assesses and annually discusses with the independent auditor any significant risk or exposure and relevant risk assessments; and it also reports to the Board of Directors on a regular basis and make such recommendations with respect to any of the above or other matters.

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. They are described in more detail hereafter.

[1] See page 6.

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 counterpart.

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 by 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 specialist 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, and principles and methods of calculation referring to risk.

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 counterpart'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 counterpart'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 II 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.

3.4 RISK MEASUREMENT

Credit risk measurement is primarily based on internal systems introduced pursuant to Basel II. 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 counterpart, 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 counterpart, 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.

Since July 2013, as requested by CSSF Circular 12/552, BIL has defined and integrated into its guidelines the notion of "forbearance". Credit files considered as being forborne are those for which restructuring measures have been granted due to the deterioration of the creditworthiness of the debtor. 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".

This notion of forbearance has moreover evolved according to EBA Final Draft ITS on forbearance and non-performing exposures published in October 2013. While the CSSF notion of restructured credit file is duly implemented and dedicated monitoring tools have been put in place to follow the concerned files, BIL group is in the process of adapting its internal forbearance definition in order to fully comply with that suggested by the EBA. Concretely, analyses have been led internally on specific credit files with the aim of defining and identifying relevant operational criteria for the forbearance classification.

These works have continued during the first quarter of 2014 and conducted to the setting up of dedicated methodologies that will be refined in order to meet EBA's requirements (see Note 12.2 for further details).

3.5 RISK EXPOSURE

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.

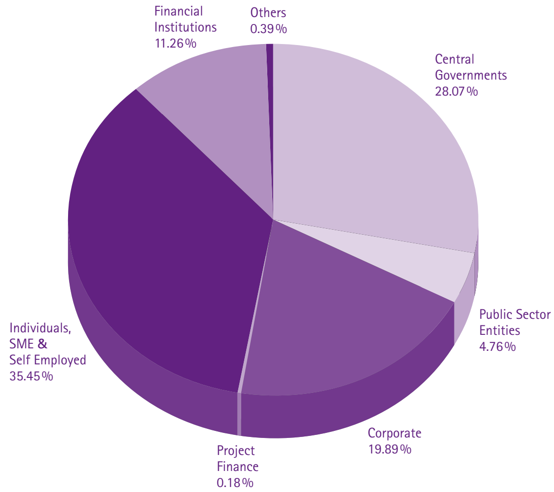
The substitution principle applies where the credit risk exposure is guaranteed by a third party with a lower risk weighting. Therefore, counterparties presented hereafter are final counterparts, i.e. after taking into account any eligible guarantees.

As at December 31, 2013, the Bank's total credit risk exposure amounted to 19.46 billion, 0.27 billion below the level at the end of 2012. Even if the level of exposure has remained quite stable, the overall risk profile has been slightly modified, since a portion of the excess liquidity has been invested through the Treasury Portfolio, whose size increased by 1.6 billion through the year. The impacts of those investments are described in more detail in the following sections.

Compared to the balance sheet decrease of 1.6 billion (-7.5 %) between end of 2012 and end of 2013, the difference in the credit risk exposure might seem low. Indeed, the significant reduction in BIL's derivatives portfolio has only had a very limited impact on the risk exposure. This is due to a different calculation methodology in which netting agreements are taken into account and financial collaterals are deducted from the related exposures.

Exposure by type of counterpart

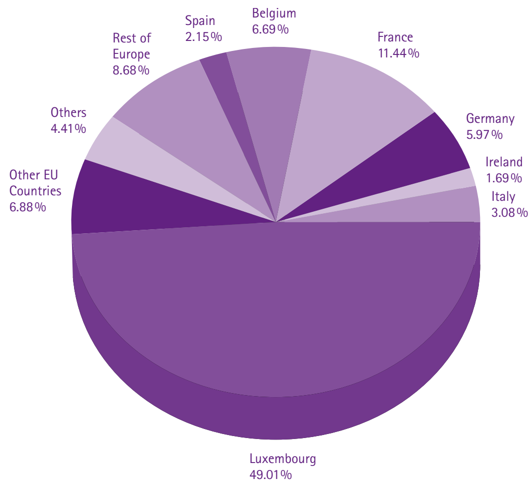
Central governments' exposure (Swiss National Bank, in particular) has decreased from 37.44 % of the total exposure at year-end 2012 to 28.07 % at year-end 2013. It has been replaced by investments in financial institutions from 5.58 % to 11.26 % and corporates from 15.71 % to 19.89 %.



Exposure by geographic region

As at December 31, 2013, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (49 %), France (11.44 %), Belgium (6.69 %) and Germany (5.97 %).

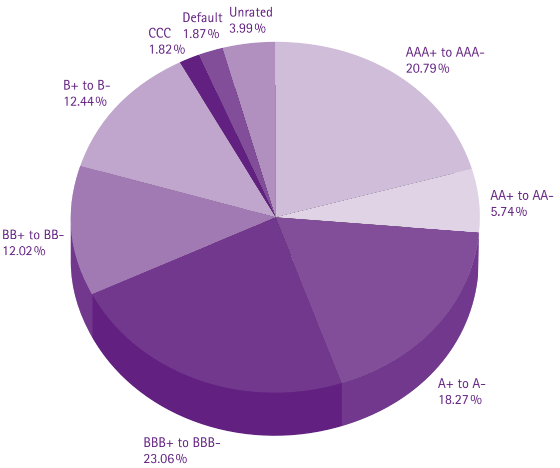
The decrease in the exposure to the Swiss National Bank is visible through the reduction of the "Rest of Europe" category, whose share fell from 20.03 % at year-end 2012 to 8.68 % at year-end 2013.



Exposure by internal rating

The treasury portfolio's new investments have somewhat modified the Bank's exposure rating profile this year, diminishing the AAA rated exposure (Swiss National Bank rating) by 14.11% in favour of lower-rated ones (+4.05% for the AA+ to AA- range, +3.22% for the A+ to A- range, +2.58% for the BBB+ to BBB- range). The substitution is partly due to new investments in financial institutions.Globally, 68% of the total exposure is classified as investment grade.

The proportion of defaults decreased slightly to 1.87% at year-end 2013 against 2.16% at year-end 2012.



Exposure to PIIGS

Breakdown of the government bond portfolio for sensitive European countries by maturity bucket for 2013 (excluding trading both 2012 and 2013).

(in EUR million)

	31/12/12	31/12/13				
		2014	2015	2016	2017	TOTAL
Italy	526	202	41	55	135	432
Spain		251				251
Ireland	142		32	78	114	224
Greece						
Portugal						
TOTAL	**668**	**453**	**73**	**133**	**249**	**907**

Large exposures

By letter dated in November 22, 2012, the CSSF has granted a total exemption for its exposure towards its sister company (KBL European Private Bankers SA) and its subsidiaries in the calculation of large exposure limits, in accordance with Part XVI, point 24 of Circular 06/273, as amended. The amount of exposure covered by this exemption is null as at December 31, 2013.

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 2013, only slightly affecting the asset quality ratio.

The coverage ratio level has moderately decreased between December 31, 2012 and December 31, 2013, meaning that the impaired loans have gained in quality.

(in EUR million)

	31/12/12	31/12/13
Gross amount of non-impaired loans	9,531.47	10,021.00
Gross amount of impaired loans to customers	263.39	292.11
Specific provisions	219.27	230.60
Asset quality ratio [1]	2.69%	2.83%
Coverage ratio [2]	83.25%	78.94%

[1] Impaired loans as a percentage of total loans outstanding.
[2] The coverage ratio measures specific provisions recognised for doubtful 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 counterpart.

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 reporting and monitoring 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 part 5.3.

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, markets limits, sensitivity to various risk factors, etc.).

In 2013, the hypothetical back-testing calculated on the trading portfolio revealed one downward exception for interest-rate and currency risks on September 9, 2013 (calculated on the positions of September 6, 2013), testifying to the quality of the tools in place. This exception was caused by a breach on the FX trading portfolio following a high variation of the EUR / USD rate, yet the preponderance of this activity triggered a breach in the entire trading portfolio [1].

Stress testing is intended to explore a range of low probability events lying outside the predictive capacity of VaR measurement techniques. As such, VaR measures evaluate market risk on a daily market environment, while stress testing measures it on a distorted market environment.

Risk exposure

Treasury and Financial Market

The detailed IR&FX VaR use of Treasury and Financial Market Activities (ALM not included) is disclosed in the table below. The average Value at Risk was 4.99 million in 2013, compared to 1.94 million in 2012, for BIL.

VaR (10 days, 99 %)		**2012**											
(in EUR million)		**IR [2] & FX [3] (Trading and Banking) [4]**				**EQT [5] Trading**				**Spread Trading [6]**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	1.29	1.04	1.02	3.67	0.02	0.02	0.01	0.01	0.12	0.19	0.25	0.00
	Maximum	2.48	1.73	1.77	6.91	0.04	0.04	0.03	0.02	0.39	0.72	0.54	0.00
Global	Average	1.94											
	Maximum	7.67											
	End of period	3.32											
	Limit	6.00											

VaR (10 days, 99 %)		**2013**								
(in EUR million)		**IR [2] & FX [3] (Trading and Banking) [4]**				**EQT [5] Trading**				**Spread Trading [7]**
		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								

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 31 December 2013, the spread sensitivity (+1bp) amounted to - 5 481 for a limit set at 60 000.

[1] The downward back-testing breach in the entire trading perimeter is justified by the preponderance of this EUR/USD exposure on in trading portfolio.

[2] IR: interest-rate.
[3] FX: forex.
[4] IR & FX: without ALM.

[5] EQT: equity.
[6] Spread trading VaR calculated till 30/09/12.
[7] No more calculation of Spread trading VaR.

Assets and Liabilities 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, 2013, ALM sensitivity amounted to + 29 million (versus - 120 million as at December 31, 2012). This evolution is due to the finalisation of the new balance sheet structure. The limit of interest-rate sensitivity was 95 million/percent as at December 31, 2013 (versus 190 million as at December 31, 2012). This limit is reviewed according to the Bank's regulatory own funds.

Investment Portfolio

BIL has continued its investments in the new portfolio during 2013.

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 4.63 billion as at December 31, 2013 (against 2.95 billion as at December 31, 2012). The majority are classified in the AFS reserve: 4.59 billion as at December 31, 2013 (against 2.90 billion as at December 31, 2012), the remainder are classified in HTM: 39 million as at December 31, 2013.

As far as the AFS-classified bonds portfolio is concerned, the sensitivity of fair value (and the AFS reserve), to a one basis point widening of the spread, was –2.5 million (compared with –2.1 million per basis point as at December 31, 2012).

Investment portfolio (in EUR million)

	Notional amount		Rate bpv		Spread bpv	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Treasury	621	2,378	0.20	0.19	0.27	0.84
ALM	2,327	2,248	1.56	0.64	1.87	1.68

Liquidity Risk

The liquidity management process is based upon covering funding requirements with available liquidity reserves. Funding requirements are assessed prudently, dynamically and comprehensively by taking 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 de Luxembourg).

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 (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 resistance to liquidity risk. These indicators include liquidity ratios, which compare liquidity reserves to 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 2012 year-end situation, BIL presented a significant liquidity surplus all year long during 2013.

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

	2013	Q1	Q2	Q3	Q4
	Estimated – 1 month				
Average	4,998	5,016	5,136	4,985	4,855
Max	5,113	5,189	5,275	5,093	5,513

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 moderate growth in the loan portfolio.

This excess cash has been partially invested through the liquidity buffer bond portfolio. This portfolio is mainly composed of central bank eligible bonds which are also compliant with the future Basel III liquidity requirements, i.e. the LCR and NSFR.

The final regulatory constraints of the LCR (100%) are met.

[1] Called "Base Case Ratio".

5. Operational risk

5.1 DEFINITION

Operational risk is the risk of direct or indirect losses resulting from the unsuitability or failure of internal processes, staff or systems, or due to 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 was 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 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 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 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

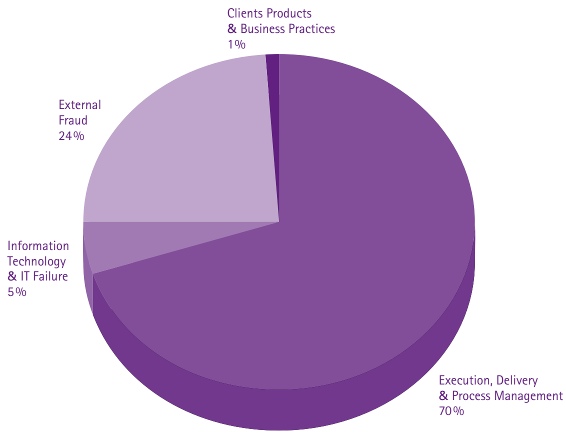
The operational risk framework relies on the following elements:

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 (standardised or advanced measurement approaches), 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:



Execution, delivery & process incidents represent 70% of the total amount of losses. Losses related to these incidents are usually due to human errors. In second place, 24% of losses occurring in 2013 were due to external fraud. While there are few incidents of this type, the amounts involved are significant (only 17 incidents). There was no internal fraud. Information, technology and IT failure incidents generally do not generate financial losses even if they tend to occur rather often. The impacts are generally in man-days lost. The "Damage to physical asset" event type is covered by insurance.

In terms of reporting, an exhaustive monthly document is produced for each line manager (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.

ORM 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 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. 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 meetings of the Operational Risk and New Products Committee.

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 plan 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 action plans.

Calculation of the regulatory capital requirement

BIL applies the standardised Basel II 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 (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, using an average over the past three years. The calculation is updated at the end of each year. The capital requirement for operational risk was 55.72 million at year-end 2013, as compared to 55.57 million at year-end 2012.

Capital requirement for operational risk (in EUR million)

2012	2013
55.57	55.72

6. Regulatory capital adequacy – Pillar 1

6.1 WEIGHTED RISKS

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

At the end of 2013, the Bank's total weighted risks amounted to 4.35 billion, compared with 4.21 billion at the end of 2012. The difference is notable but not substantial, and mostly relates to weighted credit risks (+171 million), while weighted market risks lost 26 million and weighted operational risks increased by a mere 2 million.

In more details, weighted credit risks on sovereigns, financial institutions and corporates have significantly been impacted by new investments and reviews of the Basel II parameters throughout the year 2013.

At the same time, other segments have seen their exposure reduced. This is mainly the case for the private banking segment whose exposure fell by 57 million in 2013.

When it comes to market risk, the Bank has adopted the standard 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's customers by providing the best service relating to the purchase or sale of bonds, foreign currencies, equities and structured products. The effect of the changeover to the standard method has a moderate but positive impact on the weighted market risks. Their lower level in 2013 compared to 2012 is also explained by a reduction in the volume of structured products.

(in EUR million)

	30/06/12	31/12/12	30/06/13	31/12/13
Weighted credit risks	7,033	3,367	3,494	3,538
Weighted market risks	137	145	147	119
Weighted operational risks	788	695	695	697
TOTAL WEIGHTED RISKS	**7,958**	**4,207**	**4,336**	**4,354**

6.2 CAPITAL ADEQUACY RATIOS

(in EUR million)

	30/06/12	31/12/12	30/06/13	31/12/13
Core shareholders' equity (Tier 1) [1]	433	605	558	650
Total Regulatory capital	736	820	813	904
Weighted risks	7,958	4,207	4,336	4,354
Core shareholders' equity (Tier 1) ratio	5.44 %	14.39 %	12.88 %	14.93 %
CAPITAL ADEQUACY RATIO	**9.25 %**	**19.49 %**	**18.75 %**	**20.77 %**

The three weighted risks categories added together constitute the denominator in the calculation of the solvency ratios.

In comparison to the end of 2012, the ratios as of year-end 2013 have improved, thanks to the strengthening of the regulatory capital, despite the rise in total weighted risks.

7. Internal capital adequacy – Pillar 2

The main objective of the ICAAP is to self-assess capital adequacy in proportion to the risks the institution is or might be exposed to, given its business model and strategy, as well as in proportion to its defined risk appetite and risk bearing capacity [2].

According to CSSF Circular 07/301 ICAAP the Bank has to set up "healthy, efficient and exhaustive strategies and processes, allowing institutions to assess and maintain at any time the amount, type and allocation of internal equity capital they deem appropriate to cover the type and level of risks which they are or could be exposed to".

To do this, the BIL ICAAP process includes several topics / tasks:

- Risk appetite framework, which translates business strategy into risk appetite objectives.
- Risk identification and cartography, with these following steps:
  - compilation of a risk glossary
  - identification of the risks
  - assessment of the risk materiality
  - production of a risk cartography (by entity and business line).
- Risk assessment, in coherence with risk identification and cartography. One of the main components of risk assessment is economic capital (ECAP). Economic capital can be understood as the methods or practices allowing banks to consistently assess risk and attribute capital in order to cover the economic effects of risk-taking activities. Economic capital is defined as the potential deviation between the group's economic value and its expected value, within a given confidence interval and time horizon. The process for quantifying economic capital is organised into two stages:
  - Stand-alone risk measurement, (on the basis of statistical models internally developed and adapted to the Bank's risk profile),
  - Aggregation based on an inter-risk correlations matrix.
- Capital adequacy and process, which mainly links the needs in economic capital (ECAP) with available financial resources (AFR), representing the loss absorbing financial capacity and availability over a one-year horizon. These AFR are constituted by the available financial capacity to cover the incurred risks and absorb the losses.
- Stress-testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and / or movement in a set of financial variables. The traditional focus of stress-testing relates to exceptional but plausible events. The global stress test aims to identify the potential impacts of external and internal events on the business model and offer the management relevant elements in order to take the necessary actions (including changes in business strategy) to ensure the regulatory ratios are maintained above the minimum requirements and to ensure the bank's survival during a stress period.
- Business integration: the best example of ICAAP business integration is its use in all kind of decision-making processes, where capital consumption indicators assist in driving new initiatives.

7.1 BACKGROUND

In 2012 and during the first two quarters of 2013, BIL decided to create a new ICAAP from scratch, taking the view that the BIL group's business model and the risk profile are significantly different from what was the case within Dexia. The resulting report is quite different from Dexia's, particularly in terms of the scope and quantification of risks. During this first year, the focus was clearly placed on apprehending all of the risks in an exhaustive manner, whether these are qualitative or quantitative, credit, operational, market or enterprise-wide.

[1] Shareholders' equity include the net income for the year. No dividend will be distributed with respect to the year 2013 (see Proposed allocation of 2013 net income p.188).
[2] The risk-bearing capacity can be seen as an institution's financial and organisational capacity, capabilities and flexibility to respond to adverse market circumstances.

The result of this work was the first independent ICAAP report, published in June 2013. During the second half of 2013, BIL was mainly focussed on two topics: the risk appetite framework and the enhancement of ECAP calculation through the construction of the capital engine and the reallocation process.

7.2 RISK APPETITE

Risk appetite expresses the maximum level of risk an institution is willing to take on in order to reach its business and strategic objectives, given key stakeholders' expectations and the mandates they granted.

The starting point of the risk appetite framework is the strategic business plan. This strategic business plan contains a 'vision' of the Bank's target business profile over the next years, being 'a universal bank with a strong anchoring on the Luxembourg market and selected international activities that use a service excellence as a key differentiating factor'.

Furthermore, the strategic plan contains mission statements laying out the path to a new profile. The essence of the business strategy is the focus on relationship banking characterised by a high level of customer satisfaction and operational excellence. Under the proposed business model, growth is intended to be primarily funded by an increase of customer deposits whereas exposure to credit markets is expected to remain limited.

On the asset side, no target has yet been set concerning a preferred customer and asset mix, as first priority for BIL is to win back previously lost customers and market share. This should be achieved by using a well-coordinated campaign, attractive products and consistent messages.

Going forward, capital-light business will be promoted and new customer segments (UHNWIs) and geographies will be targeted. Excess liquidity is invested in a low-risk lending book and low capital-consuming investment portfolio.

By setting strategic objectives, guidelines for achieving these objectives, as well as by making qualitative statements, the Board has established a number of high-level principles for the selection of and avoidance of risks. This high levels of principle can be represented by five pillars:

- Capital
- Earnings stability
- Liquidity
- Reputation
- Operational effectiveness

The five pillars, representative of Bank's risk appetite, are translated by a series of ratios / indicators constituting a key component for defining limits in terms of financial fundamentals.

This framework is based on a mix of accounting (gearing), regulatory (Tier 1, weighted risks) and economic (economic capital) ratios and also includes liquidity and funding structure ratios, as well as reputational and operational indicators. Limits are set for each of these ratios and are approved by the Board of Directors each year. The Risk department in collaboration with Finance and / or other business lines is responsible for monitoring and improving these ratios, if necessary by offering the Management Board suggestions on how to ensure limits are respected.

7.3 ECONOMIC CAPITAL

Economic capital can be seen as those methods or practices allowing banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities. Economic capital is defined as the potential divergence between the group's economic value and its expected value, with a given confidence interval and time horizon (99.93 % in one year). The process for quantifying economic capital is organised into two stages:

- Measurement of the risk capital (RC) by type of risk, on the basis of dedicated statistical methods. Each risk is thus individually assessed,
- Aggregation based on an inter-risk diversification matrix to obtain a global figure of ECAP and reallocation to the various levels of risk (entities, activity lines, etc.).

In 2013, the focus was placed on the second stage to establish a global measure of risk.

Firstly, an ECAP engine was developed in order to aggregate the risk capital estimated for each risk and then allocate it to all of the risk levels (entities, activity lines, etc.). That tool is based on the Markowitz approach: the total estimated capital is diversified under a calibrated correlation matrix.

The calibration of the ECAP Engine is split into two parts:

1. Construction of synthetic indices (or proxies) reflecting the bank's profit or loss for each risk.
2. Calculation of the inter-risk correlations and construction of the correlation matrix.

Secondly, in collaboration with controlling and financial planning, the allocation of diversified ECAP was reviewed each quarter for each activity line by entity to be aligned with other metrics.

Consolidated financial statements

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 2013, 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 2013, 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.

Other matters

The consolidated financial statements of Banque Internationale à Luxembourg SA as at 31 December 2012 have been audited by another "réviseur d'entreprises agréé", who issued an unqualified opinion on these consolidated financial statements as at 31 December 2012 on 28 March 2013.

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 4, 2014

Consolidated balance sheet

ASSETS

(in EUR)		Notes	31/12/12	31/12/13
I.	Cash and balances with central banks	7.2	3,358,966,568	1,216,639,373
II.	Loans and advances to credit institutions	7.3	1,856,457,339	1,374,083,211
III.	Loans and advances to customers	7.4	9,554,192,423	10,062,413,490
IV.	Financial assets measured at fair value through profit or loss	7.5	124,171,032	107,811,549
V.	Financial investments	7.6	3,894,147,186	5,480,341,698
VI.	Derivatives	9.1	1,709,753,839	687,957,956
VII.	Fair value revaluation of portfolios hedged against interest-rate risk		25,452,345	15,942,122
VIII.	Investment property	7.7 / 7.11	165,737,716	153,778,830
IX.	Property, plant and equipment	7.7 / 7.11	114,214,359	110,261,459
X.	Intangible fixed assets and goodwill	7.8	65,392,495	68,094,591
XI.	Current tax assets	7.9	0	2,274
XII.	Deferred tax assets	7.9 / 9.2	376,068,944	359,190,591
XIII.	Other assets	7.10	61,158,415	62,444,618
TOTAL ASSETS			**21,305,712,661**	**19,698,961,762**

LIABILITIES

(in EUR)		Notes	31/12/12	31/12/13
I.	Amounts due to credit institutions	8.1	2,578,571,093	1,730,245,390
II.	Amounts due to customers	8.2	11,546,279,875	12,497,024,699
III.	Financial liabilities measured at fair value through profit or loss	8.3	2,672,791,875	1,795,585,963
IV.	Derivatives	9.1	1,573,878,656	781,982,420
V.	Fair value revaluation of portfolios hedged against interest-rate risk		91,611,929	58,956,377
VI.	Debt securities	8.4	619,234,370	888,625,678
VII.	Subordinated debt	8.5	751,562,232	417,553,218
VIII.	Provisions and other obligations	8.6	71,071,953	79,546,534
IX.	Current tax liabilities	8.7	16,441,235	1,440,382
X.	Deferred tax liabilities	8.7 / 9.2	20,069,979	22,670,390
XI.	Other liabilities	8.8	258,776,696	255,908,858
TOTAL LIABILITIES			**20,200,289,893**	**18,529,539,909**

SHAREHOLDERS' EQUITY

(in EUR)		Notes	31/12/12	31/12/13
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		80,217,434	88,687,150
XVI.	Net income for the year		30,177,288	113,229,814
CORE SHAREHOLDERS' EQUITY			**958,460,972**	**1,049,983,214**
XVII.	Gains and losses not recognised in the consolidated statement of income		146,961,796	119,438,639
	a) AFS reserve		*164,307,820*	*160,514,278*
	b) Other reserves		*(17,346,024)*	*(41,075,639)*
GROUP EQUITY			**1,105,422,768**	**1,169,421,853**
XVIII.	Non-controlling interest		0	0
TOTAL SHAREHOLDERS' EQUITY			**1,105,422,768**	**1,169,421,853**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**21,305,712,661**	**19,698,961,762**

Consolidated statement of income

(in EUR)		Notes	31/12/12	31/12/13
I.	Interest and similar income	11.1	991,778,618	709,256,101
II.	Interest and similar expense	11.1	(774,157,491)	(461,996,892)
III.	Dividend income	11.2	22,075,603	3,203,031
IV.	Net trading income and net result of hedge accounting	11.3	4,363,972	45,119,261
V.	Net income on investments (assets and liabilities not designated at fair value through profit or loss)	11.4	(53,281,481)	58,310,525
VI.	Fee and commission income	11.5	169,463,630	185,348,412
VII.	Fee and commission expense	11.5	(20,117,361)	(18,795,608)
VIII.	Other net income	11.7	19,517,121	(16,010,380)
INCOME			**359,642,611**	**504,434,450**
IX.	Staff expenses	11.8	(188,275,168)	(194,333,556)
X.	General and administrative expenses	11.9	(120,090,630)	(122,241,529)
XI.	Amortisation of tangible and intangible fixed assets	11.10	(22,292,441)	(24,872,276)
EXPENSES			**(330,658,239)**	**(341,447,361)**
GROSS OPERATING INCOME			**28,984,372**	**162,987,089**
XII.	Impairment on loans and provisions for credit commitments	11.11	(18,430,898)	(23,347,209)
XIII.	Impairment on tangible and intangible fixed assets	11.12	0	(96,688)
XIV.	Provisions for legal litigation	11.15	11,184,137	(364,290)
NET INCOME BEFORE TAX			**21,737,611**	**139,178,902**
XV.	Tax expense	11.13	8,439,677	(25,949,088)
NET INCOME FOR THE YEAR			**30,177,288**	**113,229,814**
	Net income - Group share		30,177,288	113,229,814
	Non-controlling interest		0	0
	Earnings per share	11.14		
	- basic		14.97	56.15
	- diluted		14.97	56.15

Consolidated statement of comprehensive income

(in EUR)	31/12/12	31/12/13
NET INCOME FOR THE YEAR RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**30,177,288**	**113,229,814**
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**104,928,071**	**(27,523,157)**
Items that will not be reclassified to profit or loss	**(6,885,615)**	**(7,226,069)**
Actuarial gains (losses) on defined benefit pension plans - Gross	(9,450,995)	(10,176,149)
Actuarial gains (losses) on defined benefit pension plans - Tax	2,565,380	2,950,080
Items that may be reclassified to profit or loss	**111,813,686**	**(20,297,088)**
Gains (losses) on net investment hedge	(58,915)	(128,271)
Translation adjustments	8,396,340	(1,042,105)
Gains (losses) on cash flow hedge	(129,535)	(21,716,095)
Unrealised gains (losses) on available for sale financial investments	143,883,325	(6,314,435)
Tax on items that may be reclassified to profit or loss	(40,277,529)	8,903,818
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**135,105,359**	**85,706,657**
Attributable to equity holders of the parent company	**135,105,359**	**85,706,657**
Attributable to non-controlling interests	0	0

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 01/01/12, 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
Capital increase		203,846,457				203,846,457
Classification of income to hybrid capital[1]				23,804,569		23,804,569
Change in scope of consolidation				(149,852)		(149,852)
Change in accounting policies[2]				4,196,440		4,196,440
Net income for the year					30,177,288	30,177,288
AS AT 31/12/12, IFRS	**141,224,090**	**708,297,160**	**(1,455,000)**	**80,217,434**	**30,177,288**	**958,460,972**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the statement of income
AS AT 01/01/12, IFRS	**60,752,553**	**769,185**	**0**	**(19,488,013)**	**42,033,725**
Net change in fair value through equity - Available for sale investments	69,571,600				69,571,600
Net change in fair value through equity - Cash flow hedge		735,442			735,442
Net change in other reserves			(6,895,099)		(6,895,099)
Translation adjustments	(3,817)		9,484	8,396,340	8,402,007
Reimbursements for the year, disposals or maturities	(1,593,219)				(1,593,219)
Cancellation of fair value following AFS disposals	35,580,703				35,580,703
Cash flow hedge - Break in hedging		(873,363)			(873,363)
AS AT 31/12/12, IFRS	**164,307,820**	**631,264**	**(6,885,615)**	**(11,091,673)**	**146,961,796**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the statement of income	Non-controlling interests
AS AT 01/01/12, IFRS	**340,145**	**0**	**340,145**
Changes in scope of consolidation	(340,145)		(340,145)
AS AT 31/12/12, IFRS	**0**	**0**	**0**

[1] Amount net of tax.
[2] See note 1.2.4.1.
[3] As at December 31, 2012, translation adjustments comprise an amount of EUR -36,297,941 relating to net investment hedges linked to foreign exchange differences in consolidated investments (as at December 31, 2011: EUR -35,431,536).

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, IFRS	**141,224,090**	**708,297,160**	**(1,455,000)**	**80,217,434**	**30,177,288**	**958,460,972**
Classification of income 2012				30,177,288	(30,177,288)	0
Classification of income to hybrid capital[1]				(21,707,572)		(21,707,572)
Net income for the year					113,229,814	113,229,814
AS AT 31/12/13, IFRS	**141,224,090**	**708,297,160**	**(1,455,000)**	**88,687,150**	**113,229,814**	**1,049,983,214**

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, IFRS	**164,307,820**	**631,264**	**(6,885,615)**	**(11,091,673)**	**146,961,796**
Net change in fair value through equity - Available for sale investments	12,261,571				12,261,571
Net change in fair value through equity - Cash flow hedge		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 year, disposals or maturities					0
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, IFRS	**160,514,278**	**(14,830,178)**	**(14,111,683)**	**(12,133,778)**	**119,438,639**

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

[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 (as at December 31, 2012: EUR -36,297,941).

Consolidated cash flow statement

(in EUR)	Notes	31/12/12	31/12/13
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		30,177,288	113,229,814
Adjustment for:			
- Depreciation and amortisation	7.7 / 7.8	33,927,407	37,484,840
- Impairment on bonds, equities and other assets	11.4 / 11.11	13,174,970	18,038,850
- Net gains/(losses) on investments		1,780,872	136,450
- Provisions (including collective impairment)	7.10 / 8.6 / 8.8 / 11.11	(29,152,755)	2,931,731
- Change in unrealised gains (losses)	11.3	(1,602,280)	(24,076,782)
- Deferred taxes	11.13	(24,709,484)	40,552,363
Changes in operating assets and liabilities		1,965,405,836	(2,256,888,125)
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,989,001,854**	**(2,068,590,859)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.7 / 7.8	(25,132,631)	(29,000,444)
Sale of fixed assets	7.7 / 7.8	66,207	4,721,434
Purchase of non-consolidated shares		(2,163,553)	(2,081,480)
Sales of non-consolidated shares		3,617,292	25,499,706
Acquisitions of subsidiaries		(490,000)	0
Sales of subsidiaries/branch closures		(4,904,426)	0
NET CASH FLOW FROM INVESTING ACTIVITIES		**(29,007,111)**	**(860,784)**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase		203,846,457	0
Movements in subordinated debt [1]		0	(339,373,338)
NET CASH FLOW FROM FINANCING ACTIVITIES		**203,846,457**	**(339,373,338)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,163,841,200**	**(2,408,824,981)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,245,590,078**	**4,412,893,222**
Net cash flow from operating activities		1,989,001,854	(2,068,590,859)
Net cash flow from investing activities		(29,007,111)	(860,784)
Net cash flow from financing activities		203,846,457	(339,373,338)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		3,461,945	(12,808,512)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**4,412,893,223**	**1,991,259,729**
ADDITIONAL INFORMATION			
Taxes paid		(1,039,991)	34,647
Dividends received	11.2	22,075,603	3,203,031

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

[1] Cash generating only.

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 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 February 28, 2014, 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 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 19 July 2002, requiring listed groups to apply IFRS as from 1 January 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 31 December 2013.

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 volume traded, market liquidity, bid offer spread,... (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 + note 8.6);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see1.21); and
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see 1.17.2).

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 31 December 2013.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 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;
- 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 1 January 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 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 are effective as from January 1, 2014 and have no impact on the Bank.
- 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 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 could impact the Bank.

- 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. BIL does not expect a material impact from this standard on its 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.

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

- 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.
- Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 issued on November 21, 2013). The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. These amendments are effective from 1 July 2014 with earlier application permitted.
- Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

1.2.4 Change in accounting policies

1.2.4.1 Defined Benefit Plans

The Bank considers the death-in-service lump sum benefit and some disability-in-service pension, 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). The following table shows the impact of the restatement on the consolidated balance sheet as of December 31, 2012:

Consolidated financial statements (in EUR)		31/12/12 Impact of restatement
ASSETS	Deferred tax assets	(1,732,410)
LIABILITIES	Provisions and other obligations	(5,928,850)
SHAREHOLDERS' EQUITY	Reserves and retained earnings	4,196,440

1.2.4.2 Cash and cash equivalent

Until now the Bank was not applying a strict application of the standard because its definition was based on a residual maturity of 3 months instead of an initial one.
IAS 7 text regarding the 3 months from acquisition date was considered by many banks as an example and not a constraint. This historical approach was based on a cash management view. Nevertheless, the Bank's approach was not consistent with a strict application of the standard. In May 2013, IFRIC finally closed this debate by considering the definition of IAS 7 was explicit enough. As a consequence, the Bank modifies its approach accordingly for the Cash & Cash Equivalent definition, by considering only the initial maturity of 3 months. However, this modification has no significant impact on 2012 figures.

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.

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.

1.3.3 Other entities (including Special Purpose Entities)

An entity shall be consolidated when the substance of the relationship between BIL and the entity indicates that the entity is controlled by BIL, regardless the nature of the investee.

Control may arise through the predetermination of the activities of the entity (operating on 'autopilot') or otherwise. The following circumstances require judgement and may indicate a relationship through which BIL controls an entity (which it should consequently consolidate):
- The activities of the entity are being conducted on behalf of BIL, according to its specific business needs;
- BIL has the decision-making powers or has delegated these powers to obtain the majority of the benefits of the activities of theentity;
- BIL has the right to obtain the majority of the benefits of the entity and may be exposed to its risks or
- BIL retains the majority of the residual or ownership risks related to the entity or its assets in order to obtain benefits from its activities.

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 realise the asset and settle the liability simultaneously.

The offsetting is currently used by each entity of the BIL group for tax assets and liabilities.

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 unrealised 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 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 "Financial instruments measured at fair value through profit or loss".

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 recognised 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 impairments – If there is objective evidence that loans or other receivables or financial assets classified as held-to-maturity are impaired, the amount of the impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated recoverable amount, being the present value of expected cash flows, including judgements on the amounts recoverable from guarantees and collateral, discounted at the financial instrument's original effective interest-rate (except for reclassified assets, see below). Assets with small balances that share similar risk characteristics follow the principles as described below.
- Collective impairments – Losses incurred where there is no specific impairment but objective evidence of losses in segments of the portfolio or other lending-related commitments at the balance-sheet date are covered by collective impairments. BIL estimates them based upon the historical patterns of losses in each segment, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate. For that purpose, BIL develops credit-risk models using an approach combining appropriate default probabilities

and loss-given defaults that are subject to regular back-testing and are based on Basel II data and risk models, consistent with the "incurred-loss" model. Assumptions are made to define the way inherent losses are modelled and to determine the required parameters, based on historical experience.

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

- Equities – For equities quoted on an active market, any significant decline in their price (more than 50% at reporting date) or a prolonged decline compared to the acquisition price is considered as objective evidence of impairment. In addition, management can decide to recognise impairment losses should other objective evidence be available.
- Interest-bearing financial instruments – In the case of interest bearing financial instruments, impairment is triggered based on the same criteria as applied to individually impaired financial assets valued at amortised cost (see 1.6.5.1).

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 interest-bearing financial instruments, 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.

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 has also adjusted its methodology for calculating the Credit Value Adjustment (CVA) and has recognised the 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.

For bonds and loans for which no active market exists, the Bank uses a Mark-to-Model approach. The valuation price is composed of a market price component and a model price component. The weight granted to the model price component reflects an assessment of the activity level of the market.

For its Mark-to-Model price, the Bank uses a discounted cash-flow model, based on a discounted spread that incorporates both CDS/credit spread and cash/CDS basis. The credit spread is estimated from the security specific characteristics (sector, rating, Loss Given Default,...) and from the level of some liquid CDS indices. A cash/CDS component is added to the credit component to obtain the bond's spread.

The Bank performs regular back testings for Mark-to-Model prices.

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.

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 recognised 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 carve-out") 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 their carrying 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 amortisation 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. Inter-company 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 year-end. 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 income (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 post-employment 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 over the average remaining working lives of the plan participants.

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), as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, 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 total of any cumulative unrecognised net actuarial losses and the cost of past service, and 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 internal and 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 fund 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. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

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, actuarial gains and losses 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 long-service 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.

2. RELATED PARTY TRANSACTIONS

Two parties are considered to be related if one party has the ability to control the other party, or exercises significant influence over the other party in making financial or operational decisions. The ultimate parent of the group is BIL. Relations with equity-accounted companies, as well as with the directors, are reported in these consolidated financial statements.

3. SEGMENT REPORTING

See note 3. "Business and geographic reporting".

4. RISK MANAGEMENT POLICIES AND HEDGING ACTIVITIES

See "Risk Management" section of the Consolidated management report.

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

2.1 Changes compared with 2012:

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

Selskabet af 18 December 2013 A/S (formerly Banque Internationale à Luxembourg Bank Danmark A/S)

Société du 25 juillet 2013 SA (formerly BIL Finance SA)

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
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 Invest N.V.	Pietermaai 15 PO Box 4905 Curaçao – Nederlandse Antilles	100
BIL Manage Invest SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Part Investments N.V.	Pietermaai 15 PO Box 4905 Curaçao – Nederlandse Antilles	100
BIL RE 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	54-56 avenue Hoche Building Regus F-75008 Paris	99.99
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 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
Europay Luxembourg S.C.	10, Parc d'Activité Syrdall L-5365 Munsbach	35.20	insignificant
Luxair, Société Luxembourgeoise de Navigation Aérienne SA	Aéroport de Luxembourg L-2987 Luxembourg	13.14	insignificant
Société de la Bourse de Luxembourg SA	11, avenue de la Porte-Neuve L-2227 Luxembourg	21.41	insignificant
Visalux S.C.	10, Parc d'Activité Syrdall 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 2013, BIL maintained the 2012 segmentation as follows:

- "Retail, Corporate and Private Banking" was organised around three business lines, Retail Banking, Corporate and Investment Banking and Private Banking, in order to improve synergies between the three pillars, based on client needs.
- "Treasury and Financial Markets" amended its business line with a new department in 2013 dedicated to the Investment Portfolio. TFM is organised around four departments: Treasury, Assets and Liabilities Management (ALM), Financial Markets and Investment Portfolio with dedicated desks supporting the commercial business lines.

INCOME (in EUR thousands)	**31/12/12**		
	Income	***of which interest income***	**Net income before tax**
Retail, Corporate and Private Banking	**391,060**	***229,603***	**83,252**
Treasury and Financial Markets	**(1,629)**	***(28,700)***	**(33,200)**
Group Center	**(29,788)**	***38,794***	**(28,314)**
Core	30,012	*26,794*	28,071
Non-core	(59,800)	*12,000*	(56,385)
TOTAL	359,643	*239,697*	21,738
Net income before tax			21,738
Taxes			8,440
NET INCOME			30,177

	31/12/13		
	Income	***of which interest income***	**Net income before tax**
Retail, Corporate and Private Banking	**421,711**	***243,334***	**105,163**
Treasury and Financial Markets	**41,072**	***2,573***	**5,516**
Group Center	**41,651**	***4,555***	**28,500**
Core	41,651	*4,555*	28,500
Non-core	0	*0*	0
TOTAL	504,434	*250,462*	139,179
Net income before tax			139,179
Taxes			(25,949)
NET INCOME			113,230

ASSETS AND LIABILITIES (in EUR thousands)	31/12/12[1]		31/12/13	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Private Banking	9,554,192	13,762,245	10,062,413	14,208,710
Treasury and Financial Markets	10,666,159	5,176,141	8,647,614	3,417,597
Group Center	1,085,362	1,261,903	988,935	903,233
TOTAL	21,305,713	20,200,290	19,698,962	18,529,540

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/12			
	Capital expenditures	Depreciation and amortisation	Impairments[2]	Other non-cash expenses[3]
Retail, Corporate and Private Banking	**0**	**0**	**(18,814)**	**2,106**
Treasury and Financial Markets	**0**	**0**	**(187)**	**0**
Group Center	**9,625**	**(22,292)**	**228**	**(1,883)**
Core	9,625	(22,292)	228	(10,966)
Non-core	0	0	0	9,083
TOTAL	9,625	(22,292)	(18,773)	223

	31/12/13			
	Capital expenditures	Depreciation and amortisation	Impairments[2]	Other non-cash expenses[3]
Retail, Corporate and Private Banking	**0**	**0**	**(23,190)**	**(271)**
Treasury and Financial Markets	**0**	**0**	**(984)**	**0**
Group Center	**11,548**	**(24,872)**	**271**	**(20,065)**
Core	11,548	(24,872)	271	(20,065)
TOTAL	11,548	(24,872)	(23,903)	(20,336)

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.

GEOGRAPHIC BREAKDOWN (in EUR thousands)		Belgium	Denmark	France	Luxembourg	Singapore	Switzerland	Other	Total
AS AT 31/12/12	**Income**	0	5,077	1,677	281,337	51,024	20,021	507	359,643
AS AT 31/12/13	**Income**	29	5,316	(5,092)	483,754	6,851	10,763	2,813	504,434

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] A part of the BIL Structured Product (BSP) issued by BIL were re-classified between the three business lines based on the revenues allocation (Retail, Corporate and Private Banking + 2.2 billion, Group Center +0.1 billion and TFM -2.3 billion). All the subordinated and convertible debts (751 million) were re-allocated from Treasury and Financial Markets to Group Center following the decision to allocate all the revenues generated by the Liability Management Exercice under Group Center.
[2] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill.
[3] Include IFRS2 costs, 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 the consolidated management report.

Note 5: Post-balance sheet events

There were no other occurences of significant post-balance sheet events likely to have a major impact on the consolidated 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, 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.

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	31/12/12	31/12/13
Cash and balances with central banks	3,358,957,980	1,216,639,373
Loans and advances to credit institutions	764,043,664	547,589,910
Financial assets available for sale	289,891,579	227,030,446
TOTAL	**4,412,893,223**	**1,991,259,729**

B. OF WHICH RESTRICTED CASH	31/12/12	31/12/13
Mandatory reserves [1]	239,657,527	210,118,174
TOTAL RESTRICTED CASH	**239,657,527**	**210,118,174**

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 years, 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	31/12/12	31/12/13
Cash in hand	47,345,003	48,649,264
Balances with central banks other than mandatory reserve deposits	3,071,964,038	957,871,935
Mandatory reserve deposits	239,657,527	210,118,174
TOTAL	**3,358,966,568**	**1,216,639,373**
of which included in cash and cash equivalents	*3,358,957,980*	*1,216,639,373*

7.3 Loans and advances to credit institutions

A. ANALYSIS BY NATURE	31/12/12	31/12/13
Nostro accounts	142,118,766	263,909,681
Cash collateral	1,035,126,806	549,520,955
Reverse repurchase agreements	200,001,944	200,053,040
Loans and other advances	479,210,180	360,602,933
Less:		
Collective impairment	(357)	(3,398)
TOTAL	**1,856,457,339**	**1,374,083,211**
of which included in cash and cash equivalents	*764,043,664*	*547,589,910*

B. QUALITATIVE ANALYSIS

see note 7.12

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.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

7.4 Loans and advances to customers

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Public sector	133,677,366	144,975,884
Other (primarily fixed advances and property loans)	9,397,792,596	9,876,027,209
Impaired loans	263,391,729	292,107,595
Less:		
Specific impairment on impaired loans and debt instruments	(219,266,623)	(230,596,261)
Collective impairment	(21,402,645)	(20,100,937)
TOTAL	**9,554,192,423**	**10,062,413,490**
of which included in the finance lease [1]	*178,637,143*	*175,163,004*

B. ANALYSIS BY NATURE	31/12/12	31/12/13
Cash collateral	17,663,348	14,777,115
Loans and other advances (non-impaired loans)	9,513,806,614	10,006,225,978
of which financial lease	*178,637,143*	*175,163,004*
of which Lombard loans [2]	*570,783,675*	*418,459,998*
of which consumer credits	*290,674,672*	*279,378,148*
of which mortgage loans	*3,217,654,161*	*3,400,798,591*
of which term loans [2]	*3,596,226,839*	*4,089,981,013*
of which current accounts [2]	*1,658,460,200*	*1,633,796,708*
of which other loans and advances	*1,369,924*	*8,648,516*
Impaired loans	263,391,729	292,107,595
Less:		
Specific impairment of impaired loans and debt instruments	(219,266,623)	(230,596,261)
Collective impairment	(21,402,645)	(20,100,937)
TOTAL	**9,554,192,423**	**10,062,413,490**
of which included in the finance lease [1]	*178,637,143*	*175,163,004*

C. QUALITATIVE ANALYSIS

see note 7.12

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 7.11
[2] 2012 breakdown has been reviewed in order to better reflect Lombard loans activity.

7.5 Financial assets measured at fair value through profit or loss

Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Public sector	5,288,195	10,382,867
Credit institutions	50,688,010	47,378,461
Other	31,350,217	50,050,221
TOTAL	87,326,422	107,811,549

B. ANALYSIS BY NATURE	31/12/12	31/12/13
Bonds issued by public bodies	4,719,099	10,382,867
Other bonds and fixed-income instruments	82,038,227	97,278,704
Equities and other variable-income instruments	569,096	149,978
TOTAL	87,326,422	107,811,549

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)

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Other	36,844,610	0
TOTAL	36,844,610	0

B. ANALYSIS BY NATURE	31/12/12	31/12/13
Equities and variable-income instruments	36,844,610	0
TOTAL	36,844,610	0

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

BIL 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 (including derivatives) or recognising the gains and losses on these assets and liabilities on a different basis.

In the case of financial assets, the FVO may be used as an alternative valuation method for certain assets (e.g. loans) in order to reduce volatility in profit or loss when there is a risk at the acquisition date that the hedge accounting requirements will not be met.

The fair value of unlisted financial instruments classified under the FVO is determined by Group Risk Management using pricing tools. The pricing tools used are discounted cash flow models whereby the discounted cash flow is determined by an interest-rate based on the available market rates that are applicable to similar securities and to issuers with a similar credit rating.

7.6 Financial investments

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Public sector	3,222,327,570	3,799,560,277
Credit institutions	477,493,645	1,052,445,564
Other	190,852,267	626,589,045
Impaired financial investments	24,061,314	20,888,603
TOTAL BEFORE IMPAIRMENT	**3,914,734,796**	**5,499,483,489**
Specific and collective impairment of financial investments	(20,587,610)	(19,141,791)
TOTAL	**3,894,147,186**	**5,480,341,698**
of which included in cash and cash equivalents	*289,891,579*	*227,030,446*

B. QUALITATIVE ANALYSIS

see note 7.12

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	
	31/12/12	31/12/13	31/12/12	31/12/13
Bonds issued by public bodies [1]	3,175,906,370	3,759,599,142	46,387,153	39,961,135
Other bonds and fixed-income instruments [1]	477,748,113	1,501,522,271	0	0
Equities and other variable-income instruments [2]	214,693,160	198,400,941	n.a.	n.a.
TOTAL BEFORE IMPAIRMENT	**3,868,347,643**	**5,459,522,354**	**46,387,153**	**39,961,135**
Specific and collective impairment of financial investments	(20,587,610)	(19,141,791)	0	0
TOTAL	**3,847,760,033**	**5,440,380,563**	**46,387,153**	**39,961,135**

[1] 2012 "Held to maturity financial assets" breakdown has been reviewed.
[2] The amount of variable income securities recorded at cost amounted to EUR 8.4 million as at December 31, 2013 (EUR 9.7 million as at December 31, 2012).

7.7 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 01/01/12	**304,435,481**	**122,594,152**	**7,303,711**	**220,081,580**	**654,414,924**
- Acquisitions	4,958,047	1,920,611	0	2,746,600	9,625,258
- Disposals	0	(270,172)	0	0	(270,172)
- Transfers and cancellations	(6,715,722)	(789,908)	0	(3,443,429)	(10,949,059)
- Translation adjustments	0	95,215	0	0	95,215
- Other	0	(2,324,751)	0	0	(2,324,751)
ACQUISITION COST AS AT 31/12/12 (A)	**302,677,806**	**121,225,147**	**7,303,711**	**219,384,751**	**650,591,415**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/12	**(194,798,427)**	**(113,856,505)**	**(3,267,681)**	**(42,466,224)**	**(354,388,837)**
- Booked	(9,240,900)	(1,971,663)	(745,239)	(10,889,727)	(22,847,529)
- Write-off	0	125,413	0	0	125,413
- Transfers and cancellations	3,796,773	791,390	0	(291,084)	4,297,079
- Translation adjustments	0	(87,245)	0	0	(87,245)
- Other	0	2,261,779	0	0	2,261,779
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/12 (B)	**(200,242,554)**	**(112,736,831)**	**(4,012,920)**	**(53,647,035)**	**(370,639,340)**
NET CARRYING VALUE AS AT 31/12/12 (A)+(B)	**102,435,252**	**8,488,316**	**3,290,791**	**165,737,716**	**279,952,075**

	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)
- Other	0	0	0	0	0
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
- Other	0	0	0	0	0
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**

B. FAIR VALUE OF INVESTMENT PROPERTIES	31/12/12	31/12/13
Fair value not subject to an independent valuation [1]	191,743,622	191,743,622

The Esch-Belval property was revalued as at December 31, 2010. Its fair value is estimated at EUR 203 million. Only the fair value corresponding to the part of this property not allocated to the Group's own use is shown above. The methodology used in order to value this property was based on the discounted cash flow technic with indefinite lifetime assumption. The global revenue has been calculated by nature of components based on the rent prices per square meters. Discount was performed based on an expected rate return of 6.25%.

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

7.8 Intangible fixed assets and goodwill

	Positive goodwill [1]	Internally-developed software	Other intangible fixed assets [2]	Total
ACQUISITION COST AS AT 01/01/12	**42,383,450**	**89,098,906**	**59,775,356**	**191,257,712**
- Acquisitions	0	13,409,186	2,098,187	15,507,373
- Transfers	0	0	(43,495,843)	(43,495,843)
- Translation adjustments	0	11,795	4,241	16,036
- Other	0	0	(937,279)	(937,279)
ACQUISITION COST AS AT 31/12/12 (A)	**42,383,450**	**102,519,887**	**17,444,662**	**162,347,999**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/12	**(11,734,191)**	**(62,289,207)**	**(56,251,168)**	**(130,274,566)**
- Booked	0	(9,588,794)	(1,491,083)	(11,079,877)
- Transfers	0	0	43,495,843	43,495,843
- Translation adjustments	0	(8,114)	(6,340)	(14,454)
- Other	2	0	917,548	917,550
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/12 (B)	**(11,734,189)**	**(71,886,115)**	**(13,335,200)**	**(96,955,504)**
NET CARRYING VALUE AS AT 31/12/12 (A)+(B)	**30,649,261**	**30,633,772**	**4,109,462**	**65,392,495**

	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)
- 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
- 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**

7.9 Tax assets

	31/12/12	31/12/13
Current taxes	0	2,274
Deferred tax assets (see note 9.2)	376,068,944	359,190,591
TOTAL	**376,068,944**	**359,192,865**

[1] Origin of goodwill:
- EUR 30.7 million goodwill from the acquisition of Bikuben Girobank International SA Luxembourg in 2001 (initial amount of EUR 36.1 million which was partially depreciated for an amount of EUR 5.4 million).
- 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 units based on the discounted cash flow methodology. No further impairment is required as at the end of 2013 (goodwill valuation of EUR 79 million).
Sensisivity test: +1 % increase of the discount rate generates – 10 million goodwill value whereas -1 % decrease of this rate generates +13 million goodwill value.

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

7.10 Other assets

	31/12/12	31/12/13
Other assets*	58,881,803	62,379,756
Other assets specific to insurance activities	2,276,612	64,862
TOTAL	**61,158,415**	**62,444,618**

*ANALYSIS BY NATURE	31/12/12	31/12/13
Receivables	1,389,722	1,508,152
Prepaid fees	365,652	385,733
Other receivables	28,597,731	38,356,811
Plan assets	9,560,539	3,501,000
Operating taxes	4,749,687	7,026,942
Other assets [1]	14,218,472	11,601,118
TOTAL	**58,881,803**	**62,379,756**

7.11 Leasing

1. BIL as lessor

A. FINANCE LEASE

Gross investment in finance lease:	31/12/12	31/12/13
Less than 1 year	71,914,206	75,193,996
More than 1 year and less than 5 years	246,291,110	240,678,360
SUBTOTAL (A)	**318,205,316**	**315,872,356**
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	**(139,568,173)**	**(140,709,352)**
NET INVESTMENT IN FINANCE LEASE (A)-(B)	**178,637,143**	**175,163,004**

Net investment in finance lease may be analysed as follows:	31/12/12	31/12/13
Less than 1 year	21,663,110	23,265,798
More than 1 year and less than 5 years	156,974,033	151,897,206
TOTAL	**178,637,143**	**175,163,004**

	31/12/12	31/12/13
Amount of doubtful debts on finance lease included in the loan loss provision at the end of the financial year	3,928,827	4,256,440
Estimated fair value of finance lease	178,637,143	175,163,004
Accumulated provision for irrecoverable minimum lease payments	3,234,238	3,227,334

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

The assets managed by BIL Lease may be broken down as follows:

- 71% of the assets is composed of vehicles, mainly passenger cars but also commercial vehicles.
- 14% is composed of IT equipment.
- 14% is composed of industrial equipment: machinery, medical equipment, etc.
- 1% of the assets is composed primarily of office furniture.

[1] Transactions linked to current business awaiting settlement.

B. OPERATING LEASE

BIL is the financial lessor of certain land and buildings. Relating information is detailed in note 7.7.

Future net minimum lease payments under operating lease	31/12/12	31/12/13
Less than 1 year	6,638,000	6,638,000
More than 1 year and less than 5 years	19,914,000	13,276,000
TOTAL	**26,552,000**	**19,914,000**

No contingent rents were recognised in 2012 and 2013.

2. BIL as lessee

A. FINANCE LEASE

BIL is the financial lessee of certain land and buildings. Relating information is detailed in note 7.7.

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	31/12/12	31/12/13
Less than 1 year	5,668,497	4,415,010
More than 1 year and less than 5 years	7,889,721	6,236,509
More than 5 years	1,440,789	1,244,736
TOTAL	**14,999,007**	**11,896,255**

Lease and sublease payments recognised as an expense during the financial year: - minimum lease payments	5,066,693	5,029,226
TOTAL	**5,066,693**	**5,029,226**

7.12 Quality of financial assets

Analysis of normal loans and securities on an individual basis	Gross amount (A)	
	31/12/12	31/12/13
Normal loans and advances to credit institutions	1,856,457,696	1,374,086,609
Normal loans to customers	9,531,469,962	10,021,003,093
Normal financial investments held to maturity	46,387,153	39,961,135
Normal financial investments available for sale	3,844,286,329	5,438,633,751
of which bonds and other fixed-income instruments	*3,653,654,482*	*5,261,121,413*
of which equities and other variable-income instruments	*190,631,847*	*177,512,338*
Collective impairment of normal loans on an individual basis [1]	(21,403,002)	(20,104,335)
TOTAL	**15,257,198,138**	**16,853,580,253**

Analysis of impaired loans and securities on an individual basis	Gross amount (B)		Specific loan loss allowance – individual basis (C)		Net amount (B+C)	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Impaired loans and advances to customers	263,391,729	292,107,595	(219,266,623)	(230,596,261)	44,125,106	61,511,334
Impaired financial assets available for sale	24,061,314	20,888,603	(20,587,610)	(19,141,791)	3,473,704	1,746,812
of which equities and other variable-income instruments	*24,061,314*	*20,888,603*	*(20,587,610)*	*(19,141,791)*	*3,473,704*	*1,746,813*
TOTAL	**287,453,043**	**312,996,198**	**(239,854,233)**	**(249,738,052)**	**47,598,810**	**63,258,147**

Analysis of normal and impaired loans and securities on an individual basis	Gross amount (A+B)		Specific loan loss allowance – individual basis (C)		Net amount (A+B+C)	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Loans and advances to credit institutions	1,856,457,696	1,374,086,609	0	0	1,856,457,696	1,374,086,609
Loans and advances to customers	9,794,861,691	10,313,110,688	(219,266,623)	(230,596,261)	9,575,595,068	10,082,514,427
Financial investments held to maturity	46,387,153	39,961,135	0	0	46,387,153	39,961,135
Financial investments available for sale	3,868,347,643	5,459,522,353	(20,587,610)	(19,141,791)	3,847,760,033	5,440,380,562
of which bonds and other fixed-income instruments	*3,653,654,482*	*5,261,121,412*	*0*	*0*	*3,653,654,482*	*5,261,121,412*
of which equities and other variable-income instruments	*214,693,161*	*198,400,941*	*(20,587,610)*	*(19,141,791)*	*194,105,551*	*179,259,150*
Collective impairment of normal loans on an individual basis [1]	(21,403,002)	(20,104,335)	n.a.	n.a.	(21,403,002)	(20,104,335)
TOTAL	**15,544,651,181**	**17,166,576,450**	**(239,854,233)**	**(249,738,052)**	**15,304,796,948**	**16,916,838,398**

[1] For the countervalue in profit or loss, see note 11.11.

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

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/12	31/12/13
On demand	442,009,681	273,019,687
Term	173,689,100	301,003,130
Cash collateral	1,140,677,285	410,120,789
Repurchase agreements	448,183,435	367,976,085
Central banks	28,883,463	30,724,579
Other borrowings [1]	345,128,129	347,401,120
TOTAL	**2,578,571,093**	**1,730,245,390**

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	31/12/12	31/12/13
Demand deposits	4,501,125,569	5,862,533,453
Savings deposits	3,947,053,084	4,035,957,572
Term deposits	3,054,037,243	2,588,666,280
Cash collateral	41,005,167	8,633,450
TOTAL CUSTOMER DEPOSITS	**11,543,221,063**	**12,495,790,755**
Other borrowings	3,058,812	1,233,944
TOTAL CUSTOMER BORROWINGS	**3,058,812**	**1,233,944**
TOTAL	**11,546,279,875**	**12,497,024,699**

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] 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	31/12/12	31/12/13
Other bonds	902,323	760,315
TOTAL	**902,323**	**760,315**

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	31/12/12	31/12/13
Non-subordinated liabilities	2,671,889,552	1,794,825,648
TOTAL	**2,671,889,552**	**1,794,825,648**

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 (including derivatives) 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	31/12/12	31/12/13
Certifcates of deposit	96,919,701	64,509,357
Non-convertible bonds	522,314,669	824,116,321
TOTAL	**619,234,370**	**888,625,678**

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	31/12/12	31/12/13
Non-convertible subordinated debt [1]	560,194,004	330,425,705
Hybrid capital and redeemable preferred shares [2]	191,368,228	87,127,513
TOTAL	751,562,232	417,553,218

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	31/12/12	31/12/13
Litigation [3]	10,116,813	15,910,437
Restructuring	16,799,313	17,424,742
Defined benefit plans	27,409,135	28,877,068
Other long-term employee benefits	13,710,621	13,836,501
Provision for off-balance sheet credit commitments	331,500	252,800
Onerous contracts	0	0
Other provisions	2,704,571	3,244,986
TOTAL	71,071,953	79,546,534

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other benefits employee	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions
AS AT 01/01/12	24,663,353	23,863,393	35,400,687	250,000	6,000,000	4,381,804
Exchange differences	(112,883)	(3,222)	(8,632)	0	0	20,297
Additional provisions	5,284,079	3,352,430	7,326,627	81,500	(6,000,000)	1,091,016
Unused amounts reversed	(17,256,093)	(1,541,548)	(7,904,612)	0	0	(1,135,226)
Used during the year	(1,726,942)	(8,605,090)	(2,313,118)	0	0	(989,593)
Transfers	(461,527)	(259,000)	505,543	0	0	0
Revaluation through reserves [4]	n.a.	n.a.	14,131,641	n.a.	n.a.	n.a.
Changes in accounting policies [5]	n.a.	n.a.	(5,928,850)	n.a.	n.a.	n.a.
Other movements	(273,174)	(7,650)	(89,530)	0	0	(663,727)
AS AT 31/12/12	10,116,813	16,799,313	41,119,756	331,500	0	2,704,571
AS AT 01/01/13	10,116,813	16,799,313	41,119,756	331,500	0	2,704,571
Exchange differences	(14,080)	(20,539)	(91,999)	0	0	(31,870)
Additional provisions	9,546,837	9,060,366	3,507,683	380,275	0	2,580,361
Unused amounts reversed	(3,008,647)	(44,349)	(3,987,388)	(30,974)	0	(304,760)
Used during the year	(790,122)	(8,370,049)	(1,917,757)	0	0	(1,703,316)
Transfers	59,636	0	(4,068,638)	(428,001)	0	0
Revaluation through reserves [4]	n.a.	n.a.	8,151,912	n.a.	n.a.	n.a.
Other movements	0	0	0	0	0	0
AS AT 31/12/13	15,910,437	17,424,742	42,713,569	252,800	0	3,244,986

[1] List available upon request.
[2] 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 33.6 million) on one hand, and the sum of the share capital and share premium adjusted for the amount of own shares on the other hand. In 2013, in accordance with the "Loss Participation" clause, following a reduction of the Contribution Amount, profits shall be allocated to the hybrid capital in order to restore the Contribution to the initial Contribution Amount ("Restoration Allocation"). Thus, the 2012 profit have been allocated to the hybrid capital for EUR 30.7 million. During 2013, the Bank purchased back a nominal amount of EUR 137 million of hybrid debt, mainly through its Liability Management Exercise.
[3] Provisions for litigation, including those for staff and tax-related litigation.
[4] See point 1.2.1 of note 1 to the Consolidated financial statements.
[5] See point 1.2.4.1 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 a defined-contribution or defined-benefit pension plan. All these commitments are shown in the table below. Please note that 2012 figures have been restated in order to disclose only pension benefits.

a. Reconciliation of benefit obligations	31/12/12	31/12/13
Defined benefit obligations at the beginning of the year	239,811,417	242,318,236
Current service cost	9,211,073	9,726,989
Interest cost	9,018,855	7,598,393
Past service cost and gains and losses arising from settlements	259,000	3,000
Actuarial gains / (losses)	5,928,940	12,225,616
Stemming from changes in demographic assumptions	*63,955*	*0*
Stemming from changes in financial assumptions	*(1,448,235)*	*7,074,408*
Stemming from experience adjustments	*7,313,220*	*5,151,208*
Benefits paid	(22,561,562)	(17,853,631)
Out of which: amounts paid in respect of settlements	*0*	*0*
Plan participant contributions	762,474	629,699
Currency adjustment	185,905	(390,986)
Business combination and disposals	1,783,673	1,248,008
Other	(2,081,539)	(2,003,135)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**242,318,236**	**253,502,189**

b. Reconciliation of fair value of plan assets	31/12/12	31/12/13
Fair value of plan assets at the beginning of the year	205,022,891	224,557,299
Actual return on plan assets	27,537,396	9,238,034
Expected return on plan assets	*7,854,429*	*7,261,692*
Actuarial gains / (losses)	*19,682,967*	*1,976,342*
Employer contributions	14,155,771	12,720,548
Plan participant contributions	762,474	629,699
Benefits paid	(22,561,562)	(17,853,631)
Currency adjustment	178,926	(383,607)
Business combination and disposals	1,573,673	1,248,008
Other	(2,112,270)	(2,028,356)
FAIR VALUE OF PLAN ASSETS AS AT THE END OF THE YEAR	**224,557,299**	**228,127,994**

c. Reconciliation of the effect of the asset ceiling	31/12/12	31/12/13
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	31/12/12	31/12/13
Plan assets in excess of benefit obligation	(5,418,000)	(3,501,000)
Unrecognised assets	0	0
UNFUNDED ACCRUED / PREPAID PENSION COST	**(17,760,937)**	**(25,374,195)**

e. Movement in net defined benefit pension liability or asset	31/12/12	31/12/13
Unfunded accrued/prepaid pension cost at the beginning of the year	(34,788,526)	(17,760,937)
Net periodic pension cost recognised in the income statement	(10,665,230)	(10,091,910)
Remeasurements recognised in OCI	13,754,026	(10,249,275)
Employer contributions	14,155,771	12,720,548
Pension payments by employer	0	0
Business combination and disposals	(210,000)	0
Currency adjustments	(6,978)	7,379
Other	0	0
UNFUNDED ACCRUED/PREPAID PENSION COST AT THE END OF THE YEAR	(17,760,937)	(25,374,195)

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/12	31/12/13
Recognised reserve at the beginning of the year	(23,205,022)	(9,450,995)
Remeasurements recognised in OCI	13,754,027	(10,176,149)
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	(9,450,995)	(19,627,144)

g. Amounts recognised in the income statement	31/12/12	31/12/13
Current service cost	9,211,073	9,726,989
Net interest on the defined benefit liability/asset	1,164,426	336,701
Past service cost	259,000	3,000
Gains and losses arising from settlements	0	0
Other	30,731	25,220
TOTAL	10,665,230	10,091,910

h. Amounts recognised in other comprehensive income	31/12/12	31/12/13
Actuarial gains/(losses) on the defined benefit obligation	5,928,940	12,225,616
Actual gains/(losses) on the plan assets	(19,682,966)	(1,976,341)
Change in the effect of the asset ceiling	0	(73,126)
TOTAL	(13,754,026)	10,176,149

Actual return on plan assets	31/12/12	31/12/13
	12.82%	4.08%

Breakdown of plan assets	31/12/12	31/12/13
Fixed income		
Quoted market price in an active market	69.01%	66.71%
Unquoted	0.00%	0.00%
Equities		
Quoted market price in an active market	15.48%	20.28%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price in an active market	3.87%	3.23%
Unquoted	0.00%	0.00%
Cash	1.98%	1.70%
Real estate	0.00%	0.00%
Other	9.65%	8.08%
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%	9.70%
	Scenario DR +1%	-7.74%

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%	4.62%

Expected contributions for next year	12,753,153

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, plan is a DB plan (closed).
No specific event occured in Luxemburg during the year 2013.
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 occured during the year 2013.

B. Methods and assumptions used in preparing the sensitivity analysis

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

	Luxembourg		Switzerland	
	31/12/12	31/12/13	31/12/12	31/12/13
Discount rate	3.34%	3.00%	2.50%	2.25%
Salary increase	3.00%	3.00%	1.00%	1.00%
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 exposure.
Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).
In Switzerland, investment strategy is in the hands of the insurer.

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.
In Switzerland, pension plan is funded through an insurance agreement.

8.7 Tax liabilities

ANALYSIS BY NATURE	31/12/12	31/12/13
Current income tax	16,441,235	1,440,382
Deferred tax liabilities (see note 9.2)	20,069,979	22,670,390
TOTAL	**36,511,214**	**24,110,772**

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

8.8 Other liabilities

	31/12/12	31/12/13
Other liabilities*	257,807,396	255,449,606
Other liabilities specific to insurance activities	969,300	459,252
TOTAL	258,776,696	255,908,858

*ANALYSIS BY NATURE	31/12/12	31/12/13
Accrued costs	8,291,197	8,063,525
Deferred income	6,094,457	6,845,297
Other payables [1]	164,409,540	151,979,369
Other granted amounts received	1,378,057	1,371,114
Salaries and social security costs (payable)	24,650,718	25,498,690
Other operational taxes	43,631,147	52,510,657
Other liabilities	9,352,280	9,180,954
TOTAL	257,807,396	255,449,606

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

9.1 Derivatives

A. ANALYSIS BY NATURE	31/12/12		31/12/13	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	1,445,637,375	1,352,729,236	543,150,240	502,253,052
Derivatives designated as fair value hedge	2,351,690	24,967,472	52,541,752	207,355,904
Derivatives designated as cash flow hedge	163,028,442	169,207,712	29,343,266	55,484,568
Derivatives designated as portfolio hedge against interest-rate	98,736,332	26,974,236	62,922,698	16,888,896
TOTAL	1,709,753,839	1,573,878,656	687,957,956	781,982,420

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**9,242,624,631**	**9,227,947,193**	**341,094,293**	**308,526,282**
FX forward	6,816,063,801	6,825,567,374	36,047,610	46,540,867
FX future	56,497,590	57,358,786	237,806	1,122,456
Cross currency swap	1,826,746,711	1,803,430,183	295,757,059	251,443,349
FX options	543,316,529	541,590,850	9,051,818	9,419,610
Interest-rate derivatives	**11,536,754,372**	**11,619,369,880**	**1,081,264,570**	**1,030,674,706**
Options-Caps-Floors-Collars-Swaptions	144,889,220	200,642,072	1,245,750	1,249,913
IRS	11,390,865,152	11,390,865,152	1,080,016,848	1,029,422,536
Interest futures	1,000,000	27,862,656	1,972	2,257
Equity derivatives	**335,756,922**	**316,200,495**	**21,984,846**	**12,249,755**
Equity futures	718,620	2,800,792	11,315	12,577
Equity options	43,984,052	22,345,453	12,391,238	0
Warrants	2,952,421	2,952,421	581,627	0
Other equity derivatives	288,101,829	288,101,829	9,000,666	12,237,178
Credit derivatives	**18,766,000**	**14,469,000**	**1,293,666**	**1,278,493**
Credit default swaps	18,766,000	14,469,000	1,293,666	1,278,493
TOTAL	21,133,901,925	21,177,986,568	1,445,637,375	1,352,729,236

[1] As at December 31, 2012 and 2013, 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.

	31/12/13			
	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	108,358,421	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**	**34,839,185**	**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
Warrants	0	0	0	0
Other equity derivatives	161,226,596	161,226,596	11,891,154	4,216,840
Credit derivatives	**0**	**0**	**0**	**0**
Credit default swaps	0	0	0	0
TOTAL	**10,801,632,450**	**10,807,623,220**	**543,150,240**	**502,253,052**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE

	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest-rate derivatives	**542,211,065**	**542,211,065**	**2,351,690**	**24,967,472**
IRS	542,211,065	542,211,065	2,351,690	24,967,472
TOTAL	**542,211,065**	**542,211,065**	**2,351,690**	**24,967,472**

	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**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**23,580,002**	**23,565,986**	**36,197**	**0**
Cross currency swap	23,580,002	23,565,986	36,197	0
Interest-rate derivatives	**2,162,290,000**	**2,162,290,000**	**162,992,245**	**169,207,712**
IRS	2,162,290,000	2,162,290,000	162,992,245	169,207,712
TOTAL	**2,185,870,002**	**2,185,855,986**	**163,028,442**	**169,207,712**

	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
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**

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 -3.7 million in 2013 (EUR -3.7 million in 2012).

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST-RATE	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	167,865,351	146,269,239	1,467,235	2,130,497
Interest-rate derivatives	1,225,517,108	1,225,517,108	97,269,097	24,843,739
TOTAL	**1,393,382,459**	**1,371,786,347**	**98,736,332**	**26,974,236**

	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**

9.2 Deferred tax

A. ANALYSIS	31/12/12	31/12/13
Deferred tax assets (liabilities) recognised	355,998,965	336,520,201
of which:		
Deferred tax liabilities	*(20,069,979)*	*(22,670,390)*
Deferred tax assets	*376,068,944*	*359,190,591*
Deferred tax [1]	**542,859,620**	**336,520,201**
[1] of which unrecognised deferred tax assets	*186,860,655*	*0*

B. MOVEMENTS	2012	2013
AS AT JANUARY 1	**383,047,901**	**355,998,965**
Movements during the financial year:		
- Amounts recognised in the statement of income	24,512,825	(43,132,396)
- Items directly computed by equity	(48,775,737)	20,828,783
- Effect of change in tax rates - statement of income	(137,997)	2,580,032
- Effect of change in tax rates - equity	(158,222)	0
- Changes in consolidation scope	(1,771,362)	0
- Exchange differences	(382,665)	101,829
- Other movements	(335,778)	142,988
AS AT DECEMBER 31	**355,998,965**	**336,520,201**

Deferred tax coming from balance sheet assets	31/12/12		31/12/13	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Cash, loans and loan loss provisions	5,973,673	1,546,140	5,501,918	(471,755)
Securities	(29,658,496)	105,294,012	(25,979,019)	1,025,979
Derivatives	(521,718)	(2,760,185)	5,823,725	0
Tangible and intangible fixed assets	6,425,849	(260,297)	6,189,066	(237,051)
Other – non-allocated	(1,035,618)	(151,374)	0	0
TOTAL	**(18,816,310)**	**103,668,296**	**(8,464,310)**	**317,173**

Deferred tax coming from balance sheet liabilities	31/12/12		31/12/13	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Derivatives	0	0	0	0
Provisions	(26,576,437)	(438,190)	(26,757,762)	(178,440)
Pensions	9,372,223	(708,421)	11,366,398	(668,553)
Legal tax free provisions	(510,976)	11,714,020	(510,976)	0
Other – non-allocated	(16,604,206)	(2,038,122)	(18,401,356)	(1,947,750)
TOTAL	**(34,319,396)**	**8,529,287**	**(34,303,696)**	**(2,794,743)**

Deferred tax coming from other items	31/12/12		31/12/13	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Tax losses carried forward	411,880,030	(85,071,642)	554,648,441	141,908,222
Tax credit carried forward	0	0	(584)	0
TOTAL	**411,880,030**	**(85,071,642)**	**554,647,857**	**141,908,222**

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;
- our analysis on 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	
	31/12/12	31/12/13	31/12/12	31/12/13
Loans [1]	7,692	7,529	0	0
Interest received	0	0	0	0
Deposits	10,450	12,659	473	1,026
Interest paid	0	0	(1)	0
Guarantees and commitments given by the Group	8	0	0	0
Guarantees and commitments given to the Group	866	6	0	0

	Associates		Other related parties	
	31/12/12	31/12/13	31/12/12	31/12/13
Loans [1]	37	32	7	0
Interest received	0	0	0	2
Deposits	4,898	7,737	10,213	149
Interest paid	(7)	0	(1)	(10)
Guarantees and commitments given by the Group	0	0	24	35
Guarantees and commitments given to the Group	0	0	0	0

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see note 11.8. "Staff expenses")

9.5 Securitisation

As at December 31, 2013 and 2012, the BIL group has no securitisation vehicles included in its scope of consolidation. The relevant accounting rules are described in point 1.3.3 of note 1.

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

9.6 Acquisitions and disposals of consolidated companies

A. MAIN ACQUISITIONS

Year 2012

On April 3, 2012, BIL acquired 49 % of BIL Auto Lease Luxembourg SA owned by Dexia Auto Lease Belgium SA Following to this transaction, BIL owns 100 % of this company's capital. The cost of this transaction amounts to EUR 490,000. The impact of the acquisition on consolidated shareholders' equity amounts to EUR -149,855.

Year 2013

None.

B. MAIN DISPOSALS

Year 2012

On June 20, 2012, BIL Finance SA (ex-Dexia Securities France Holding SA) sold its subsidiary Dexia Securities France SA to CMS SA

Year 2013

None. However, the activities of BIL Finance SA (Société du 25 juillet 2013 SA) have been sold during the year.

9.7 Shareholders' equity

By share category	31/12/12	31/12/13
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

		31/12/12		31/12/13	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.2720	1.2451	1.5384	1.3943
Canadian dollar	CAD	1.3148	1.2908	1.4626	1.3765
Swiss franc	CHF	1.2073	1.2040	1.2270	1.2292
Danish krone	DKK	7.4604	7.4448	7.4594	7.4577
Pound sterling	GBP	0.8130	0.8115	0.8323	0.8503
Hong Kong dollar	HKD	10.2380	10.0213	10.6767	10.3212
Japanese yen	JPY	114.0795	103.4487	144.4575	130.2865
Norwegian krone	NOK	7.3495	7.4655	8.3676	7.8673
Polish zloty	PLN	4.0816	4.1724	4.1498	4.2154
Swedish krone	SEK	8.5978	8.6793	8.8640	8.6626
Singapore dollar	SGD	1.6133	1.6074	1.7393	1.6676
US dollar	USD	1.3210	1.2921	1.3769	1.3306

[1] As at December 31, 2013 and 2012, the subscribed and paid-up capital of the Bank is EUR 141,224,090 represented by 2,017,487 shares with a par value of 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

	31/12/12	31/12/13
Loans to be delivered	1,450,094,561	473,310,479
Borrowings to be received	1,449,094,773	446,148,597

10.2 Guarantees

	31/12/12	31/12/13
Guarantees given to credit institutions	189,888,422	156,499,116
Guarantees given to customers	660,036,278	666,677,515
Guarantees received from credit institutions	382,237	78,377,622

10.3 Loan commitments

	31/12/12	31/12/13
Unused lines granted to credit institutions	163,601	909,769
Unused lines granted to customers	3,160,392,897	1,351,185,600

10.4 Other commitments

	31/12/12	31/12/13
Banking activity – Commitments given [1]	27,277,944,112	28,851,141,268
Banking activity – Commitments received [2]	29,752,106,922	31,415,889,572

[1] Commitments given are mainly composed of assets entrusted to third parties.
[2] Commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 24.0 billion as at December 31, 2012 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 expense

	31/12/12	31/12/13
INTEREST AND SIMILAR INCOME	991,778,618	709,256,101
a) Interest and similar income of assets not measured at fair value through profit or loss	**446,503,603**	**319,690,814**
Cash and balances with central banks	1,035,489	659,618
Loans and advances to credit institutions	17,308,103	4,808,092
Loans and advances to customers	309,130,330	221,412,180
Financial assets available for sale	113,558,612	90,665,661
Investments held to maturity	5,471,069	2,145,263
b) Interest and similar income of assets measured at fair value through profit or loss	**545,275,015**	**389,565,287**
Financial assets held for trading	1,874,587	2,540,209
Financial assets designated at fair value through profit or loss	1,112,408	0
Derivatives held for trading	433,544,374	254,695,064
Derivatives used for hedging purposes	108,743,646	132,330,014
INTEREST AND SIMILAR EXPENSE	(774,157,491)	(461,996,892)
a) Interest and similar expense of liabilities not measured at fair value through profit or loss	**(108,760,026)**	**(57,136,950)**
Amounts due to credit institutions	(28,386,997)	(5,445,488)
Amounts due to customers	(61,230,011)	(37,014,182)
Debt securities	(9,782,202)	(7,962,075)
Subordinated debt	(9,198,991)	(6,634,266)
Interest on preferred shares and hybrid capital	(144,638)	0
Other	(17,187)	(80,939)
b) Interest and similar expense of liabilities measured at fair value through profit or loss	**(665,397,465)**	**(404,859,942)**
Financial liabilities held for trading	0	(1,598)
Financial liabilities designated at fair value through profit or loss	(59,945,423)	(51,970,542)
Derivatives held for trading	(505,523,630)	(211,284,940)
Derivatives used for hedging purposes	(99,928,412)	(141,602,862)
NET INTEREST INCOME	217,621,127	247,259,209

11.2 Dividend income

	31/12/12	31/12/13
Financial assets available for sale	22,055,512	3,185,713
Financial assets held for trading	20,091	17,318
TOTAL	22,075,603	3,203,031

11.3 Net trading income and net result of hedge accounting

	31/12/12	31/12/13
Net income from transactions	18,712,889	10,123,936
of which income from trading securities	*9,178,482*	*1,461,355*
of which income from trading derivatives	*9,534,407*	*8,662,581*
Net result of hedge accounting	1,602,280	24,076,782
Net result of financial instruments designated at fair value through profit or loss*	1,343,287	12,936
Change in own credit risk [1]	(11,170,000)	(5,600,717)
Net foreign exchange gain / (loss)	(6,124,484)	16,506,324
TOTAL	**4,363,972**	**45,119,261**

	31/12/12	31/12/13
* including hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	**45,602,815**	**1,236,462**

Result of hedge accounting	**31/12/12**	**31/12/13**
	Net gain / (loss)	**Net gain / (loss)**
Fair value hedge	**198,426**	**(51,267)**
Change in the fair value of the hedged item attributable to the hedged risk	(1,061,154)	(44,489,830)
Change in the fair value of the hedging derivatives	1,259,580	44,438,563
Hedging of net investments in a foreign business	**0**	**0**
Change in the fair value of the hedging derivatives – ineffectiveness	0	0
Portfolio hedge against interest-rate risk	**177,220**	**(204,370)**
Change in the fair value of the hedged item	(27,015,428)	22,457,663
Change in the fair value of the hedging derivatives	27,192,648	(22,662,033)
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	**1,226,634**	**24,332,419**
TOTAL	**1,602,280**	**24,076,782**

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)

	31/12/12	31/12/13
Gains on loans and advances	1,061,355	1,379,324
Gains on financial assets available for sale	8,819,389	25,048,067
Gains on tangible fixed assets	21,444	2,140,296
Gains on liabilities	0	38,943,620
TOTAL GAINS	**9,902,188**	**67,511,307**
Losses on loans and advances	(6,736)	(776)
Losses on financial assets available for sale	(62,734,305)	(3,275,435)
Losses on tangible fixed assets	(99,997)	(28,995)
Other losses	0	(5,436,000)
TOTAL LOSSES	**(62,841,038)**	**(8,741,206)**
NET IMPAIRMENT	**(342,631)**	**(459,576)**
TOTAL	**(53,281,481)**	**58,310,525**

The impact of net income on financial assets available for sale of EUR 21,772,632 as at December 31, 2013 (EUR -53,914,916 as at December 31, 2012) should be compared with the EUR -22,625,402 impact of the sale of securities on the available for sale reserve as at December 31, 2013 (EUR 50,269,430 as at December 31, 2012).

Net impairment	Specific Risk		Total
	Allowances	Write-backs	
AS AT DECEMBER 31, 2012			
Available for sale securities	(1,235,896)	893,265	(342,631)
TOTAL	**(1,235,896)**	**893,265**	**(342,631)**
AS AT DECEMBER 31, 2013			
Available for sale securities	(1,236,939)	777,363	(459,576)
TOTAL	**(1,236,939)**	**777,363**	**(459,576)**

11.5 Fees and commissions income and expenses

	31/12/12			31/12/13		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	20,677,887	(4,338,940)	16,338,947	20,259,279	(1,024,885)	19,234,394
Administration of unit trusts and mutual funds	37,036	0	37,036	100,343	0	100,343
Insurance activity	12,013,931	0	12,013,931	13,201,833	0	13,201,833
Credit activity	13,595,783	(218,634)	13,377,149	13,482,241	(286,015)	13,196,226
Purchase and sale of securities	20,283,191	(3,421,878)	16,861,313	27,212,553	(6,877,466)	20,335,087
Purchase and sale of units trusts and mutual funds	4,508,239	(349,527)	4,158,712	7,630,726	(762,782)	6,867,944
Payment services	29,159,243	(961,108)	28,198,135	28,260,211	(904,253)	27,355,958
Commissions to non-exclusive brokers	7,693	(671,091)	(663,398)	148,526	(413,994)	(265,468)
Financial engineering	8,332,812	(173,258)	8,159,554	8,476,580	(59,160)	8,417,420
Services on securities other than safekeeping	3,349,843	(327,344)	3,022,499	3,206,001	(495,035)	2,710,966
Custody	16,622,966	(2,846,721)	13,776,245	16,736,320	(2,275,788)	14,460,532
Issues and placements of securities	4,586,823	(263,169)	4,323,654	6,397,313	(199,309)	6,198,004
Private banking	30,440,638	(4,347,926)	26,092,712	33,092,641	(3,462,127)	29,630,514
Clearing and settlement	1,685,296	(1,820,968)	(135,672)	1,362,876	(1,585,256)	(222,380)
Securities lending	159,548	(137,481)	22,067	0	(96,701)	(96,701)
Other	4,002,701	(239,316)	3,763,385	5,780,969	(352,837)	5,428,132
TOTAL	**169,463,630**	**(20,117,361)**	**149,346,269**	**185,348,412**	**(18,795,608)**	**166,552,804**

11.6 Independent auditors' fees

The fees payable to the independent auditors of the BIL group for the years 2012 and 2013 are as follows:

	2012	2013
Legal control of financial statements	1,859,344	1,637,414
Other audit services	19,033	0
Tax services	9,151	5,070
Other	771,073	81,911
TOTAL	**2,658,601**	**1,724,395**

11.7 Other net income

	31/12/12	31/12/13
Operating taxes	5,036,216	0
Rental income	15,689,724	15,793,190
Other banking income [1]	156,276	427,430
Other income on other activities [2]	34,107,240	10,093,374
OTHER INCOME	**54,989,456**	**26,313,994**
Operating taxes	(2,896,855)	(1,601,711)
Maintenance and repair of investment property	(4,059,192)	(4,305,692)
Other bank charges	0	(75,879)
Other expenses in relation to other activities [3]	(28,516,288)	(36,341,092)
OTHER EXPENSES	**(35,472,335)**	**(42,324,374)**
TOTAL	**19,517,121**	**(16,010,380)**

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 expected from the AGDL in 2014:	0
Current loss (amount effectively due from the AGDL):	16,415,667

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 21.5 million were made in 2009 till 2013 and recorded under other net operating income. Lastly, no reimbursements are expected from the AGDL in 2014.

[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 -10.9 million in 2012), provisions for litigation and extraordinary loss.

11.8 Staff expenses

A. STAFF EXPENSES

	31/12/12	31/12/13
Wages and salaries	(154,629,206)	(150,399,257)
Social security and insurance costs	(20,031,073)	(20,425,254)
Staff benefits	(10,245,106)	(10,655,968)
Restructuring expenses	(623,150)	(9,016,017)
Other expenses	(2,746,633)	(3,837,060)
TOTAL	**(188,275,168)**	**(194,333,556)**

Workforce

	2012		2013	
(Average FTE)	Fully consolidated	Total	Fully consolidated	Total
Senior management	41	41	42	42
Employees	1,915	1,915	1,881	1,881
Other	2	2	2	2
TOTAL	**1,958**	**1,958**	**1,925**	**1,925**

(Average FTE) [1] 2012	France	Belgium	Luxembourg	Other Europe	Other non-Europe	Total BIL
Senior management	2	0	34	3	2	41
Employees	16	0	1,756	120	23	1,915
Other	0	0	0	2	0	2
TOTAL	**18**	**0**	**1,790**	**125**	**25**	**1,958**

(Average FTE) [1] 2013	France	Belgium	Luxembourg	Other Europe	Other non-Europe	Total BIL
Senior management	0	1	36	3	2	42
Employees	0	6	1,747	105	23	1,881
Other	0	0	0	2	0	2
TOTAL	**0**	**7**	**1,783**	**110**	**25**	**1,925**

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

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

	2012	2013	2012	2013
	Remuneration		Retirement pensions	
Members of the administrative bodies	405,971	893,237	-	-
Members of the managerial bodies	13,605,968	10,688,763	1,041,380	2,645,914
TOTAL	**14,011,939**	**11,582,000**	**1,041,380**	**2,645,914**

[1] Breakdown by subsidiary's country of implementation.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

11.9 General and administrative expenses

	31/12/12	31/12/13
Occupancy	(11,263,016)	(10,106,416)
Operating leases	(4,099,208)	(4,124,102)
Professional fees	(21,108,810)	(21,450,495)
Marketing, advertising and public relations	(6,527,289)	(5,968,794)
Technology and system costs	(28,537,954)	(28,358,624)
Software costs and maintenance expenses	(7,072,805)	(7,648,234)
Repair and maintenance expenses	(359,451)	(304,741)
Operating taxes	(2,488,026)	(761,388)
Other general and administrative expenses [1]	(38,634,071)	(43,518,735)
TOTAL	**(120,090,630)**	**(122,241,529)**

11.10 Amortisation of tangible and intangible fixed assets

	31/12/12	31/12/13
Depreciation on land and buildings	(9,240,900)	(8,155,500)
Depreciation on other tangible fixed assets	(1,307,475)	(1,046,550)
Depreciation on IT equipment	(664,188)	(921,751)
Depreciation on intangible fixed assets	(11,079,878)	(14,748,475)
TOTAL	**(22,292,441)**	**(24,872,276)**

11.11 Impairment on loans and provisions for credit commitments

Collective impairment	31/12/12			31/12/13		
	Allowances	**Write-backs**	**Total**	**Allowances**	**Write-backs**	**Total**
LOANS	**(4,340,679)**	**2,836,859**	**(1,503,820)**	**(1,457,925)**	**2,753,409**	**1,295,484**

Specific impairment	31/12/12				
	Allowances	**Write-backs**	**Losses**	**Recoveries**	**Total**
Loans and advances to customers	(27,915,874)	14,670,824	(3,781,571)	2,950	(17,023,671)
Other receivables [2]	(419,960)	832,670	(234,617)	0	178,093
Commitments	(81,500)	0	n.a.	n.a.	(81,500)
TOTAL	**(28,417,334)**	**15,503,494**	**(4,016,188)**	**2,950**	**(16,927,078)**

	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 [2]	(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)**

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

11.12 Impairment on tangible and intangible fixed assets

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

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.

11.13 Tax expenses

	31/12/12	31/12/13
Income tax for current financial year	(15,854,464)	(857,784)
Deferred taxes	24,734,272	(40,454,714)
Tax on current financial year result (A)	**8,879,808**	**(41,312,498)**
Income tax for previous year	(415,343)	15,461,059
Deferred taxes for previous year	(24,788)	(97,649)
Other tax expenses (B)	**(440,131)**	**15,363,410**
TOTAL (A)+(B)	**8,439,677**	**(25,949,088)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 28.80 % as at December 31, 2012 and 29.22 % at December 31, 2013.
The effective BIL tax rate was 29.68 % in 2013.
The difference between both rates may be analysed as follows:

	31/12/12	31/12/13
NET INCOME BEFORE TAX	**21,737,611**	**139,178,901**
Tax base	**21,737,611**	**139,178,901**
Applicable tax rate at year-end	28.80 %	29.22 %
Theoretical corporate income tax at standard rate	**6,260,432**	**40,668,075**
Effect of different tax rates in other countries	(5,147,779)	(595,204)
Tax effect of non-deductible expenses	238,049	1,668,891
Tax effect of non-taxable income	(8,616,047)	(1,606,818)
Effect of change in tax rates [1]	(5,644,822)	405,037
Tax effect on the use of previous tax losses not recognised in the assets	(11,659)	0
Tax effect on losses not previously recognised in profit or loss [2]	0	(180,793,453)
Tax effect of utilisation of previously unrecognised tax losses	0	(35,664)
Impairment on deferred tax assets (tax loss carried forward)	2,751,114	179,983,016
Other	1,290,904	1,618,618
Tax on current financial year result	**(8,879,808)**	**41,312,498**
EFFECTIVE TAX RATE	**n.a.**	**29.68 %**

[1] In 2012, the effect of changes in tax rates mainly related to the revaluation of the stock of deferred taxes in relation to BIL (from 28.80 % to 29.22 %).
[2] This tax effect was mainly due to the loss booked by our Singapore branch in 2011. BIL does not consider these deferred tax assets to be recoverable in the near future.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

11.14 Earnings per share

BASIC

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

	31/12/12	31/12/13
Net income-Group share	30,177,288	113,229,814
Weighted average number of ordinary shares	2,016,517	2,016,517
Basic earnings per share (expressed in EUR per share)	14.97	56.15

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.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value

A. BREAKDOWN OF FAIR VALUE

A.1 Fair value of assets	31/12/12			31/12/13		
	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	1,216,639,373	1,216,639,373	0
Loans and advances to credit institutions	1,856,457,339	1,859,181,013	2,723,674	1,374,083,211	1,370,571,414	(3,511,797)
Loans and advances to customers	9,554,192,423	9,672,730,260	118,537,837	10,062,413,490	10,156,255,751	93,842,261
Financial assets held for trading	87,326,422	87,326,422	0	107,811,549	107,811,549	0
Financial assets designated at fair value	36,844,610	36,844,610	0	0	0	0
Financial assets available for sale	3,847,760,033	3,847,760,033	0	5,440,380,563	5,440,380,563	0
Investments held to maturity	46,387,153	47,356,233	969,080	39,961,135	41,360,983	1,399,848
Derivatives	1,709,753,839	1,709,753,839	0	687,957,956	687,957,956	0
Fair value revaluation of portfolios hedged against interest-rate risk	25,452,345	25,452,345	0	15,942,122	15,942,122	0
Other assets	782,571,929	782,571,929	0	753,772,363	753,772,363	0
TOTAL	**21,305,712,661**	**21,427,943,252**	**122,230,591**	**19,698,961,762**	**19,790,692,074**	**91,730,312**

A.2 Fair value of liabilities	31/12/12			31/12/13		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	2,578,571,093	2,585,007,761	(6,436,668)	1,730,245,390	1,730,265,208	(19,818)
Amounts due to customers	11,546,279,875	11,548,432,593	(2,152,718)	12,497,024,699	12,498,302,392	(1,277,693)
Financial liabilities held for trading	902,323	902,323	0	760,315	760,315	0
Financial liabilities designated at fair value	2,671,889,552	2,671,889,552	0	1,794,825,648	1,794,825,648	0
Derivatives	1,573,878,656	1,573,878,656	0	781,982,420	781,982,420	0
Fair value revaluation of portfolios hedged against interest-rate risk	91,611,929	91,611,929	0	58,956,377	58,956,377	0
Debt securities	619,234,370	628,487,478	(9,253,108)	888,625,678	895,213,904	(6,588,226)
Subordinated debt	751,562,232	830,619,026	(79,056,794)	417,553,218	419,468,415	(1,915,197)
Other liabilities	366,359,863	366,359,863	0	359,566,164	359,566,164	0
TOTAL	**20,200,289,893**	**20,297,189,181**	**(96,899,288)**	**18,529,539,909**	**18,539,340,843**	**(9,800,934)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see note 1.7 of the section "Accounting policies").

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]	117,982,942	39,792,871	26,593,765	184,369,578
Derivatives	287,290	1,495,414,665	214,051,884	1,709,753,839
TOTAL	**3,817,149,160**	**1,548,454,985**	**306,344,787**	**5,671,948,932**

	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 designated at fair value – equities	0	0	0	0
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	29,299,595	28,017,334	170,883,621
Derivatives	587,015	672,960,957	14,409,984	687,957,956
TOTAL	**5,318,888,215**	**864,978,789**	**43,907,534**	**6,227,774,538**

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

[1] Exclude variable securities recorded at cost (amounted to EUR 8.4 million as at December 31, 2013 and EUR 9.7 million as at December 31, 2012).

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**

	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**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets	31/12/12		31/12/13	
	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	0	0
Financial assets available for sale – equities	0	0	34,059	5,387,114
Derivatives	0	0	952	0
TOTAL	**0**	**4,130,171**	**35,011**	**5,387,114**

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2012 and 2013.

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
Financial assets held for trading	28,232,508	2,907,068	0	884,130	(527,840)
Financial assets designated at fair value – equities	0	3,340,675	0	0	0
Financial assets available for sale – bonds	8,538,731	0	0	0	0
Financial assets available for sale – equities	27,186,033	(700,000)	36,664	594,848	(2,354)
Derivatives	156,023,019	71,341,560	9,090,934	0	0
TOTAL	219,980,291	76,889,303	9,127,598	1,478,978	(530,194)

	31/12/12				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	(2,641,338)	0	0	0	28,854,528
Financial assets designated at fair value – equities	0	33,503,935	0	0	36,844,610
Financial assets available for sale – bonds	0	0	(7,489,172)	(1,049,559)	0
Financial assets available for sale – equities	0	0	0	(521,426)	26,593,765
Derivatives	(22,766,948)	370,645	(7,326)	0	214,051,884
TOTAL	(25,408,286)	33,874,580	(7,496,498)	(1,570,985)	306,344,787

	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)	3,375,767	(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

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

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

	31/12/13				
	Opening balance	Total gains and losses in the income statement	Sale	New issues	Settlement
Financial liabilities designated at fair value	489,858,585	27,202,658	0	47,778,302	(219,693,430)
Derivatives	185,013,598	(17,890,844)	0	124,759	(83,082,076)
TOTAL	**674,872,183**	**9,311,814**	**0**	**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**

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 Level 3. We refer to note 11.3 "Net trading income and net result of hedge accounting" for an economic view of the impact in the statement of income;
- 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;
- significant reduction in derivatives portfolio.

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 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 counterparty or, failing that, on similar counterparties or counterparties 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.

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 counterpart.

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 geographic region

(in EUR million)	31/12/12	31/12/13
Belgium	1,187	1,302
France	1,847	2,225
Germany	856	1,161
Greece	1	0
Ireland	145	329
Italy	619	600
Luxembourg	9,501	9,536
Spain	258	418
Portugal	10	41
Other EU countries	907	1,339
Rest of Europe	3,952	1,688
Turkey	10	20
United States and Canada	116	234
Central and South America	20	31
South-east Asia	114	216
Japan	44	37
Other [1]	143	279
TOTAL	**19,730**	**19,456**

Exposures by counterparty category

(in EUR million)	31/12/12	31/12/13
State	7,386	5,462
Local public sector	827	925
Corporate	3,101	3,870
Project Finance	110	35
Individuals, SMEs, self-employed	7,168	6,898
Financial institutions	1,101	2,191
Other	37	75
TOTAL	**19,730**	**19,456**

[1] Including supranational entities such as the ECB.

Credit risk exposures are shown as follows:
- 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 exposures; 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 geographical region and counterparty category, bearing in mind guarantees received.

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/12		31/12/13	
(in EUR million)	Credit risk exposures [1]	Financial effect of the collateral	Credit risk exposures [1]	Financial effect of the collateral
Available for sale portfolio (excluding variable income securities)	3,643	0	5,241	0
Held for trading portfolio (excluding variable income securities)	48	0	65	0
Loans and advances (at amortised cost)	13,292	782	11,777	523
Financial assets held to maturity	46	0	41	0
Derivatives	48	1,110	27	377
Other financial instruments at cost	50	0	48	0
Commitments in respect of loans granted	1,774	12	130	0
Commitments in respect of guarantees given	829	451	2,127	387
TOTAL	**19,730**	**2,355**	**19,456**	**1,287**

[1] Credit risk exposures net of the financial effect of the collateral.

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS

(in EUR million)	31/12/12 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)	2,865	778	0	0	3,643
Held for trading portfolio (excluding variable income securities)	15	29	1	3	48
Loans and advances (at amortised cost)	3,915	4,914	3,988	149	12,966
Financial assets held to maturity	0	46	0	0	46
Derivatives	5	40	3	0	48
Other financial instruments at cost	0	5	0	45	50
Commitments in respect of loans granted	313	793	509	67	1,682
Commitments in respect of guarantees given	106	405	304	7	822
TOTAL	**7,219**	**7,010**	**4,805**	**271**	**19,305**

(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)	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**

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.

The classification based on ratings was reviewed following the revision of the Basel II classification.

D. PAST DUE OR IMPAIRED FINANCIAL ASSETS

	31/12/12				
	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)	231,598,592	68,328,225	135,781,902	263,391,729	519,587,537
TOTAL	**231,598,592**	**68,328,225**	**135,781,902**	**263,391,729**	**519,587,537**

	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**

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	
	31/12/12	31/12/13
Cash	20,435,805	7,900,578
Debt instruments	664,813	2,302,969
TOTAL	**21,100,618**	**10,203,547**

In general, guarantees obtained are immediately converted into cash by BIL.

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/12	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(228,012,103)**	**9,160,340**	**(29,151,770)**	**6,403,749**
Loans and advances to customers	(207,563,910)	8,267,075	(27,915,874)	6,403,749
Financial assets available for sale	(20,448,193)	893,265	(1,235,896)	0
of which equities and other variable-income instruments	*(20,448,193)*	*893,265*	*(1,235,896)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(19,901,646)**	**0**	**(4,340,679)**	**2,836,859**
TOTAL	**(247,913,749)**	**9,160,340**	**(33,492,449)**	**9,240,608**

	Other adjustments	As at 31/12/12	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**1,745,550**	**(239,854,233)**	**2,950**	**(3,781,571)**
Loans and advances to customers	1,542,336	(219,266,623)	2,950	(3,781,571)
Financial assets available for sale	203,214	(20,587,610)	0	0
of which equities and other variable-income instruments	*203,214*	*(20,587,610)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**2,463**	**(21,403,002)**	**0**	**0**
TOTAL	**1,748,013**	**(261,257,235)**	**2,950**	**(3,781,571)**

	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)**

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 31/12/12	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	2,671,889,552	13,670,000	(7,330,000)	321,945

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

In 2012 and 2013, 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. 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 of end 2013, forborne exposures according to CSSF definition amounted to 386.1 million (taking into account the 9.6 million of specific provisions). The forborne exposures amount, in line with the EBA's requirements, will be disclosed from 2014 onwards.

[1] This amount includes premiums/discounts and the fair value adjustment.

J. INFORMATION ON SOVEREIGN DEBTS

For 2013, this statement refers to bonds issued by central & local governments and governmental bodies (only sovereign debts were disclosed in 2012).

As at 31/12/12	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						
More than 5 years	186,625,172	*17,039,365*			49,764	*(1,500)*
Belgium						
More than 5 years	723,071,738	*19,997,711*				
Bulgaria						
Between 1 and 5 years					55,444	*4,175*
Faroe Islands						
Between 1 and 5 years					54,019	*335*
Finland						
More than 5 years	24,817,709	*3,381,632*				
France						
More than 5 years	684,987,172	*17,370,541*	*(683,089)*			
Germany						
Less than 1 year					208,922	*(184)*
Ireland						
Between 1 and 5 years	110,393,996	*(349,333)*				
Italy						
Between 1 and 5 years	240,953,745	*4,701,037*		30,556,315	20,098	
More than 5 years	239,022,577	*4,846,904*				
Luxembourg						
Less than 1 year					919,203	*(4,988)*
More than 5 years	55,624,899	*3,915,504*	*(7,671)*		1,576,221	*8,951*
Poland						
Between 1 and 5 years	30,111,675	*157,394*				
More than 5 years					521,587	*6,250*
Qatar						
Between 1 and 5 years	40,563,168	*(102,342)*	*31,822*			
More than 5 years	22,277,906	*240,773*	*(231,650)*			
Singapore						
Between 1 and 5 years	5,764,738	*40,276*				
Slovakia						
More than 5 years	28,828,740	*512,967*	*(138,269)*			
Supranational						
Between 1 and 5 years	193,150,181	*2,225,712*			235,135	*98*
More than 5 years	435,145,764	*14,621,906*	*(316,272)*		31,180	*333*
TOTAL	**3,021,339,179**	**88,600,047**	**(1,345,129)**	**30,556,315**	**3,671,573**	**13,470**

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*				
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)*
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)**

12.3 Pledged assets

A. GUARANTEES THAT MAY BE SOLD OR REPLEDGED

Type of assets held as guarantees	Guarantees received as at 31/12/12		Guarantees received as at 31/12/13	
	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	200,445,780	0	216,300,022	0
Cash collateral	1,181,682,452	1,181,682,452	418,754,239	418,754,239
TOTAL	**1,382,128,232**	**1,181,682,452**	**635,054,261**	**418,754,239**

B. FINANCIAL ASSETS PLEDGED AS GUARANTEES

	Carrying value of financial assets pledged as at 31/12/12		Carrying value of financial assets pledged as at 31/12/13	
	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
Loans and securities	828,551,006	0	991,370,340	0
Other	0	11,962,550	0	0
Cash collateral	1,052,790,154	n.a.	564,298,070	n.a.
TOTAL	**1,881,341,160**	**11,962,550**	**1,555,668,410**	**0**

C. FINANCIAL ASSETS PLEDGED AS COLLATERAL: DERECOGNITION AND FINANCIAL LIABILITIES ASSOCIATED WITH TRANSFERRED FINANCIAL ASSETS

	Transferred financial assets entirely recognised as at 31/12/12			
	Transferred assets		Associated liabilities	
	Carrying amount	*Of which: repurchase agreements*	Carrying amount	*Of which: repurchase agreements*
Available for sale financial assets	249,031,724	*249,031,724*	248,183,435	*248,183,435*
TOTAL	**249,031,724**	***249,031,724***	**248,183,435**	***248,183,435***

	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	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***

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 offseting 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	31/12/12				
	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	3,358,957,980	0	0	0	0
Loans and advances to credit institutions	1,458,926,292	367,604,739	0	28,135,000	560,000
Loans and advances to customers	3,883,198,237	232,500,147	247,921,310	821,272,639	4,599,232,175
Financial assets held for trading	33,829,787	2,218,531	5,716,834	26,576,484	16,994,702
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	357,423,396	49,891,578	14,821,022	697,149,059	2,506,462,444
Investments held to maturity	0	0	0	44,803,770	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	**9,092,335,692**	**652,214,995**	**268,459,166**	**1,617,936,952**	**7,123,249,321**

	31/12/12				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	8,588	n.a.	n.a.	3,358,966,568
Loans and advances to credit institutions	0	1,231,665	0	(357)	1,856,457,339
Loans and advances to customers	0	10,709,766	27,418	(240,669,269)	9,554,192,423
Financial assets held for trading	0	732,113	1,257,971	n.a.	87,326,422
Financial assets designated at fair value	33,503,935	0	3,340,675	n.a.	36,844,610
Financial assets available for sale	157,996	50,389,415	192,052,733	(20,587,610)	3,847,760,033
Investments held to maturity	0	1,583,383	0	0	46,387,153
Derivatives	n.a.	134,834,514	1,574,919,325	n.a.	1,709,753,839
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	25,452,345	n.a.	25,452,345
TOTAL	**33,661,931**	**199,489,444**	**1,797,050,467**	**(261,257,236)**	**20,523,140,732**

	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	1,116,470,461	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 designated at fair value	0	0	0	0	0
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	**6,784,652,867**	**767,127,169**	**542,520,765**	**2,513,425,147**	**7,637,163,284**

[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).

	31/12/13				
	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)	1,374,083,211
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 designated at fair value	0	0	0	n.a.	0
Financial assets available for sale	45,647,950	63,911,064	145,399,709	(19,141,790)	5,440,380,563
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	**46,392,872**	**142,725,290**	**781,024,391**	**(269,842,386)**	**18,945,189,399**

B. LIABILITIES	31/12/12				
	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	2,203,018,116	350,489,984	19,529,111	670,207	4,750,000
Amounts due to customers	8,817,784,732	2,062,020,107	628,877,608	1,312,320	15,731,356
Financial liabilities held for trading	133,653	1,345	0	167,732	574,782
Financial liabilities designated at fair value	350,578,784	187,458,502	602,570,479	1,181,391,065	315,232,886
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	69,664,489	30,498,974	84,562,231	200,004,126	231,070,070
Subordinated debt	472,009,853	0	191,368,228	0	87,658,147
TOTAL	**11,913,189,627**	**2,630,468,912**	**1,526,907,657**	**1,383,545,450**	**655,017,241**

	31/12/12			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	113,675	0	2,578,571,093
Amounts due to customers	0	20,553,752	0	11,546,279,875
Financial liabilities held for trading	0	7,499	17,312	902,323
Financial liabilities designated at fair value	0	12,465,925	22,191,911	2,671,889,552
Derivatives	n.a.	122,494,940	1,451,383,716	1,573,878,656
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	91,611,929	91,611,929
Debt securities	0	3,434,480	0	619,234,370
Subordinated debt	0	526,004	0	751,562,232
TOTAL	**0**	**159,596,275**	**1,565,204,868**	**19,833,930,030**

[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	31/12/13				
	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**

C. NET POSITION	31/12/12					
	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	(2,820,853,935)	(1,978,253,917)	(1,258,448,491)	234,391,502	6,468,232,080	33,661,931

	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	(5,630,861,703)	(1,663,479,821)	(489,567,719)	1,510,535,536	7,245,718,114	46,392,872

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)

- 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.

b. Assets & Liabilities Management (ALM)

- 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. TREASURY AND FINANCIAL MARKETS (TFM) ACTIVITIES

BIL's Treasury and Financial Markets activities support the bank's commercial activities.

a. Value at Risk – 99 %, 10 days (in EUR million)

In 2013, 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 %)		**2012**											
(in EUR million)		**IR[1] & FX[2] (Trading and Banking)[3]**				**EQT[4] Trading**				**Spread Trading[5]**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	1.29	1.04	1.02	3.67	0.02	0.02	0.01	0.01	0.12	0.19	0.25	0.00
	Maximum	2.48	1.73	1.77	6.91	0.04	0.04	0.03	0.02	0.39	0.72	0.54	0.00
Global	Average						1.94						
	Maximum						7.67						
	End of period						3.32						
	Limit						6.00						

VaR (10 days, 99 %)		**2013**											
(in EUR million)		**IR[1] & FX[2] (Trading and Banking)[3]**				**EQT[4] Trading**				**Spread Trading[6]**			
		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						

The capital markets activity is also subject to spread sensitivity limits (on December 31, 2013, the sensitivity (+1bp) is EUR - 5,481 for a limit of EUR 60,000).

[1] IR: interest-rate.
[2] FX: forex.
[3] IR and FX: without ALM.
[4] EQT: equity.
[5] Spread trading VaR calculated till 30/09/12.
[6] No more calculation of Spread trading VaR.

b. Investment Treasury Portfolio (in EUR million)

- Exposure

	2012	2013
Investment Treasury Portfolio – AFS	860	1,310

- Interest-rate sensitivity (+1 basis point)
  The portfolio's interest-rate is managed by ALM

	2012	2013
Investment Treasury Portfolio – AFS	(0.20)	(0.31)

- Credit spread sensitivity
  This measure estimates the portfolio sensitivity if the spread increases by 1 basis point.

	2012	2013
Investment Treasury Portfolio – AFS	(0.27)	(0.84)

B. ALM INTEREST-RATE RISK, EQUITY AND CREDIT SPREAD RISK

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)		2012											
		Interest-rate [1,2]				Equity [3]				Credit spread [4]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	50	49	(60)	(120)					-	-	(1)	(2)
	VaR 10 days 99%					-	-	-	-				

(in EUR million)		2013											
		Interest-rate [1,5]				Equity [2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(41)	(2)	(7)	29					(2)	(2)	(2)	(2)
	VaR 10 days 99%					-	-	-	-				

[1] Sensitivity (+1%).
[2] The equity risk is detailed later.
[3] Sensitivity (+1 basis point).
[4] N.a. – not available.
[5] On December 31, 2013, the interest-rate sensitivity limit for BIL ALM reached EUR 95 million per percent.

b. Investment Portfolio (in EUR million)

- Exposure

	2012	2013
Investment ALM Portfolio – AFS	2,380	2,318

- Interest-rate sensitivity (+1 basis point)
  The portfolio's interest-rate is managed by the ALM.

	2012	2013
Investment ALM Portfolio – AFS	(1.57)	(0.66)

- Credit spread sensitivity
  This measure estimates the portfolio sensitivity if the spread increases by 1 basis point.

	2012	2013
Investment ALM Portfolio – AFS	(1.90)	(1.75)

c. ALM equity – Sensitivity of listed equities

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	% VaR
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	0.00	0%

[1] The management of financial establishment shares put in run-off was assigned to TFM.

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market Risk, ALM management and liquidity" section of the Consolidated 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	31/12/12				
	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	3,358,957,980	0	0	0	0
Loans and advances to credit institutions	1,411,668,728	412,362,302	2,500,000	28,135,000	560,001
Loans and advances to customers	2,096,894,733	1,304,365,423	502,646,094	574,385,606	5,134,047,913
Financial assets held for trading	125,718	2,567,581	32,361,368	33,286,969	16,994,702
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	0	289,891,578	9,112,075	695,469,910	2,512,171,491
Investments held to maturity	0	0	0	44,803,770	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	**6,867,647,159**	**2,009,186,884**	**546,619,537**	**1,376,081,255**	**7,663,774,107**

	31/12/12				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	8,588	n.a.	n.a.	3,358,966,568
Loans and advances to credit institutions	0	1,231,665	0	(357)	1,856,457,339
Loans and advances to customers	171,784,739	10,709,766	27,418	(240,669,269	9,554,192,423
Financial assets held for trading	0	732,113	1,257,971	n.a.	87,326,422
Financial assets designated at fair value	33,503,935	0	3,340,675	n.a.	36,844,610
Financial assets available for sale	119,260,441	50,389,415	192,052,733	(20,587,610)	3,847,760,033
Investments held to maturity	0	1,583,383	0	0	46,387,153
Derivatives	n.a.	134,834,514	1,574,919,325	n.a.	1,709,753,839
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	25,452,345	n.a.	25,452,345
TOTAL	**324,549,115**	**199,489,444**	**1,797,050,467**	**(261,257,236)**	**20,523,140,732**

[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	31/12/13				
	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
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 designated at fair value	0	0	0	0	0
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 designated at fair value	0	0	0	n.a.	0
Financial assets available for sale	87,244,009	63,911,064	145,399,709	(19,141,790)	5,440,380,563
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	**256,239,354**	**142,725,290**	**781,024,391**	**(269,842,386)**	**18,945,189,399**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/12				
	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	1,784,724,938	778,588,910	9,723,362	670,208	4,750,000
Amounts due to customers	8,820,824,985	2,061,891,091	626,044,455	3,556,305	13,409,287
Financial liabilities held for trading	1,345	0	0	167,732	708,435
Financial liabilities designated at fair value	0	209,258,002	727,124,418	1,385,616,410	315,232,886
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	14,796,530	51,770,926	84,562,231	233,600,133	231,070,070
Subordinated debt	0	0	0	472,009,853	279,026,375
TOTAL	**10,620,347,798**	**3,101,508,929**	**1,447,454,466**	**2,095,620,641**	**844,197,053**

	31/12/12			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	113,675	0	2,578,571,093
Amounts due to customers	0	20,553,752	0	11,546,279,875
Financial liabilities held for trading	0	7,499	17,312	902,323
Financial liabilities designated at fair value	0	12,465,925	22,191,911	2,671,889,552
Derivatives	n.a.	122,494,940	1,451,383,716	1,573,878,656
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	91,611,929	91,611,929
Debt securities	0	3,434,480	0	619,234,370
Subordinated debt	0	526,004	0	751,562,232
TOTAL	**0**	**159,596,275**	**1,565,204,868**	**19,833,930,030**

[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**

C. NET POSITION	31/12/12					
	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	(3,752,700,639)	(1,092,322,045)	(900,834,929)	(719,539,386)	6,819,577,054	324,549,115

	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	256,239,354

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

	31/12/12				
	EUR	Other EU currencies	USD	Other	Total
Assets	16,174,870,632	301,182,328	709,642,074	4,120,017,627	21,305,712,661
Liabilities	17,425,442,917	426,328,578	1,956,156,623	1,497,784,543	21,305,712,661
NET ON-BALANCE SHEET POSITION	(1,250,572,285)	(125,146,250)	(1,246,514,549)	2,622,233,084	0
Off-balance sheet – receivable	3,701,281,614	378,310,457	4,386,406,490	2,368,015,041	10,834,013,602
Off-balance sheet – payable	2,518,107,072	251,804,836	3,190,561,952	4,835,124,034	10,795,597,894
NET OFF-BALANCE SHEET POSITION	1,183,174,542	126,505,621	1,195,844,538	(2,467,108,993)	38,415,708

	31/12/13				
	EUR	Other EU currencies	USD	Other	Total
Assets	16,737,148,584	377,786,718	894,722,007	1,689,304,453	19,698,961,762
Liabilities	16,321,567,978	489,219,555	1,924,528,273	963,645,956	19,698,961,762
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)

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/12	31/12/13
TOTAL REGULATORY CAPITAL (AFTER ALLOCATION)	819,763,873	904,309,969
Regulatory capital in the strict sense, including hybrid capital [1]	**605,211,660**	**649,777,354**
Core shareholders' equity	923,595,444	1,037,020,523
Translation adjustments – Group	(11,091,671)	(12,133,768)
Deductions and prudential filters	(307,292,113)	(375,109,401)
TIER 2 CAPITAL	214,552,213	254,532,615
Fixed-term subordinated loans	170,740,037	176,163,816
Deductions and prudential filters	43,812,176	78,368,799

	31/12/12	31/12/13
WEIGHTED RISKS	4,206,851,251	4,353,508,526
Credit risk	3,367,163,188	3,537,942,113
Market risk	145,058,075	119,027,925
Operational risk	694,629,988	696,538,488
SOLVENCY RATIOS		
Tier 1 ratio	14.39 %	14.93 %
Capital Adequacy Ratio	19.49 %	20.77 %

[1] Shareholders' equity include the net income for the year. No dividend will be distributed with respect to the year 2013 (see Proposed allocation of 2013 net income p.188).

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 2013, 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 2013, 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.

Other matters

The financial statements of Banque Internationale à Luxembourg SA as at 31 December 2012 have been audited by another "réviseur d'entreprises agréé", who issued an unqualified opinion on these financial statements as at 31 December 2012 on 28 March 2013.

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 4, 2014

Balance sheet

ASSETS (in EUR)		Notes	31/12/12	31/12/13
I.	Cash and balances with central banks	7.2	3,256,328,704	1,138,593,576
II.	Loans and advances to credit institutions	7.3	1,981,535,108	1,383,683,490
III.	Loans and advances to customers	7.4	9,377,534,847	10,046,666,978
IV.	Financial assets measured at fair value through profit or loss	7.5	123,012,000	107,811,549
V.	Financial investments	7.6	3,885,439,436	5,400,268,762
VI.	Derivatives	9.1	1,709,892,229	687,445,943
VII.	Fair value revaluation of portfolios hedged against interest-rate risk		25,452,345	15,942,122
VIII.	Investment property	7.8/7.12	165,737,717	153,778,831
IX.	Property, plant and equipment	7.8/7.12	113,019,714	109,642,872
X.	Intangible fixed assets	7.9	34,166,278	37,410,029
XI.	Current tax assets	7.10	0	669
XII.	Deferred tax assets	7.10/9.2	372,553,675	355,729,504
XIII.	Other assets	7.11	50,624,559	58,865,257
TOTAL ASSETS			21,095,296,612	19,495,839,582

LIABILITIES

(in EUR)		Notes	31/12/12	31/12/13
I.	Amounts due to credit institutions	8.1	2,786,848,819	1,946,552,568
II.	Amounts due to customers	8.2	11,282,762,217	12,247,428,259
III.	Financial liabilities measured at fair value through profit or loss	8.3	2,683,165,361	1,795,899,825
IV.	Derivatives	9.1	1,573,710,808	780,418,071
V.	Fair value revaluation of portfolios hedged against interest-rate risk		91,611,929	58,956,377
VI.	Debt securities	8.4	619,234,370	888,625,678
VII.	Subordinated debt	8.5	751,562,232	417,553,218
VIII.	Provisions and other obligations	8.6	60,247,136	65,404,064
IX.	Current tax liabilities	8.7	14,598,107	14,660
X.	Deferred tax liabilities	8.7 / 9.2	1,868,964	759,447
XI.	Other liabilities	8.8	236,343,135	239,509,974
TOTAL LIABILITIES			**20,101,953,078**	**18,441,122,141**

SHAREHOLDERS' EQUITY

(in EUR)		Notes	31/12/12	31/12/13
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		2,307,919	11,269,434
XVI.	Net income for the year		30,669,088	167,860,341
CORE SHAREHOLDERS' EQUITY			**881,043,257**	**1,027,196,025**
XVII.	Gains and losses not recognised in the statement of income		112,300,277	27,521,416
	a) AFS reserve		*160,591,605*	*97,177,219*
	b) Other reserves		*(48,291,328)*	*(69,655,803)*
TOTAL SHAREHOLDERS' EQUITY			**993,343,534**	**1,054,717,441**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**21,095,296,612**	**19,495,839,582**

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

Statement of income

(in EUR)		Notes	31/12/12	31/12/13
I.	Interest and similar income	11.1	981,712,948	699,729,758
II.	Interest and similar expense	11.1	(777,049,533)	(464,752,001)
III.	Dividend income	11.2	23,604,727	5,704,648
IV.	Net trading income and net result of hedge accounting	11.3	1,759,912	43,078,914
V.	Net income on investments (assets and liabilities not designated at fair value through profit or loss)	11.4	(57,542,457)	107,831,421
VI.	Fee and commission income	11.5	143,943,647	158,791,939
VII.	Fee and commission expense	11.5	(18,153,246)	(16,114,563)
VIII.	Other net income	11.7	13,298,813	(15,919,898)
INCOME			**311,574,811**	**518,350,218**
IX.	Staff expenses	11.8	(160,719,583)	(172,103,922)
X.	General and administrative expenses	11.9	(106,621,506)	(106,884,452)
XI.	Amortisation of tangible and intangible fixed assets	11.10	(21,548,618)	(24,192,437)
EXPENSES			**(288,889,707)**	**(303,180,811)**
GROSS OPERATING INCOME			**22,685,104**	**215,169,407**
XII.	Impairment on loans and provisions for credit commitments	11.11	(17,899,716)	(22,451,169)
XIII.	Provisions for legal litigation	11.15	13,052,947	(364,290)
NET INCOME BEFORE TAX			**17,838,335**	**192,353,948**
XIV.	Tax expense	11.13	12,830,753	(24,493,607)
NET INCOME FOR THE YEAR			**30,669,088**	**167,860,341**
	Earnings per share	11.14		
	- basic		15.21	83.24
	- diluted		15.21	83.24

Statement of comprehensive income

(in EUR)	31/12/12	31/12/13
NET INCOME FOR THE YEAR RECOGNISED IN THE STATEMENT OF INCOME	30,669,088	167,860,341
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	104,360,922	(84,778,861)
Items that will not be reclassified to profit or loss	**(3,170,031)**	**(6,898,541)**
Actuarial gains (losses) on defined benefit pension plans - Gross	(4,478,709)	(9,746,456)
Actuarial gains (losses) on defined benefit pension plans - Tax	1,308,678	2,847,915
Items that may be reclassified to profit or loss	**107,530,953**	**(77,880,320)**
Gains (losses) on net investment hedge	(58,915)	(128,271)
Translation adjustments	7,368,305	995,509
Gains (losses) on cash flow hedge	(129,535)	(21,716,095)
Unrealised gains (losses) on available for sale financial investments	139,446,553	(67,975,469)
Tax on items that may be reclassified to profit or loss	(39,095,455)	10,944,006
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	135,030,010	83,081,480

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 01/01/12, IFRS	141,224,090	617,668,312	(1,455,000)	1,565,801,915	(1,704,499,564)	618,739,753
Classification of income 2011		(113,217,609)		(1,591,281,955)	1,704,499,564	0
Capital increase		203,846,457				203,846,457
Classification of income to hybrid capital[1]				23,804,567		23,804,567
Change in accounting policies[2]				3,983,392		3,983,392
Net income for the year					30,669,088	30,669,088
AS AT 31/12/12, IFRS	141,224,090	708,297,160	(1,455,000)	2,307,919	30,669,088	881,043,257

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Other reserves	Translation adjustments[3]	Gains and losses not recognised in the statement of income
AS AT 01/01/12, IFRS	60,291,037	769,181	0	(53,120,861)	7,939,357
Net change in fair value through equity - Available for sale investments	66,314,152				66,314,152
Net change in fair value through equity - Cash flow hedges		735,442			735,442
Translation adjustments	(1,068)		(3,170,031)	7,368,304	4,197,205
Reimbursements for the year, disposals or maturities	(1,593,219)				(1,593,219)
Cancellation of fair value following AFS disposals	35,580,703				35,580,703
Cash flow hedge - Break in hedging		(873,363)			(873,363)
AS AT 31/12/12, IFRS	160,591,605	631,260	(3,170,031)	(45,752,557)	112,300,277

[1] Amount net of tax.
[2] See Note 1 to the Financial statements of the parent company.
[3] As at December 31, 2012, translation adjustments comprise an amount of EUR -36,297,941 relating to net investment hedges linked to foreign exchange differences in consolidated investments (as at December 31, 2011: EUR -35,431,536).

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, IFRS	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, IFRS	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, IFRS	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 hedge		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, IFRS	97,177,219	(14,830,182)	(10,068,572)	(44,757,049)	27,521,416

[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 hedge linked to foreign exchange differences in consolidated investments (as at December 31, 2012: EUR -36,297,941).

Cash flow statement

(in EUR)	Notes	31/12/12	31/12/13
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		30,669,088	167,860,341
Adjustment for:			
- Depreciation and amortisation	7.8 / 7.9	33,183,584	36,708,313
- Impairment on bonds, equities and other assets	11.4 / 11.11	17,155,169	20,331,618
- Net (gains) / losses on investments		(3,186,560)	(48,119,512)
- Provisions (including collective impairment)	7.11 / 8.6 / 8.8 / 11.11	(26,004,807)	(3,974,434)
- Change in unrealised gains (losses)	11.3	(1,602,280)	(24,076,782)
- Deferred taxes	11.13	(27,429,029)	38,607,168
- Other adjustments		5,542,628	0
Change in operating assets and liabilities		1,943,871,527	(2,402,576,938)
NET CASH FLOW FROM OPERATING ACTIVITIES		**1,972,199,320**	**(2,215,240,226)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.8 / 7.9	(24,594,928)	(28,623,458)
Sale of fixed assets	7.8 / 7.9	9,125	4,554,329
Purchase of non-consolidated shares		(8,120,553)	(2,881,480)
Sales of non-consolidated shares		3,617,292	81,145,212
NET CASH FLOW FROM INVESTING ACTIVITIES		**(29,089,064)**	**54,194,603**
CASH FLOW FROM FINANCING ACTIVITIES			
Capital increase		203,846,457	0
Movements in subordinated debt[1]		0	(339,373,338)
NET CASH FLOW FROM FINANCING ACTIVITIES		**203,846,457**	**(339,373,338)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,146,956,713**	**(2,500,418,961)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,284,650,824**	**4,434,745,437**
Net cash flow from operating activities		1,972,199,320	(2,215,240,226)
Net cash flow from investing activities		(29,089,064)	54,194,603
Net cash flow from financing activities		203,846,457	(339,373,338)
Effect of change in exchange rate on cash and cash equivalents		3,137,900	(11,492,844)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**4,434,745,437**	**1,922,833,632**
ADDITIONAL INFORMATION			
Taxes paid		54,197	4,405
Dividends received	11.2	23,604,727	5,704,648

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

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

[1] Cash generating only.

Notes to the financial statements of the parent company

Note 1: Accounting principles and rules of the financial statements

As the parent company's 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 details in the note 1 to the consolidated financial statements herein.

1. ACCOUNTING POLICIES

Specific information relating to the financial statements of the parent company:
Consolidated participating interests are recorded at cost in accordance with IAS 27.

Defined Benefit Plans
The Bank considers the death-in-service lump sum benefit and some disability-in-service pension, 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 5.63 million (net amount of EUR 3.98 million). The following table shows the impact of the restatement on the balance sheet as of December 31, 2012:

Financial statements		31/12/12
(in EUR)		Impact of restatement
ASSETS	Deferred tax assets	(1,644,458)
LIABILITIES	Provisions and other obligations	(5,627,850)
SHAREHOLDERS' EQUITY	Reserves and retained earnings	3,983,392

2. RELATED PARTY TRANSACTIONS

Two parties are considered to be related if one party has the ability to control the other party, or exercises significant influence over the other party in making financial or operational decisions. Relations with equity-accounted companies, as well as with the directors, are reported in these financial statements.

Note 2: Changes in branches and list of main subsidiaries and associates

2.1 Changes in branches

Openings
Banque Internationale à Luxembourg Belgique, succursale de Banque Internationale à Luxembourg SA
BIL Danmark, filial af Banque Internationale à Luxembourg SA, Luxembourg.

Closings
N/A

2.2 List of main subsidiaries and associates

As at December 31, 2013, 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

Name	Head office	% of capital held
BIL Invest N.V.	Pietermaai 15 PO Box 4905 Curaçao – Nederlandse Antilles	100
BIL Manage Invest SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL RE 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, Parc d'Activité Syrdall L-5365 Munsbach	35.20
Experta Corporate and Trust Services SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
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	11, Avenue de la Porte-Neuve L-2227 Luxembourg	21.41
Société du 25 juillet 2013 SA	54-56 avenue Hoche Building Regus F-75008 Paris	99.99
Société Luxembourgeoise de Leasing – BIL LEASE SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
Visalux S.C.	10, Parc d'Activité Syrdall 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)	31/12/12		
	Income	***of which interest income***	**Net income before tax**
Retail, Corporate and Private Banking	**354,706**	***218,745***	**87,246**
Treasury and Financial Markets	**(1,629)**	***(28,700)***	**(33,200)**
Group Center	**(41,502)**	***38,223***	**(36,208)**
Core	20,024	*26,223*	18,074
Non-core	(61,526)	*12,000*	(54,282)
TOTAL	**311,575**	***228,268***	**17,838**
Net income before tax			17,838
Taxes			12,831
NET INCOME			**30,669**

INCOME (in EUR thousands)	31/12/13		
	Income	*of which interest 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**
Core	86,298	*4,689*	75,045
Non-core	0	*0*	0
TOTAL	**518,350**	***240,682***	**192,354**
Net income before tax			192,354
Taxes			(24,494)
NET INCOME			**167,860**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/12 [1]		31/12/13	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Private Banking	**9,377,535**	**13,498,728**	**10,046,667**	**13,959,113**
Treasury and Financial Markets	**10,598,865**	**5,394,625**	**8,482,882**	**3,632,654**
Group Center	**1,118,897**	**1,208,601**	**966,290**	**849,355**
TOTAL	**21,095,297**	**20,101,953**	**19,495,840**	**18,441,122**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/12			
	Capital expenditures	Depreciation and amortisation	Impairments [2]	Other non-cash expenses [3]
Retail, corporate and Private Banking	**0**	**0**	**(18,136)**	**2,095**
Treasury and Financial Markets	**0**	**0**	**(181)**	**0**
Group Center	**9,126**	**(21,549)**	**(7,921)**	**2,232**
Core	9,126	(21,549)	(7,921)	(8,726)
Non-core	0	0	0	10,958
TOTAL	**9,126**	**(21,549)**	**(26,238)**	**4,327**

	31/12/13			
	Capital expenditures	Depreciation and amortisation	Impairments [2]	Other non-cash expenses [3]
Retail, corporate and Private Banking	**0**	**0**	**(23,007)**	**(271)**
Treasury and Financial Markets	**0**	**0**	**(984)**	**0**
Group Center	**11,179**	**(24,192)**	**(1,406)**	**(18,795)**
Core	11,179	(24,192)	(1,406)	(18,795)
Non-core	0	0	0	0
TOTAL	**11,179**	**(24,192)**	**(25,397)**	**(19,066)**

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.

[1] A part of the BIL Structured Product (BSP) issued by BIL were re-classified between the three business lines based on the revenues allocation (Retail, Corporate and Private Banking + 2.2 billion, Group Center +0.1 billion and TFM -2.3 billion). All the subordinated and convertible debts (751 million) were re-allocated from Treasury and Financial Markets to Group Center following the decision to allocate all the revenues generated by the Liability Management Exercice under Group Center.

[2] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill.

[3] Include IFRS2 costs, net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

GEOGRAPHIC BREAKDOWN (in EUR thousands)		Bahrain	Belgium	Denmark	Luxembourg	Singapore	Total
AS AT 31/12/12	Income	505	0	0	260,073	50,997	311,575
AS AT 31/12/13	Income	2,814	29	(3,327)	511,983	6,851	518,350

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

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, 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.

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	31/12/12	31/12/13
Cash and balances with central banks	3,256,328,704	1,138,593,576
Loans and advances to credit institutions	888,525,154	557,209,611
Financial assets available for sale	289,891,579	227,030,446
TOTAL	**4,434,745,437**	**1,922,833,633**

B. OF WHICH RESTRICTED CASH	31/12/12	31/12/13
Mandatory reserves[1]	239,412,694	209,891,071
TOTAL RESTRICTED CASH	**239,412,694**	**209,891,071**

Cash collateral is primarily paid or received based on the market value of collateralised asset.
The collateralised derivatives used by BIL are interest-rate derivatives that hedge fixed rate assets. Should the 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 years, 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	31/12/12	31/12/13
Cash in hand	45,458,474	46,974,975
Balances with central banks other than mandatory reserve deposits	2,971,457,536	881,727,530
Mandatory reserve deposits	239,412,694	209,891,071
TOTAL	**3,256,328,704**	**1,138,593,576**
of which included in cash and cash equivalents	*3,256,328,704*	*1,138,593,576*

7.3 Loans and advances to credit institutions

A. ANALYSIS BY NATURE	31/12/12	31/12/13
Nostro accounts	111,254,810	260,664,682
Cash collateral	1,035,126,806	549,520,955
Reverse repurchase agreements	200,001,944	200,053,040
Loans and other advances	635,151,905	373,448,211
Less:		
Collective impairment	(357)	(3,398)
TOTAL	**1,981,535,108**	**1,383,683,490**
of which included in cash and cash equivalents	*888,525,154*	*557,209,611*

[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	31/12/12	31/12/13
Public sector	133,677,366	144,975,884
Other (primarily fixed advances and property loans)	9,220,870,746	9,861,003,490
Impaired loans	255,233,163	286,429,503
Less:		
Specific impairment of impaired loans and debt instruments	(211,802,646)	(225,947,275)
Collective impairment	(20,443,782)	(19,794,624)
TOTAL	**9,377,534,847**	**10,046,666,978**

B. ANALYSIS BY NATURE	31/12/12	31/12/13
Cash collateral	17,663,348	14,777,115
Loans and other advances (non-impaired loans)	9,336,884,764	9,991,202,259
of which Lombard loans [1]	*542,479,547*	*381,496,046*
of which consumer credit	*290,674,672*	*279,378,148*
of which mortgage loans	*3,164,063,413*	*3,400,798,591*
of which term loans [1]	*3,752,754,191*	*4,293,140,061*
of which current accounts [1]	*1,586,912,941*	*1,627,740,897*
of which other loans and advances	*0*	*8,648,516*
Impaired loans	255,233,163	286,429,503
Less:		
Specific impairment of impaired loans and debt instruments	(211,802,646)	(225,947,275)
Collective impairment	(20,443,782)	(19,794,624)
TOTAL	**9,377,534,847**	**10,046,666,978**

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] 2012 breakdown has been reviewed in order to better reflect Lombard loans activity.

7.5 Financial assets measured at fair value through profit or loss

Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Public sector	4,665,080	10,382,867
Credit institutions	50,152,092	47,378,461
Other	31,350,218	50,050,221
TOTAL	**86,167,390**	**107,811,549**

B. ANALYSIS BY NATURE	31/12/12	31/12/13
Bonds issued by public bodies	4,665,080	10,382,867
Other bonds and fixed-income instruments	81,502,310	97,278,704
Equities and other variable-income instruments	0	149,978
TOTAL	**86,167,390**	**107,811,549**

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)

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Other	36,844,610	0
TOTAL	**36,844,610**	**0**

B. ANALYSIS BY NATURE	31/12/12	31/12/13
Equities and other variable-income instruments	36,844,610	0
TOTAL	**36,844,610**	**0**

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

BIL 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 (including derivatives) or recognising the gains and losses on these assets and liabilities on a different basis.

In the case of financial assets, the FVO may be used as an alternative valuation method for certain assets (e.g. loans) in order to reduce volatility in profit or loss when there is a risk at the acquisition date that the hedge accounting requirements will not be met.

The fair value of unlisted financial instruments classified under the FVO is determined by Group Risk Management using pricing tools. The pricing tools used are discounted cash flow models whereby the discounted cash flow is determined by an interest-rate based on the available market rates that are applicable to similar securities and to issuers with a similar credit rating.

7.6 Financial investments

A. ANALYSIS BY COUNTERPART	31/12/12	31/12/13
Public sector	3,221,203,554	3,798,519,458
Credit institutions	452,109,098	1,014,671,813
Other	196,662,288	575,857,680
Impaired financial instruments	236,043,445	53,856,367
TOTAL BEFORE IMPAIRMENT	**4,106,018,385**	**5,442,905,318**
Specific impairment of financial instruments	(220,578,949)	(42,636,556)
TOTAL	**3,885,439,436**	**5,400,268,762**
of which included in cash and cash equivalents	*289,891,579*	*227,030,446*

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	
	31/12/12	31/12/13	31/12/12	31/12/13
Bonds issued by public bodies [1]	3,174,816,401	3,758,558,324	46,387,153	39,961,135
Other bonds and fixed-income instruments [1]	390,125,303	1,406,789,273	0	0
Equities and other variable-income instruments [2 3]	494,689,528	237,596,586	n.a.	n.a.
TOTAL BEFORE IMPAIRMENT	**4,059,631,232**	**5,402,944,183**	**46,387,153**	**39,961,135**
Specific impairment of financial investments	(220,578,949)	(42,636,556)	0	0
TOTAL	**3,839,052,283**	**5,360,307,627**	**46,387,153**	**39,961,135**

7.7 Investments in participating interests

	31/12/12	31/12/13
Net carrying value	179,908,832	177,081,407

A. ANALYSIS BY Counterparty (NET CARRYING VALUE)	31/12/12	31/12/13
Banks	107,219,940	106,510,242
Other	72,688,892	70,571,165
TOTAL	**179,908,832**	**177,081,407**

B. ANALYSIS BY NATURE (NET CARRYING VALUE)	31/12/12	31/12/13
Unlisted equities and other variable-income instruments	179,908,832	177,081,407
TOTAL	**179,908,832**	**177,081,407**

[1] 2012 "Held to maturity financial assets" breakdown has been reviewed.
[2] The amount of non-consolidated variable income securities recorded at cost amounted to EUR 8.4 million as at December 31, 2013 (EUR 9.7 million as at December 31, 2012).
[3] 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 01/01/12	304,435,484	110,328,014	7,303,711	220,081,580	642,148,789
- Acquisitions	4,958,047	1,420,946	0	2,746,600	9,125,593
- Disposals	0	(16,559)	0	0	(16,559)
- Transfers	(6,715,725)	(121,200)	0	(3,443,429)	(10,280,354)
- Translation adjustments	0	28,753	0	0	28,753
ACQUISITION COST AS AT 31/12/12 (A)	302,677,806	111,639,954	7,303,711	219,384,751	641,006,222
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/12	(194,798,427)	(103,097,166)	(3,267,681)	(42,466,223)	(343,629,497)
- Booked	(9,240,900)	(1,361,570)	(745,239)	(10,889,727)	(22,237,436)
- Write-off	0	16,560	0	0	16,560
- Transfers	3,796,773	122,682	0	(291,084)	3,628,371
- Translation adjustments	0	(26,790)	0	0	(26,790)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/12 (B)	(200,242,554)	(104,346,283)	(4,012,920)	(53,647,034)	(362,248,791)
NET CARRYING VALUE AS AT 31/12/12 (A)+(B)	102,435,252	7,293,671	3,290,791	165,737,717	278,757,431

	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

B. FAIR VALUE OF INVESTMENT PROPERTIES	31/12/12	31/12/13
Fair value not subject to an Independent valuation[1]	191,743,622	191,743,622

The Esch-Belval property was revalued as at December 31, 2010. Its fair value is estimated at EUR 203 million. Only the fair value corresponding to the part of this property not allocated to own use is shown above. The methodology used in order to value this property was based on the discounted cash flow technic with indefinite lifetime assumption. The global revenue has been calculated by nature of components based on the rent prices per square meters. Discount was performed based on an expected rate return of 6.25%.

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

7.9 Intangible fixed assets

	Internally-developed software	Other intangible fixed assets	Total
ACQUISITION COST AS AT 01/01/12	**89,098,908**	**55,868,383**	**144,967,291**
- Acquisitions	13,409,186	2,060,149	15,469,335
- Transfers	0	(43,495,843)	(43,495,843)
- Translation adjustments	11,795	0	11,795
ACQUISITION COST AS AT 31/12/12 (A)	**102,519,889**	**14,432,689**	**116,952,578**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/12	**(62,289,206)**	**(53,038,674)**	**(115,327,880)**
- Booked	(9,588,794)	(1,357,354)	(10,946,148)
- Transfers	0	43,495,843	43,495,843
- Translation adjustments	(8,115)	0	(8,115)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/12 (B)	**(71,886,115)**	**(10,900,185)**	**(82,786,300)**
NET CARRYING VALUE AS AT 31/12/12 (A)+(B)	**30,633,774**	**3,532,504**	**34,166,278**

	Internally-developed software	Other intangible fixed assets	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
- 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)
- Transfers	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**

7.10 Tax assets

	31/12/12	31/12/13
Taxes / Current	0	669
Deferred tax assets (see note 9.2)	372,553,675	355,729,504
TOTAL	**372,553,675**	**355,730,173**

7.11 Other assets

	31/12/12	31/12/13
Other assets*	50,624,559	58,865,257
TOTAL	50,624,559	58,865,257

* ANALYSIS BY NATURE	31/12/12	31/12/13
Receivables	4,406	848,081
Prepaid fees	95,384	273,250
Other receivables	27,317,212	37,174,827
Plan assets	5,418,066	3,501,000
Operating taxes	3,482,982	5,947,365
Other assets	14,306,509	11,120,734
TOTAL	50,624,559	58,865,257

7.12 Leasing

1. BIL as lessor

OPERATING LEASE

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

Future net minimum lease payments under operating lease:	31/12/12	31/12/13
Less than 1 year	6,638,000	6,638,000
More than 1 year and less than 5 years	19,914,000	13,276,000
TOTAL	26,552,000	19,914,000

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:	31/12/12	31/12/13
Less than 1 year	2,828,978	1,773,182
More than 1 year and less than 5 years	812,896	37,297
TOTAL	3,641,874	1,810,479

Lease and sublease payments recognised as an expense during the financial year: - minimum lease payments	1,876,591	2,004,893
TOTAL	1,876,591	2,004,893

7.13 Quality of financial assets

Analysis of normal loans and securities on an individual basis	Gross amount (A)	
	31/12/12	31/12/13
Normal loans and advances to credit institutions	1,981,535,465	1,383,686,888
Normal loans to customers	9,354,548,111	10,005,979,374
Normal financial investments held to maturity	46,387,153	39,961,135
Normal financial investments available for sale	3,823,587,787	5,349,087,815
of which bonds and other fixed-income instruments	*3,564,941,704*	*5,165,347,596*
of which equities and other variable-income instruments	*258,646,083*	*183,740,219*
Collective impairment of normal loans on an individual basis [1]	(20,444,139)	(19,798,022)
TOTAL	**15,185,614,377**	**16,758,917,190**

Analysis of impaired loans and securities on an individual basis	Gross amount (B)		Specific loan loss allowance – individual basis (C)		Net amount (B+C)	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Impaired loans and advances to customers	255,233,163	286,429,503	(211,802,646)	(225,947,275)	43,430,517	60,482,228
Impaired financial assets available for sale	236,043,445	53,856,367	(220,578,949)	(42,636,556)	15,464,496	11,219,811
of which equities and other variable-income instruments	*236,043,445*	*53,856,367*	*(220,578,949)*	*(42,636,556)*	*15,464,496*	*11,219,811*
TOTAL	**491,276,608**	**340,285,870**	**(432,381,595)**	**(268,583,831)**	**58,895,013**	**71,702,039**

Analysis of normal and impaired loans and securities on an individual basis	Gross amount (A+B)		Specific loan loss allowance – individual basis (C)		Net amount (A+B+C)	
	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12	31/12/13
Loans and advances to credit institutions	1,981,535,465	1,383,686,888	0	0	1,981,535,465	1,383,686,888
Loans and advances to customers	9,609,781,274	10,292,408,877	(211,802,646)	(225,947,275)	9,397,978,628	10,066,461,602
Financial investments held to maturity	46,387,153	39,961,135	0	0	46,387,153	39,961,135
Financial investments available for sale	4,059,631,232	5,402,944,182	(220,578,949)	(42,636,556)	3,839,052,283	5,360,307,626
of which bonds and other fixed-income instruments	*3,564,941,704*	*5,165,347,595*	*0*	*0*	*3,564,941,704*	*5,165,347,595*
of which equities and other variable-income instruments	*494,689,528*	*237,596,587*	*(220,578,949)*	*(42,636,556)*	*274,110,579*	*194,960,031*
Collective impairment of normal loans on an individual basis [1]	(20,444,139)	(19,798,022)	n.a.	n.a.	(20,444,139)	(19,798,022)
TOTAL	**15,676,890,985**	**17,099,203,060**	**(432,381,595)**	**(268,583,831)**	**15,244,509,390**	**16,830,619,229**

[1] For the counter value 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	31/12/12	31/12/13
On demand	430,783,797	300,548,324
Term	209,763,680	340,761,846
Cash collateral	1,140,677,285	410,120,789
Repurchase agreements	448,183,435	367,976,085
Central banks	28,608,621	30,724,579
Other borrowings [1]	528,832,001	496,420,945
TOTAL	**2,786,848,819**	**1,946,552,568**

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	31/12/12	31/12/13
Demand deposits	4,225,220,622	5,606,967,611
Savings deposits	3,940,830,505	4,036,377,555
Term deposits	3,075,705,922	2,595,449,643
Cash collateral	41,005,168	8,633,450
TOTAL	**11,282,762,217**	**12,247,428,259**

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] 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	31/12/12	31/12/13
Other bonds	902,323	760,315
TOTAL	902,323	760,315

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	31/12/12	31/12/13
Non-subordinated liabilities	2,682,263,038	1,795,139,510
TOTAL	2,682,263,038	1,795,139,510

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	31/12/12	31/12/13
Certificates of deposit	96,919,701	64,509,357
Non-convertible bonds	522,314,669	824,116,321
TOTAL	619,234,370	888,625,678

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

8.5 Subordinated debt

A. ANALYSIS BY NATURE	31/12/12	31/12/13
Non-convertible subordinated debt[1]	560,194,004	330,425,705
Hybrid capital and redeemable preferred shares[2]	191,368,228	87,127,513
TOTAL	751,562,232	417,553,218

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	31/12/12	31/12/13
Litigation[3]	7,571,547	6,305,239
Restructuring	15,529,800	17,064,821
Defined benefit plans	22,202,859	27,585,704
Other long term employee benefits	12,659,769	12,909,101
Provision for off-balance sheet credit commitments	331,500	252,800
Other provisions	1,951,661	1,286,399
TOTAL	60,247,136	65,404,064

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/12	23,294,435	23,726,390	33,761,419	250,000	2,730,430
Exchange differences	(114,688)	0	0	0	18,851
Additional provisions	3,258,258	1,192,917	7,104,387	81,500	553,071
Unused amounts reversed	(17,076,093)	(1,497,198)	(7,714,462)	0	(944,763)
Used during the year	(1,328,838)	(7,633,309)	(2,313,118)	0	(405,928)
Transfers	(461,527)	(259,000)	505,543	0	0
Other movements	0	0	0	0	0
Revaluation through reserves [4]	n.a.	n.a.	9,146,709	n.a.	n.a.
Change in accounting policies [5]	n.a.	n.a.	(5,627,850)	n.a.	n.a.
AS AT 31/12/12	7,571,547	15,529,800	34,862,628	331,500	1,951,661
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 [4]	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

[1] List available upon request.
[2] 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 33.6 million) on one hand, and the sum of the share capital and share premium adjusted for the amount of own shares on the other hand.
In 2013, in accordance with the "Loss Participation" clause, following a reduction of the Contribution Amount, profits shall be allocated to the hybrid capital in order to restore the Contribution to the initial Contribution Amount ("Restoration Allocation"). Thus, the 2012 profit have been allocated to the hybrid capital for EUR 30.7 million. During 2013, the Bank purchased back a nominal amount of EUR 137 million of hybrid debt, mainly through its Liability Management Exercise.
[3] Provisions for litigation, including those for staff and tax-related litigation.
[4] See point 1.2.1 of note 1 to the Consolidated financial statements.
[5] See point 1.2.4.1 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 a defined-contribution or defined-benefit pension plan. All these commitments are shown in the table below.

Please note that 2012 figures have been restated in order to disclose only pension benefits.

a. Reconciliation of benefit obligations	31/12/12	31/12/13
Defined benefit obligations at the beginning of the year	212,393,000	213,904,001
Current service cost	8,035,000	8,395,342
Interest cost	8,207,410	6,874,672
Past service cost and gains and losses arising from settlements	259,000	3,000
Actuarial gains/(losses)	5,088,591	12,821,647
Stemming from changes in demographic assumptions	*0*	*0*
Stemming from changes in financial assumptions	*(1,405,000)*	*6,627,333*
Stemming from experience adjustments	*6,493,591*	*6,194,313*
Benefits paid	(19,287,000)	(12,015,000)
Out of which amounts paid in respect of settlements	*0*	*0*
Plan participant contributions	0	0
Currency adjustment	0	0
Business combination and disposals	880,000	0
Other	(1,672,000)	(1,730,520)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**213,904,001**	**228,253,142**

b. Reconciliation of fair value of plan assets	31/12/12	31/12/13
Fair value of plan assets at the beginning of the year	179,158,000	197,119,000
Actual return on plan assets	26,186,000	9,610,000
Expected return on plan assets	*7,064,599*	*6,534,810*
Actuarial gains/(losses)	*19,121,401*	*3,075,190*
Employer contributions	12,064,000	11,187,520
Plan participant contributions	0	0
Benefits paid	(19,287,000)	(12,015,000)
Business combination and disposals	670,000	0
Other	(1,672,000)	(1,730,520)
FAIR VALUE OF PLAN ASSETS AS AT THE END OF THE YEAR	**197,119,000**	**204,171,000**

c. Reconciliation of the effect of the asset ceiling	31/12/12	31/12/13
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	31/12/12	31/12/13
Plan assets in excess of benefit obligation	(5,418,000)	(3,501,000)
Unrecognised assets	0	0
UNFUNDED ACCRUED/PREPAID PENSION COST	**(16,785,000)**	**(24,082,140)**

e. Movement in net defined benefit pension liability or asset	31/12/12	31/12/13
Unfunded accrued/prepaid pension cost at the beginning of the year	(33,235,000)	(16,785,000)
Net periodic pension cost recognised in the income statement	(9,436,811)	(8,738,203)
Remeasurements recognised in OCI	14,032,811	(9,746,457)
Employer contributions	12,064,000	11,187,520
Pension payments by employer	0	0
Business combination and disposals	(210,000)	0
Other	0	0
UNFUNDED ACCRUED/PREPAID PENSION COST AT THE END OF THE YEAR	**(16,785,000)**	**(24,082,140)**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/12	31/12/13
Recognised reserve at the beginning of the year	(18,511,520)	(4,478,709)
Remeasurements recognised in OCI	14,032,811	(9,746,457)
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(4,478,709)**	**(14,225,166)**

g. Amounts recognised in the income statement	31/12/12	31/12/13
Current service cost	8,035,000	8,395,342
Net interest on the defined benefit liability/asset	1,142,811	339,862
Past service cost	259,000	3,000
Gains and losses arising from settlements	0	0
Other	0	0
TOTAL	**9,436,811**	**8,738,204**

h. Amounts recognised in other comprehensive income	31/12/12	31/12/13
Actuarial gains/(losses) on the defined benefit obligation	5,088,591	12,821,647
Actuarial gains/(losses) on the plan assets	(19,121,401)	(3,075,190)
Change in the effect of the asset ceiling	0	0
TOTAL	**(14,032,810)**	**9,746,457**

Actual return on plan assets (%)	31/12/12	31/12/13
	13.92%	4.79%

Breakdown of plan assets	31/12/12	31/12/13
Fixed-income		
Quoted market price in an active market	74.11%	73.21%
Unquoted	0.00%	0.00%
Equities		
Quoted market price in an active market	21.13%	22.07%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price in an active market	3.53%	3.54%
Unquoted	0.00%	0.00%
Cash	1.23%	1.18%
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%	9.40%
	Scenario DR +1%	-8.05%

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR -1%	-3.19%
	Scenario SR +1%	4.97%

Expected contributions for next year	11,210,520

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 DB/DC pension plans (closed plans) and one DC with guaranteed return pension plan (open plan).
For retirees, plan is a DB plan (closed).
No specific event occured in Luxemburg during the year 2013.
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 obligations are as follows:

	31/12/12	31/12/13
Discount rate	3.34%	3.00 %
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 exposure.
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	31/12/12	31/12/13
Current income tax	14,598,107	14,660
Deferred tax liabilities (see note 9.2)	1,868,964	759,447
TOTAL	16,467,071	774,107

Deferred tax liabilities originate with our Singapore branch.

Tax integration under article 164 bis
The Bank is no longer included in the scope of fiscal integration since December 31, 2011. The fact that the Bank is no longer part to the fiscal integration system has no impact on the presentation of the financial statements.

8.8 Other liabilities

ANALYSIS BY NATURE	31/12/12	31/12/13
Accrued costs	154,507	3,906,816
Deferred income	4,953,578	4,463,613
Other payables[1]	159,550,815	147,834,575
Other granted amounts received	1,378,057	1,371,114
Salaries and social security costs (payable)	22,500,870	25,448,510
Operational taxes	40,254,316	48,717,288
Other liabilities	7,550,992	7,768,058
TOTAL	236,343,135	239,509,974

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

9.1 Derivatives

A. ANALYSIS BY NATURE	31/12/12		31/12/13	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	1,445,811,962	1,352,561,388	542,675,205	500,688,703
Derivatives designated as fair value hedge	2,351,690	24,967,472	52,541,752	207,355,904
Derivatives designated as cash flow hedge	162,992,245	169,207,712	29,306,288	55,484,568
Derivatives of portfolio hedge	98,736,332	26,974,236	62,922,698	16,888,896
TOTAL	1,709,892,229	1,573,710,808	687,445,943	780,418,071

[1] As at December 31, 2012 and 2013, 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	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**9,422,587,352**	**9,407,481,697**	**341,282,167**	**308,373,268**
FX forward	6,905,487,494	6,915,653,034	36,205,112	46,916,590
Cross currency swap	1,826,746,711	1,803,430,183	295,757,059	251,443,348
FX options	690,353,147	688,398,480	9,319,996	10,013,330
Interest-rate derivatives	**11,536,754,372**	**11,619,369,880**	**1,081,262,598**	**1,030,672,449**
Options-Caps-Floors-Collars-Swaptions	144,889,220	200,642,072	1,245,750	1,249,913
IRS	11,390,865,152	11,390,865,152	1,080,016,848	1,029,422,536
Interest futures	1,000,000	27,862,656	0	0
Equity derivatives	**335,756,922**	**316,200,495**	**21,973,531**	**12,237,178**
Equity futures	718,620	2,800,792	0	0
Equity options	43,984,052	22,345,453	12,391,238	0
Warrants	2,952,421	2,952,421	581,627	0
Other equity derivatives	288,101,829	288,101,829	9,000,666	12,237,178
Credit derivatives	**18,766,000**	**14,469,000**	**1,293,666**	**1,278,493**
Credit default swaps	18,766,000	14,469,000	1,293,666	1,278,493
TOTAL	**21,313,864,646**	**21,357,521,072**	**1,445,811,962**	**1,352,561,388**

	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**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest-rate derivatives	**542,211,065**	**542,211,065**	**2,351,690**	**24,967,472**
IRS	542,211,065	542,211,065	2,351,690	24,967,472
TOTAL	**542,211,065**	**542,211,065**	**2,351,690**	**24,967,472**

	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**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest-rate derivatives	**2,162,290,000**	**2,162,290,000**	**162,992,245**	**169,207,712**
IRS	2,162,290,000	2,162,290,000	162,992,245	169,207,712
TOTAL	**2,162,290,000**	**2,162,290,000**	**162,992,245**	**169,207,712**

	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**

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 -3.7 million in 2013 (EUR -3.7 million in 2012).

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST-RATE	31/12/12			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	167,865,351	146,269,239	1,467,235	2,130,497
Interest-rate derivatives	1,225,517,108	1,225,517,108	97,269,097	24,843,739
TOTAL	**1,393,382,459**	**1,371,786,347**	**98,736,332**	**26,974,236**

	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**

9.2 Deferred tax

A. ANALYSIS	31/12/12	31/12/13
Deferred tax assets (liabilities) recognised	370,684,711	354,970,056
of which:		
Deferred tax liabilities	*(1,868,964)*	*(759,447)*
Deferred tax assets	*372,553,675*	*531,089,155*
Impaired deferred tax assets	*0*	*(175,359,652)*
Deferred tax [1]	**557,545,366**	**354,970,056**
[1] of which unrecognised deferred tax assets	*186,860,655*	*0*

B. MOVEMENTS

B. MOVEMENTS	2012	2013
AS AT JANUARY 1	**393,220,686**	**370,684,711**
Movements during the financial year:		
- Amounts recognised in the statement of income	24,795,582	(38,607,168)
- Items directly computed by equity	(48,773,838)	22,754,586
- Effect of change in tax rates - statement of income	56,829	0
- Effect of change in tax rates - equity	(149,042)	0
- Changes in consolidation scope	0	44,460
- Exchange differences	(371,689)	93,467
- Other movements	1,906,183	0
AS AT DECEMBER 31	**370,684,711**	**354,970,056**

Deferred tax from balance sheet assets	31/12/12		31/12/13	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Cash, loans and loan loss provisions	5,973,673	322,431	5,501,918	(471,755)
Securities	(28,183,971)	102,981,560	(22,488,837)	1,002,033
Derivatives	(521,718)	(2,760,185)	5,823,725	0
Tangible and intangible fixed assets	6,425,849	(260,297)	6,189,066	(237,051)
TOTAL	**(16,306,167)**	**100,283,509**	**(4,974,128)**	**293,227**

Deferred tax from balance sheet liabilities	31/12/12		31/12/13	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Provisions	(26,922,953)	(432,295)	(27,048,154)	(125,012)
Pensions	8,072,859	(674,875)	11,027,961	(643,779)
Legal tax free provisions	0	11,721,364	0	0
TOTAL	**(18,850,094)**	**10,614,194**	**(16,020,193)**	**(768,791)**

Deferred tax from other items	31/12/12		31/12/13	
	Balance sheet	Profit or loss	Balance sheet	Profit or loss
Tax losses carried forward[1]	405,840,972	(86,045,292)	551,324,029	141,369,444
TOTAL	**405,840,972**	**(86,045,292)**	**551,324,029**	**141,369,444**

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;
- our analysis on 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.

[1] Following losses in the value of Dexia Nederland between 2002 and 2004 and losses on the departure of the Legacy portfolio in 2011, BIL carried forward a tax loss representing a deferred tax asset in the amount of EUR 405.8 million as at December 31, 2012 (EUR 405.6 million as at December 31, 2011).

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

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	
	31/12/12	31/12/13	31/12/12	31/12/13
Loans[1]	4,072	4,956	313,368	224,575
Interest received	0	0	4,034	3,255
Deposits	8,537	9,876	270,601	249,550
Interest paid	0	0	(2,865)	(2,774)
Other income – fee and commission expense	0	0	(16)	142
Guarantees and commitments given by the Group	0	0	86,208	53,020
Guarantees and commitments given to the Group	6	6	9,000	11,261

	Associates		Other related parties	
	31/12/12	31/12/13	31/12/12	31/12/13
Loans[1]	37	32	3,627	2,573
Interest received	0	0	0	2
Deposits	4,898	7,737	12,126	2,932
Interest paid	(7)	0	(1)	(10)
Other income – fee and commission expense	0	0	0	0
Guarantees and commitments given by the Group	0	0	24	35
Guarantees and commitments given to the Group	0	0	860	0

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see note 11.8 "Staff expenses")

9.5 Securitisation

As at December 31, 2013, the BIL group has no securitisation vehicles included in its scope of consolidation. The relevant accounting rules are described in point 1.3.3 of note 1 of the consolidated financial statements.

9.6 Shareholders' equity

By share category	31/12/12	31/12/13
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 dependent companies.
[2] As at December 31, 2013 and 2012, the subscribed and paid-up capital of the Bank is EUR 141,224,090 represented by 2,017,487 shares with a par value of 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

		31/12/12		31/12/13	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.2720	1.2451	1.5384	1.3943
Canadian dollar	CAD	1.3148	1.2908	1.4626	1.3765
Swiss franc	CHF	1.2073	1.2040	1.2270	1.2292
Danish krone	DKK	7.4604	7.4448	7.4594	7.4577
Pound sterling	GBP	0.8130	0.8115	0.8323	0.8503
Hong Kong dollar	HKD	10.2380	10.0213	10.6767	10.3212
Japanese yen	JPY	114.0795	103.4487	144.4575	130.2865
Norwegian krone	NOK	7.3495	7.4655	8.3676	7.8673
Polish zloty	PLN	4.0816	4.1724	4.1498	4.2154
Swedish krone	SEK	8.5978	8.6793	8.8640	8.6626
Singapore dollar	SGD	1.6133	1.6074	1.7393	1.6676
US dollar	USD	1.3210	1.2921	1.3769	1.3306

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

10.1 Regular way trade

	31/12/12	31/12/13
Loans to be delivered	1,450,637,538	476,385,660
Borrowings to be received	1,449,637,635	449,605,825

10.2 Guarantees

	31/12/12	31/12/13
Guarantees given to credit institutions	189,888,421	156,499,116
Guarantees given to customers	655,824,541	664,767,300
Guarantees received from credit institutions	9,000,000	89,261,000

10.3 Loan commitments

	31/12/12	31/12/13
Unused lines granted to credit institutions	163,601	909,769
Unused lines granted to customers	3,090,367,017	1,271,433,028

10.4 Other commitments

	31/12/12	31/12/13
Banking activity - Commitments given[1]	27,313,328,414	28,901,182,810
Banking activity - Commitments received[2]	29,768,404,589	31,445,556,299

[1] Commitments given are mainly composed of assets entrusted to third parties.
[2] Commitments received are mainlycomposed of assets held on behalf of third parties, which amounted to EUR 23.9 billion as at December 31, 2012 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 expense

	31/12/12	31/12/13
INTEREST AND SIMILAR INCOME	981,712,948	699,729,758
a) Interest and similar income of assets not measured at fair value through profit or loss	**436,973,707**	**310,612,033**
Cash and balances with central banks	1,026,883	659,617
Loans and advances to credit institutions	17,771,858	4,223,993
Loans and advances to customers	301,328,520	215,053,553
Financial assets available for sale	111,375,377	88,529,607
Investments held to maturity	5,471,069	2,145,263
b) Interest and similar income of assets measured at fair value through profit or loss	**544,739,241**	**389,117,725**
Financial assets held for trading	1,813,092	2,536,302
Financial assets designated at fair value through profit or loss	1,112,408	0
Derivatives held for trading	433,389,238	254,509,283
Derivatives used for hedging purposes	108,424,503	132,072,140
INTEREST AND SIMILAR EXPENSE	(777,049,533)	(464,752,001)
a) Interest and similar expense of liabilities not measured at fair value through profit or loss	**(111,455,201)**	**(59,914,497)**
Amounts due to credit institutions	(30,870,354)	(8,017,431)
Amounts due to customers	(61,236,149)	(37,062,832)
Debt securities	(10,005,067)	(8,128,210)
Subordinated debt	(9,198,991)	(6,634,266)
Interest on preferred shares and hybrid capital	(144,638)	0
Other	(2)	(71,758)
b) Interest and similar expense of liabilities measured at fair value through profit or loss	**(665,594,332)**	**(404,837,504)**
Financial liabilities held for trading	0	(1,598)
Financial liabilities designated at fair value through profit or loss	(59,945,423)	(51,970,542)
Derivatives held for trading	(505,756,994)	(211,302,883)
Derivatives used for hedging purposes	(99,891,915)	(141,562,481)
NET INTEREST INCOME	204,663,415	234,977,757

11.2 Dividend income

	31/12/12	31/12/13
Financial assets available for sale	23,604,727	5,704,648
TOTAL	23,604,727	5,704,648

11.3 Net trading income and net result of hedge accounting

	31/12/12	31/12/13
Net income from transactions	18,650,656	10,054,193
of which income from trading securities	*9,116,249*	*1,391,571*
of which income from trading derivatives	*9,534,407*	*8,662,622*
Net result of hedge accounting	1,602,280	24,076,782
Net result of financial instruments designated at fair value through profit or loss*	1,029,425	12,936
Change in own credit risk [1]	(11,170,000)	(5,600,717)
Net foreign exchange gain / (loss)	(8,352,449)	14,535,720
TOTAL	**1,759,912**	**43,078,914**

	31/12/12	31/12/13
* including derivatives used for the purpose of hedging and classified in the accounts as trading derivatives (accounting mismatch).	**45,602,815**	**1,236,462**

Result of hedge accounting	**31/12/12**	**31/12/13**
	Net gain / (loss)	**Net gain / (loss)**
Fair value hedge	**198,426**	**(51,267)**
Change in the fair value of the item hedged attributable to the risk hedged	(1,061,154)	(44,489,830)
Change in the fair value of the hedging derivatives	1,259,580	44,438,563
Portfolio hedge against interest-rate risk	**177,220**	**(204,370)**
Change in the fair value of the item hedged	(27,015,428)	22,457,663
Change in the fair value of the hedging derivatives	27,192,648	(22,662,033)
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) – amounts recorded in interest margin	**1,226,634**	**24,332,419**
TOTAL	**1,602,280**	**24,076,782**

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)

	31/12/12	31/12/13
Gains on loans and advances	1,061,355	1,379,324
Gains on financial assets available for sale	6,640,233	77,472,911
Gains on tangible fixed assets	9,126	2,108,125
Gains on liabilities	0	38,943,620
TOTAL GAINS	**7,710,714**	**119,903,980**
Losses on loans and advances	(6,736)	(776)
Losses on financial assets available for sale	(56,908,586)	(9,106,045)
Losses on tangible fixed assets	0	(19,533)
TOTAL LOSSES	**(56,915,322)**	**(9,126,354)**
NET IMPAIRMENT	**(8,337,849)**	**(2,946,205)**
TOTAL	**(57,542,457)**	**107,831,421**

The impact of net income on financial assets available for sale was a gain of EUR 68,366,866 as at December 31, 2013 (a loss of EUR 50,268,353 as at December 31, 2012). This result should be compared with the EUR -77,114,152 impact of the sale of securities on the available for sale reserve as at December 31, 2013 (EUR 50,269,430 as at December 31, 2012).

Net impairment	Specific Risk		Total
	Allowances	Write-backs	
AS AT DECEMBER 31, 2012			
Available for sale securities	(9,231,114)	893,265	(8,337,849)
TOTAL	**(9,231,114)**	**893,265**	**(8,337,849)**
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)**

11.5 Fees and commissions income and expenses

	31/12/12			31/12/13		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	20,377,173	(4,222,214)	16,154,959	19,692,043	(842,421)	18,849,622
Administration of unit trusts and mutual funds	37,036	0	37,036	100,343	0	100,343
Insurance activity	11,536,755	0	11,536,755	12,862,203	0	12,862,203
Credit activity	13,316,632	(181,634)	13,134,998	13,194,790	(261,015)	12,933,775
Purchase and sale of securities	15,436,370	(2,680,519)	12,755,851	22,424,489	(5,535,951)	16,888,538
Purchase and sale of units trusts and mutual funds	3,346,062	(544,007)	2,802,055	6,269,472	(894,708)	5,374,764
Payment services	29,010,372	(960,293)	28,050,079	28,118,002	(903,147)	27,214,855
Commissions to non-exclusive brokers	7,693	(575,110)	(567,417)	148,526	(274,542)	(126,016)
Services on securities other than safekeeping	3,218,917	(327,344)	2,891,573	3,074,204	(495,035)	2,579,169
Custody	11,339,278	(2,099,756)	9,239,522	11,692,613	(1,460,577)	10,232,036
Issues and placements of securities	4,377,976	(261,427)	4,116,549	5,858,875	(198,143)	5,660,732
Private banking	27,170,411	(4,277,733)	22,892,678	29,383,077	(3,370,827)	26,012,250
Clearing and settlement	1,717,663	(1,706,980)	10,683	1,393,106	(1,521,883)	(128,777)
Securities lending	159,548	(137,481)	22,067	0	(96,701)	(96,701)
Other	2,891,761	(178,748)	2,713,013	4,580,196	(259,613)	4,320,583
TOTAL	**143,943,647**	**(18,153,246)**	**125,790,401**	**158,791,939**	**(16,114,563)**	**142,677,376**

11.6 Independent auditor's fees

The fees payable to the independent auditor of BIL for the years 2012 and 2013 are as follows:

	2012	2013
Legal control of financial statements	1,258,500	1,004,458
Other audit services	19,033	0
Tax services	9,151	5,070
Other	753,124	81,911
TOTAL	**2,039,808**	**1,091,439**

11.7 Other net income

	31/12/12	31/12/13
Operating taxes	5,028,473	0
Rental income	15,689,724	15,793,190
Other banking income [1]	156,276	427,430
Other income on other activities [2]	27,305,571	4,039,550
OTHER INCOME	**48,180,044**	**20,260,170**
Operating taxes	(2,807,245)	(941,543)
Maintenance and repair of investment property	(4,059,192)	(4,305,692)
Other bank charges	0	(75,880)
Other expenses in relation to other activities [3]	(28,014,794)	(30,856,953)
OTHER EXPENSES	**(34,881,231)**	**(36,180,068)**
TOTAL	**13,298,813**	**(15,919,898)**

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 expected from the AGDL in 2014:	0
Current loss (amount effectively due from the AGDL):	16,415,667

In 2008, in order to pay the advances to the AGDL, an expense of EUR 37.9 million was recorded in the statement of income. Reimbursements of EUR 21.5 million were made in 2009 till 2013 and recorded under other net operating income. Lastly, no reimbursements are expected from the AGDL in 2014.

[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 1.7 million (EUR 3.6 million in 2012) and extraordinary income from previous year for EUR 2.0 million (EUR 23.7 million in 2012).
[3] This consists primarily of depreciation of investment property for EUR -11.8 million (EUR -10.9 million in 2012), provisions for litigation for EUR -0.8 million (EUR -2.8 million in 2012) and extraordinary loss from previous years for EUR -4.2 million (EUR -13.5 million in 2012).

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

11.8 Staff expenses

A. STAFF EXPENSES

	31/12/12	31/12/13
Wages and salaries	(132,048,460)	(133,266,931)
Social security and insurance costs	(17,427,157)	(17,742,585)
Staff benefits	(8,931,851)	(9,342,674)
Restructuring expenses	304,281	(9,060,366)
Other expenses	(2,616,396)	(2,691,366)
TOTAL	**(160,719,583)**	**(172,103,922)**

Workforce

(Average FTE)	2012	2013
Senior management	34	36
Employees	1,699	1,751
TOTAL	**1,733**	**1,787**

B. REMUNERATION OF THE BANK'S ADMINISTRATIVE AND MANAGERIAL BODIES

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

	2012	2013	2012	2013
	Remuneration		Retirement pensions	
Members of the administrative bodies	350,583	837,000	-	-
Members of the managerial bodies	11,672,205	9,277,030	1,258,375	2,604,710
TOTAL	**12,022,788**	**10,114,030**	**1,258,375**	**955,147**

11.9 General and administrative expenses

	31/12/12	31/12/13
Occupancy	(9,906,497)	(8,767,374)
Operating leases	(1,316,685)	(1,351,370)
Professional fees	(20,689,937)	(20,960,017)
Marketing, advertising and public relations	(5,598,824)	(5,211,966)
Technology and system costs	(26,402,288)	(26,170,407)
Software costs and maintenance expenses	(5,816,358)	(6,326,017)
Repair and maintenance expenses	(167,461)	(21,125)
Operating taxes	(1,653,000)	0
Other general and administrative expenses[1]	(35,070,456)	(38,076,176)
TOTAL	**(106,621,506)**	**(106,884,452)**

11.10 Amortisation of tangible and intangible fixed assets

	31/12/12	31/12/13
Depreciation on land and buildings	(9,240,900)	(8,155,500)
Depreciation on other tangible fixed assets	(993,344)	(754,354)
Depreciation on IT equipment	(368,226)	(656,601)
Depreciation on intangible fixed assets	(10,946,148)	(14,625,982)
TOTAL	**(21,548,618)**	**(24,192,437)**

[1] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.

11.11 Impairment on loans and provisions for credit commitments

Collective impairment	31/12/12			31/12/13		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
LOANS	(3,658,629)	2,836,859	(821,770)	(1,074,430)	2,753,409	1,678,979

Specific impairment	31/12/12			
	Allowances	Write-backs	Losses	Total
Loans and advances to customers	(27,790,619)	18,384,299	(8,179,126)	(17,585,446)
Other debtors	0	589,000	0	589,000
Commitments	(81,500)	0	n.a.	(81,500)
TOTAL	(27,872,119)	18,973,299	(8,179,126)	(17,077,946)

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)
Other debtors	0	0	0	0
Commitments	(380,275)	30,974	n.a.	(349,302)
TOTAL	(40,373,505)	22,638,792	(6,395,434)	(24,130,148)

11.12 Impairment on tangible and intangible fixed assets

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.

11.13 Tax expenses

	31/12/12	31/12/13
Income tax for current financial year	(14,652,474)	(14,663)
Deferred taxes	27,453,818	(38,509,518)
Tax on current financial year result (A)	**12,801,344**	**(38,524,181)**
Income tax for previous year	54,197	14,128,223
Deferred taxes for previous year	(24,788)	(97,649)
Other tax expenses (B)	**29,409**	**14,030,574**
TOTAL (A)+(B)	12,830,753	(24,493,607)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 28.80% as at December 31, 2012 and 29.22% at December 31, 2013.
The effective BIL tax rate was 20.03% in 2013.
The difference between both rates may be analysed as follows:

	31/12/12	31/12/13
NET INCOME BEFORE TAX	17,838,335	192,353,948
Tax base	**17,838,335**	**192,353,948**
Applicable tax rate at year-end	28.80%	29.22%
Theoretical corporate income tax at standard rate	**5,137,440**	**56,205,824**
Effect of different tax rates in other countries	(5,462,301)	(625,375)
Tax effect of non-deductible expenses	212,302	242,204
Tax effect of non-taxable income	(6,896,566)	(17,654,837)
Effect of change in tax rates [1]	(5,886,905)	0
Tax effect on the use of previous tax losses not recognised in the assets	0	749,471
Tax effect on losses not previously recognised in profit or loss [2]	0	(180,901,233)
Impairment on deferred tax assets (tax loss carried forward)	0	179,501,048
Other	94,686	1,007,079
Tax on current financial year result	**(12,801,344)**	**38,524,181**
EFFECTIVE TAX RATE	n.a.	20.03%

11.14 Earnings per share

BASIC

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the company and held as treasury shares.

	31/12/12	31/12/13
Net income-Group share	30,669,088	167,860,341
Weighted average number of ordinary shares	2,016,517	2,016,517
Basic earnings per share (expressed in EUR per share)	15.21	83.24

11.15 Provisions for legal litigation

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

[1] In 2012, the effect of changes in tax rates mainly related to the revaluation of the stok of deferred taxes in relation to BIL (from 28.80% to 29.22%).
[2] This tax effect was mainly due to the loss made by our 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	31/12/12			31/12/13		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	3,256,328,704	3,256,328,704	0	1,138,593,576	1,138,593,576	0
Loans and advances to credit institutions	1,981,535,108	1,984,258,782	2,723,674	1,383,683,490	1,380,070,182	(3,613,308)
Loans and advances to customers	9,377,534,847	9,495,113,821	117,578,974	10,046,666,978	10,140,304,437	93,637,459
Financial assets held for trading	86,167,390	86,167,390	0	107,811,549	107,811,549	0
Financial assets designated at fair value	36,844,610	36,844,610	0	0	0	0
Financial assets available for sale	3,839,052,283	3,839,052,283	0	5,360,307,627	5,360,307,627	0
Investments held to maturity	46,387,153	47,356,233	969,080	39,961,135	41,360,983	1,399,848
Derivatives	1,709,892,229	1,709,892,229	0	687,445,943	687,445,943	0
Fair value revaluation of portfolios hedged against interest-rate risk	25,452,345	25,452,345	0	15,942,122	15,942,122	0
Other assets	731,769,723	731,769,723	0	715,427,162	715,427,162	0
TOTAL	**21,090,964,392**	**21,211,267,040**	**121,271,728**	**19,495,839,582**	**19,587,263,581**	**91,423,999**

A.2. Fair value of liabilities	31/12/12			31/12/13		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	2,786,848,819	2,793,285,487	(6,436,668)	1,946,552,568	1,946,572,386	(19,818)
Amounts due to customers	11,282,762,217	11,284,914,935	(2,152,718)	12,247,428,259	12,248,705,952	(1,277,693)
Financial liabilities held for trading	902,323	902,323	0	760,315	760,315	0
Financial liabilities designated at fair value	2,682,262,038	2,682,262,038	0	1,795,139,510	1,795,139,510	0
Derivatives	1,573,710,808	1,573,710,808	0	780,418,071	780,418,071	0
Fair value revaluation of portfolios hedged against interest-rate risk	91,611,929	91,611,929	0	58,956,377	58,956,377	0
Debt securities	619,234,370	628,487,478	(9,253,108)	888,625,678	895,213,904	(6,588,226)
Subordinated debt	751,562,232	830,619,026	(79,056,794)	417,553,218	419,468,415	(1,915,197)
Other liabilities	309,538,483	309,538,483	0	305,688,145	305,688,145	0
TOTAL	**20,098,433,219**	**20,195,332,507**	**(96,899,288)**	**18,441,122,141**	**18,450,923,075**	**(9,800,934)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see note 1.7 of the section "Accounting policies").

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	44,065,413	13,247,449	28,854,528	86,167,390
Financial assets designated at fair value - equities	0	0	36,844,610	36,844,610
Financial assets available for sale - bonds	3,564,941,704	0	0	3,564,941,704
Financial assets available for sale - equities [1]	72,967,217	39,792,872	26,490,748	139,250,837
Derivatives	0	1,495,840,344	214,051,885	1,709,892,229
TOTAL	**3,681,974,334**	**1,548,880,665**	**306,241,771**	**5,537,096,770**

	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 designated at fair value - equities	0	0	0	0
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**

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	2,192,404,453	489,858,585	2,682,263,038
Derivatives	0	1,388,697,210	185,013,598	1,573,710,808
TOTAL	**902,323**	**3,581,101,663**	**674,872,183**	**4,256,876,169**

	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**

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

[1] Excludes variable securities recorded at cost such as consolidated participating interests (amounted to EUR 123 million as at December 31, 2013 and EUR 125 million as at December 31, 2012) and other variable income securities recorded at cost (amounted to EUR 8.4 million as at December 31, 2013 and EUR 9.7 million as at December 31, 2012).

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets	31/12/12		31/12/13	
	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	0	0
Financial assets available for sale - equities	0	0	34,059	5,387,114
Derivatives	0	0	952	0
TOTAL	**0**	**4,130,171**	**35,011**	**5,387,114**

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2012 and 2013.

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
Financial assets held for trading	28,232,508	2,907,068	0	884,130	(527,840)
Financial assets designated at fair value - equities	0	3,340,675	0	0	0
Financial assets available for sale - equities	27,081,156	(700,000)	36,664	594,848	(2,354)
Derivatives	156,023,019	71,341,560	9,090,934	0	0
TOTAL	211,336,683	76,889,303	9,127,598	1,478,978	(530,194)

	31/12/12				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	(2,641,338)	0	0	0	28,854,528
Financial assets designated at fair value – equities	0	33,503,935	0	0	36,844,610
Financial assets available for sale – equities	0	0	(711,471)	191,905	26,490,748
Derivatives	(22,766,948)	370,646	(7,326)	0	214,051,885
TOTAL	(25,408,286)	33,874,581	(718,797)	191,905	306,241,771

	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 - equities	26,490,748	0	(503,004)	131,802	0
Derivatives	214,051,885	33,425,345	(28,656,386)	1,452,208	0
TOTAL	306,241,771	33,473,229	(29,159,390)	3,375,767	0

	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 – equities	0	2,347,119	(543,348)	0	27,923,317
Derivatives	(116,994,186)	3,785,737	(92,654,619)	0	14,409,984
TOTAL	(123,061,086)	6,132,856	(153,189,630)	0	43,813,517

D.2 Liabilities

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

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

	31/12/13				
	Opening balance	Total gains and losses in the income statement	Sale	New issues	Settlement
Financial liabilities designated at fair value	489,858,585	27,202,658	0	47,778,302	(219,693,430)
Derivatives	185,013,598	(17,890,844)	0	124,759	(83,082,076)
TOTAL	**674,872,183**	**9,311,814**	**0**	**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)	535,035,621
Derivatives	65,779	(79,791,796)	0	87,521,496
TOTAL	**49,587,837**	**(126,267,688)**	**(32,850,090)**	**622,557,117**

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 Level 3. We refer to note 11.3 "Result of hedge accounting" for an economic view of the impact in the statement of income;
- 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.

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 counterparty or, failing that, on similar counterparties or counterparties 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.

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 counterpart.

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 geographic region

(in EUR million)	31/12/12	31/12/13
Belgium	1,173	1,298
France	1,808	2,200
Germany	836	1,144
Greece	0	0
Ireland	145	329
Italy	619	600
Luxembourg	9,468	9,583
Portugal	9	41
Spain	256	416
Other EU countries	895	1,311
Rest of Europe	4,005	1,630
Turkey	9	20
United States and Canada	115	234
Central and South America	6	4
South-east Asia	107	202
Japan	44	37
Other [1]	132	276
TOTAL	**19,627**	**19,325**

Exposures by counterparty category

(in EUR million)	31/12/12	31/12/13
State	7,353	5,393
Local public sector	827	925
Corporate	3,173	3,941
Project Finance	110	35
Individuals, SMEs, self-employed	6,881	6,760
Financial institutions	1,251	2,204
Other	32	67
TOTAL	**19,627**	**19,325**

[1] Including supranational entities such as the ECB.

Credit risk exposures are shown as follows:

- 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 exposures; 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 geographical region and counterparty category, bearing in mind guarantees received.

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/12		31/12/13	
(in EUR million)	Credit risk exposures [1]	Financial effect of the collateral	Credit risk exposures [1]	Financial effect of the collateral
Available for sale portfolio (excluding variable income securities)	3,565	0	5,169	0
Held for trading portfolio (excluding variable income securities)	47	0	65	0
Loans and advances (at amortised cost)	13,237	736	11,779	481
Financial assets held to maturity	46	0	41	0
Derivatives	49	1,110	27	377
Other financial instruments – at cost	35	0	36	0
Commitments in respect of loans granted	1,707	12	130	0
Commitments in respect of guarantees given	941	451	2,078	372
TOTAL	**19,627**	**2,309**	**19,325**	**1,230**

[1] Credit risk exposures net of the financial effect of the collateral.

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS

(in EUR million)	31/12/12 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)	2,839	726	0	0	3,565
Held for trading portfolio (excluding variable income securities)	15	28	1	3	47
Loans and advances (at amortised cost)	3,886	5,058	3,826	143	12,913
Financial assets held to maturity	0	46	0	0	46
Derivatives	5	40	3	0	48
Other financial instruments – at cost	0	5	0	30	35
Commitments in respect of loans granted	313	775	459	67	1,614
Commitments in respect of guarantees given	106	530	292	7	935
TOTAL	**7,164**	**7,208**	**4,581**	**250**	**19,203**

(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**

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.

The classification based on ratings was reviewed following the revision of the Basel II classification.

D. PAST DUE OR IMPAIRED FINANCIAL ASSETS

	31/12/12				
	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)	231,598,592	68,328,225	135,781,902	255,233,163	519,587,537
TOTAL	**231,598,592**	**68,328,225**	**135,781,902**	**255,233,163**	**519,587,537**

	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**

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	
	31/12/12	31/12/13
Cash	20,435,805	7,900,578
Debt instruments	664,813	2,302,969
TOTAL	**21,100,618**	**10,203,547**

In general, guarantees obtained are immediately converted into cash by BIL.

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/12	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(416,356,350)**	**8,925,722**	**(37,021,734)**	**10,351,843**
Loans and advances to customers	(203,912,036)	8,032,457	(27,790,620)	10,351,843
Financial assets available for sale	(212,444,314)	893,265	(9,231,114)	0
of which equities and other variable-income instruments	*(212,444,314)*	*893,265*	*(9,231,114)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(19,622,369)**	**0**	**(3,658,629)**	**2,836,859**
TOTAL	**(435,978,719)**	**8,925,722**	**(40,680,363)**	**13,188,702**

	Other adjustments	As at 31/12/12	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**1,718,924**	**(432,381,595)**	**(8,179,126)**
Loans and advances to customers	1,515,710	(211,802,646)	(8,179,126)
Financial assets available for sale	203,214	(220,578,949)	0
of which equities and other variable-income instruments	*203,214*	*(220,578,949)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**0**	**(20,444,139)**	**0**
TOTAL	**1,718,924**	**(452,825,734)**	**(8,179,126)**

	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	As at 31/12/13	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**3,669,885**	**(268,583,830)**	**(6,395,434)**
Loans and advances to customers	3,240,784	(225,947,275)	(6,395,434)
Financial assets available for sale	429,101	(42,636,555)	0
of which equities and other variable-income instruments	*429,101*	*(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)**	**(19,798,022)**	**0**
TOTAL	**2,637,024**	**(288,381,852)**	**(6,395,434)**

The other adjustments correspond to exchange rate variations during the period affecting provisions recorded in other currencies.

G. CREDIT RISK LINKED TO FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31/12/12	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	2,682,263,038	13,670,000	(7,330,000)	635,807

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

In 2012 and 2013, 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 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.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposure 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. 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 of end 2013, forborne exposures according to CSSF definition amounted to 386.1 million (taking into account the 9.6 million of specific provisions). The forborne exposures amount, in line with the EBA's requirements, will be disclosed from 2014 onwards.

[1] This amount includes premiums/discounts and the fair value adjustment.

J. INFORMATION ON SOVEREIGN DEBTS

For 2013, this statement refers to bonds issued by central and local governments and governmental bodies (only sovereign debts were disclosed in 2012).

As at 31/12/12	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						
More than 5 years	186,625,172	*17,039,365*			49,764	*(1,500)*
Belgium						
More than 5 years	723,071,738	*19,997,711*				
Bulgaria						
Between 1 and 5 years					55,444	*4,175*
Finland						
More than 5 years	24,817,709	*3,381,632*				
France						
More than 5 years	684,987,172	*17,370,541*	*(683,089)*			
Germany						
Less than 1 year					208,922	*(184)*
Ireland						
Between 1 and 5 years	110,393,996	*(349,333)*				
Italy						
Between 1 and 5 years	240,953,745	*4,701,037*		30,556,315	20,098	
More than 5 years	239,022,577	*4,846,904*				
Luxembourg						
Less than 1 year					919,203	*(4,988)*
More than 5 years	54,534,930	*3,835,541*	*(7,671)*		1,576,221	*8,951*
Poland						
Between 1 and 5 years	30,111,675	*157,394*				
More than 5 years					521,587	*6,250*
Qatar						
Between 1 and 5 years	40,563,168	*(102,342)*	*31,822*			
More than 5 years	22,277,906	*240,773*	*(231,650)*			
Singapore						
Between 1 and 5 years	5,764,738	*40,276*				
Slovakia						
More than 5 years	28,828,740	*512,967*	*(138,269)*			
Supranational						
Between 1 and 5 years	193,150,181	*2,225,712*			235,135	*98*
More than 5 years	435,145,764	*14,621,906*	*(316,272)*		31,180	*333*
TOTAL	**3,020,249,210**	**88,520,084**	**(1,345,129)**	**30,556,315**	**3,617,554**	**13,136**

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*				
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)*
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)**

12.3 Pledged assets

A. GUARANTEES THAT MAY BE SOLD OR REPLEDGED

Type of assets held as guarantees	Guarantees received as at 31/12/12		Guarantees received as at 31/12/13	
	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	200,317,252	0	216,300,022	0
Cash collateral	1,181,682,452	1,181,682,452	418,754,239	418,754,239
TOTAL	**1,381,999,704**	**1,181,682,452**	**635,054,261**	**418,754,239**

B. FINANCIAL ASSETS PLEDGED AS GUARANTEES

	Carrying value of financial assets pledged as at 31/12/12		Carrying value of financial assets pledged as at 31/12/13	
	For liabilities	For contingent liabilities	For liabilities	For contingent liabilities
Loans and securities	878,680,832	0	1,041,411,882	0
Cash collateral	1,052,790,154	n.a.	564,298,070	n.a.
TOTAL	**1,931,470,986**	**0**	**1,605,709,952**	**0**

C. FINANCIAL ASSETS PLEDGED AS COLLATERAL: DERECOGNITION AND FINANCIAL LIABILITIES ASSOCIATED WITH TRANSFERRED FINANCIAL ASSETS

	Transferred financial assets entirely recognised as at 31/12/12			
	Transferred assets		Associated liabilities	
	Carrying amount	*Of which: repurchase agreements*	Carrying amount	*Of which: repurchase agreements*
Available for sale financial assets	249,031,724	*249,031,724*	248,183,435	*248,183,435*
TOTAL	**249,031,724**	***249,031,724***	**248,183,435**	***248,183,435***

	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	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***

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 offseting 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	31/12/12				
	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	3,256,328,704	0	0	0	0
Loans and advances to credit institutions	1,429,212,336	521,800,186		28,805,207	560,000
Loans and advances to customers	3,738,138,808	253,658,387	215,668,599	792,603,888	4,599,053,356
Financial assets held for trading	33,829,787	2,218,532	5,716,834	26,576,484	15,845,173
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	314,205,467	49,891,579	5,708,947	644,642,583	2,483,684,573
Investments held to maturity	0	0	0	44,803,770	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	**8,771,715,102**	**827,568,685**	**227,094,380**	**1,537,431,932**	**7,099,143,102**

	31/12/12				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	0	0	0	3,256,328,704
Loans and advances to credit institutions	0	1,157,736	0	(357)	1,981,535,108
Loans and advances to customers	0	10,630,818	27,418	(232,246,428)	9,377,534,847
Financial assets held for trading	0	723,420	1,257,160	0	86,167,390
Financial assets designated at fair value	33,503,935		3,340,675	0	36,844,610
Financial assets available for sale	325,129,366	49,375,884	186,992,832	(220,578,949)	3,839,052,283
Investments held to maturity	0	1,583,383	0	0	46,387,153
Derivatives	n.a.	134,813,446	1,575,078,783	0	1,709,892,229
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	25,452,345	0	25,452,345
TOTAL	**358,633,301**	**198,284,687**	**1,792,149,213**	**(452,825,734)**	**20,359,194,669**

[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).

A. ASSETS	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
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	0	0	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)	0	107,811,549
Financial assets designated at fair value	0	0	0	0	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	0	687,445,943
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	15,942,122	0	15,942,122
TOTAL	**178,131**	**141,653,745**	**713,821,582**	**(288,381,852)**	**18,780,412,420**

[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	31/12/12				
	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	2,251,951,741	358,594,697	34,070,022	127,166,189	14,689,946
Amounts due to customers	8,541,279,709	2,067,004,464	636,852,895	1,312,320	15,731,356
Financial liabilities held for trading	133,653	1,345		167,732	574,782
Financial liabilities designated at fair value	360,578,784	187,458,502	602,570,479	1,181,391,065	315,232,886
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	69,664,489	30,498,974	84,562,231	200,004,126	231,070,070
Subordinated debt	472,009,853	0	191,368,228	0	87,658,147
TOTAL	**11,695,618,229**	**2,643,557,982**	**1,549,423,855**	**1,510,041,432**	**664,957,187**

	31/12/12			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	376,224	0	2,786,848,819
Amounts due to customers	0	20,581,472	0	11,282,762,216
Financial liabilities held for trading	0	7,499	17,312	902,323
Financial liabilities designated at fair value	0	12,525,549	22,505,773	2,682,263,038
Derivatives	n.a.	122,542,741	1,451,168,068	1,573,710,809
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	0	91,611,929	91,611,929
Debt securities	0	3,434,480	0	619,234,370
Subordinated debt	0	526,004	0	751,562,232
TOTAL	**0**	**159,993,969**	**1,565,303,082**	**19,788,895,736**

	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**

[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	31/12/13			
	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.	0	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**

C. NET POSITION	31/12/12					
	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
Balance sheet sensitivity gap	(2,923,903,127)	(1,815,989,297)	(1,322,329,475)	27,390,500	6,434,185,915	0

	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
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

Derivatives are used to hedge the balance sheet sensitivity gap.

12.5 Market risk and Assets & Liabilities Management (ALM)

a. Treasury and Financial Markets (TFM)

- 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 a VaR limit and interest-rate sensitivity limit.

b. Assets & Liabilities Management

- The interest-rate risk is subject to an interest-rate sensitivity limit.
- For information, the investment portfolio is measured by a credit spread sensitivity indicator.

A. TREASURY AND FINANCIAL MARKETS (TFM) ACTIVITIES

BIL's treasury and financial market activities support the bank's commercial activities.

a. Value at Risk – 99%, 10 days (in EUR million)

In 2013, 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 "full valuation" VaR.

[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).

The details of the calculation are detailed below:

VaR (10 days, 99 %) (in EUR million)		2012											
		IR[1] & FX[2] (Trading and Banking)[3]				EQT[4] Trading				Spread Trading[5]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By risk factor	Average	1.29	1.04	1.02	3.67	0.00	0.00	0.00	0.00	0.11	0.19	0.25	0.00
	Maximum	2.48	1.73	1.77	6.90	0.00	0.00	0.00	0.00	0.39	0.75	0.54	0.00
Global	Average	1.92											
	Maximum	7.65											
	End of period	3.29											
	Limit	6.00											

VaR (10 days, 99 %) (in EUR million)		2013								
		IR[1] & FX[2] (Trading and Banking)[3]				EQT[4] Trading				Spread Trading[6]
		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								

The capital markets activity is also subject to spread sensitivity limit (on December 31, 2013, the sensitivity (+1 bp) is EUR - 5,481 for a limit of EUR 60,000).

b. Investment Treasury Portfolio (in EUR million)

- Exposure

	2012	2013
Investment Treasury Portfolio – AFS	860	1,310

- Interest-rate sensitivity (+1 basis point)
  The portfolio's interest-rate is managed by the ALM.

	2012	2013
Investment Treasury Portfolio – AFS	(0.20)	(0.31)

- Credit spread sensitivity
  This measure estimates the portfolio's sensitivity, if the spread increases by 1 basis point.

	2012	2013
Investment Treasury Portfolio – AFS	(0.27)	(0.84)

[1] IR: interest-rate.
[2] FX: forex.
[3] IR and FX: without ALM.
[4] EQT: equity.
[5] Spread trading VaR calculated till 30/09/12.
[6] No more calculation of Spread trading VaR.

B. ALM INTEREST-RATE RISK, EQUITY AND CREDIT SPREAD RISK

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)		2012											
		Interest-rate [1 2]				Equity [3]				Credit spread [4]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	56	56	(52)	(113)					-	-	(1)	(2)
	VaR 10 days 99%					–	–	–	–				

(in EUR million)		2013											
		Interest-rate [1 2]				Equity [3]				Credit spread [4]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(33)	7	1	36					(2)	(2)	(2)	(2)
	VaR 10 days 99%					–	–	–	–				

b. Investment ALM Portfolio (in EUR million)

- Exposure

	2012	2013
Investment ALM Portfolio – AFS	2,300	2,248

- Interest-rate sensitivity (+1 bp)

  The portfolio interest-rate is managed by the ALM.

	2012	2013
Investment ALM Portfolio – AFS	(1.54)	(0.64)

- Credit spread sensitivity

  This measure estimates the portfolio's sensitivity if the spread increases by 1 bp.

	2012	2013
Investment ALM Portfolio – AFS	(1.87)	(1.68)

c. ALM equity – Sensitivity of listed equities

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 [5]	Market Value	VaR	% VaR
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	0.00	0%

[1] Sensitivity (+1%).
[2] On December 31, 2013, the interest-rate sensitivity limit for BIL ALM reached EUR 95 million per percent.
[3] The equity risk is detailed later.
[4] Sensitivity (+1 basis point).
[5] The management of financial establishment shares put in run-off was assigned to TFM.

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market Risk, ALM management and liquidity" section of the consolidated 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	31/12/12				
	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	3,256,328,704	0	0	0	0
Loans and advances to credit institutions	1,380,804,771	567,707,750	2,500,000	28,805,207	560,001
Loans and advances to customers	1,951,085,304	1,326,273,665	470,393,383	545,716,854	5,133,869,094
Financial assets held for trading	125,718	2,567,582	32,361,368	33,286,969	15,845,173
Financial assets designated at fair value	0	0	0	0	0
Financial assets available for sale	0	289,891,580	0	642,963,434	2,814,522,886
Investments held to maturity	0	0	0	44,803,770	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	**6,588,344,497**	**2,186,440,577**	**505,254,751**	**1,295,576,234**	**7,964,797,154**

	31/12/12				
	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.	3,256,328,704
Loans and advances to credit institutions	0	1,157,736	0	(357)	1,981,535,108
Loans and advances to customers	171,784,739	10,630,818	27,418	(232,246,428)	9,377,534,847
Financial assets held for trading	0	723,420	1,257,160	n.a.	86,167,390
Financial assets designated at fair value	33,503,935	0	3,340,675	n.a.	36,844,610
Financial assets available for sale	75,884,616	49,375,884	186,992,832	(220,578,949)	3,839,052,283
Investments held to maturity	0	1,583,383	0	0	46,387,153
Derivatives	n.a.	134,813,446	1,575,078,783	n.a.	1,709,892,229
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	n.a.	25,452,345	n.a.	25,452,345
TOTAL	**281,173,290**	**198,284,687**	**1,792,149,213**	**(452,825,734)**	**20,359,194,669**

[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.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

A. ASSETS	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
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 designated at fair value	0	0	0	0	0
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 designated at fair value	0	0	0	n.a.	0
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] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

B. LIABILITIES	31/12/12				
	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	1,809,575,130	800,053,738	34,987,592	127,166,189	14,689,946
Amounts due to customers	8,539,719,962	2,066,875,448	635,619,742	3,556,305	16,409,287
Financial liabilities held for trading	1,345	0	0	167,732	708,435
Financial liabilities designated at fair value	0	209,258,002	727,124,418	1,395,616,410	315,232,886
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	14,796,530	51,770,926	84,562,231	233,600,133	231,070,070
Subordinated debt	0	0	0	472,009,853	279,026,375
TOTAL	**10,364,092,967**	**3,127,958,114**	**1,482,293,983**	**2,232,116,622**	**857,136,999**

	31/12/12			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	376,224	0	2,786,848,819
Amounts due to customers	0	20,581,472	0	11,282,762,217
Financial liabilities held for trading	0	7,499	17,312	902,323
Financial liabilities designated at fair value	0	12,525,549	22,505,773	2,682,263,038
Derivatives	n.a.	122,542,741	1,451,168,068	1,573,710,808
Fair value revaluation of portfolios hedged against interest-rate risk	n.a.	0	91,611,929	91,611,929
Debt securities	0	3,434,480	0	619,234,370
Subordinated debt	0	526,004	0	751,562,232
TOTAL	**0**	**159,993,968**	**1,565,303,082**	**19,788,895,735**

[1] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

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**

C. NET POSITION	31/12/12					
	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	(3,775,748,470)	(941,517,539)	(977,039,232)	(936,540,388)	7,107,660,156	281,173,290

	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

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

	31/12/12				
	EUR	Other EU currencies	USD	Other	Total
Assets	16,181,253,051	276,403,579	708,991,324	3,924,316,438	21,090,964,392
Liabilities	17,293,901,681	405,141,528	1,927,732,715	1,464,188,468	21,090,964,392
NET ON-BALANCE SHEET POSITION	**(1,112,648,630)**	**(128,737,949)**	**(1,218,741,391)**	**2,460,127,970**	**0**
Off-balance sheet - receivable	3,729,185,682	378,699,132	4,458,644,920	2,424,409,563	10,990,939,297
Off-balance sheet - payable	2,594,426,642	260,125,923	3,271,918,708	4,825,638,001	10,952,109,274
NET OFF-BALANCE SHEET POSITION	**1,134,759,040**	**118,573,209**	**1,186,726,212**	**(2,401,228,438)**	**38,830,023**

	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)**

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/12	31/12/13
TOTAL REGULATORY CAPITAL (AFTER ALLOCATION)	**773,814,648**	**854,632,751**
Regulatory capital in the strict sense, including hybrid capital [1]	**521,960,852**	**643,270,953**
Core shareholders' equity	846,390,777	1,006,025,926
Translation adjustments - Group	(45,752,559)	(44,757,044)
Deductions and prudential filters	(278,677,366)	(317,997,929)
TIER 2 CAPITAL	**251,853,796**	**211,361,798**
Fixed-term subordinated loans	169,857,237	174,996,386
Deductions and prudential filters	81,996,559	36,365,412

	31/12/12	31/12/13
WEIGHTED RISKS	**4,185,319,163**	**4,324,767,551**
Credit risk	3,444,313,463	3,592,300,263
Market risk	143,792,388	117,981,425
Operational risk	597,213,313	614,485,863
SOLVENCY RATIO		
Tier 1 ratio	12.47%	14.87%
Capital Adequacy Ratio	18.49%	19.76%

[1] Shareholders' equity include the net income for the year. No dividend will be distributed with respect to the year 2013 (see Proposed allocation of 2013 net income p.188).

Proposed allocation of 2013 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	167,860,341
Allocation to "Legal reserve"	(14,122,409)
Allocation to "Hybrid capital [1]"	(2,962,684)
Allocation to "AGDL reserve"	(10,000,000)
Allocation to "Treasury shares reserve"	(1,455,000)
Allocation to "Available reserve"	(139,320,248)
TOTAL	**0**

[1] In line with the "Loss Participation" clause, as defined in the hybrid capital prospectus issued by BIL, following a reduction of the Contribution Amount, profits shall be allocated to the hybrid capital in order to restore the Contribution to the initial Contribution Amount ("Restoration Allocation").