



EURO MTF LISTING PROSPECTUS

BANQUE INTERNATIONALE À LUXEMBOURG, SOCIÉTÉ ANONYME

(Incorporated with limited liability in Luxembourg)

EUR 150,000,000 6.625 per cent. Fixed Rate Resetting Perpetual Convertible Additional Tier 1 Capital Notes (Callable 2020 and Each Year Thereafter)

Banque Internationale à Luxembourg, *société anonyme* (the "**Bank**", "**Issuer**", "**BIL**" or "**we**") has issued the above-listed Fixed Rate Resetting Perpetual Convertible Additional Tier 1 Capital Notes (the "**Notes**") callable on 30 June 2020 or every year thereafter. This Euro MTF listing prospectus (the "**Prospectus**") is being prepared for the listing of the Notes on the official list of the Luxembourg Stock Exchange and the admission to trading on the Luxembourg Stock Exchange's Euro MTF Market.

From (and including) the date of issuance to (but excluding) 30 June 2020 (such date and each fifth anniversary date thereafter, commencing 30 June 2025 being a "**Reset Date**"), the interest rate on the Notes will be 6.625 per cent. per annum. From (and including) each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate (as defined herein) on the relevant Reset Determination Date (as defined herein) and the Initial Credit Spread (as defined herein). The interest rate following any Reset Date may be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date. Subject to the conditions set out herein, interest, if any, will be payable annually on 30 June of each year commencing on 30 June 2015, and ending on 30 June 2020, and thereafter quarterly in arrear on 30 September, 31 December, 31 March and 30 June of each year commencing on 30 September 2020 (each, an "**Interest Payment Date**").

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. In certain circumstances, the Issuer shall be restricted from making an interest payment (in whole or in part) on the Notes on an Interest Payment Date and the interest payable in respect of any such Interest Payment Date shall be deemed cancelled (in whole or in part) and therefore not due and payable. Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with the terms of the Notes.

The Notes are perpetual and have no fixed maturity or fixed redemption date. As a result of the fact that the Notes are perpetual securities and that interest on the Notes will be due and payable only at the Issuer's sole discretion and that the Issuer may cancel (in whole or in part) any interest payment at any time, the Issuer is not required to make any payment of the principal amount of the Notes at any time prior to its winding-up or administration and Noteholders (as defined herein) may not receive interest on any Interest Payment Date.

The Notes constitute direct, unsecured and subordinated obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders will be subordinated to the claims of Senior Creditors (as defined herein).

Subject to certain conditions, the Issuer may, at its option, redeem the Notes, in whole but not in part, at any time (in the event of a change in certain Luxembourg regulatory capital requirements or upon the occurrence of certain tax events as described herein) at 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) (which excludes any interest cancelled or deemed cancelled as described herein) to (but excluding) the date fixed for redemption.

If a Capital Adequacy Trigger Event (as defined herein) occurs, then an Automatic Conversion (as defined herein) will occur on the Conversion Date (as defined herein), at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares (as defined herein) to the Conversion Shares Depositary (as defined herein) (or other relevant recipient as set out herein) at the Conversion Price (as defined herein), and under no circumstances shall such released obligations be reinstated. The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares on behalf of the Noteholders) or the relevant recipient in accordance with the terms of Notes.

The Issuer may elect, using its best efforts (*obligation de moyens*), that a Conversion Shares Offer be made by the Conversion Shares Depositary to the Issuer's ordinary shareholders (*pro rata* to their respective shareholding as at the date of the offer) at such time at a cash price per Conversion Share equal to the Conversion Price, subject to the terms of the Notes. The realisable value of any Conversion Shares received by a Noteholder following an Automatic Conversion may be significantly less than the Conversion Price (as defined herein), and Noteholders could lose all or part of their investment in the Notes as a result of the Automatic Conversion.

Following an Automatic Conversion, the Notes shall remain in existence until the applicable Cancellation Date (as defined herein) for the sole purpose of evidencing the Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration (as defined herein), as applicable, from the Conversion Shares Depositary (or such other relevant recipient, as applicable).

The Notes are serially numbered and in bearer form in the denomination of EUR 1,000,000 and integral multiples of EUR 10,000 in excess thereof. The Notes are eligible for clearing and settlement through the facilities of Clearstream Securities Settlement System (as defined herein) and the securities clearing and settlement systems operated by Euroclear Bank S.A./N.V., or such other clearing system in which the Notes or Conversion Shares are a participating security.

We have made an application to the Luxembourg Stock Exchange to list the Notes on the official list of the Luxembourg Stock Exchange (the "**Official List**") and for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market (the "**Euro MTF Market**"). The Euro MTF Market is not a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. This Prospectus constitutes the listing prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended. References in this Prospectus to Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and admitted to trading on the Euro MTF Market.

This Prospectus may be used only for the purposes for which it has been published, and does not constitute a prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC). The Luxembourg financial sector supervisory authority, the Commission de Surveillance du Secteur Financier ("CSSF"), has neither approved nor reviewed information contained in this Prospectus in connection with these Notes.

The Notes are not intended to be sold and should not be sold to retail investors in the European Economic Area, notably as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the "**PI Instrument**"), as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of any applicable laws and regulations, including amongst others the PI Instrument, by any person. Prospective investors should take into account the applicable selling restrictions further set out below (see section "**Important Information Relating to the Use of this Prospectus and Offers of Notes Generally**" below).

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE NOTES INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.

NO NOTES OR INTERESTS THEREIN, MAY AT ANY TIME BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS

DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

Investing in securities involves significant risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus and in our annual report and other reports incorporated by reference herein.

Prospective investors should reach their own investment decision about the Notes only after consultation with their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of the particular characteristics and terms of the Notes, which are complex in structure and operation, and in light of each investor's particular financial circumstances.

The date of this Prospectus is 19 September 2017.

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IMPORTANT NOTICES

Responsibility Statement

The Issuer accepts responsibility for the information contained in the Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

General

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained or not consistent with this Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Issuer's consolidated subsidiaries taken as a whole (the "**BIL Group**") since the date hereof or that there has been no adverse change in the financial position of the Issuer or the BIL Group since the date hereof or that any other information supplied in connection with the Prospectus is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Prospectus is correct as of any time subsequent to the date indicated in the document containing the same.

Important Information Relating to the Use of this Prospectus and Offers of Notes Generally

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe any such restrictions on the distribution of this Prospectus and the offering and sale of Notes.

Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

Neither this Prospectus nor any other information supplied in connection with the issue of the Notes constitutes an offer or an invitation by or on behalf of the Issuer to any person to subscribe for, or purchase, the Notes.

Neither this Prospectus nor any other information supplied in connection with the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer that any recipient of this Prospectus or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing the Notes, as the case may be, should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area ("**EEA**") (each, a "**Member State**"), there shall be no offer of Notes to the public in that Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Directive (as defined below), except that, with effect from and including the Relevant Implementation Date, an offer of notes may be made to the public in that Member State at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the joint book-running managers for any such offer; or
- in any other circumstances which do not require the publication by the issuers or any guarantor of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, (a) the expression an "offer of notes to the public" in relation to any of the notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (b) the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in each Member State.

Grand Duchy of Luxembourg

The Notes may not be offered or sold within the territory of the Grand Duchy of Luxembourg unless:

- (a) a prospectus has been duly approved by the Luxembourg financial sector supervisory authority, the *Commission de Surveillance du Secteur Financier* ("**CSSF**"), in accordance with the Luxembourg law dated 10 July 2005 on prospectuses for securities (as amended) and implementing the Prospectus Directive, as amended by the Law of 3 July 2012 which has implemented in Luxembourg law Directive 2010/73/EU (the "**2010 PD Amending Directive**") and as amended from time to time; or
- (b) if Luxembourg is not the home Member State, the CSSF has been notified by the competent authority in the home Member State that the prospectus has been duly approved in accordance with the Prospectus Directive and the 2010 PD Amending Directive; or
- (c) the offer is made to "qualified investors" as described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of 21 April 2004 on markets in financial instruments (as amended) ("**MiFID**"), and persons or entities who are, on request, treated as professional clients in accordance with Annex II to MiFID, or recognized as eligible counterparties in accordance with Article 24 of MiFID unless they have requested that they be treated as non-professional clients; or
- (d) the offer benefits from any other exemption from, or constitutes a transaction otherwise not subject to, the requirement to publish a prospectus.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under the securities laws of any state or other jurisdiction of the United States. The Notes include Notes in bearer form that are subject to U.S. tax law

requirements.

No Notes, or interests therein, may at any time be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. person (as defined herein) except pursuant to an exemption from the registration requirements of the Securities Act.

Neither this Prospectus nor any copy hereof may be sent, taken into or distributed in the United States or to any U.S. person (as defined in Regulation S) or in any other jurisdiction where to do so would be unlawful. This Prospectus may not be reproduced either in whole or in part, without the written permission of the Issuer.

As used herein with respect to the Notes, "**U.S. person**" means a person that is a "U.S. person" as defined in Regulation S under the Securities Act.

Restrictions on Marketing and Sales to Retail Investors

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the UK Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

- (i) certain contingent write down or convertible securities (including any beneficial interests therein), such as securities having features substantially similar to the Notes, must not be sold to retail clients in the EEA; and
- (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest therein) from the Issuer, each prospective investor represents, warrants, agrees with and undertakes to the Issuer that:

1. it is not a retail client in the EEA (as defined in the PI Rules);
2. whether or not it is subject to the PI Rules, it will not:
 - A. sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA (as defined in the PI Rules); or
 - B. communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (i) in relation to any sale or offer to sell Notes (or any beneficial interest therein) to a retail client in or resident in the United Kingdom (the "**UK**"), in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the UK, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the MiFID to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale

of the Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference herein.

This overview refers to certain provisions of the Terms and Conditions of the Notes and is qualified by the more detailed information contained elsewhere in this Prospectus. Words and expressions defined in the section entitled "Terms and Conditions of the Notes" have the same meanings in this overview.

Investing in the Notes involves significant risk. For a discussion of certain risks that should be considered in connection with an investment in the Notes, see "Risk Factors" section of this Prospectus.

Issuer:	<p>Banque Internationale à Luxembourg, <i>société anonyme</i>.</p> <p>BIL's main business activities cover the fields of commercial banking, private banking, financial banking, asset management and investment fund administration services.</p> <p>BIL was incorporated in Luxembourg on 8 March 1856 in the form of a <i>société anonyme</i> (limited liability company), governed by Luxembourg law. Its registered office is located at 69, route d'Esch, Luxembourg, L-2953 Luxembourg, telephone number +352 45901. BIL is registered in the Luxembourg Register of Commerce and Companies under number B-6307.</p> <p>BIL's duration is unlimited.</p> <p>The objects of BIL are to undertake all banking and financial operations of whatsoever kind, and, <i>inter alia</i>, to accept deposits from the public or any other person or institutions and to grant credit for its own account. It may also undertake all activities reserved for investment firms and to other professionals in the financial sector and all financial, administrative, management and advisory operations directly or indirectly related to its activities. It may establish subsidiaries, branches and agencies in or outside Luxembourg and participate in all financial, commercial and industrial operations.</p>
The Notes:	Fixed Rate Resetting Perpetual Convertible Additional Tier 1 Capital Notes (Callable 2020 and Each Year Thereafter).
Size:	EUR 150,000,000 6.625 per cent. of Notes.
Issue Date:	26 June 2014.
Perpetual Securities:	The Notes are perpetual securities and have no fixed maturity or fixed redemption date.
Fiscal Agent:	Banque Internationale à Luxembourg, <i>société anonyme</i> .
Form of the Notes:	The Notes are serially numbered and in bearer form. The Notes are represented on issue by a temporary global note in bearer form which is exchangeable for interests in a permanent global note in bearer form (and together with the temporary global note, the " Global Notes "). The permanent global note is in turn exchangeable for notes in definitive form in the limited circumstances specified therein. The Global Notes are deposited on or about the issue date with a common depositary for the Clearing Systems (as defined herein).

Currency:	Subject to compliance with all relevant laws, regulations and directives, the Notes are issued in EUR.
Denomination:	The Notes are in the denomination of EUR 1,000,000 and integral multiples of EUR 10,000 in excess thereof.
Clearing Systems:	Clearstream Securities Settlement System and the securities clearing and settlement systems operated by Euroclear Bank S.A./N.V., or such other clearing system in which the Notes are a participating security.
Interest Rate:	From (and including) the date of issuance (but excluding) 30 June 2020, the interest rate on the Notes will be 6.625 per cent. per annum. From (and including) each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate (as defined herein) on the relevant Reset Determination Date (as defined herein) and the Initial Credit Spread (as defined herein).
Reset Date:	30 June 2020 and each fifth anniversary date thereafter, commencing 30 June 2025.
Reset Determination Date:	The second Payment Business Day immediately preceding each Reset Date.
Interest Payment Dates:	30 June of each year commencing on 30 June 2015, and ending on 30 June 2020, and thereafter on 30 September, 31 December, 31 March and 30 June of each year commencing on 30 September 2020.
Interest Payments Discretionary:	<p>Interest on the Notes is due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid) and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.</p> <p>See also "<i>Effect of Interest Cancellation</i>" and "<i>Notice of Interest Cancellation</i>" below.</p>
Restriction on Interest Payments:	<p>Subject to the extent permitted in the following paragraph, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date or any other date thereafter) if:</p> <ul style="list-style-type: none"> a) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other own funds instruments paid and/or required to be paid in the then financial year (excluding any such interest payments or distributions which (x) are not so required to be made out of Distributable Items or (y) have already been provided for, by way of deduction in the calculation of Distributable Items); or

- b) the Solvency Condition (as defined under "*Status*" below) is not satisfied in respect of such interest payment.

The Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions set out in paragraphs a) and b) above.

"Distributable Items" shall have the meaning assigned to such term in Article 4(1)(128) of the CRD IV Regulation as interpreted and applied in accordance with the Applicable Banking Regulations (as defined herein) then applicable to either the Issuer or the BIL Group (as the case may be).

See also "*Effect of Interest Cancellation*" and "*Notice of Interest Cancellation*" below.

Effect of Interest Cancellation:

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with the provisions described under "*Interest Payments Discretionary*" and "*Restriction on Interest Payments*" above. Any interest cancelled or deemed cancelled (in each case, in whole or in part) in the circumstances described above shall not be due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

Notice of Interest Cancellation:

The Issuer shall provide notice of any cancellation or deemed cancellation of interest (in whole or in part) to the Noteholders and to Paying Agents as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

Status:

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders in respect of or arising from the Notes (including damages (if payable)) are subordinated to the claims of Senior Creditors.

If an order is made or an effective resolution is passed for the judicial liquidation (*liquidation judiciaire*) of the Issuer in accordance with Articles 129ff. of the Resolution Law (formerly prior to the implementation of BRRD in Luxembourg Articles 61ff. of the Financial Sector Law (all as defined herein)) or the voluntary liquidation (*liquidation volontaire*) of the Issuer in accordance with Article 128 of the Resolution Law (formerly prior to the implementation of BRRD in Luxembourg Article 60-8 of the Financial Sector Law) (both types of liquidation proceedings together being referred to as "**Liquidation**"):

- (i) before the date on which a Capital Adequacy Trigger Event (as defined herein) occurs, the

Noteholders shall be entitled to receive in respect of each Note an amount equal to the principal amount of the relevant Note, together with any interest accrued to such date which has not been cancelled and together with any damages (if payable), out of the liquidation proceeds after satisfaction of all claims of Senior Creditors and *pari passu* (by percentage of the amount payable) with the satisfaction of all claims of other creditors of the Issuer ranking *pari passu* with the Notes, but prior to the satisfaction of the claims of the shareholders of the Issuer in their capacity as shareholders and of any creditors of the Issuer whose claims are, or are expressed to be, junior to the claims of the Noteholders; and

- (ii) on or after the date on which a Capital Adequacy Trigger Event occurs but before the Conversion Date, then for the purposes of determining the claims of a Noteholder in such Liquidation, the Conversion Date in respect of an Automatic Conversion shall be deemed to have occurred immediately before such order is made or effective resolution passed.

Furthermore, other than in the event of a Liquidation of the Issuer referred to above or suspension of payments (*sursis de paiement*) proceedings being opened over the Issuer in accordance with Articles 60-2ff. of the Financial Sector Law, payments in respect of or arising from the Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no sum in respect of or arising from the Notes may fall due and be paid except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (such condition referred to herein as the "**Solvency Condition**"). The Issuer shall be considered to be solvent at a particular point in time if:

- (i) it is able to pay its debts owed to Senior Creditors as they fall due;
- (ii) the entire ability of the Issuer to meet its commitments is not compromised and the financial situation of the Issuer is not undermined to such an extent that it can no longer meet the commitments which it owes to all its creditors or shareholders;
- (iii) the total of assets of the Issuer exceed the total of its liabilities (excluding for the avoidance of doubt, any capital, reserves, profits for the relevant financial year, profits brought forward or funds for general banking risks), each as shown by the latest published non-consolidated audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events, valued in such manner as such directors or administrator or liquidator (as the case may be) may determine consistent with generally accepted accounting principles;
- (iv) the Issuer complies with the conditions of Article 8 (*Les assises financières*) of the

Financial Sector Law on minimum capital amounts;

(v) the own funds (*fonds propres*) of the Issuer are at least equal to the overall own funds requirements it is subject to under the CRD IV Regulation; and

(vi) the Issuer meets the liquidity requirements it is (or will be) subject to under the Applicable Banking Regulations.

A report as to the solvency of the Issuer signed by the Issuer or (if the Issuer is in suspension of payment or liquidation proceedings) its administrator or liquidator shall in the absence of proven error be treated and accepted by the Issuer and the Noteholders as correct and sufficient in evidence thereof.

"Senior Creditors" means creditors of the Issuer: (i) who are depositors and/or other unsubordinated creditors; (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the Liquidation of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; (iii) under the contrat d'association entered into between Banque de Luxembourg and the Bank dated 4 July 2001, as amended from time to time, according to which Banque de Luxembourg, in a capacity as fiduciary acting for the account of holders of fixed/floating rate perpetual capital notes issued on a fiduciary basis by Banque de Luxembourg, has acquired a participation in the form of an association en participation as referred to in Article 139 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, or (iv) whose claims are, or are expressed to be, junior to the claims of other creditors of the Bank, whether subordinated or unsubordinated (including holders of instruments that constitute Tier 2 instruments (as defined in Article 63 of the CRD IV Regulation)), other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders.

No Set-off:

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under, or in connection with, the Notes and each Noteholder shall, by virtue of its holding of any Notes, be deemed to have waived all such rights of set-off, compensation or retention.

Optional Redemption:

The Issuer may, at its option, redeem the Notes, in whole but not in part, on 30 June 2020 or any Interest Payment Date (as defined herein) falling on 30 June each year thereafter at 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) which the Issuer decides in its absolute discretion that it will pay (which excludes any interest cancelled or deemed cancelled as described under "*Interest Payments Discretionary*" or "*Restriction on Interest Payments*" above) from (and including) the Interest Payment Date immediately preceding the date fixed for redemption (or, if none, the Issue Date) to (but excluding) the date fixed for redemption. Any optional redemption will be subject,

among other things, to the provisions described under "*Notice of Redemption*" and "*Condition to Redemption*" below.

Capital Event Redemption:

If there is a change (or a pending change which the Regulator (as defined herein) considers to be sufficiently certain) in the regulatory classification of the Notes that occurs on or after the Issue Date, that the Issuer demonstrates to the satisfaction of the Regulator was not reasonably foreseeable as at the Issue Date, that would be likely to result in the exclusion of the Notes from own funds or their reclassification as a lower quality form of own funds (a "**Capital Event**"), the Issuer may, at its option, at any time redeem the Notes, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled under "*Interest Payments Discretionary*" or "*Restriction on Interest Payments*" above) to (but excluding) the date fixed for redemption.

Any redemption upon the occurrence of a Capital Event will be subject, among other things, to the provisions described under "*Notice of Redemption*" and "*Condition to Redemption*" below.

Tax Redemption:

The Issuer may, at any time, at its option, redeem the Notes, in whole but not in part, if the Issuer determines that as a result of a change in, or amendment to, the laws or regulations of a Taxing Jurisdiction (as defined herein), including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in an official application of those laws or regulations on or after the Issue Date of the Notes, including a decision of any court or tribunal, which becomes effective on or after the Issue Date of the Notes (and, in the case of a Substitute (as defined herein), which becomes effective on or after the date of that entity's assumption of the Issuer's obligations):

- (i) the Issuer will or would be required to pay Additional Amounts (as defined herein);
- (ii) the Issuer would not be entitled to claim a deduction in respect of any payments in computing its taxation liabilities or the amount of the deduction would be materially reduced; or
- (iii) the Issuer would, in the future, have to bring into account a taxable credit if the Notes were converted into Conversion Shares;

(each such circumstance in paragraphs (i) to (iii) above, a "**Tax Event**"), at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described under "*Interest Payments Discretionary*" or "*Restriction on Interest Payments*" above) to (but excluding) the date fixed for redemption provided that in the case of each Tax Event, the Issuer demonstrates to the satisfaction of the Regulator that such change was material and was not reasonably foreseeable as at the Issue Date and the consequences of the Tax Event cannot be avoided by the Issuer taking reasonable measures available to it.

Any redemption as a result of a Tax Event will also be subject, among other things, to the provisions described under "*Notice of Redemption*" and "*Condition to Redemption*" below.

Notice of Redemption:

Any redemption of the Notes shall be subject to the Issuer providing not less than 30 days' nor more than 60 days' prior notice to the Noteholders and the Fiscal Agent (such notice being irrevocable except in the limited circumstances described in the following paragraph) specifying the Issuer's election to redeem the Notes and the date fixed for such redemption, provided that in case of Tax Event redemption, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which a Tax Event would occur.

If the Issuer has elected to redeem the Notes but the Solvency Condition is not satisfied in respect of the relevant redemption payment on the applicable redemption date, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and no payment of the redemption amount will be due and payable. In addition, if the Issuer has elected to redeem the Notes but prior to the payment of the redemption amount with respect to such redemption a Capital Adequacy Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and an Automatic Conversion shall occur as described under "*Automatic Conversion Upon Capital Adequacy Trigger Event*" below.

Condition to Redemption:

Notwithstanding any other provision, the Issuer may redeem the Notes (and give notice thereof to the Noteholders) only if it has obtained the prior approval of the Regulator and has complied with the Regulatory Procedures (as defined herein) for the redemption of the Notes (in each case, if and to the extent required by the Applicable Banking Regulations) and solely to the extent permitted at any time by Applicable Banking Regulations.

Condition to Repurchase:

The Issuer or any member of the BIL Group may at any time (subject to Article 52(1)(i) of the CRD IV Regulation) purchase or otherwise acquire any of the outstanding Notes at any price in the open market (if any) or otherwise in accordance with Article 52(1)(i) of the CRD IV Regulation, provided that no such purchase will be effected unless the prior approval of the Regulator is obtained and such purchase complies with the Regulatory Procedures (in each case, if and to the extent required by the Applicable Banking Regulations).

If there is a market for the Notes, the Issuer or any agent on its behalf shall have the right at all times to purchase the Notes for market making purposes provided that the prior written approval of the Regulator has been obtained (if so required by the Applicable Banking Regulations).

Capital Adequacy Trigger Event:

A "**Capital Adequacy Trigger Event**" shall occur if the CET1 Ratio (as defined herein) of the Issuer or the BIL Group, as the case may be, is less than 5.75 per cent., subject to increase as provided in the terms of the Notes. The Automatic Conversion shall occur without delay (and no later than within one month) upon the occurrence of a

Capital Adequacy Trigger Event.

Conversion Price:

The Conversion Price will be determined in accordance with the provision "*Automatic Conversion – Determination of the Conversion Price*" set forth in the terms of the Notes.

Automatic Conversion Upon Capital Adequacy Trigger Event:

If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur on the Conversion Date, at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes) on the Conversion Date at the Conversion Price, and under no circumstances shall such released obligations be reinstated. The Automatic Conversion shall occur without delay (and no later than within one month) upon the occurrence of a Capital Adequacy Trigger Event.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares on behalf of the Noteholders) or the relevant recipient in accordance with the terms of the Notes and each Noteholder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

The Issuer shall immediately inform the Regulator of the occurrence of a Capital Adequacy Trigger Event and shall deliver an Automatic Conversion Notice to the Noteholders and the Fiscal Agent.

Effects of Automatic Conversion:

Following an Automatic Conversion, no Noteholder will have any rights against the Issuer with respect to the repayment of the principal amount of the Notes or the payment of interest or any other amount on or in respect of such Notes, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Notes shall equal zero at all times thereafter. Any interest in respect of an interest period ending on any Interest Payment Date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date shall be deemed to have been cancelled upon the occurrence of such Capital Adequacy Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) on the Conversion Date, the Notes shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary (or such other relevant recipient).

Automatic Conversion Procedure:

If a Capital Adequacy Trigger Event has occurred, the Issuer shall deliver an Automatic Conversion Notice to the Fiscal Agent and to the Noteholders on or as soon as practicable after such occurrence.

Notwithstanding Condition 13 (*Notices*) of the terms of the Notes, the date on which the Automatic Conversion Notice

shall be deemed to have been given shall be the date on which it is dispatched by the Issuer to the Fiscal Agent and the Noteholders.

Conversion Shares:

The number of Conversion Shares to be issued to the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes) for the benefit of each Noteholder on the Conversion Date shall be determined by dividing the aggregate principal amount of the Notes outstanding held by such Noteholder immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in *lieu* thereof.

The Conversion Shares issued following an Automatic Conversion will be fully paid and will in all respects rank *pari passu* with the fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law.

Conversion Shares Offer:

The Issuer will use its best efforts (*obligation de moyens*) to procure that the Conversion Shares Depositary makes an offer of the Conversion Shares to the Issuer's ordinary shareholders (*pro rata* to their respective shareholding as at the date of the offer) at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided below (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent (as defined herein) to act as placement or other agent to facilitate the Conversion Shares Offer.

The Issuer will deliver a Conversion Shares Offer Notice to Noteholders in accordance with Condition 13 (*Notices*) of the terms of the Notes within 10 business days following the Conversion Date specifying whether or not the Conversion Shares Offer is to be conducted and if so, the Conversion Shares Offer Period during which the Conversion Shares Offer may be made.

Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depositary will provide notice to the Noteholders in accordance with Condition 13 (*Notices*) of the terms of the Notes of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.

Settlement Procedure:

The Conversion Shares or the Conversion Shares Offer Consideration, as applicable, will be delivered to Noteholders pursuant to the procedures set forth in "*Automatic Conversion – Settlement Procedure*" of the terms of the Notes (see "*Form and Description of Certain Provisions of the Notes – Settlement Procedure*" for further details).

The Issuer expects that, on the Suspension Date (as defined herein), each of the Clearing Systems shall block all positions relating to the Notes held in such Clearing System, which will suspend all clearance and settlement of

transactions in the Notes through such Clearing System. As a result, Noteholders will not be able to settle the transfer of any Notes through such Clearing System following the Suspension Date with respect to such Clearing System, and any sale or other transfer of the Notes that a Noteholder may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System.

Withholding Tax:

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Luxembourg or any political subdivision or authority thereof or therein that has the power to tax, unless the withholding is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholder of such amounts after such withholding or deduction as would have been received by it had no such withholding been required, all as described under the section headed "*Taxation*" in the Terms and Conditions of the Notes.

Governing Law:

The Notes are governed by Luxembourg law.

Listing/Admission to Trading:

The official list of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's Euro MTF market.

ISIN:

XS1068770335

Common Code:

106877033

Notes Selling Restrictions:

No action has been taken in any jurisdiction by the Issuer that would permit a public offering of the Notes in any jurisdiction where action for that purpose is required. The Notes may not be offered or sold, directly or indirectly, nor may this Prospectus be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this Prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes and the distribution of this Prospectus. This Prospectus does not constitute an offer to purchase or a solicitation of an offer to sell any of the Notes in any jurisdiction in which such an offer or a solicitation is unlawful.

No Notes, or interests therein, may at any time be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. person (as defined herein) except pursuant to an exemption from the registration requirements of the Securities Act.

Risk Factors:

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to

be material may become material as a result of the occurrence of events outside the Issuer's control.

The Issuer has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. These factors include the creditworthiness of its customers and counterparties; the risks linked to the fluctuations of market prices, the risk of financial or non-financial impact resulting from inadequate or failed internal processes or systems, from people's failings or from external events; its exposure to counterparties in the financial services industry arising through trading, lending, deposit-taking, clearance and settlement and numerous other activities and relationships, including hedging and other risk management strategies utilised by the Issuer; the risk that the Issuer continues to hold sufficient funds to meet its contracted and contingent commitments to customers and counterparties; substantial regulation and regulatory oversight in the jurisdictions in which it operates, together with future regulatory developments, including changes to accounting standards and the amount of regulatory capital required to support the risk, fiscal and other policies that are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies; the level of banking, finance and financial services required by its customers which is heavily dependent on customer confidence, market interest rates and other factors that affect the economy; strong competition across all its markets from local and international financial institutions including banks, building societies, life insurance companies and mutual insurance organisations.

Additionally, factors which could materially adversely affect its business and ability to make payments due under the Notes include, amongst others, no scheduled maturity of the Notes; Issuer's right to cancel (in whole or in part) interest payments at any time; the interest rate on the Notes will reset on each Reset Date (as defined herein); the Notes may be subject to Automatic Conversion; issuance of Conversion Shares to the Conversion Shares Depositary (as defined herein) shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes; Noteholders may receive Conversion Shares Offer Consideration (both as defined herein) instead of Conversion Shares upon a Capital Adequacy Trigger Event (as defined herein) and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period; Noteholders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of the Conversion Shares; the risk of changes in the Issuer's and the BIL Group's CET1 Ratio (as defined herein).

RISK FACTORS

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

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

Investing in the Notes involves significant risks. Investors should reach their own investment decision only after consultation with their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of the particular characteristics and terms of the Notes and of the investors' particular financial circumstances. As part of making an investment decision, an investor should make sure it thoroughly understands the terms of the Notes, such as the provisions governing an Automatic Conversion (including, in particular, the circumstances under which a Capital Adequacy Trigger Event may occur), that interest is due and payable only at the sole discretion of the Issuer, and that there is no scheduled repayment date for the principal of the Notes. A potential investor should also carefully consider the risk factors and the other information contained in this Prospectus, and the other information included and incorporated by reference in this Prospectus before deciding to invest in the Notes and it should evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect an investment in the Notes and an investor's ability to bear the loss of all or a portion of an investor's investment. If any of the risks set out herein materialises, the Issuer's business, financial condition and results of operations could suffer, the Notes could be subject to Automatic Conversion, and the trading price and liquidity of the Notes and/or the Issuer's ordinary shares could decline, in which case an investor could lose some or all of the value of its investment. Words and expressions defined in the section entitled "Terms and Conditions of the Notes" have the same meanings in this risk factor section.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

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

Credit risk

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

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

Since 1 January 2008, the Bank has used the Advanced Internal Rating Based ("A-IRB") approach for calculating its capital requirements and its solvency ratios.

Market risk

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

Operational risk

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

Soundness of other Financial Institutions – counterparty risks

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

Liquidity risk

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

Risk Management

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

Regulatory risk

The Issuer's business activities are subject to substantial regulation and regulatory oversight in the jurisdictions in which it operates. Current, together with future regulatory developments, including changes to accounting standards and the amount of regulatory capital required to support the risk, could have an adverse effect impacting on how the Issuer conducts its business and on the results of its operations. The Issuer's business and earnings are also affected by fiscal and other policies that

are adopted by the various regulatory authorities of the European Union, foreign governments and international agencies. With the growing number of legal and prudential requirements, the Issuer has set up a legal and regulatory watch ("**Group-wide Watch**") within its Regulatory Affairs department with the help of the different regulatory experts, including some people from Risk and Finance departments.

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

Capital Requirements Regulation and Capital Requirements Directive

*The Luxembourg capital adequacy framework is based on the EU Capital Requirements Regulation (Regulation (EU) No 575/2013, the "**Capital Requirements Regulation**" or "**CRR**") and the EU Capital Requirements Directive (Directive 2013/36/EU, the "**Capital Requirements Directive**" or "**CRD**") (together, "**CRD IV**"), which implement in the EEA the framework for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (the so-called "**Basel III**" framework published by the Basel Committee in 2010).*

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

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

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

Key elements of CRD IV include:

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

Under CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8 per cent. of risk weighted assets. In addition to these so-called "own funds" requirements under CRD IV, supervisors may add extra capital to cover other risks (thereby increasing the regulatory

minimum required under CRD IV) and the Bank may also decide to hold an additional amount of capital. CRD IV also introduces capital buffer requirements that are in addition to the minimum capital requirement and required to be met with common equity tier 1 capital: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer, (v) the systemic risk buffer and, (vi) the institution-specific countercyclical capital buffer. Some or all of these buffers may be applicable to the Bank as determined by relevant regulators.

In line with the previous paragraph, according to CSSF Regulation N° 16-08 of 8 November 2015 concerning systemically important institutions authorised in Luxembourg, the Bank has been qualified by the CSSF as other systemically important institution (O-SII) within the meaning of article 59-3 of the law of 5 April 1993 on the financial sector (as amended) due to its contribution to the Luxembourg economy, its exposure to the real estate market and its large base of Luxembourg deposits. The Bank's buffer rate has been set at 0.25% applicable as from 1 January 2016 and at 0.5% as from 1 January 2019.

The CSSF Regulation N° 14-01 makes use of the discretions conferred in this respect by the Capital Requirements Regulation to national regulators and applies a common equity tier 1 ratio of 6.0 per cent (as from 1 January 2015 onwards). Additionally, in accordance with the Capital Requirements Directive, CSSF Regulation N° 14-01 foresees a capital conservation buffer of 2.5 per cent.

On 23 November 2016, the European Commission published legislative proposals for amendments to the Capital Requirements Regulation, the Capital Requirements Directive and the BRRD (as defined below) and proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the "**Proposals**"). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt and the MREL (minimum requirements for own funds and eligible liabilities) framework. The Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect the Issuer or holders of the Notes.

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

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

BIL has continued to invest time and resources in 2016 and in 2017 in making sure that it is and will remain compliant with regulatory standards. Amongst others:

- 1) SSM regulatory framework: In the context of the SSM introduced in November 2014, BIL was required to participate in 2016 ECB/EBA Stress Testing exercise. For the 2016 stress tests, the EBA used a different methodology with more conservative assumptions in comparison to the 2014 exercise. Those stress tests aimed to assess the resilience of financial institutions to adverse developments and are part of the overall Supervisory Review and Evaluation Process ("**SREP**"). In addition to the 2017 IRRBB Stress Testing exercise, according to the EBA, the next global EU-wide Stress Test is foreseen in 2018.
- 2) During 2016 and 2017, regular meetings on various regulatory, governance and risk issues were held with the Bank's Joint Supervisory Team ("**JST**"). Topics addressed during these meetings covered both general themes (e.g. strategy, Internal governance, Internal Capital Adequacy Assessment Process ("**ICAAP**") while others were related to more specific issues (e.g. Liquidity Risk).

- 3) Along with the evolution of the supervisory practices, the ongoing implementation of CRR and CRD requirements as well as the analyses of the Proposals or the potential new requirements, such as Basel IV, remains an area of attention for the Risk Management department. Special mention should be made of:
 - Some proposals have been published by the Basel Committee in order to introduce the so-called Basel IV requirements. See "*The Basel Committee*" below for further details. The Bank follows the developments, but the implementation remains highly uncertain;
 - The Issuer is also working on A-IRB action plan in order to enhance its Credit Risk assessment and monitoring practices. It concerns different models reviewed or developed;
 - The EBA guidelines (GL/2016/07) on the application of the new definition of default under the CRR, which the Bank has to comply with as from January 2021;
 - IFRS 9: The Proposals also include phase-in arrangements for the regulatory capital impact of IFRS 9 and the ongoing interaction of IFRS 9 with the regulatory framework, including potential changes to relevant accounting standards, which may in turn result in changes to the methodologies which the Issuer is required to adopt for the valuation of financial instruments. The impact of changes to IFRS which have yet to come into effect, such as IFRS 9, are not capable of accurate quantification at this time, but the change in the fair values and impairments of financial instruments resulting from the above could have a material adverse effect on the Issuer's financial condition, results of operations and, if such changes are significant, its prospects. The adoption of IFRS 9 may require an increase in the level of impairments.
- 4) The Directive 2014/59/UE, also called Bank Recovery and Resolution Directive (BRRD, please refer to the following section for more details on this topic), has been fully implemented into Luxembourg law in December 2015. In this context, the Bank has already participated to several exercises required by its supervisors in 2015, 2016 and 2017. Among others, the Bank's Recovery Plan has been submitted to and approved by its Board of Directors. As a reminder, this exercise aims at ensuring that the Bank is well prepared to meet the challenges that may arise from potential future crises through several possible scenarios. Moreover and when it comes to the resolution side of the BRRD, the Bank has participated, in the Single Resolution Board exercise, aiming at collecting information for the set-up of its Resolution Plan and the calculation of the Minimum Requirements for own funds and eligible liabilities ("**MREL**"). Furthermore, a few meetings were held along the year with the Bank's Resolution Authorities on these topics. See "EU Bank Recovery and Resolution Directive" below for more details.
- 5) BIL Group has also participated in various ad-hoc regulatory exercises, among which EBA's Transparency Exercise or the Quantitative Impact Study ("**QIS**") in 2016, and in the Benchmarking Portfolios Exercise in April 2017 or the EIOPA pension funds stress tests in July 2017.
- 6) In addition, AnaCredit is a project which the Bank is also working on. It consists of setting up a dataset containing detailed information on individual bank loans in the euro area, harmonised across all Member States. The data collection is scheduled to start in September 2018 (with the data of March 2018).
- 7) In 2017, the Bank has been subject to the Target Review of Internal Models ("**TRIM**") launched by the ECB. The objectives are to restore credibility, adequacy and appropriateness of approved Pillar I internal models used by significant institutions in the SSM. In this context, an on-site inspection has started at the beginning of April 2017 and Risk Management teams involved in the process have actively worked with the supervisory inspectors in order to provide the necessary data and information.
- 8) In 2016, an important element of the Supervisory Review and Evaluation Process ("**SREP**") was the SSM SREP Stress Testing exercise. The objectives of this exercise were:

- Assess the resilience of financial institutions to adverse market developments;
- Contribute to the overall SREP to ensure institutions' capital and liquidity adequacy, as well as sound risk coverage and internal processes;
- Ensure a consistent treatment of all institutions supervised by the SSM.

As previously mentioned, BIL will be subject of the 2018 ECB/EBA Stress Testing exercise.

The Basel Committee

The Basel Committee is working on several policy and supervisory measures that aim to enhance the reliability and comparability of risk-weighted capital ratios. The measures include revised standardised approaches for credit risk and for operational risk, a set of constraints on the use of internal model approaches for credit risk, including exposure-level, model-parameter floors, a leverage ratio minimum requirement, and aggregate capital floors for banks that use internal models based on the proposed revised standardised approaches.

In particular, in December 2015 the Basel Committee published its second consultative document on a revised standardised approach for credit risk. The document proposes, among other things, reducing reliance on external credit ratings, increasing risk sensitivity, and reducing national discretions.

In 2014 the Basel Committee issued a final regulatory text for a new standardised approach for measuring counterparty credit risk exposures, which is included in the Proposals. Moreover, in January 2016 the Basel Committee completed the fundamental review of the trading book, a comprehensive revision of the capital adequacy standard for market risk, which is also included in the Proposals. The new standard entails for substantial revisions to both the standardised approach and the internal models approach. Furthermore, in March 2016, the Basel Committee published a proposal for a new standardised measurement approach for operational risk, which would replace all existing approaches for operational risks, including the advanced measurement approach, which is the internal model-based approach for measuring operational risk in the current framework.

In December 2014 the Basel Committee issued a consultative document on the design of a capital floor framework. The framework would be based on the proposed revised standardised approaches, to limit the risk that capital requirements are too low due to the use of internal models. The new floor framework would replace the current capital floor, based on the Basel I standard, for banks using internal models.

In March 2016, the Basel Committee proposed constraints on the use of internal model approaches for credit risk. In particular, the Basel Committee proposed to remove the option of using the internal ratings-based approaches for certain exposures; to adopt exposure-level, model-parameter floors; and to provide greater specification of parameter estimation practices.

The Basel Committee is expected to finalise all those revisions to the Basel III framework, including the calibration of the aggregate capital floors framework and the leverage ratio minimum requirement, in the course of 2017.

There is a high degree of uncertainty with regards to the Basel Committee's final calibration of the proposed reforms, and subsequently how and when they will be implemented in the EU. It is thus too early to draw firm conclusions regarding the impact on the future capital requirements.

EU Bank Recovery and Resolution Directive

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

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

The BRRD (and accordingly in Luxembourg the Resolution Law) contains four resolution tools

which may be used by the relevant resolution authorities alone or in combination where an institution is considered as failing or likely to fail:

- (i) sale of business – enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms;
- (ii) bridge institution – enables resolution authorities to transfer of all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);
- (iii) asset separation – enables resolution authorities to transfer impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed and with a view to maximising their value through eventual sale or orderly wind-down; and
- (iv) bail-in – gives resolution authorities the power to write-down the claims of unsecured creditors of a failing institution and/or to convert certain unsecured liabilities (including liabilities under the Notes) to equity, which equity could also be subject of any future write-down. See "*Bail-in tool under the BRRD*" below for more details.

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

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

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

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

Bail-in tool under the BRRD and the Resolution Law

A bail-in tool (which comprises a general power for resolution authorities to write-down the claims of certain unsecured creditors (which may include holders of Notes) of a failing institution or to convert such debt claims to equity, which may itself be subject to subsequent write-down) as required to be implemented under the BRRD has been implemented by the Resolution Law in Luxembourg. The bail-in tool can be used to recapitalise an institution that is failing or about to fail, allowing resolution authorities (including the CSSF in Luxembourg under the Resolution Law) to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The bail-in tool can be used to impose losses on holders of Notes by effecting the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on the Notes and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on the Notes into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes, in each case, to give effect to the exercise by the relevant resolution authority of such bail-in tool. This may result in holders of Notes losing some or all of their investment. Any indication or perception that Notes will become subject to a bail-in tool could have an adverse effect on the market price of the Notes.

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

The powers provided in the BRRD to the relevant resolution authorities (including the CSSF in

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

For the purposes of the application of the mandatory write-down and conversion power, the point of non-viability is the point at which the relevant resolution authority determines that the institution or its group meets the conditions for resolution (but no resolution action has yet been taken) and/or will no longer be viable unless the relevant capital instruments are written down or converted into ordinary shares and/or extraordinary public support is required by the institution or its group.

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

Single Resolution Mechanism

The BRRD (implemented in Luxembourg by the Resolution Law) is complemented by the directly binding regulation of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the "**SRM**").

The SRM applies to banks covered by the SSM. According to the selection criteria of the ECB, the BIL Group (as part of Precision Capital S.A.) has been identified as a "significant bank" and is thus centrally supervised under the SSM.

The SRM is applicable to the BIL Group as a primary recovery and resolution code instead of the Luxembourg implementation measures relating to the BRRD, including in particular the Resolution Law. The SRM establishes a single European resolution board (consisting of representatives from the ECB, the European Commission and the relevant national resolution authorities) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM, thus replacing or exceeding the powers of the national resolution authorities. The Resolution Board is required to draw up and adopt a resolution plan for the entities subject to its powers, including the BIL Group. It can also determine, after consultation with competent authorities, a minimum requirement for own funds and eligible liabilities subject to write-down and conversion powers which the BIL Group will be required to meet at all times (see "*Minimum requirement for eligible liabilities*" ("**MREL**") below). The Resolution Board can also use the powers of early intervention as set forth in the SRM, including the power to require an institution to contact potential purchasers in order to prepare for resolution of institution.

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

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

Effect of the resolution powers under the BRRD and the SRM

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

Prospective investors in the Notes should consult their own advisors as to the consequences of the SRM and the implementation of the BRRD, in particular in Luxembourg by the Resolution Law.

Minimum requirement for own funds and eligible liabilities ("MREL")

In order to ensure the effectiveness of bail-in and other resolution tools, the BRRD and the SRM require that all institutions must meet an individual MREL requirement calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (including the Resolution Board). Items eligible for inclusion in MREL will include an institution's own funds along with "eligible liabilities".

Although the criteria for determining MREL, the calculation methodologies and related measures have been set out in regulatory technical standards approved by the European Commission and the European Commission has, on 23 November 2016 also published draft amendments to CRR and BRRD setting out proposed criteria for eligible liabilities, the precise impact of the MREL requirements on individual firms will remain a matter of some uncertainty until the final measures are fully adopted and specific requirements imposed on institutions. Under the SRM, the Resolution Board will determine, after consultation with competent authorities, the MREL requirement for the BIL Group.

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

Depositor Preference

The BRRD establishes a preference in the insolvency hierarchy firstly, for insured deposits and secondly, for certain other deposits of individuals and micro, small and medium sized enterprises held in EEA or non-EEA branches of an EEA bank ("other preferred deposits"). In addition, the EU deposit guarantee schemes directive (Directive 2014/49/EU), which has been implemented in Luxembourg by the Resolution Law, increases the nature and quantum of insured deposits to include a wide range of deposits, including corporate deposits (unless the depositor is a public authority or financial institution) and some temporary high value deposits. The effect of these changes is generally to increase the size of the class of preferred creditors. All such preferred deposits rank in the insolvency hierarchy ahead of all other unsecured senior creditors of the Issuer, including the holders of the Notes. Furthermore, insured deposits are excluded from the scope of the bail-in tool. As a result, the Notes issued by the Issuer would be more likely to be bailed-in than certain other unsubordinated liabilities of the Issuer such as other preferred deposits.

Uncertain economic conditions

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

Competition

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

Factors which are material for the purpose of assessing the risks associated with the Notes

The Notes have no scheduled maturity and Noteholders do not have the right to cause the

Notes to be redeemed or otherwise accelerate the repayment of the principal amount of the Notes except in very limited circumstances

The Notes are perpetual securities and have no fixed maturity date or fixed redemption date. Accordingly, the Issuer is under no obligation to repay all or any part of the principal amount of the Notes, the Issuer has no obligation to redeem the Notes at any time and Noteholders have no right to call for their redemption or otherwise accelerate the repayment of the principal amount of the Notes.

Interest on the Notes will be due and payable only at the sole and absolute discretion of the Issuer, and the Issuer may cancel interest payments (in whole or in part) at any time. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and a Noteholder shall have no rights thereto

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with the terms of the Notes. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

Because the Notes are intended to qualify as additional tier 1 capital under the Capital Requirements Directive and the Capital Requirements Regulation, the Issuer may cancel (in whole or in part) any interest payment on the Notes at its discretion and may pay dividends on its ordinary shares notwithstanding such cancellation. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter, and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Notes shall constitute a default in payment or otherwise under the terms of the Notes. The Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders and to the Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. However, failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Noteholders any rights as a result of such failure.

In addition to the Issuer's right to cancel (in whole or in part) interest payments at any time, the terms of the Notes also restrict the Issuer from making interest payments on the Notes in certain circumstances, in which case such interest shall be deemed to have been cancelled. Interest that is deemed cancelled shall not be due and shall not accumulate or be payable at any time thereafter and Noteholders shall have no rights thereto

Subject to the extent permitted in the following paragraph, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date or any other date thereafter) if:

- (i) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other own funds instruments paid and/or required to be paid in the then financial year (excluding any such interest payments or distributions which (x) are not so required to be made out of Distributable Items or (y) have already been provided for, by way of deduction in the calculation of Distributable Items); or
- (ii) the Solvency Condition is not satisfied in respect of such interest payment.

The Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions set out in paragraphs (i) and (ii) above.

The Issuer shall be responsible for determining compliance with this restriction and no Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

Any interest deemed cancelled on any relevant Interest Payment Date shall not be due and shall not

accumulate or be payable at any time thereafter, and Noteholders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Notes shall constitute a default in payment or otherwise under the terms of the Notes. The Issuer shall provide notice of any deemed cancellation of interest (in whole or in part) to the Noteholders and to the Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. However, failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Noteholders any rights as a result of such failure.

CRD IV imposes capital and regulatory requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Notes. In addition, the CSSF has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Notes

The capital and regulatory framework to which the Issuer and the BIL Group are subject imposes certain requirements for the Issuer and the BIL Group to hold sufficient levels of capital, including CET1 capital, leverage and additional loss absorbing capacity (including MREL (as defined below) and total loss-absorbing capacity ("TLAC")). A failure to comply with such requirements, as the same may be amended from time to time, may result in restrictions on the Issuer's ability to make discretionary distributions (including on the Notes) in certain circumstances.

See "Capital Requirements Regulation and Capital Requirements Directive" and "Minimum requirement for own funds and eligible liabilities ("MREL")" for more information.

The Notes may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date

The Notes may trade, and/or the prices for the Notes may appear, on the Luxembourg Stock Exchange with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that includes such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled or deemed cancelled (in each case, in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

The interest rate on the Notes will reset on each Reset Date

The interest rate on the Notes will initially be 6.625 per cent. per annum. However, the interest rate will be reset on each Reset Date such that from (and including) each Reset Date, the applicable interest rate per annum will be equal to the sum of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and the Initial Credit Spread. The interest rate following any Reset Date may be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Notes and so the market value of the Notes.

The Notes may be subject to an Automatic Conversion and upon the occurrence of such an event, Noteholders could lose all or part of the value of their investment in the Notes

A Capital Adequacy Trigger Event will occur if at any time the Issuer's or the BIL Group's CET1 Ratio has fallen below 5.75 per cent, subject to increase as provided in the terms of the Notes (see "Terms and Conditions of the Notes – Automatic Conversion – Automatic Conversion Upon Capital Adequacy Trigger Event – Increase in Trigger Level"). Whether a Capital Adequacy Trigger Event has occurred at any time shall be determined by the Issuer and such determination shall be binding on the Noteholders. Upon the occurrence of a Capital Adequacy Trigger Event, an Automatic Conversion will occur on the Conversion Date, at which point all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes), and under no circumstances shall such released obligations be reinstated. As a result, Noteholders could lose all or part of the value of their investment in the Notes, as, following an Automatic Conversion, Noteholders will receive only (i) the Conversion Shares (if the Issuer does not elect that a Conversion Shares Offer be made) or (ii) the Conversion Shares Offer Consideration, which shall comprise Conversion Shares and/or cash depending on the results of the Conversion Shares Offer (if the Issuer elects that a Conversion Shares Offer be made). In addition, the realisable

value of any Conversion Shares received could be substantially lower than that implied by the price paid for the Notes at the time of their purchase and upon an Automatic Conversion, Noteholders will no longer have a debt claim in relation to the Notes. See "*Terms and Conditions of the Notes — Automatic Conversion*" for more information.

Furthermore, upon the occurrence of an Automatic Conversion, the Noteholders will not be entitled to any compensation in the event of any improvement in the Issuer's or the BIL Group's CET1 Ratio after the Conversion Date.

As the Conversion Price is fixed at the time of issue of the Notes, Noteholders will bear the risk of fluctuations in the market price of the Conversion Shares

Because a Capital Adequacy Trigger Event will only occur at a time when the Issuer's or the BIL Group's CET1 Ratio has deteriorated significantly, a Capital Adequacy Trigger Event may be accompanied by a deterioration in the market price of the Issuer's ordinary shares, which may be expected to continue after the occurrence of the Capital Adequacy Trigger Event. Therefore, following a Capital Adequacy Trigger Event, the realisable value of the Conversion Shares may be below the Conversion Price.

In addition, there may be a delay in a Noteholder receiving its Conversion Shares following a Capital Adequacy Trigger Event (in particular if the Issuer elects that a Conversion Shares Offer be conducted, as the Conversion Shares Offer Period may last up to 30 business days after the delivery of the Conversion Shares Offer Notice), during which time the market price of the ordinary shares of the Issuer may further decline.

Noteholders do not have anti-dilution protection in all circumstances

The number of Conversion Shares to be issued to the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes) for the benefit of each Noteholder on the Conversion Date shall be determined for each Noteholder by dividing the aggregate principal amount of the Notes outstanding held by such Noteholder immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

Upon the occurrence of an IPO Event, the Issuer shall have the right, upon giving not less than 15 days' notice to the Noteholders, to amend the terms of the Notes to provide for the Conversion Price to be calculated, in respect of the Conversion Date, as an amount which is the higher of: (A) the then market value of the ordinary shares; (B) the Floor Price; and (C) the then current par value of the ordinary shares.

The initial "**Floor Price**" will be specified in the notice to Noteholders advising them that the Issuer has exercised its right to amend the terms to calculate the Conversion Price in accordance with Condition 7(c)(ii) (*Conversion Price post-IPO Event*) of the terms of the Notes and will not be greater than 50 per cent. of the price at which the Issuer offered ordinary shares for sale in connection with the IPO Event. The initial Floor Price may be subject to adjustment following certain corporate or other events to be specified in the amended Conditions.

There is no requirement that there should be an adjustment for every corporate or other event that may affect the market price of the Conversion Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of convertible securities. Accordingly, the occurrence of events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Notes.

Issuance of the Conversion Shares to the Conversion Shares Depositary shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes

Upon an Automatic Conversion, the Issuer shall issue the Conversion Shares to the Conversion Shares Depositary, which will hold the Conversion Shares on behalf of the Noteholders. Issuance of the Conversion Shares to the Conversion Shares Depositary shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes. Provided that the Issuer issues the Conversion Shares to the Conversion Shares Depositary in accordance with the terms of the Notes, with effect from the Conversion Date, Noteholders shall have recourse only to the Conversion Shares Depositary for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which such Noteholders are entitled.

In addition, the Issuer has not as at the Issue Date appointed a Conversion Shares Depositary and the Issuer may not be able to appoint a Conversion Shares Depositary if an Automatic Conversion occurs. In such a scenario, the Issuer would give notice to the Noteholders or otherwise, as practicable, of any alternative arrangements in connection with the issuance and/or delivery of the Conversion Shares and such arrangements may be disadvantageous to, and more restrictive on, the Noteholders. For example, such arrangements may involve Noteholders having to wait longer to receive their Conversion Shares than would be the case under the arrangements expected to be entered into with a Conversion Shares Depositary. Under these circumstances, the Issuer's issuance of the Conversion Shares to the relevant recipient in accordance with these alternative arrangements shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Notes.

Noteholders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Capital Adequacy Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period

Noteholders may not ultimately receive Conversion Shares upon a Capital Adequacy Trigger Event because the Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary.

The Conversion Shares Offer may be conducted at the election of the Issuer, in its sole and absolute discretion, as set out in the terms of the Notes.

(A) If the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary and all of the Conversion Shares are sold in the Conversion Shares Offer, Noteholders shall be entitled to receive, in respect of each Note, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note. (B) If some but not all of the Conversion Shares are sold in the Conversion Shares Offer, Noteholders shall be entitled to receive, in respect of each Note, (x) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note together with (y) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Note rounded down to the nearest whole number of Conversion Shares. (C) If no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Note rounded down to the nearest whole number of Conversion Shares, subject in the case of (A) and (B)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer.

Furthermore, the Issuer or the Conversion Shares Depositary will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period. Accordingly, Noteholders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

Following an Automatic Conversion, the Notes will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary, and the rights of the Noteholders will be limited accordingly

Following an Automatic Conversion, the Notes will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing (a) the Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary. All obligations of the Issuer under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes) on the Conversion Date, and under no circumstances shall such released obligations be reinstated. The Notes shall be cancelled on the applicable Cancellation Date.

Although the Issuer currently expects that beneficial interests in the Notes will be transferable between the Conversion Date and the Suspension Date, there is no guarantee that an active trading market will exist for the Notes following the Automatic Conversion. Accordingly, the price received for the sale of any beneficial interest under a Note during this period may not reflect the market price of such Note or the Conversion Shares. Furthermore, transfers of beneficial interests in the Notes may be restricted following the Conversion Date, for example if the clearance and settlement of transactions in the Notes is suspended by a Clearing System at an earlier time than currently

expected. In such a situation it may not be possible to transfer beneficial interests in the Notes in such Clearing System and trading in the Notes may cease through such Clearing System.

The Notes may cease to be admitted to trading on the Luxembourg Stock Exchange after the Suspension Date.

Moreover, although the Noteholders will become beneficial owners of the Conversion Shares upon the issuance of such Conversion Shares to the Conversion Shares Depositary and the Conversion Shares will be registered in the name of the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes), no Noteholder will be able to sell or otherwise transfer any Conversion Shares until such time as they are finally delivered to such Noteholder and registered in their name.

Noteholders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of the Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable

In order to obtain delivery of the relevant Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Noteholder must deliver a Conversion Shares Settlement Notice to the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable).

Failure to properly complete and deliver a Conversion Shares Settlement Notice and the relevant Notes, if applicable, may result in such notice being treated by the Conversion Shares Depositary (or such other relevant recipient, as applicable) as null and void. Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered shall be made by the Conversion Shares Depositary (or such other relevant recipient, as applicable) in its sole and absolute discretion and shall be conclusive and binding on the relevant holder.

The Issuer shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Notes, if applicable, on a timely basis or at all except to the extent any damage is caused by gross negligence or wilful misconduct on the part of the Issuer.

Noteholders may be subject to disclosure obligations, take-over requirements and/or may need approval from the Issuer's regulator under certain circumstances

As the Noteholders may receive Conversion Shares if a Capital Adequacy Trigger Event occurs, an investment in the Notes may result in Noteholders having to comply with certain disclosure, take-over and/or regulatory approval requirements pursuant to applicable laws and regulations following an Automatic Conversion.

Furthermore, as Conversion Shares represent voting securities of a regulated entity, under the laws of the Luxembourg, ownership of the Notes themselves (or the Conversion Shares) above certain levels may require the holder of the voting securities to obtain regulatory approval or subject the holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, each potential investor should consult its legal advisers as to the terms of the Notes, in respect of its existing shareholding and the level of holding it would have if it receives Conversion Shares following a Capital Adequacy Trigger Event.

Noteholders will bear the risk of changes in the Issuer's and the BIL Group's CET1 Ratio

The market price of the Notes is expected to be affected by changes in the Issuer's and the BIL Group's CET1 Ratio. Changes in the Issuer's and the BIL Group's CET1 Ratio may be caused by changes in the amount of CET1 Capital and/or Risk Weighted Assets, as well as changes to their respective definition and/or interpretation by the Issuer under the CRD IV. Each of the Issuer's and the BIL Group's CET1 Capital and/or Risk Weighted Assets shall be determined by the Issuer and such determination shall be binding on the Noteholders.

The Issuer currently only publicly reports the Issuer's and BIL Group's CET1 Ratio semi-annually as of the period end, and therefore during the semi-annual period there is no published updating of the Issuer's and the BIL Group's CET1 Ratio and there may be no prior warning of adverse changes in the Issuer's and the BIL Group's CET1 Ratio. However, any indication that the Issuer's or the BIL

Group's CET1 Ratio is moving towards the level of a Capital Adequacy Trigger Event may have an adverse effect on the market price of the Notes. A decline or perceived decline in the Issuer's and the BIL Group's CET1 Ratio may significantly affect the trading price of the Notes.

The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Issuer's and the BIL Group's CET1 Ratio

The occurrence of a Capital Adequacy Trigger Event is inherently unpredictable and depends on a number of factors, including those discussed in greater detail in the following paragraphs, any of which may be outside the Issuer's control. A Capital Adequacy Trigger Event will occur if at any time the Issuer's or the BIL Group's CET1 Ratio has fallen below 5.75 per cent, subject to increase as provided in the terms of the Notes (see "*Terms and Conditions of the Notes – Automatic Conversion – Automatic Conversion Upon Capital Adequacy Trigger Event – Increase in Trigger Level*"). Whether a Capital Adequacy Trigger Event has occurred at any time shall be determined by the Issuer and such determination shall be binding on the Noteholders.

The Issuer's and the BIL Group's CET1 Ratio may fluctuate during a semi-annual period. The calculation of such ratio could be affected by one or more factors, including, among other things, changes in the mix of the Issuer's and the BIL Group's business, major events affecting the Issuer's earnings, dividend payments by the Issuer, regulatory changes (including changes to definitions, interpretation and calculations of regulatory capital ratios and their components, including CET1 Capital and Risk Weighted Assets), revisions to models used by the Issuer to calculate its capital requirements (or revocation of, or amendments to, the regulatory permissions for using such models), and the Issuer's and the BIL Group's ability to manage Risk Weighted Assets in both its ongoing businesses and those which it may seek to exit. In addition, the Issuer and the BIL Group have capital resources and Risk Weighted Assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the EURO equivalent value of foreign currency denominated capital resources and Risk Weighted Assets. As a result, the Issuer's and the BIL Group's CET1 Ratio is exposed to foreign currency movements.

The calculation of the Issuer's and the BIL Group's CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the CSSF could require the Issuer to reflect such changes in any particular calculation of the Issuer's and the BIL Group's CET1 Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Issuer's and the BIL Group's calculations of regulatory capital resources and requirements, including CET1 Capital and Risk Weighted Assets, and the Issuer's and the BIL Group's CET1 Ratio.

Because of the inherent uncertainty regarding whether a Capital Adequacy Trigger Event will occur, it will be difficult to predict when, if at all, an Automatic Conversion may occur. Accordingly, the trading behaviour of the Notes is not necessarily expected to follow the trading behaviour of other types of securities. Any indication that a Capital Adequacy Trigger Event (and subsequent Automatic Conversion) may occur can be expected to have a material adverse effect on the market price of the Notes.

The Issuer's and the BIL Group's CET1 Ratio, and more generally, its overall capital position, will be affected by the Issuer's and the BIL Group's business decisions and, in making such decisions, its interests may not be aligned with those of the Noteholders

As discussed in "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Issuer's and the BIL Group's CET1 Ratio*" and "*CRD IV imposes capital and regulatory requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Notes. In addition, the CSSF has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Notes*" above, the Issuer's and the BIL Group's CET1 Ratio and, more generally, its overall capital position could be affected by a number of factors. The Issuer's and the BIL Group's CET1 Ratio and its overall capital position will also depend on the Issuer's and the BIL Group's decisions relating to its businesses and operations, as well as the management of its capital position. Neither the Issuer nor any member of the BIL Group will have any obligation to consider the interests of the Noteholders in connection with its strategic decisions, including in respect of its capital management. Noteholders will not have any claim against the Issuer or any other member of the BIL Group relating

to decisions that affect the business and operations of the BIL Group, including the BIL Group's capital position, regardless of whether they result in the occurrence of mandatory distribution restrictions and/or a Capital Adequacy Trigger Event. Such decisions could cause Noteholders to lose all or part of the value of their investment in the Notes.

Future regulatory changes to the calculation of CET1 Capital and/or Risk Weighted Assets may negatively affect the Issuer's and the BIL Group's CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which Noteholders could lose all or part of the value of their investment in the Notes

CRD IV requirements adopted in Luxembourg may change whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the EBA, changes to the way in which the CSSF interprets and applies these requirements to Luxembourg banks.

See "*Capital Requirements Regulation and Capital Requirements Directive*", "*The Basel Committee*", "*EU Bank Recovery and Resolution Directive*", and "*Minimum requirement for own funds and eligible liabilities*" ("*MREL*") for more information.

Therefore, any changes that may occur in the application of the CRD IV rules in Luxembourg subsequent to the date of this Prospectus and/or any subsequent changes to such rules and other variables may individually and/or in the aggregate negatively affect the Issuer's and the BIL Group's CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which a Noteholder could lose all or part of the value of its investment in the Notes.

The Issuer may redeem the Notes at its option in certain situations

Subject to certain conditions, the Issuer may, at its option, at any time redeem the Notes, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as provided under "*Terms and Conditions of the Notes – Interest Calculation*") to (but excluding) the date fixed for redemption, if a Capital Event or a Tax Event has occurred, as provided under "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Capital Event*" and "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Tax Event*". In addition, the Issuer may, at its option, redeem the Notes, in whole but not in part, on 30 June 2020 or any Interest Payment Date (as defined herein) falling on 30 June each year thereafter at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) which the Issuer decides in its absolute discretion that it will pay (which excludes any interest cancelled or deemed cancelled as provided under "*Terms and Conditions of the Notes – Interest Cancellation*") to (but excluding) the date fixed for redemption. If the Issuer redeems the Notes, Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield. In addition, any early redemption of the Notes is subject to, among other things, receipt of the prior consent of the Regulator (as defined herein), regardless of whether such redemption would be favourable or unfavourable to Noteholders. Furthermore, Noteholders have no right to require the Issuer to redeem the Notes.

The Issuer's obligations under the Notes will be unsecured and subordinated, and the rights of the holders of Conversion Shares will be further subordinated

The Issuer's obligations under the Notes will be unsecured and subordinated to all of the Issuer's existing and future obligations to Senior Creditors (as defined under "*Terms and Conditions of the Notes – Form, Denomination and Status – Status and subordination*" below). In addition, payment of principal or interest in respect of the Notes cannot be made in respect of the Notes except to the extent that the Issuer could make such payment and still satisfy the Solvency Condition (as defined under "*Terms and Conditions of the Notes – Form, Denomination and Status – Status and subordination*" below) immediately thereafter.

If an order is made or an effective resolution is passed for the judicial liquidation (*liquidation judiciaire*) of the Issuer in accordance with Articles 129ff. of the Resolution Law (formerly prior to the implementation of BRRD in Luxembourg Articles 61ff. of the Financial Sector Law) or the voluntary liquidation (*liquidation volontaire*) of the Issuer in accordance with Article 128 of the Resolution Law (formerly prior to the implementation of BRRD in Luxembourg Article 60-8 of the Financial Sector Law) (both types of liquidation proceedings together being referred to as "**Liquidation**"):

- (i) before the date on which a Capital Adequacy Trigger Event occurs, the Noteholders shall be

entitled to receive in respect of each Note an amount equal to the principal amount of the relevant Note, together with any interest accrued to such date which has not been cancelled as provided in Condition "*Terms and Consitions of the Notes – Interest Calculation*" and together with any damages (if payable), out of the liquidation proceeds after satisfaction of all claims of Senior Creditors and *pari passu* (by percentage of the amount payable) with the satisfaction of all claims of other creditors of the Issuer ranking *pari passu* with the Notes, but prior to the satisfaction of the claims of the shareholders of the Issuer in their capacity as shareholders and of any creditors of the Issuer whose claims are, or are expressed to be, junior to the claims of the Noteholders; and

- (ii) on or after the date on which a Capital Adequacy Trigger Event occurs but before the Conversion Date, then for the purposes of determining the claims of a Noteholder in such Liquidation, the Conversion Date in respect of an Automatic Conversion shall be deemed to have occurred immediately before such order is made or effective resolution passed.

Therefore, if the Issuer were to be wound up or placed into administration, the Issuer's liquidator or administrator would first apply assets of the Issuer to satisfy all rights and claims of Senior Creditors. If the Issuer does not have sufficient assets to settle claims of such Senior Creditors in full, the claims of the Noteholders will not be settled and, as a result, the Noteholders will lose the entire amount of their investment in the Notes. In such winding-up or administration, the Notes will share equally in payment with claims in respect of ordinary shares, in the event of a winding-up or administration occurring in the intervening period between a Capital Adequacy Trigger Event and the Conversion Date if the Issuer does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, Noteholders could lose all or part of their investment.

Furthermore, Noteholders should be aware that, upon the occurrence of an Automatic Conversion, all of the Issuer's obligations under the Notes shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes), and each Noteholder will be effectively further subordinated due to the change in their status on a winding-up or administration after the Conversion Date from being the holder of a debt instrument ranking ahead of holders of ordinary shares to being the holder of ordinary shares of the Issuer or the beneficial owner of ordinary shares of the Issuer as evidenced by the Note. As a result, upon the occurrence of an Automatic Conversion, the Noteholders could lose all or part of their investment in the Notes irrespective of whether the Issuer has sufficient assets available to settle what would have been the claims of the Noteholders or other securities subordinated to the same extent as the Notes, in winding-up proceedings or otherwise. Therefore, even if other securities that rank *pari passu* with the Notes are paid in full, following the Conversion Date in respect of an Automatic Conversion, the Noteholders will have no rights to the repayment of the principal amount of the Notes or the payment of interest on the Notes and will rank as holders of ordinary shares of the Issuer (or beneficial owners of ordinary shares of the Issuer).

There is no restriction on the amount or type of further securities or indebtedness that the Issuer or its subsidiaries may issue, incur or guarantee

Subject to complying with applicable regulatory requirements in respect of the Issuer's and the BIL Group's leverage and capital ratios, there is no restriction on the amount or type of further securities or indebtedness that the Issuer or its subsidiaries may issue, incur or guarantee, as the case may be, that rank senior to, or *pari passu* with, the Notes. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by Noteholders on a liquidation or winding-up of the Issuer and may limit the Issuer's ability to meet its obligations under the Notes. In addition, the Notes do not contain any restriction on the Issuer issuing securities that may have preferential rights to the Notes or securities with similar or different provisions to those described herein.

Noteholders will have limited remedies

The remedies under the Notes are more limited than those typically available to the Issuer's unsubordinated creditors.

No interest will be due and payable if such interest has been cancelled or deemed cancelled (in each case, in whole or in part) as described under "*Terms and Conditions of the Notes – Interest Cancellation*" below. Accordingly, no default in payment or otherwise under the Notes will have occurred or be deemed to have occurred in such circumstances.

Following an Automatic Conversion, no Noteholder will have any rights against the Issuer with respect

to the repayment of the principal amount of the Notes or the payment of interest or any other amount on or in respect of such Notes, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Notes shall equal zero at all times thereafter. Any interest in respect of an interest period ending on any Interest Payment Date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date shall be deemed to have been cancelled in accordance with Condition 3 (*Interest Cancellation*) of the terms of the Notes upon the occurrence of such Capital Adequacy Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) on the Conversion Date, the Notes shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary (or such other relevant recipient, as applicable).

Provided that the Issuer issues the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) in accordance with the terms of the Notes, with effect from the Conversion Date, Noteholders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if a Conversion Shares Offer is made pursuant to paragraph "*Terms and Conditions of the Notes – Automatic Conversion – Conversion Shares Offer*" below, of any Conversion Shares Offer Consideration to which such Noteholders are entitled.

Changes in law may adversely affect the rights of Noteholders

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

In addition, any change in law or regulation that triggers a Capital Event or a Tax Event would entitle the Issuer, at its option (subject to, amongst other things, receipt of the prior consent of the CSSF and/or any other relevant national or European authority (in either case if such consent is then required by the CRD IV), to redeem the Notes, in whole but not in part, as provided under "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Capital Event*" and "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Tax Event*".

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

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Issuer's and the BIL Group's business, financial performance, capital and risk management strategies. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Issuer's and the BIL Group's performance and financial condition, which could in turn affect the levels of CET1 Capital and Risk Weighted Assets and, therefore, the resulting CET1 Ratio and the levels of capital, leverage and additional loss absorbing capacity resources more generally. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Issuer or the BIL Group or the Noteholders, which could be material to the rights of Noteholders of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. For example, on 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks. These proposals amend many of the existing provisions set forth in CRD IV and the BRRD. These proposals are now being submitted for consideration by the European Parliament and Council. Until such time as the proposals are formally approved by the European Parliament and Council, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner as currently proposed and therefore it is uncertain how they will affect the Issuer, the BIL Group or the Noteholders.

Prior to the Conversion Date, Noteholders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares

The exercise of voting rights and certain other rights related to any Conversion Shares is only

possible after the issue, registration and delivery of the Conversion Shares on the Conversion Date to the Conversion Shares Depositary (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under "*Terms and Conditions of the Notes – Automatic Conversion*". Prior to such issuance, registration and delivery, Noteholders will be subject to all changes made with respect to the Issuer's ordinary shares.

As a result of Noteholders receiving Conversion Shares upon the occurrence of a Capital Adequacy Trigger Event, they are particularly exposed to changes in the market price of the Issuer's ordinary shares

In general, investors in convertible or exchangeable securities may seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities.

Prospective investors in the Notes may look to sell ordinary shares of the Issuer in anticipation of taking a position in, or whilst holding, the Notes. This could drive down the price of the Issuer's ordinary shares. Since the Notes will mandatorily convert into Conversion Shares upon the occurrence of a Capital Adequacy Trigger Event, the price of the Issuer's ordinary shares may be negatively affected if the Issuer is trending toward a Capital Adequacy Trigger Event.

Global Financial Crisis and Eurozone Debt Crisis

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

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

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

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

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

Notes may not be a suitable investment for all investors

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different

from the potential investor's currency;

- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the complex structure of the Notes

An investment in the Notes may involve a high degree of risk, including the risk that the entire amount invested may be lost. The Issuer will invest in and trade securities and other financial instruments using a variety of investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity and fixed-income markets, the risks of borrowings and short sales, the risks arising from leverage associated with trading in the equity, currency and OTC derivative markets, the illiquidity of derivative instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the investment in Notes will be a successful one. The Issuer may utilise investment techniques such as option transactions, margin transactions, short sales, leverage, derivatives trading and futures and forward contracts to hedge payments due under the Notes, which practices could adversely affect the value of the Notes.

Short selling technique may be used to provide indexation of payments under the Notes. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to benefit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Risks related to Notes generally

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

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

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

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

Change of law

The terms and conditions of the Notes are, based on Luxembourg law, in each case in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to Luxembourg law or administrative practice after the date of issue of the Notes.

Foreign Account Tax Compliance Act Withholding

Whilst the Notes are in global form and held within the facilities of Clearstream Securities Settlement System and the securities clearing and settlement systems operated by Euroclear Bank S.A./N.V., or such other clearing system in which the Notes are a participating security (together the "ICSDs"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the ICSDs (see "*Taxation – FATCA Disclosure*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell the Notes

Notes may have no established trading market, or it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. The Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of the EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the EUR would decrease (1) the equivalent yield on the Notes in the Investor's Currency, (2) the equivalent value of the principal payable on the Notes in the Investor's Currency and (3) the equivalent market value of the Notes in the Investor's Currency.

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

The value of the Notes may be adversely affected by movements in market interest rates

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated annual accounts of the Issuer for the years ended 31 December 2014, 31 December 2015, and 31 December 2016, including the reports of the statutory auditors in respect thereof and which have been filed with the Luxembourg Stock Exchange and are incorporated by reference in this Prospectus. Physical copies of all documents incorporated by reference will be available free of charge from the offices of the Issuer. All documents that have been incorporated by reference will be available to view on the Luxembourg Stock Exchange website (www.bourse.lu).

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

- (a) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2014 of the Issuer (the "**Annual Report 2014**") including the information set out at the following pages in particular;
- (b) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2015 of the Issuer (the "**Annual Report 2015**") including the information set out at the following pages in particular; and
- (c) the auditors' report and audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2016 of the Issuer (the "**Annual Report 2016**") including the information set out at the following pages in particular;

Cross-Reference List	Annual Report 2016	Annual Report 2015	Annual Report 2014
Auditors' report for the consolidated accounts	41	41	41
Consolidated balance sheet	42-43	42-43	42-43
Consolidated statement of income	44-45	44-45	44-45
Consolidated statement of changes in equity	46-47	46-47	46-47
Consolidated cash flow statements	48	48	48
Notes to the consolidated accounts	49-132	49-130	49-125
<i>Note 1: Accounting principles and rules of the consolidated financial statements</i>	50-64	50-64	50-64
1.1 Basis of accounting	50-51	50-51	50-51
1.2 Changes in accounting policies since the previous annual publication that may impact BIL Group	51-52	51	51-52
1.3 Consolidation	52-53	51-52	52-53
1.4 Offsetting financial assets and financial liabilities	53	52	53
1.5 Foreign currency translation and transactions	53	52	53
1.6 Financial assets and liabilities	53-56	53-56	53-56
1.7 Fair value of financial instruments	56-58	56-57	56-58
1.8 Interest and similar income and expenses	58	57	58
1.9 Fee and commission income and expenses	58	57	58
1.10 Insurance and reinsurance activities	58	57	58
1.11 Hedging derivatives	58-59	58	58-59
1.12 Hedge of the interest rate risk exposure of a portfolio	59	58	59
1.13 Day one profit or loss	59-60	58-59	59

1.14 Tangible fixed assets	60	59	60
1.15 Intangible assets	60	59-60	60
1.16 Non-current assets held for sale and discontinued operations	61	60	60-61
1.17 Goodwill	61-62	61	61-62
1.18 Other assets	62	61	62
1.19 Leases	62	61-62	62
1.20 Sale and repurchase agreements and lending of securities	62	62	62
1.21 Deferred tax	63	62	62-63
1.22 Employee benefits	63-64	62-63	63-64
1.23 Provisions	64	63	64
1.24 Share capital and treasury shares	64	64	64
1.25 Fiduciary activities	64	64	64
1.26 Cash and cash equivalents	64	64	64
1.27 Earnings per share	-	-	64
<i>Note 2: Material changes in scope of consolidation and list of subsidiaries and associates</i>	65-67	65-67	65-67
<i>Note 3: Business and geographic reporting</i>	68-70	68-70	68-69
<i>Note 4: Material items in the consolidated statement of income</i>	71	71	70
<i>Note 5: Post-balance sheet events</i>	71	71	70
<i>Note 6: Litigation</i>	71	71	70
<i>Note 7: Notes on the assets of the consolidated balance sheet (in EUR)</i>	72-81	71-80	70-79
<i>Note 8: Notes on the liabilities of the consolidated balance sheet (in EUR)</i>	82-88	81-87	80-86
<i>Note 9: Other notes on the consolidated balance sheet (in EUR)</i>	89-94	88-92	86-91
<i>Note 10: Notes on the consolidated off-balance sheet items (in EUR)</i>	95	93	92
<i>Note 11: Notes on the consolidated statement of income (in EUR)</i>	96-102	94-100	93-99
<i>Note 12: Notes on risk exposures (in EUR)</i>	103-132	101-130	100-125
 Auditors' report for the non-consolidated accounts	 137	 133	 129
Non-consolidated balance sheet	138-139	134-135	130-131
Non-consolidated statement of income	140-141	136-137	132-133
Non-consolidated statement of changes in equity	142-143	138-139	134-135
Non-consolidated cash flow statements	144	140	136
Notes to the non-consolidated accounts	145- 206	141-200	137-194.

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Schedules of the Rules and Regulations of the Luxembourg Stock Exchange.

Any documents themselves incorporated by reference in the documents incorporated by

reference in this Prospectus shall not form part of this Prospectus.

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions applicable to the Notes.

In connection with the €150,000,000 6.625 per cent. Fixed Rate Resetting Perpetual Convertible Additional Tier 1 Capital Notes (the "**Notes**", which expression includes any further notes issued pursuant to Condition 12. (*Further Issues*) and forming a single series therewith) of Banque Internationale à Luxembourg (the "**Bank**"). Banque Internationale à Luxembourg will act as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), paying agent (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and as calculation agent (the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Fiscal Agent, the Paying Agents and the Calculation Agent and any reference to an "**Agent**" is to any one of them. The rights and claims of holders of the Notes (the "**Noteholders**") in respect of the Notes and the rights and claims (if any) of holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively, which expressions shall, unless the context otherwise requires, include the holders of the Talons and the Talons (as defined below), respectively) in respect of or arising from the Coupons are at all times subject to the provisions set out in these Conditions.

1. **Form, Denomination and Status**

(a) *Form, denomination and title*

The Notes are serially numbered and in bearer form in the denomination of €1,000,000 and integral multiples of €10,000 in excess thereof (each, an "**Authorised Denomination**") with Coupons and talons (each, a "**Talon**") for further Coupons attached at the time of issue. Title to the Notes, the Coupons and the Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

The Notes will be represented on issue by a temporary global note in bearer form which will be exchangeable for interests in a permanent global note in bearer form (and together with the temporary global note, the "Global Notes"). The permanent global note will in turn be exchangeable for notes in definitive form in the limited circumstances specified therein. The Global Notes will be deposited on or about the issue date with a common depositary for the Clearing Systems.

(b) *Status and subordination*

The Notes constitute direct, unsecured and subordinated obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders and the Couponholders in respect of or arising from the Notes and the Coupons (including damages (if payable)) are subordinated to the claims of Senior Creditors.

If an order is made or an effective resolution is passed for the judicial liquidation (*liquidation judiciaire*) of the Bank in accordance with Articles 61ff. of the Financial Sector Law or the voluntary liquidation (*liquidation volontaire*) of the Bank in accordance with Article 60-8 of the Financial Sector Law (both types of liquidation proceedings together being referred to as "**Liquidation**"):

- (i) before the date on which a Capital Adequacy Trigger Event occurs, the Noteholders shall be entitled to receive in respect of each Note an amount equal to the principal amount of the relevant Note, together with any interest accrued to such date which has not been cancelled as provided in Condition 3 (*Interest Cancellation*) and together with any damages (if payable), out of the liquidation proceeds after satisfaction of all claims of Senior Creditors and *pari passu* (by percentage of the amount payable) with

the satisfaction of all claims of other creditors of the Bank ranking *pari passu* with the Notes, but prior to the satisfaction of the claims of the shareholders of the Bank in their capacity as shareholders and of any creditors of the Bank whose claims are, or are expressed to be, junior to the claims of the Noteholders; and

- (ii) on or after the date on which a Capital Adequacy Trigger Event occurs but before the Conversion Date, then for the purposes of determining the claims of a Noteholder in such Liquidation, the Conversion Date in respect of an Automatic Conversion shall be deemed to have occurred immediately before such order is made or effective resolution passed.

For the avoidance of doubt, Couponholders shall have no rights or claims in respect of or arising from the Coupons in the event of a Liquidation of the Bank.

Furthermore, other than in the event of a Liquidation of the Bank referred to above or suspension of payments (*sursis de paiement*) proceedings being opened over the Bank in accordance with Articles 60-2ff. of the Financial Sector Law, payments in respect of or arising from the Notes and the Coupons are conditional upon the Bank being solvent at the time of payment by the Bank and in that no sum in respect of or arising from the Notes or the Coupons may fall due and be paid except to the extent that the Bank could make such payment and still be solvent immediately thereafter (such condition referred to herein as the "**Solvency Condition**"). The Bank shall be considered to be solvent at a particular point in time if:

- (i) it is able to pay its debts owed to Senior Creditors as they fall due;
- (ii) the entire ability of the Bank to meet its commitments is not compromised and the financial situation of the Bank is not undermined to such an extent that it can no longer meet the commitments which it owes to all its creditors or shareholders;
- (iii) the total of assets of the Bank exceed the total of its liabilities (excluding for the avoidance of doubt, any capital, reserves, profits for the relevant financial year, profits brought forward or funds for general banking risks), each as shown by the latest published non-consolidated audited balance sheet of the Bank, but adjusted for contingencies and for subsequent events, valued in such manner as such directors or administrator or liquidator (as the case may be) may determine consistent with generally accepted accounting principles;
- (iv) the Bank complies with the conditions of Article 8 (*Les assises financières*) of the Financial Sector Law on minimum capital amounts;
- (v) the own funds (*fonds propres*) of the Bank are at least equal to the overall own funds requirements it is subject to under the CRD IV Regulation; and
- (vi) the Bank meets the liquidity requirements it is (or will be) subject to under the Applicable Banking Regulations.

A report as to the solvency of the Bank signed by the Bank or (if the Bank is in suspension of payment or liquidation proceedings) its administrator or liquidator shall in the absence of proven error be treated and accepted by the Bank, the Noteholders and the Couponholders as correct and sufficient in evidence thereof.

- (c) *No set-off*

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Bank arising under, or in connection with, the Notes or Coupons and each Noteholder or Couponholder shall, by virtue of its holding of any Notes or Coupons (as the case may be), be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the above, if any amounts due and payable to any Noteholder or Couponholder by the Bank in respect of, or arising under, the Notes or Coupons are discharged by set-off, such Noteholder or Couponholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank (or the liquidator or administrator of the Bank, as the case may be) and, until such time as payment is made, shall hold an amount equal to such amount in a

fiduciary (*fiduciaire*) capacity, or where applicable law permits, in trust for the Bank (or the liquidator or administrator of the Bank, as the case may be) and, accordingly, any such discharge shall be deemed not to have taken place.

Subject to implementation of the BRRD, the Notes may be subject to write-down or conversion by the relevant authority at the point of non-viability of the Bank or in the case of a resolution procedure in relation to the Bank or State aid in support of the Bank (in accordance with the Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis (2013/C 216/01)), which may result in the Noteholders and Couponholders losing some or all of their investment, as described in more detail in the Annex – Additional Elements on Statutory Loss Absorption hereto.

2. Interest

(a) Interest accrual

The Notes bear interest at the applicable Rate of Interest from (and including) the Issue Date and the amount of such interest will (subject to Condition 3 (*Interest Cancellation*), Condition 5 (*Payments*) and Condition 7 (*Automatic Conversion*)) be payable on each Interest Payment Date, in accordance with the provisions of this Condition 2 (*Interest*). Each Note will cease to bear interest from the date fixed for redemption (if any) unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with, and subject to, the Conditions (both before and after judgment) until the day on which such principal is received by or on behalf of the relevant Noteholder.

(b) Rate of interest

- (i) Subject to Condition 7(a)(ii) (*Automatic Conversion – Increase in trigger level*), the rate of interest in respect of the period from (and including) the Issue Date to (but excluding) 30 June 2020 will be 6.625 per cent. per annum (the "**Initial Interest Rate**").
- (ii) The rate of interest in respect of each period from (and including) a Reset Date to (but excluding) the next following Reset Date shall be the aggregate of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and the Initial Credit Spread (the "**Subsequent Interest Rate**").

(c) Interest Payment Dates

- (i) Subject to Conditions 3 (*Interest Cancellation*) and 7(a)(iv) (*Automatic Conversion – Effect of Automatic Conversion*) and paragraph (ii) below, interest, if any, will be payable annually in arrear on 30 June of each year commencing on 30 June 2015, and ending on 30 June 2020, and thereafter quarterly in arrear on 30 September, 31 December, 31 March and 30 June of each year commencing on 30 September 2020 (each, an "**Interest Payment Date**").
- (ii) Subject to Conditions 3 (*Interest Cancellation*) and 7(a)(iv) (*Automatic Conversion – Effect of Automatic Conversion*), the first date on which interest may be paid will be 30 June 2015 for the period commencing on (and including) the Issue Date and ending on (but excluding) 30 June 2015.

(d) Calculation of interest amount

Subject to Condition 3 (*Interest Cancellation*) and Condition 5 (*Payments*), the amount of interest payable in respect of each Note shall be calculated by applying the relevant Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount.

(e) Determination of Subsequent Interest Rate

Each Subsequent Interest Rate shall be determined by the Calculation Agent on the relevant Reset Determination Date.

(f) *Publication*

The Calculation Agent will cause each Subsequent Interest Rate determined by it to be notified to the Bank, the Paying Agents and, if at any time the Notes are then admitted to trading and/or listed, the competent authority and/or stock exchange by which or on which the Notes have then been admitted to listing and/or trading as soon as possible after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also be given to the Noteholders by the Calculation Agent in accordance with Condition 13 (*Notices*) as soon as possible after the determination thereof but in any event not later than the fourth TARGET Settlement Day thereafter.

(g) *Notifications etc. of Calculation Agent binding*

All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 2 (*Interest*) by the Calculation Agent will (in the absence of manifest error) be final and binding on the Bank, the Paying Agents, the Noteholders and the Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Calculation Agent, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 2 (*Interest*).

The Calculation Agent shall not be responsible to the Bank, the Noteholders, the Couponholders or any third party for any failure of the Reference Banks to provide quotations as requested of them or as a result of the Calculation Agent having acted on any quotation or other information given by any Reference Bank which subsequently may be found to be incorrect or inaccurate in any way.

3. **Interest Cancellation**

(a) *Interest payments discretionary*

Interest on the Notes is due and payable only at the sole discretion of the Bank subject to paragraph (b) (*Restriction on interest payments*) and Condition 7(a)(iv) (*Automatic Conversion – Effect of Automatic Conversion*), and the Bank shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Bank does not make an interest payment on the relevant Interest Payment Date (or if the Bank elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Bank's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

If the Bank provides notice to cancel a portion, but not all, of an interest payment and the Bank subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Bank's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

(b) *Restriction on interest payments*

(i) Subject to the extent permitted in paragraph (ii) below, the Bank shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date or any other date thereafter) if:

(A) the Bank has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on all other

own funds instruments paid and/or required to be paid in the then financial year (excluding any such interest payments or distributions which (x) are not so required to be made out of Distributable Items or (y) have already been provided for, by way of deduction in the calculation of Distributable Items); or

(B) the Solvency Condition is not satisfied in respect of such interest payment.

- (ii) The Bank may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions set out in paragraph (i) above.

The Bank shall be responsible for determining compliance with this paragraph (b) (*Restriction on interest payments*) and no Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

(c) *Agreement to interest cancellation*

By subscribing for, purchasing or otherwise acquiring the Notes or Coupons, Noteholders and Couponholders acknowledge and agree that:

- (i) interest is payable solely at the discretion of the Bank, and no amount of interest shall become due and payable in respect of the relevant interest period to the extent that it has been (x) cancelled (in whole or in part) by the Bank at its sole discretion and/or (y) deemed cancelled (in whole or in part) as a result of the Bank having insufficient Distributable Items or failing to satisfy the Solvency Condition; and
- (ii) a cancellation or deemed cancellation of interest (in each case, in whole or in part) in accordance with these Conditions shall not constitute a default in payment or otherwise under the terms of the Notes.

(d) *Effect of interest cancellation*

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with paragraph (a) (*Interest payments discretionary*) and paragraph (b) (*Restriction on interest payments*). Any interest cancelled or deemed cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter, and Noteholders and Couponholders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Bank may use such cancelled payments without restriction to meet its obligations as they fall due.

(e) *Notice of interest cancellation*

The Bank shall provide notice of any cancellation or deemed cancellation of interest (in whole or in part) to the Noteholders and Couponholders in accordance with Condition 13 (*Notices*) and to Paying Agents as soon as possible. If practicable, the Bank shall endeavour to provide such notice at least five (5) business days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders or Couponholders any rights as a result of such failure.

In addition to the cancellation of interest set out above, the Bank shall also cancel the payment of an accrued interest if an Automatic Conversion upon Capital Adequacy Trigger Event has occurred as described in Condition 7(a)(iv) (Automatic Conversion – Automatic Conversion upon Capital Adequacy Event – Effect of Automatic Conversion) below.

In circumstances where Article 141 of the CRD IV Directive (or, as the case may be, any provision of Luxembourg law transposing or implementing such Article) applies, no payments will be made on the Notes (whether by way of principal, interest or otherwise) if and to the extent that such payment would cause the maximum distributable amount (if any), determined in accordance with Article 141 of the CRD IV Directive (or, as the case may be, any provision of Luxembourg law transposing or implementing such Article) then applicable to the Bank to be exceeded.

4. **Redemption and Purchase**

(a) *No fixed redemption date*

The Notes are perpetual notes in respect of which there is no fixed redemption date and the Bank shall (subject to the provisions of Condition 1(b) (*Form, Denomination and Status – Status*) and without prejudice to the provisions of Condition 9 (*Prescription*)) only have the right to redeem or purchase the Notes in accordance with the following provisions of this Condition 4 (*Redemption and Purchase*).

(b) *Bank's call option*

Subject to paragraph (e) (*Conditions to redemption*), the Bank may, at its option (and without the requirement for consent or approval of the Noteholders or Couponholders), redeem the Notes, in whole but not in part, on 30 June 2020 or any Interest Payment Date falling on 30 June each year thereafter at 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) which the Bank decides in its absolute discretion that it will pay (which excludes any interest cancelled or deemed cancelled in accordance with Condition 3 (*Interest Cancellation*)) from (and including) the Interest Payment Date immediately preceding the date fixed for redemption (or, if none, the Issue Date) to (but excluding) the date fixed for redemption.

(c) *Redemption for Capital Event*

Subject to paragraph (e) (*Conditions to redemption*), if there is a change (or a pending change which the Regulator considers to be sufficiently certain) in the regulatory classification of the Notes that occurs on or after the Issue Date, that the Bank demonstrates to the satisfaction of the Regulator was not reasonably foreseeable as at the Issue Date, that would be likely to result in the exclusion of the Notes from own funds or their reclassification as a lower quality form of own funds (a "**Capital Event**"), the Bank may, at its option, at any time redeem the Notes, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) which the Bank decides in its absolute discretion that it will pay (which excludes any interest cancelled or deemed cancelled in accordance with Condition 3 (*Interest Cancellation*)) from (and including) the Interest Payment Date immediately preceding the date fixed for redemption (or, if none, the Issue Date) to (but excluding) the date fixed for redemption.

(d) *Redemption for Tax Event*

Subject to paragraph (e) (*Conditions to redemption*), the Notes may be redeemed at the option of the Bank, in whole but not in part, at any time at a redemption price of 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) which the Bank decides in its absolute discretion that it will pay (which excludes any interest cancelled or deemed cancelled in accordance with Condition 3 (*Interest Cancellation*)) from (and including) the Interest Payment Date immediately preceding the date fixed for redemption (or, if none, the Issue Date) to (but excluding) the date fixed for redemption, if as a result of a change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in an official application or interpretation of those laws or regulations on or after the Issue Date, including a decision of any court or tribunal which becomes effective on or after the Issue Date (and, in the case of a Substitute, which becomes effective on or after the date of that entity's assumption of the Bank's obligations):

- (i) the Bank will or would be required to pay Additional Amounts;
- (ii) the Bank would not be entitled to claim a deduction in respect of any payments in computing its taxation liabilities or the amount of the deduction would be materially reduced; or
- (iii) the Bank would, in the future, have to bring into account a taxable credit if the Notes were converted into Conversion Shares;

(each such circumstance in paragraphs (i) to (iii) above, a "**Tax Event**");

provided that in the case of each Tax Event, the Bank demonstrates to the satisfaction of the Regulator that such change was material and was not reasonably foreseeable as at the Issue Date and the consequences of the Tax Event cannot be avoided by the Bank taking reasonable measures available to it.

(e) *Conditions to redemption*

- (i) *Regulator consent and Regulatory Procedures:* Notwithstanding any other provision, the Bank may redeem the Notes (and give notice thereof to the Noteholders) only if it has obtained the prior approval of the Regulator and has complied with the Regulatory Procedures for the redemption of the Notes (in each case, if and to the extent required by the Applicable Banking Regulations) and solely to the extent permitted at any time by Applicable Banking Regulations.
- (ii) *Bank's certification on Capital Event:* in the case of a redemption in accordance with paragraph (c) (*Redemption for Capital Event*), prior to giving notice of redemption in accordance with paragraph (iv) (*Notice of redemption*), the Bank shall deliver to the Fiscal Agent a certificate signed by the Bank stating that a Capital Event has occurred and the Bank is entitled to effect such redemption. The Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above and without further enquiry or liability for so doing, in which event it shall be conclusive and binding on the Noteholders.
- (iii) *Bank's certificate on Tax Event:* in the case of a redemption in accordance with paragraph (d) (*Redemption for Tax Event*), prior to giving notice of redemption in accordance with paragraph (iv) (*Notice of redemption*), the Bank shall deliver to the Fiscal Agent (i) a certificate signed by the Bank stating that a Tax Event has occurred and that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Bank has or will become subject to a Tax Event. The Fiscal Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above and without further enquiry or liability for so doing, in which event it shall be conclusive and binding on the Noteholders.
- (iv) *Notice of redemption:* Any redemption of the Notes shall be subject to the Bank providing not less than thirty (30) days' nor more than sixty (60) days' prior notice to the Noteholders in accordance with Condition 13 (*Notices*) and to the Fiscal Agent (such notice being irrevocable except in the limited circumstances set out in paragraphs (v) (*Solvency Condition*) and (vi) (*Capital Adequacy Trigger Event*) below) specifying the Bank's election to redeem the Notes and the date fixed for such redemption, *provided that* in the case of a redemption in accordance with paragraph (d) (*Redemption for Tax Event*), no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which a Tax Event would occur.
- (v) *Solvency Condition:* If the Bank has elected to redeem the Notes but the Solvency Condition is not satisfied in respect of the relevant redemption payment on the applicable redemption date, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and no payment of the redemption amount will be due and payable. The Bank shall notify the Noteholders in accordance with Condition 13 (*Notices*) and the Fiscal Agent of any such rescission as soon as practicable prior to, or, as the case may be, following, the applicable redemption date.
- (vi) *Capital Adequacy Trigger Event:* If the Bank has elected to redeem the Notes but prior to the payment of the redemption amount with respect to such redemption a Capital Adequacy Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and an Automatic Conversion shall occur in accordance with Condition 7 (*Automatic Conversion*). The Bank shall deliver an Automatic Conversion Notice in accordance with Condition 7 (*Automatic Conversion*), which shall also

describe that the relevant redemption notice has accordingly been rescinded under this paragraph (vi).

(f) *Purchase*

The Bank or any member of the Group may at any time (subject to article 52(1)(i) of the CRD IV Regulation) purchase or otherwise acquire any of the outstanding Notes at any price in the open market (if any) or otherwise in accordance with article 52(1)(i) of the CRD IV Regulation, *provided that* no such purchase will be effected unless the prior approval of the Regulator is obtained and such purchase complies with the Regulatory Procedures (in each case, if and to the extent required by the Applicable Banking Regulations).

If there is a market for the Notes, the Bank or any agent on its behalf shall have the right at all times to purchase the Notes for market making purposes *provided that* the prior written approval of the Regulator has been obtained (if so required by the Applicable Banking Regulations).

(g) *Cancellation*

All Notes redeemed by the Bank pursuant to this Condition 4 (*Redemption and Purchase*) shall be cancelled and may not be reissued or resold. All Notes purchased by or on behalf of the Bank or any member of the Group may be held, reissued, resold and/or, at the option of the Bank or any such member of the Group, surrendered for cancellation. Any Notes so surrendered for cancellation may not be reissued or resold.

The Notes may only be redeemed or purchased subject to the maximum distributable amount (if any), determined in accordance with Article 141 of the CRD IV Directive (or, as the case may be, any provision of Luxembourg law transposing or implementing such Article) then applicable to the Bank, not being exceeded by such redemption or purchase.

5. **Payments**

(a) *Principal*

Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

(b) *Interest*

Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupon at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

(c) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any (i) applicable fiscal or other laws and regulations in the place of payment, or other laws and regulations to which the Bank or its Agents agree to be subject, but without prejudice to the provisions of Condition 6 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Deduction for unmatured Coupons*

If a Note is presented without all unmatured Coupons relating to the current Coupon Sheet (as defined below) thereon, then such missing Coupons shall become void and no payments will be made in respect of void Coupons.

(e) *Payments on Payment Business Days*

Subject to Conditions 3 (*Interest Cancellation*), 4 (*Redemption and Purchase*) and 7 (*Automatic Conversion*), if the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the Noteholder or the Couponholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) *Payments other than in respect of matured Coupons*

Payments of interest other than in respect of matured Coupons, if and to the extent payable, shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(g) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

(h) *Exchange of Talons*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 8 (*Prescription*) and excluding also those Coupons that have been cancelled or deemed cancelled. Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

6. **Taxation**

All payments of principal and/or interest in respect of the Notes and the Coupons by or on behalf of the Bank shall be made free and clear of, and without deduction or withholding for, or on account of, any and all present or future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("**taxes**") now or hereafter imposed, levied, collected, withheld or assessed by, or on behalf of, Luxembourg or any political subdivision or authority thereof or therein that has the power to tax (each, a "**Taxing Jurisdiction**"), unless the deduction or withholding is required by law. In that event the Bank shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. However, no such Additional Amounts shall be payable in respect of any Note or Coupon:

- (i) *Other Connection*: to, or to a third party on behalf of, a holder who is liable to such taxes in respect of such Note or Coupon by reason of his having some connection with a Taxing Jurisdiction other than the mere holding of the Note or Coupon;
- (ii) *Lawful avoidance of withholding*: presented for payment more than 30 days after the relevant date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day;
- (iii) *Payment to individuals and residual entities*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) *Payment by another Paying Agent*: presented for payment by or on behalf of a holder

who would have been able to avoid such withholding or deduction by presenting the relevant Note, or Coupon to another Paying Agent in a Member State of the European Union.

In these Conditions, "**relevant date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation, and any reference to principal or interest shall be deemed to include any Additional Amounts in respect of principal or interest (as the case may be) which are, were or would be payable under this Condition 6 (*Taxation*).

7. Automatic Conversion

(a) Automatic Conversion Upon Capital Adequacy Trigger Event

- (i) *Automatic Conversion*: If a Capital Adequacy Trigger Event occurs at any time, then an Automatic Conversion will occur on the Conversion Date at which point all of the Bank's obligations under the Notes shall be irrevocably and automatically released in consideration of the Bank's issuance of the Conversion Shares to the Conversion Shares Depositary on the Conversion Date at the Conversion Price (as determined in accordance with the procedures and timeframes set out in paragraph (c) (*Determination of the Conversion Price*) below). Under no circumstances shall such released obligations be reinstated. If the Bank has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Noteholders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee or to the Noteholders directly, which issuance shall irrevocably and automatically release all of the Bank's obligations under the Notes as if the Conversion Shares had been issued to the Conversion Shares Depositary.

A "**Capital Adequacy Trigger Event**" shall occur if the CET1 Ratio of the Bank or the Group, as the case may be, is less than 5.75 per cent., subject to increase as provided below in paragraph (ii) (*Increase in trigger level*). The Automatic Conversion shall occur without delay (and no later than within one month) upon the occurrence of a Capital Adequacy Trigger Event.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depositary (which shall hold the Conversion Shares on behalf of the Noteholders) or the relevant recipient as contemplated above, and each Noteholder shall be deemed to have irrevocably directed the Bank to issue the Conversion Shares corresponding to the conversion of its holding of Notes to the Conversion Shares Depositary (or to such other relevant recipient).

- (ii) *Increase in trigger level*: The Bank may at any time, and after notifying the Regulator, at its option, by giving notice to, and without the consent of, the Noteholders, amend the definition of Capital Adequacy Trigger Event by increasing the trigger level of the CET1 Ratio to 7.0 per cent. Such amendment shall only become effective on the next succeeding Interest Payment Date following the delivery of such notice. Simultaneously with such amendment becoming effective, the Initial Credit Spread shall be automatically increased by 0.375 per cent. per annum. The notice to the Noteholders shall be given in accordance with Condition 13 (*Notices*) and shall specify the amended definition of Capital Adequacy Trigger Event, the relevant Interest Payment Date on which such amendment shall become effective, the increased Initial Credit Spread and the corresponding Rate of Interest as applicable from such date.
- (iii) *Automatic Conversion Notice*: Upon the occurrence of a Capital Adequacy Trigger Event, the Bank shall immediately inform the Regulator and shall deliver the Automatic Conversion Notice to the Noteholders in accordance with Condition 13 (*Notices*) and paragraph (b) (*Automatic Conversion Procedure*) and to the Fiscal

Agent. On or (if reasonably practicable) prior to giving the Automatic Conversion Notice, the Bank shall deliver to the Fiscal Agent a certificate signed by the Bank stating that the Capital Adequacy Trigger Event has occurred and the Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the occurrence of such event, in which event such certificate shall be conclusive and binding on the Fiscal Agent and the Noteholders.

- (iv) *Effect of Automatic Conversion:* Following an Automatic Conversion, no Noteholder or Couponholder will have any rights against the Bank with respect to the repayment of the principal amount of the Notes or the payment of interest or any other amount on or in respect of such Notes or Coupons, which liabilities of the Bank shall be irrevocably and automatically released and, accordingly, the principal amount of the Notes shall equal zero at all times thereafter. Any interest in respect of an interest period ending on any Interest Payment Date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date shall be deemed to have been cancelled in accordance with Condition 3 (*Interest Cancellation*) upon the occurrence of such Capital Adequacy Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) on the Conversion Date, the Notes shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the Noteholder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary (or such other relevant recipient, as applicable).

As at the Issue Date, the Bank currently expects that beneficial interests in the Notes will be transferrable until the Suspension Date and that any trades in the Notes would clear and settle through the Clearing Systems until such date. However, there is no guarantee that an active trading market will exist for the Notes following the Automatic Conversion.

- (v) *No recourse to the Bank:* Provided that the Bank issues the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) in accordance with these Conditions, with effect from the Conversion Date, Noteholders shall have recourse only to the Conversion Shares Depositary (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if a Conversion Shares Offer is made pursuant to paragraph (d) (*Conversion Shares Offer*) below, of any Conversion Shares Offer Consideration to which such Noteholders are entitled.
- (vi) *Agreement by the Noteholders:* Notwithstanding any other provision herein, by its subscription, purchase or other acquisition of the Notes, each Noteholder shall (i) agree to all the terms and conditions of the Notes, including, without limitation, those related to (x) the occurrence of a Capital Adequacy Trigger Event and any related Automatic Conversion and (y) the appointment of the Conversion Shares Depositary, the issuance of the Conversion Shares to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) and the potential sale of the Conversion Shares pursuant to a Conversion Shares Offer, and (ii) agree that effective upon, and following, an Automatic Conversion, no amount shall be due and payable to the Noteholders or Couponholders under the Notes or Coupons and the liability of the Bank to pay any such amounts (including the principal amount of, or any interest in respect of, the Notes or Coupons) shall be automatically released.
- (vii) *No option to convert:* The Notes are not convertible into Conversion Shares at the option of the Noteholders at any time.

(b) *Automatic Conversion Procedure*

If a Capital Adequacy Trigger Event has occurred, the Bank shall deliver an Automatic Conversion Notice to the Fiscal Agent and the Noteholders in accordance with Condition 13 (*Notices*) on or as soon as practicable after such occurrence.

Notwithstanding Condition 13 (*Notices*), the Automatic Conversion Notice shall be deemed to

have been given on the date on which it is dispatched to the Fiscal Agent and the Noteholders.

Within ten (10) business days following the Conversion Date, the Bank shall deliver a Conversion Shares Offer Notice to the Noteholders in accordance with Condition 13 (*Notices*).

(c) *Determination of the Conversion Price*

(i) *Conversion Price pre-IPO Event*

Prior to an IPO Event, the Conversion Price will be determined in the following manner:

- (A) if the CET1 Ratio of the Bank or the Group has fallen below 8 per cent. as of any date, the Bank will, as soon as reasonably practicable, appoint an Independent Financial Adviser to prepare a preliminary valuation of the Bank. The Bank shall promptly notify the Noteholders in accordance with Condition 13 (*Notices*) of the occurrence of such an event and the Independent Financial Adviser appointed. If, subsequent to the preparation of a preliminary valuation, a Capital Adequacy Trigger Event occurs, the Bank will appoint an Independent Financial Adviser to prepare a valuation of the Bank (by updating the preliminary valuation of the Bank) based on the latest annual or interim financial statements of the Bank at the time, as the case may be, and the Conversion Price will be determined by the Independent Financial Adviser on the basis of such valuation, after notifying the Bank and the Noteholders of the level at which it expects to fix the Conversion Price and allowing two business days for the Bank and the Noteholders to supply, at their option, additional information to the Independent Financial Adviser, *provided that* the Conversion Price shall be at least equal to the then par value per ordinary share of the Bank. In the event that the valuation cannot be updated to enable the Automatic Conversion to occur within one month of the occurrence of the Capital Adequacy Trigger Event, the Conversion Price shall be equal to the then par value per ordinary share of the Bank; and
- (B) if upon the occurrence of a Capital Adequacy Trigger Event, a preliminary valuation of the Bank has not been completed in accordance with paragraph (A) above, the Bank will, as soon as reasonably practicable, appoint an Independent Financial Adviser to prepare a valuation of the Bank based on the latest annual or interim financial statements of the Bank at the time, as the case may be. The Conversion Price will be determined by the Independent Financial Adviser on the basis of such valuation, after notifying the Bank and the Noteholders of the level at which it expects to fix the Conversion Price and allowing two business days for the Bank and the Noteholders to supply, at their option, additional information to the Independent Financial Adviser, *provided that* the Conversion Price shall be at least equal to the then par value per ordinary share of the Bank. The Bank shall promptly notify the Noteholders in accordance with Condition 13 (*Notices*) of the occurrence of the Capital Adequacy Trigger Event and the Independent Financial Adviser appointed. If such valuation cannot be completed to enable the Automatic Conversion to occur within one month of the occurrence of the Capital Adequacy Trigger Event, the Conversion Price shall be equal to the then par value per ordinary share of the Bank.

(ii) *Conversion Price post-IPO Event*

Upon the occurrence of an IPO Event, the Bank shall have the right, upon giving not less than 15 days' notice to the Noteholders, to amend these Conditions to provide for the Conversion Price to be calculated, in respect of the Conversion Date, as an amount which is the higher of:

- (A) the then market value of the ordinary shares;
- (B) the Floor Price; and

(C) the then current par value of the ordinary shares.

The initial "**Floor Price**" will be specified in the notice to Noteholders advising them that the Bank has exercised its right to amend the terms to calculate the Conversion Price in accordance with this Condition 7(c)(ii) and will not be greater than 50 per cent. of the price at which the Bank offered ordinary shares for sale in connection with the IPO Event. The initial Floor Price may be subject to adjustment following certain corporate or other events to be specified in the amended Conditions. By purchasing the Notes, each Noteholder will agree that the Bank may, without its further consent, amend these Conditions to reflect an amendment to the Conversion Price in the manner contemplated by this Condition 7(c)(ii) and to make any other consequential changes to these Conditions which the Bank deems reasonably necessary to effect such amendment. The Bank will not exercise this option until the Regulator has approved in writing the proposed amendments to these Conditions contemplated by this Condition 7(c)(ii).

(d) *The Conversion Shares*

The number of Conversion Shares to be issued to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) for the benefit of each Noteholder on the Conversion Date shall be determined for each Noteholder by dividing the aggregate principal amount of the Notes outstanding held by such Noteholder immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The Conversion Shares issued following an Automatic Conversion will be fully paid and will in all respects rank *pari passu* with the fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law.

The Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) shall hold the Conversion Shares on behalf of the Noteholders, who shall be entitled to direct the Conversion Shares Depositary (or such other recipient, as applicable), to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Noteholders shall not be able to sell or otherwise transfer the Conversion Shares until such time as they have been delivered to Noteholders in accordance with the procedures set forth in paragraph (e) (*Settlement Procedure*).

The Conversion Shares or the Conversion Shares Offer Consideration, as the case may be, will be delivered to Noteholders pursuant to the procedures set forth in paragraph (f) (*Settlement Procedure*) below.

The Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) and the Noteholders shall make all regulatory notifications, filings or registrations and obtain all regulatory consents, approvals and authorisations, if any, required by laws and regulations applicable to them as a result of the issuance of the Conversion Shares.

(e) *Conversion Shares Offer*

The Bank will use its best efforts (*obligation de moyens*) to procure that the Conversion Shares Depositary makes an offer of the Conversion Shares to the Bank's ordinary shareholders (*pro rata* to their respective shareholding as at the date of the offer) at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided below (the "**Conversion Shares Offer**"). The Bank may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.

The Bank will deliver a Conversion Shares Offer Notice to Noteholders in accordance with Condition 13 (*Notices*) within ten (10) business days following the Conversion Date specifying

whether or not the Conversion Shares Offer is to be conducted and if so, the Conversion Shares Offer Period during which the Conversion Shares Offer may be made.

Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time. The Bank or the purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes referred to in the definition of Conversion Shares Offer Consideration), including the fees of the Conversion Shares Offer Agent, if any. If a prospectus or other offering document is required to be prepared in connection with a Conversion Shares Offer, the Bank will facilitate the preparation of such prospectus or other offering document, in each case, if and to the extent then required by applicable laws and regulations then in effect.

Upon completion of the Conversion Shares Offer, the Bank or the Conversion Shares Depositary will provide notice to the Noteholders in accordance with Condition 13 (*Notices*) of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.

By its subscription for, purchase or other acquisition of the Notes, each Noteholder acknowledges and agrees that if the Bank procures, after using its best efforts (*obligation de moyens*), that a Conversion Shares Offer be conducted by the Conversion Shares Depositary, such Noteholder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and to the Conversion Shares Depositary using the Conversion Shares to settle any Conversion Shares Offer in accordance with these Conditions, (ii) consented to the transfer of the beneficial interest it holds in the Conversion Shares to the Conversion Shares Depositary in connection with the Conversion Shares Offer in accordance with the terms of the Notes, (iii) irrevocably agreed that the Bank, the Conversion Shares Depositary and the Conversion Shares Offer Agent, if any, may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Notes, and (iv) agreed that none of the Bank, the Conversion Shares Depositary or the Conversion Shares Offer Agent, if any, shall, to the extent permitted by applicable law, incur any liability to the Noteholders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depositary in respect of the Noteholders' entitlement to any Conversion Shares Offer Consideration) except to the extent any damage is caused by gross negligence or wilful misconduct on the part of the Bank, the Conversion Shares Depositary or the Conversion Shares Offer Agent, if any.

Neither the occurrence of a Capital Adequacy Trigger Event nor, following the occurrence of a Capital Adequacy Trigger Event, the procurement by the Bank of a Conversion Shares Offer on the terms set out herein, shall preclude the Bank from undertaking a rights issue at any time on such terms as the Bank deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of ordinary shares at or below the Conversion Price.

(f) *Settlement Procedure*

Delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Noteholders will be made in accordance with the following procedures:

- (i) *Notes represented in the form of global notes:* where the Notes are represented by a temporary global note in bearer form or a permanent global note in bearer form, the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will be delivered to the holder of the global note in registered form held through the Clearing Systems, in which the Conversion Shares are a participating security at the relevant time, as notified by the Bank to the Noteholders in accordance with Condition 13 (*Notices*) by registering the holder of the global note as holder of such Conversion Shares in the Bank's share register. Following such registration into the Bank's share register, the global note shall be cancelled. Each Clearing System will credit and debit the accounts of its participants accordingly. Moreover, as of the date of the deliverance of the Conversion Shares through the Clearing Systems, the Noteholders may request, at any time, by providing evidence of their entitlement to the relevant Conversion Shares, to be registered as the direct holder of such Conversion Shares in the Bank's share register, if their name has not been indicated as name to be registered in the Bank's share register in the relevant

Conversion Shares Settlement Notice or in case of failure to deliver a Conversion Shares Settlement Notice.

- (ii) *Notes in the form of definitive notes:* where the Notes have been represented by a permanent global note and such permanent global note has been exchanged, in the limited circumstances specified therein, for Notes in definitive form, the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered by (A) registering the name of the relevant Noteholder (or its nominee) in the Bank's share register and (B) dispatching a certificate in respect thereof by mail free of charge to the relevant Noteholder (or its nominee) or as it may direct in the relevant Conversion Shares Settlement Notice. Following such registration into the Bank's share register, the Notes in definitive form shall be cancelled.
- (iii) *Cash component:* the cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Noteholders by (A) Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System on or around the date on which the Conversion Shares Offer Period ends, or (B) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) before the end of the Conversion Shares Offer Period, by transfer on or around the date on which the Conversion Shares Offer Period ends to such Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System as the Noteholder may direct in such notice.
- (iv) *Taxes:* neither the Bank, nor any member of the Group shall be liable for any capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration), which tax shall be borne solely by the Noteholder or, if different, the person to whom the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are delivered.
- (v) *Suspension Date:* the Conversion Shares Offer Notice shall specify the Suspension Date. On the Suspension Date, the Bank shall deliver a Conversion Shares Settlement Request Notice to the Noteholders in accordance with Condition 13 (*Notices*). Such notice shall request that Noteholders complete a Conversion Shares Settlement Notice and shall specify the Notice Cut-off Date and the Final Cancellation Date.

On the Suspension Date, each of the Clearing Systems shall block all positions relating to the Notes held in such Clearing System, which will suspend all clearance and settlement of transactions in the Notes through such Clearing System. As a result, Noteholders will not be able to settle the transfer of any Notes through such Clearing System following the Suspension Date with respect to such Clearing System, and any sale or other transfer of the Notes that a Noteholder may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System.

- (vi) *Conversion Shares Settlement Notice:* in order to obtain delivery of the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Noteholder must deliver its Conversion Shares Settlement Notice to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) on or before the Notice Cut-off Date. If such delivery is made after the end of normal business hours at the specified office of the Conversion Shares Depositary (or such other relevant recipient, as applicable), such delivery shall be deemed for all purposes to have been made or given on the next following business day. The Conversion Shares Settlement Notice must be delivered to the specified office of the Conversion Shares Depositary (or such other relevant recipient, as applicable) together with the relevant Notes.

Each Conversion Shares Settlement Notice shall be irrevocable and delivered in accordance with these Conditions. Failure to properly complete and deliver a Conversion Shares Settlement Notice and the relevant Notes, if applicable, may result in such notice being treated by the Conversion Shares Depositary (or such other relevant recipient, as applicable) as null and void. Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered shall be made by the Conversion Shares Depositary (or such other relevant recipient, as applicable) in its sole and absolute discretion and shall be conclusive and binding on the relevant holder.

- (vii) *Delivery of Conversion Shares on the Settlement Date*: subject as provided herein and provided the Conversion Shares Settlement Notice and the relevant Notes, if applicable, are delivered on or before the Notice Cut-off Date, the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) shall deliver the relevant Conversion Shares (rounded down to the nearest whole number of Conversion Shares) or Conversion Share component, if any, of any Conversion Shares Offer Consideration (rounded down to the nearest whole number of Conversion Shares), as applicable, to the relevant Noteholder completing the relevant Conversion Shares Settlement Notice or its nominee in accordance with the instructions given in such Conversion Shares Settlement Notice on the applicable Settlement Date.
- (viii) *Failure to deliver a Conversion Shares Settlement Notice*: if a Conversion Shares Settlement Notice and the relevant Notes, if applicable, are not delivered to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) on or before the Notice Cut-off Date, then the Conversion Shares Depositary (or such other relevant recipient, as applicable) shall continue to hold the relevant Conversion Shares (or Conversion Share component, if any, of any Conversion Shares Offer Consideration) until a Conversion Shares Settlement Notice (and the relevant Notes, if applicable) is (or are, as the case may be) so delivered. However, the relevant Notes shall be cancelled on the Final Cancellation Date and any Noteholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depositary (or such other relevant recipient, as applicable) in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration).

The Bank shall have no liability to any Noteholder for any loss resulting from such Noteholder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Notes, if applicable, on a timely basis or at all except to the extent any damage is caused by gross negligence or wilful misconduct on the part of the Bank.

8. **Prescription**

Claims arising, to the extent permitted under these Conditions, for principal and interest on redemption shall become void unless the relevant Notes or Coupons are surrendered for payment within ten years of the appropriate Relevant Date.

9. **Replacement of Notes, Coupons and Talons**

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

10. **Paying Agents**

In acting in connection with the Notes and Coupons, the Agents act solely as agents of the Bank and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The Bank reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent and additional or successor paying agents and calculation agents; provided, however, that the Bank shall at all times maintain (a) a fiscal agent and (b) a calculation agent and will, on or before the first Interest Payment Date, appoint and thereafter maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC (as amended from time to time).

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 13 (*Notices*).

11. **Meetings of Noteholders; Modification; Substitution**

(a) *Meetings of Noteholders*

Noteholders will belong to a masse (the "**Masse**") created, among other things, for the representation of their common interests pursuant to the provisions of articles 86 to 94-8 of the Luxembourg Company Law. The discussion below is based on the Luxembourg Company Law in effect on the Issue Date. Any subsequent amendments to the relevant provisions of the Luxembourg Company Law may amend or modify the discussion below. A general meeting of the Noteholders (the "**Masse Meeting**") may appoint and determine the powers of one or more representatives (the "**Representatives**"). Where Representatives have been appointed, Noteholders may no longer individually exercise their rights against the Bank. A Masse Meeting may be called at any time by the Representatives (if any) or the board of directors of the Bank. The Representatives, provided an advance on expenses has been paid to them, or the board of directors of the Bank must convene the Masse Meeting if called upon to do so by Noteholders representing 5 per cent. or more of the Notes outstanding. All Masse Meetings shall be held at the place specified in the notice calling the meeting and such notice shall contain the agenda and shall take the form of announcements published twice, with a minimum interval of eight days, and eight days before the meeting, in the Official Gazette (*Mémorial*) and in a Luxembourg newspaper. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders. All Noteholders have the right to attend and vote at the Masse Meeting either personally or by proxy. The voting rights attached to the Notes are equal to the proportion of the amount of the outstanding Notes represented by the amount of the Note or Notes held by the relevant Noteholder. A Masse Meeting may be called in the event of a merger involving the Bank, may approve certain changes in the rights of the Noteholders and may, generally, determine any measures designed to ensure the defence of interests or the exercise of the rights of the Noteholders in accordance with the provisions of the Luxembourg Company Law. A Masse Meeting may deliberate validly without a quorum and by vote of a simple majority of Noteholders attending or represented at such Masse Meeting on the appointment and revocation of the Representatives, the revocation of special representatives appointed by the Bank and the approval of any measures of a conservatory nature in the general interests of the Noteholders. On all other matters (except in respect of certain matters, including a change in the nationality of the Bank or the increase of the commitments of the shareholders of the Bank, where unanimous consent is required, or a change of the object clause or the form of the Bank for which provisions of article 67-1 of the Luxembourg Company Law shall apply) the Masse Meeting may deliberate validly on first convocation only if Noteholders present or represented hold at least 50 per cent. of the Notes then outstanding. On second convocation no quorum is required. Decisions at such meetings shall be taken by a majority of 66⅔ per cent. of the votes cast by Noteholders attending such meetings or represented thereat.

(b) *Regulator notice or consent*

These Conditions shall only be capable of modification and the Bank may only be substituted in accordance with paragraph (d) (*Substitution*), if the Bank has notified the Regulator of such modification or substitution or obtained the prior consent of the Regulator, as the case may be, (if such notice or consent is then required by the Applicable Banking Regulations).

(c) *Substitution*

Subject as provided in paragraph (b) (*Regulator notice or consent*) above and the provisions of these Conditions the Noteholders and the Couponholders by subscribing to or purchasing any Notes or Coupons, expressly consent to the Bank, or any previous substituted company, at any time, *provided* the prior approval of the Regulator is obtained, substituting for itself as principal debtor under the Notes, the Coupons and the Talons any Subsidiary of the Bank or the successor company of the Bank or jointly and severally one or more companies to whom the Bank has transferred all of its assets and business undertakings (in each case the "**Substitute**") *provided that* no payment in respect of the Notes is at the relevant time overdue, no steps have been taken to admit the Bank to a regime of suspension of payments (*sursis de paiement*) and (except in the case of a solvent reorganisation or amalgamation) no order has been made or resolution passed for the Liquidation of the Bank. Such substitution effected in accordance with this Condition 11(c) will release the Bank or any previous substituted company and the Noteholders and Couponholders expressly consent hereto.

The substitution shall be made by a written undertaking (the "**Undertaking**") to be based on the form scheduled hereto as Schedule 1 and may take place only if (i) the Substitute shall, by means of the Undertaking, agree to indemnify each Noteholder and Couponholder against any taxes which is imposed on it by (or by any taxing authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Coupon, Talon or the Undertaking and which would not have been so imposed had the substitution not been made, as well as against any taxes, and any cost or expense, relating to the substitution; (ii) if the Substitute is a Subsidiary of the Bank, the obligations of the Substitute under the Undertaking, the Notes and the Coupons shall be unconditionally and irrevocably guaranteed (subordinated to the same extent as set out in Condition 1(b) (*Form, Denomination and Status – Status and subordination*)) by the Bank or its successor or each of the companies to whom together the Bank has transferred all of its assets and business undertakings (each a "**Guarantor**") (which shall be the same basis in respect of which Notes were subordinated) by means of a guarantee substantially in the form contained in the Undertaking (the "**Guarantee**"); (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Undertaking, the Notes, Coupons and Talons represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect; (iv) the Bank shall have made available at the specified offices of the Fiscal Agent and the Paying Agent a certificate signed by Bank stating that the preceding conditions of this Condition 11(c) (*Meetings of Noteholders; Modification; Substitution – Substitution*) and the other matters specified in the Undertaking have been fulfilled; (v) if at the time the Notes are rated by a rating agency, the substitution does not affect adversely any such rating by such rating agency and (vi) the Bank shall have given at least 30 days' prior notice of such substitution to the Noteholders, to be published in accordance with Condition 13 (*Notices*) stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents.

(d) *Effect for the Holders*

Any such modification or substitution shall be binding on all the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

12. **Further Issues**

The Bank may from time to time, without the consent of the Noteholders or Couponholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

13. **Notices**

Notices to the Noteholders shall be valid if published in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable,

in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notices of the contents of any notice given to the Noteholders.

14. **Governing Law and Jurisdiction**

(a) *Governing Law*

The Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by Luxembourg law.

(b) *Jurisdiction*

The courts of Luxembourg-City shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") shall be brought in such courts. The Bank and each of the holders of the Notes, Coupons and Talons irrevocably submits to the jurisdiction of the courts of Luxembourg-City and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bank and the Noteholders and Couponholders.

15. **Interpretation**

(a) *Definitions*

In these Conditions, the following expressions have the following meanings:

"**Additional Amount**" has the meaning given to such term in Condition 6 (*Taxation*).

"**Applicable Banking Regulations**" means the CRD IV Regulation, the CRD IV Directive, the Financial Sector Law, the CSSF Regulation N°14-01 on the implementation of certain discretions of the CRD IV Regulation, any laws, regulations or acts implementing the CRD IV and, at any time, the laws, regulations, circular letters and other requirements, standards, guidelines and policies relating to capital adequacy for credit institutions of either (i) the Regulator and/or (ii) any other national or European authority, in each case then in effect in Luxembourg (or in such other jurisdiction which is the home member state of the Bank as defined in the CRD IV Regulation, the CRD IV Directive and the Financial Sector Law ("**Home Member State**")) and applicable to the Bank or the Group.

"**Authorised Denomination**" has the meaning given to such term in Condition 1(a) (*Form, Denomination and Status – Form, denomination and title*).

"**Automatic Conversion**" means the irrevocable and automatic release of all of the Bank's obligations under the Notes in consideration of the Bank's issuance of the Conversion Shares at the Conversion Price to the Conversion Shares Depositary (on behalf of the Noteholders) or to the relevant recipient, in accordance with the Conditions and the articles of association of the Bank and applicable laws.

"**Automatic Conversion Notice**" means the written notice to be delivered by the Bank to the Noteholders in accordance with Condition 13 (*Notices*) specifying (i) that a Capital Adequacy Trigger Event has occurred and (ii) the Conversion Date or expected Conversion Date.

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, which was adopted by the Council of the European Union on 6 May 2014, and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council.

"**business day**" means any weekday, other than one on which banking institutions are authorised or obligated by law to close in Luxembourg, unless otherwise defined in the Conditions.

"**Calculation Amount**" means €10,000.

"**Cancellation Date**" means (i) with respect to any Note for which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) on or before the Notice Cut-off Date, the applicable Settlement Date and (ii) with respect to any Note for which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) on or before the Notice Cut-off Date, the Final Cancellation Date.

A "**Capital Adequacy Trigger Event**" has the meaning given to such term in Condition 7(a)(i) (*Automatic Conversion – Automatic Conversion Upon Capital Adequacy Trigger Event – Automatic Conversion*).

"**Capital Event**" has the meaning given to such term in Condition 4(c) (*Redemption and Purchase – Redemption for Capital Event*).

"**CET1 Capital**" means, in respect of either the Bank or the Group (as the case may be), as of any date, the sum, expressed in euro, of all amounts that constitute common equity tier 1 capital of either the Bank or the Group (as the case may be) as of such date, less any deductions from common equity tier 1 capital required to be made as of such date, as calculated by the Bank on an individual basis at the level of the Bank or on a consolidated basis at the level of the Group (as the case may be) in accordance with the Applicable Banking Regulations on such date (which calculation shall be binding on the Noteholders). For the purposes of this definition, the term "common equity tier 1 capital" shall have the meaning assigned to such term in article 50 of the CRD IV Regulation as interpreted and applied in accordance with the Applicable Banking Regulations and, for avoidance of doubt, subject always to the transitional and grandfathering arrangements thereunder, as applicable in Luxembourg (or, as the case may be, in such other jurisdiction which is the Home Member State of the Bank).

"**CET1 Ratio**" means, in respect of either the Bank or the Group (as the case may be), as of any date, the ratio of CET1 Capital as of such date to the Risk Weighted Assets as of the same date, expressed as a percentage, in accordance with article 92 of the CRD IV Regulation.

"**Clearing Systems**" means Clearstream Securities Settlement System and the securities clearing and settlement systems operated by Euroclear Bank S.A./N.V., or such other clearing system in which the Notes or Conversion Shares are a participating security.

"**Clearstream Securities Settlement System**" means Clearstream Securities Settlement System operated by Clearstream Banking S.A., a public limited company (*société anonyme*) incorporated under the laws of Luxembourg, with registered office at 42, Avenue J.F. Kennedy, L-1855 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 9248.

"**Code**" has the meaning given to such term in Condition 5(c) (*Payments – Payments subject to fiscal laws*).

"**Conversion Date**" means the date on which the Automatic Conversion shall take place, or has taken place, as applicable, *provided that* it shall occur no later than within one month after the occurrence of a Capital Adequacy Trigger Event.

"**Conversion Price**" means the conversion price per Conversion Share as determined in accordance with Condition 7(c) (*Automatic Conversion – Determination of the Conversion Price*).

"**Conversion Shares**" means the ordinary registered shares of the Bank to be issued to the Conversion Shares Depositary on behalf of the Noteholders (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion.

"Conversion Shares Depositary" means a financial institution, trust company, depository entity, nominee entity or similar entity to be appointed by the Bank on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Noteholders, to hold the Conversion Shares (and any Conversion Shares Offer Consideration) on behalf of such Noteholders in one or more segregated accounts unless otherwise required for the purposes of the Conversion Shares Offer and, in any event, on terms consistent with these Conditions.

"Conversion Shares Offer" has the meaning given to such term in Condition 7(e) (*Automatic Conversion – Conversion Shares Offer*).

"Conversion Shares Offer Agent" means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depositary by the Bank, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depositary to facilitate a Conversion Shares Offer.

"Conversion Shares Offer Consideration" means in respect of each Note (i) if all of the Conversion Shares are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note, (ii) if some but not all of the Conversion Shares are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Note and (y) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Note rounded down to the nearest whole number of Conversion Shares, and (iii) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Note rounded down to the nearest whole number of Conversion Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer.

"Conversion Shares Offer Notice" means the written notice to be delivered by the Bank to the Noteholders in accordance with Condition 13 (*Notices*) specifying (i) whether or not, after the Bank has used its best efforts (*obligation de moyens*), a Conversion Shares Offer is to be made and, if so, the Conversion Shares Offer Period, (ii) the Suspension Date and (iii) details of the Conversion Shares Depositary and Conversion Shares Offer Agent (if any) or, if the Bank has been unable to appoint a Conversion Shares Depositary, such other arrangements for the issuance and/or delivery of the Conversion Shares or the Conversion Shares Offer Consideration, as applicable, to the Noteholders as it shall consider reasonable in the circumstances.

"Conversion Shares Offer Period" means the period during which the Conversion Shares Offer may occur, which period shall end no later than thirty (30) business days after the delivery of the Conversion Shares Offer Notice.

"Conversion Shares Settlement Notice" means a written notice to be delivered by a Noteholder to the Conversion Shares Depositary (or to the relevant recipient in accordance with these Conditions), no earlier than the Suspension Date containing the following information: (i) the name of the Noteholder, (ii) the aggregate amount of the Authorised Denomination of each of the Notes held by such Noteholder on the date of such notice, (iii) the name to be entered in the Bank's share register, (iv) the details of the account with the relevant Clearing System in which the Conversion Shares are then participating securities or, if the Conversion Shares are not a participating security in the Clearing Systems, the address to which the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) and/or cash (if not expected to be delivered through the Clearing Systems) should be delivered and (v) such other details as may be required by the Conversion Shares Depositary (or such relevant recipient, as applicable).

"Conversion Shares Settlement Request Notice" means the written notice to be delivered by the Bank to the Fiscal Agent and the Noteholders in accordance with Condition 13 (*Notices*) on the Suspension Date requesting that Noteholders complete a Conversion Shares Settlement

Notice and specifying (i) the Notice Cut-off Date and (ii) the Final Cancellation Date.

"**Coupon Sheet**" has the meaning given to such term in Condition 5(h) (*Payments – Exchange of Talons*).

"**CRD IV**" means the legislative package consisting of the CRD IV Directive and the CRD IV Regulation.

"**CRD IV Directive**" means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time.

"**CRD IV Regulation**" means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time.

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by (a) the number of days in the Regular Period in which the relevant period falls (in the case of a relevant period that ends on or before 30 June 2020), or (b) the product of (1) the number of days in the Regular Period in which the relevant period falls and (2) four (in the case of a relevant period that ends after 30 June 2020).

"**Distributable Items**" shall have the meaning assigned to such term in article 4(1)(128) of the CRD IV Regulation as interpreted and applied in accordance with the Applicable Banking Regulations then applicable to either the Bank or the Group (as the case may be).

"**EEA Regulated Market**" means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets on financial instruments, as the same may be amended from time to time.

"**€**" or "**euro**" or "**EUR**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

"**Final Cancellation Date**" means the date on which the Notes in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) on or before the Notice Cut-off Date shall be cancelled, which date may be up to twelve (12) business days following the Notice Cut-off Date.

"**Financial Sector Law**" means the law of 5 April 1993 on the financial sector, as amended (*loi du 5 avril 1993 relative au secteur financier telle qu'elle a été modifiée*).

"**Five-year Mid-Market Swap Rate Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which: (i) has a term of five years commencing on the applicable Reset Date; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and (iii) has a floating leg based on six-month EURIBOR (calculated on an Actual/360 day count basis).

"**Floor Price**" has the meaning given to such term in Condition 7(c)(ii) (*Automatic Conversion – Determination of the Conversion Price – Conversion Price post-IPO Event*).

"**Group**" means the Bank and its consolidated Subsidiaries taken as a whole.

"**Independent Financial Adviser**" means an independent investment bank or accounting firm, in each case of international repute, appointed by the Bank, or the Bank's auditors at the time, as selected by the Bank.

"**Initial Credit Spread**" means 5.48 per cent. per annum, which is subject to increase in the

circumstances set out in Condition 7(a)(ii) (*Automatic Conversion – Automatic Conversion Upon Capital Adequacy Trigger Event – Increase in trigger level*).

"Initial Interest Rate" has the meaning given to such term in Condition 2(b) (*Interest – Rate of Interest*).

"Interest Payment Date" has the meaning given to such term in Condition 2(c) (*Interest – Interest Payment Dates*).

"IPO Event" means the first admission to trading and listing of the ordinary shares of the Bank on any Recognised Stock Exchange and an **"IPO Event"** shall be treated as occurring on the day on which trading in such ordinary shares begins on an unconditional basis.

"Issue Date" means 30 June 2014.

"Liquidation" has the meaning given to such term in Condition 1(b) (*Form, Denomination and Status – Status*).

"Luxembourg Company Law" means the law of 10 August 1915 on commercial companies, as amended (*loi du 10 août 1915 concernant les sociétés commerciales, telle qu'elle a été modifiée*).

"Masse" has the meaning given to such term in Condition 11(a) (*Meetings of Noteholders; Modification; Substitution – Meetings of Noteholders*).

"Masse Meeting" has the meaning given to such term in Condition 11(a) (*Meetings of Noteholders; Modification; Substitution – Meetings of Noteholders*).

"Mid-Market Swap Rate" means the mid market euro swap rate EURIBOR basis having a five-year maturity appearing on Reuters page "ISDAFIX2" (or such other page as may replace such page on Reuters, or such other page as may be nominated by the person providing or sponsoring the information appearing on such page for purposes of displaying comparable rates) at 11:00 a.m. (Frankfurt time) on the relevant Reset Determination Date, as determined by the Calculation Agent. If such swap rate does not appear on such page (or such other page or service), the Mid Market Swap Rate shall instead be determined by the Calculation Agent on the basis of (i) Five-year Mid-Market Swap Rate Quotations provided by the principal office of each of four major banks in the euro swap rate market (which banks shall be selected by the Calculation Agent no less than 20 calendar days prior to the relevant Reset Determination Date) (the **"Reference Banks"**) at approximately 11.00 a.m. (Frankfurt time) (or thereafter on such date, with the Calculation Agent acting on a best efforts basis) on the relevant Reset Determination Date and (ii) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards) of such Five-year Mid-Market Swap Rate Quotations. If the relevant Mid Market Swap Rate is still not determined on the relevant Reset Determination Date in accordance with the foregoing procedures, the relevant Mid Market Swap Rate shall be the mid market euro swap rate EURIBOR basis having a five-year maturity that appeared on the most recent Reuters page "ISDAFIX2" (or such other page as may replace such page on Reuters, or such other page as may be nominated by the person providing or sponsoring the information appearing on such page for purposes of displaying comparable rates) that was last available prior to 11.00 a.m. (Frankfurt time) on each Reset Determination Date, as determined by the Calculation Agent.

"Notice Cut-off Date" means the date specified as such in the Conversion Shares Settlement Request Notice, which date shall be at least forty (40) business days following the Suspension Date.

"ordinary shares" means fully paid ordinary shares in the capital of the Bank with a par value, as at the Issue Date, of €70 each.

"outstanding" means all the Notes issued other than (a) those that have been redeemed or converted in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption which has not been cancelled as provided in the Conditions and any interest payable after such date) remain available for payment against

presentation and surrender of Notes and/or Coupons, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased as provided in the Conditions, (e) those mutilated or defaced Notes that have been surrendered in exchange for replacement Notes, (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued, and (g) any temporary Global Note to the extent that it shall have been exchanged for a permanent Global Note and any Global Note to the extent that it shall have been exchanged for one or more Definitive Notes, pursuant to its provisions.

"**own funds**" has the meaning given to it in the CRD IV Regulation.

"**Payment Business Day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies) in such place of presentation and, in the case of payment by transfer to a euro account, on which the TARGET System is open.

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) or other legal entity.

"**Proceedings**" has the meaning given to such term in Condition 14(b) (*Governing Law and Jurisdiction - Jurisdiction*).

"**Rate of Interest**" shall mean the Initial Interest Rate and/or the relevant Subsequent Interest Rate, as the case may be.

"**Recognised Stock Exchange**" means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

"**Regular Period**" means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

"**Regulator**" means (a) the *Commission de Surveillance du Secteur Financier* ("**CSSF**") or such other authority of Luxembourg (or if the Home Member State of the Bank becomes a jurisdiction other than Luxembourg, such other jurisdiction) which assumes or performs the functions, as at the Issue Date, performed by such authority or authorities or such other or successor authority exercising primary supervisory authority with respect to prudential matters in relation to the Bank and (b) as applicable in accordance with regulation (EU) No 1024/2013, the European Central Bank.

"**Regulatory Procedures**" means in respect of any redemption or purchase of the Notes:

- (1) on or before such redemption or purchase (as the case may be) of the Notes, the Bank replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for its income capacity; or
- (2) the Bank has demonstrated to the satisfaction of the Regulator that the own funds of the Bank and the Group would, following such redemption or purchase (as the case may be), exceed its minimum capital requirements (including any capital buffer requirements) as set out in CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution.

"**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

"**Representative**" has the meaning given to such term in Condition 11(a) (*Meetings of Noteholders; Modification; Substitution – Meetings of Noteholders*).

"Reset Date" means 30 June 2020 and each fifth anniversary date thereafter, commencing 30 June 2025.

"Reset Determination Date" means the second Payment Business Day immediately preceding each Reset Date.

"Risk Weighted Assets" means, in respect of either the Bank or the Group (as the case may be), as of any date, the aggregate amount, expressed in euro, of the risk weighted assets of either the Bank (as calculated on an individual basis at the level of the Bank) or the Group (as calculated on a consolidated basis at the level of the Group) (as the case may be), as of such date, as calculated by the Bank on an individual basis or on a consolidated basis (as the case may be) in accordance with the Applicable Banking Regulations, on such date (which calculation shall be binding on the Noteholders). For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated by the Bank, in accordance with article 92 of the CRD IV Regulation and the Applicable Banking Regulations and, for avoidance of doubt, subject always to the transitional and grandfathering arrangements thereunder, as applicable in Luxembourg (or, as the case may be, in such other jurisdiction which is the Home Member State of the Bank).

"Senior Creditors" means creditors of the Bank:

- (i) who are depositors and/or other unsubordinated creditors;
- (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the Liquidation of the Bank or otherwise) to the claims of unsubordinated creditors of the Bank but not further or otherwise;
- (iii) under the *contrat d'association* entered into between Banque de Luxembourg and the Bank dated 4 July 2001, as amended from time to time, according to which Banque de Luxembourg, in a capacity as fiduciary acting for the account of holders of fixed/floating rate perpetual capital notes issued on a fiduciary basis by Banque de Luxembourg, has acquired a participation in the form of an *association en participation* as referred to in article 139 of the Luxembourg law of 10th August 1915 on commercial companies, as amended, or
- (iv) whose claims are, or are expressed to be, junior to the claims of other creditors of the Bank, whether subordinated or unsubordinated (including holders of instruments that constitute Tier 2 instruments (as defined in article 63 of the CRD IV Regulation)), other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders and Couponholders.

"Settlement Date" means (i) with respect to any Note in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Notes, as applicable) on or before the Notice Cut-off Date, the later of (a) the date that is two (2) business days after the end of the relevant Conversion Shares Offer Period and (b) the date that is two (2) business days after the date on which such Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary (or such relevant recipient, as applicable) and (ii) with respect to any Note in relation to which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depositary (or such relevant recipient, as applicable) on or before the Notice Cut-off Date, the date on which the Conversion Shares Depositary (or such relevant recipient, as applicable) delivers the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable.

"shareholders" means the holders of ordinary shares.

"Solvency Condition" has the meaning given to such term in Condition 1(b) (*Form, Denomination and Status – Status*).

"Specified Office" means, as at the date hereof, 69 route d'Esch, L-2953 Luxembourg, and thereafter such other office of the Agents as may be notified to the Noteholders by the Issuer.

"Subsequent Interest Rate" has the meaning given to such term in Condition 2(b) (*Interest -*

Rate of Interest).

"**Subsidiary**" means subsidiary as defined in Article 1, 18 of the Financial Sector Law.

"**Substitute**" has the meaning given to such term in Condition 11(c) (*Meetings of Noteholders; Modification; Substitution – Substitution*).

"**Suspension Date**" means, with respect to each Clearing System, the date specified in the Conversion Shares Offer Notice as the date on which such Clearing System shall suspend all clearance and settlement of transactions in the Notes in accordance with its rules and procedures, which date shall be no later than eighteen (18) business days after the delivery of the Conversion Shares Offer Notice to such Clearing System (and, if the Bank elects that a Conversion Shares Offer be made, such date shall be at least two (2) business days prior to the end of the relevant Conversion Shares Offer Period).

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on 19 November 2007.

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro.

"**TARGET System**" means the TARGET2 system.

"**Tax Event**" has the meaning given to such term in Condition 4(d) (*Redemption and Purchase – Redemption for Tax Event*).

"**Taxing Jurisdiction**" has the meaning given to such term in Condition 6 (*Taxation*).

(b) *Construction of certain references*

In these Conditions, unless otherwise specified or unless the context otherwise requires:

- (i) references to any issue or offer or grant to shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all shareholders, as the case may be, other than shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;
- (ii) references to the "issue" of Conversion Shares shall include the transfer and/or delivery of Conversion Shares by the Bank or any of its Subsidiaries, whether newly issued and allotted or previously existing;
- (iii) ordinary shares held by the Bank or any of its Subsidiaries shall not be considered as or treated as "in issue";
- (iv) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment; and
- (v) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

SCHEDULE 1

FORM OF UNDERTAKING FOR THE SUBSTITUTE

This Undertaking is given on [•] by Banque Internationale à Luxembourg (the "**Bank**"), a company incorporated in Luxembourg and [•] (the "**Substitute**"), a company incorporated in [•].

Whereas:

It has been proposed that in respect of the €150,000,000 6.625 per cent. Fixed Rate Resetting Perpetual Convertible Additional Tier 1 Capital Notes governed by Luxembourg law (the "**Notes**") of the Bank issued on 30 June 2014 there will be a substitution of the Substitute for the Bank as the issuer of the Notes. References herein to the "Notes" include any Global Note representing the Notes and other expressions defined in the Notes have the same meaning in this Undertaking unless the context requires otherwise.

Now this undertaking witnesses as follows:

1. The Substitute agrees that, with effect from and including the first date on which notice has been given by the Bank pursuant to Condition 11(c) (*Meetings of Noteholders; Modifications; Substitution – Substitution*) and all the other requirements of such Condition have been met (the "**Effective Date**"), it shall be deemed to be the "Bank" for all purposes in respect of the Notes, the Coupons and the Talons, as fully as if the Substitute had been named in the Notes, the Coupons and the Talons as the principal debtor in respect of them in place of the Bank, and accordingly it shall be entitled to all the rights, and subject to all the liabilities, on the part of the Bank contained in them.
2. With effect from and including the Effective Date the Bank is released from all its liabilities, in its capacity as issuer of the Notes, contained in the Notes, the Coupons and the Talons.
3. With effect from and including the Effective Date the terms and conditions of the Notes (as modified with respect to any Notes represented by a Global Note by the provisions of the Global Note, the "**Conditions**") are amended in the following ways:
 - (A) all references to "Bank" in the context of it being the issuer of the Notes in the Conditions are replaced by references to "Issuer".
 - ** [(B) all references to "Luxembourg" in Condition 6 (*Taxation*) are replaced by references to "[tax jurisdiction(s) relevant to the Substitute]".]
 - * [(B) The following sentence is added to the end of the first paragraph of the Conditions: "The Noteholders and Couponholders have the benefit of an Undertaking (the "**Undertaking**") dated [•] executed by [substitute] and Banque Internationale à Luxembourg (the "**Guarantor**") in relation to the Notes."
 - (C) Condition 4(d) (*Redemption and Purchase – Redemption for Tax Event*) is replaced in its entirety to read as follows:

"(d) *Redemption for Tax Event*

Subject to paragraph (e) (*Conditions to redemption*), the Notes may be redeemed at the option of the Issuer, in whole but not in part, at any time at a redemption price of 100 per cent. of their principal amount, together with any accrued but unpaid interest (if any) which the Issuer decides in its absolute discretion that it will pay (which excludes any interest cancelled or deemed cancelled in accordance with Condition 3 (*Interest Cancellation*)) from (and including) the Interest Payment Date immediately preceding the date fixed for redemption (or, if none, the Issue Date) to (but excluding) the date fixed for redemption, if as a result of a change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in an official application or interpretation of those laws or regulations on or after the Issue Date, including a decision of any court or tribunal which becomes effective on or after the Issue Date (and, in the case of a Substitute, which becomes effective on or after the date of that entity's assumption of the Issuer's obligations):

- (i) the Issuer or the Guarantor will or would be required to pay Additional Amounts;
- (ii) the Issuer [or Guarantor] would not be entitled to claim a deduction in respect of any payments in computing its taxation liabilities or the amount of the deduction would be materially reduced; or
- (iii) the Issuer would, in the future, have to bring into account a taxable credit if the Notes were converted into Conversion Shares;

(each such circumstance in paragraphs (i) to (iii) above, a "**Tax Event**");

provided that in the case of each Tax Event, the Issuer (or the Guarantor, in the case of paragraph[s] (i)[and (ii)] above) demonstrates to the satisfaction of the Regulator that such change was material and was not reasonably foreseeable as at the Issue Date and the consequences of the Tax Event cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it."

- (D) the first paragraph of Condition 6 (*Taxation*) is replaced in its entirety to read as follows:

"6. Taxation

All payments of principal and/or interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor, as the case may be, shall be made free and clear of, and without deduction or withholding for, or on account of, any and all present or future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("**taxes**") now or hereafter imposed, levied, collected, withheld or assessed by, or on behalf of, [tax jurisdiction of incorporation of the Substitute], in the case of the Issuer, or Luxembourg, in the case of the Guarantor, or any political subdivision or authority thereof or therein that has the power to tax (each, a "**Taxing Jurisdiction**"), unless the deduction or withholding is required by law. In that event the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. However, no such Additional Amounts shall be payable in respect of any Note or Coupon:"]

[(D)/(E)][*Insert any other necessary conforming amendments to the Conditions. For example, tailor the subordination provision to the Substitute's local law, and tailor any definition specific to Luxembourg (such as "Applicable Banking Regulations") to reflect the Substitute; consider whether the Notes will still convert into the Guarantor's shares and if so, tailor the relevant definitions and provisions accordingly.*]

- * [4. With effect from and including the Effective Date:

(A) **Guarantee:** Banque Internationale à Luxembourg (the "**Guarantor**") unconditionally and irrevocably guarantees to the Noteholders and the Couponholders that if the Substitute does not pay any sum payable by it under the Notes, the Coupons or this Undertaking by the time and on the date specified for such payment (whether on the normal due date or otherwise), the Guarantor shall pay such sum before close of business on that date in the city to which payment is so to be made.

(B) **Status of Guarantee:** The Guarantee constitutes direct, unsecured and subordinated obligations of the Guarantor.

[Insert any other necessary drafting to reflect the status of the Guarantee, which should be consistent with additional tier 1 capital instruments. Replicate Condition 1(b) in the context of the Guarantee mutatis mutandis]

(C) **Guarantor as Principal Debtor:** As between the Guarantor and the Noteholders and the Couponholders but without affecting the Substitute's obligations, the Guarantor shall be liable under this Undertaking as if it were the sole principal debtor and not merely a surety. Accordingly, it shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal debtor (including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any other provisions of the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand

on the Issuer or any other person for payment, (4) the enforcement or absence of enforcement of the Notes, the Coupons or this Undertaking or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (7) the illegality, invalidity or unenforceability of or any defect in any provision of the Notes, the Coupons or this Undertaking or any of the Substitute's obligations under any of them).

(D) Guarantor's Obligations Continuing: The Guarantor's obligations under this Undertaking are and shall remain in full force and effect by way of continuing security until no sum remains payable under the Notes, the Coupons or this Undertaking. Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise and may be enforced without first having recourse to the Substitute, any other person, any security or any other guarantee or indemnity. The Guarantor irrevocably waives all notices and demands of any kind.

(E) Exercise of Guarantor's Rights: So long as any sum remains payable under the Notes, the Coupons or this Undertaking no right of the Guarantor, by reason of the performance of any of its obligations under this Undertaking, to be indemnified by the Substitute or to take the benefit of or to enforce any security or other guarantee or indemnity shall be exercised or enforced by the Guarantor *provided that* the Guarantor may take steps to protect or maintain any course of action that it may have against the Issuer that is not materially prejudicial to the interests of the Noteholders or Couponholders.

(F) Avoidance of Payments: The Guarantor shall on demand indemnify each Noteholder and each Couponholder against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, dissolution, or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Substitute under any Note or Coupons relating to that Note or under this Undertaking and shall in any event pay to it on demand the amount as refunded by it.

(G) Debts of Substitute: If any moneys become payable by the Guarantor under this Undertaking, the Substitute shall not (except in the event of the liquidation of the Substitute) so long as any such moneys remain unpaid, pay any moneys for the time being due from the Substitute to the Guarantor.

(H) Indemnity: As separate, independent and alternative stipulations, the Guarantor unconditionally and irrevocably agrees (1) that any sum that, although expressed to be payable by the Substitute under the Notes, the Coupons or this Undertaking, is for any reason (whether or not now existing and whether or not now known or becoming known to the Substitute, the Guarantor or any Noteholder or Couponholder) not recoverable from the Guarantor on the basis of a guarantee shall nevertheless be recoverable from it as if it were the sole principal debtor and (2) as a primary obligation to indemnify each Noteholder and each Couponholder against any loss suffered by it as a result of any sum expressed to be payable by the Substitute under the Notes, the Coupons or this Undertaking not being paid on the date and otherwise in the manner specified in the Conditions or this Undertaking, or any payment obligation of the Substitute under the Notes, the Coupons or this Undertaking being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to any Noteholder or any Couponholder), the amount of that loss being the amount expressed to be payable by the Substitute in respect of the relevant sum.

5. The Substitute and the Guarantor agree that references to "outstanding" in the Conditions will not include those Notes that are beneficially held by, or on behalf of, the Guarantor and any of its subsidiaries for the purposes of (i) ascertaining the right to attend and vote at any meeting of the Noteholders and (ii) the determination of how many Notes are outstanding for the purposes of Condition 11 (*Meetings of Noteholders; Modification; Substitution*).]
- [4/6]. The Substitute [and the Guarantor each]* agrees to indemnify each Noteholder and Couponholder against (A) any tax, duty, assessment or governmental charge that is imposed on such Noteholder or Couponholder by (or by any authority in or of) the jurisdiction of the country of residence of the Substitute for tax purposes and, if different, of its incorporation [and of Luxembourg]* with respect to any Note, Coupon, Talons, or by the country, in which such Noteholder or Couponholder resides, and that would not have been so imposed had the substitution not been made and (B) any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution provided that this indemnification shall not be

given to Noteholders or Couponholders who have acquired that capacity after the substitution has been implemented.

- [5/7]. The Substitute [and the Guarantor each]* agrees that the benefit of the undertakings and the covenants binding upon it contained in this Undertaking shall be for the benefit of each and every Noteholder and Couponholder and each Noteholder and Couponholder and shall be entitled severally to enforce such obligations against the Substitute [and the Guarantor]*.
- [6/8]. Duplicates of this Undertaking shall be deposited with and held to the exclusion of the Substitute [and the Guarantor]* by the Clearing Systems until complete performance of the obligations contained in the Notes occurs and the Substitute hereby acknowledges the right of every Noteholder and Couponholder to production of this Undertaking and, upon request and payment of the expenses incurred in connection therewith, to the production of a copy hereof certified by each Clearing System to be a true and complete copy.
- [7/9]. This Undertaking may only be amended in the same way as the other Conditions are capable of amendment.
- [8/10]. This Undertaking and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, Luxembourg law.
- [9/11]. The courts of Luxembourg-City shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with this Undertaking and accordingly any legal action or proceedings arising out of or in connection with this Undertaking ("**Proceedings**") shall be brought in such courts. The Substitute [and the Guarantor each]* irrevocably submits to the jurisdiction of such courts of Luxembourg-City and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Substitute[, the Guarantor] * and the Noteholders and Couponholders.
- *** [12. The Substitute irrevocably appoints [•] of [•] as its agent in Luxembourg to receive service of process in any Proceedings in Luxembourg based on this Undertaking. If for any reason it does not have such an agent in Luxembourg, the Substitute will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.]

In witness whereof this Undertaking has been executed by and on behalf of the parties hereto as an Undertaking as of the day and year first above written.

BANQUE INTERNATIONALE A LUXEMBOURG,

By:

[**SUBSTITUTE**]

By:

* To be included where the Substitute is a Subsidiary of the Bank.

** To be included where the Substitute is a successor company of the Bank or jointly and severally one or more companies to whom the Bank has transferred all of its assets and business undertakings.

*** To be included where the Substitute is not incorporated in Luxembourg.

N.B. Where the Guarantor will not be Banque Internationale à Luxembourg all references to Banque Internationale à Luxembourg above shall be replaced by references to the person(s) that will be the Guarantor.

Where the Substitute or the Guarantor comprises more than one person, the obligation of each such person shall be expressed to be joint and several, references to the jurisdiction of incorporation or tax residence of such person shall be to each such jurisdiction of each such person.

FORM AND DESCRIPTION OF CERTAIN PROVISIONS RELATING TO THE NOTES

Form

The Notes are serially numbered and in bearer form with related interest coupons (the "**Coupons**") and talons (the "**Talons**") for further Coupons attached at the time of issue. The Notes are represented on issue by a temporary global note in bearer form which is exchangeable for interests in a permanent global note in bearer form (and together with the temporary global note, the "**Global Notes**"). The permanent global note is in turn exchangeable for notes in definitive form in the limited circumstances specified therein.

The Global Notes are deposited on or about the issue date with a common depository for the Clearstream Securities Settlement System (as defined herein) and the securities clearing and settlement systems operated by Euroclear Bank S.A./N.V., or such other clearing system in which the Notes or Conversion Shares are a participating security (the "**Clearing Systems**").

Payment of principal and interest in respect of Notes

Principal: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office (as defined below) of any Paying Agent (as defined herein) outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System (as defined herein).

Interests: Payments of interest shall, subject to condition "*Payments other than in respect of matured Coupons*" below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupon at the Specified Office of any Paying Agent outside the United States in the manner described in above.

Payments subject to fiscal laws: All payments in respect of the Notes are subject in all cases to any (i) applicable fiscal or other laws and regulations in the place of payment, or other laws and regulations to which the Bank or its Agents (as defined herein) agree to be subject, but without prejudice to the provisions of condition "*Terms and Conditions of the Notes – Taxation*", and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of condition "*Terms and Conditions of the Notes – Taxation*" any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

Deduction for unmatured Coupons: If a Note is presented without all unmatured Coupons relating to the current Coupon Sheet (as defined below) thereon, then such missing Coupons shall become void and no payments will be made in respect of void Coupons.

Payments on Payment Business Days: Subject to the conditions "*Terms and Conditions of the Notes – Interest Cancellation*", "*Terms and Conditions of the Notes – Redemption and Purchase*" and "*Terms and Conditions of the Notes – Automatic Conversion*", if the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day (as defined below) in the place of presentation, the Noteholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

Payments other than in respect of matured Coupons: Payments of interest other than in respect of matured Coupons, if and to the extent payable, shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

Partial payments: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

Exchange of Talons: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to condition "*Terms and Conditions of the Notes – Prescription*" and excluding also those Coupons that have been cancelled or deemed cancelled. Upon

the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

"Payment Business Day" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies) in such place of presentation and, in the case of payment by transfer to a euro account, on which the TARGET System is open.

"Specified Office" means, as at the date hereof, 69 route d'Esch, L-2953 Luxembourg, and thereafter such other office of the Agents as may be notified to the Noteholders by the Issuer.

Settlement Procedure

Delivery of the Conversion Shares or Conversion Shares Offer Consideration (as defined herein), as applicable, to the Noteholders will be made in accordance with the following procedures:

Notes represented in the form of Global Notes: where the Notes are represented by a temporary global note in bearer form or a permanent global note in bearer form, the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will be delivered to the holder of the Global Note in registered form held through the Clearing Systems, in which the Conversion Shares are a participating security at the relevant time, as notified by the Bank to the Noteholders in accordance with condition "*Terms and Conditions of the Notes – Notices*" by registering the holder of the Global Note as holder of such Conversion Shares in the Bank's share register. Following such registration into the Bank's share register, the Global Note shall be cancelled. Each Clearing System will credit and debit the accounts of its participants accordingly. Moreover, as of the date of the deliverance of the Conversion Shares through the Clearing Systems, the Noteholders may request, at any time, by providing evidence of their entitlement to the relevant Conversion Shares, to be registered as the direct holder of such Conversion Shares in the Bank's share register, if their name has not been indicated as name to be registered in the Bank's share register in the relevant Conversion Shares Settlement Notice (as defined herein) or in case of failure to deliver a Conversion Shares Settlement Notice.

Notes in the form of definitive notes: where the Notes have been represented by a permanent global note and such permanent global note has been exchanged, in the limited circumstances specified therein, for Notes in definitive form, the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered by (A) registering the name of the relevant Noteholder (or its nominee) in the Bank's share register and (B) dispatching a certificate in respect thereof by mail free of charge to the relevant Noteholder (or its nominee) or as it may direct in the relevant Conversion Shares Settlement Notice. Following such registration into the Bank's share register, the Notes in definitive form shall be cancelled.

Cash component

The cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Noteholders by (A) Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System on or around the date on which the Conversion Shares Offer Period ends, or (B) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depositary (or to the relevant recipient in accordance with the terms of the Notes, as applicable) before the end of the Conversion Shares Offer Period, by transfer on or around the date on which the Conversion Shares Offer Period ends to such Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System as the Noteholder may direct in such notice.

DESCRIPTION OF ORDINARY SHARES

The Issuer's share capital is fixed at EUR 141,212,330.- represented by 2,017,319 ordinary shares without nominal value in issue and fully paid up which are governed by the laws of Grand Duchy of Luxembourg. The shares of the Issuer have not been listed on any trading venue as of the date of this Prospectus.

The Issuer's articles of association (the "**Articles**") contain provisions to the following effect:

Form

All ordinary shares of the Issuer are in registered form.

For the exercise of shareholders' rights, the Issuer recognises a single owner per ordinary share. If there are several owners of an ordinary share or if an ordinary share is encumbered by usufruct and the bare ownership belongs to one person and the usufruct belongs to another person, the Issuer may suspend the exercise of the rights attaching thereto until one person is designated to exercise individually all rights attaching thereto *vis-à-vis* the Issuer.

Share Capital

The share capital of the Issuer may be increased by a decision of the general meeting of shareholders, subject to the conditions provided by law.

Additionally, during a period expiring on 25 April 2019, and without prejudice to any potential extensions, the share capital of the Issuer may, in accordance with Article 32(3) of the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "**Luxembourg Company Law**"), be increased by the board of directors of the Issuer to an amount of up to EUR 350,000,000.-.

Voting

Each ordinary share (or as the case maybe each Conversion Share) entitles to one vote at general meetings of shareholders of the Issuer, subject to the conditions provided for by law.

Shareholders may be represented by proxy at a general meeting of shareholders (or in the case of Conversion Shares by the Conversion Shares Depositary).

Except if otherwise provided for by law or the Articles, a general meeting of shareholders is regularly constituted regardless of the number of ordinary shares represented and resolutions are adopted by a majority of the votes cast.

Dividends

Five percent of the net profits of the financial year shall be allocated to the creation of a legal reserve. This allocation shall cease to be compulsory when the reserve has reached an amount of one-tenth of the share capital.

The remaining balance shall be distributed between the ordinary shares. Dividends that have not been claimed within five years after they have become due shall be prescribed in favour of the Issuer. Conversion Shares shall be ordinary shares and shall have the same dividend right.

The board of directors of the Issuer may proceed with the distribution of interim dividends, subject to the conditions provided for by law.

Transfers

Transfers of ordinary shares are governed by the Luxembourg Company Law.

Winding Up

In case of liquidation of the Issuer, the assets of the Issuer shall be distributed between the ordinary shares, after deduction of all debts and other charges.

Conversion Shares

The Conversion Shares issued following an Automatic Conversion will have the same rights as the Issuer's ordinary shares after the issue, registration and delivery of the Conversion Shares on the Conversion Date to the Conversion Shares Depositary (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under "*Terms and Conditions of the Notes – Automatic Conversion*".

In accordance with the Articles of the Bank, and without prejudice to, amongst others, the

Luxembourg Company Law, the rights referred to in Condition 7 (*Automatic Conversion – The Conversion Shares*) of the terms of the Notes include other rights, such as information rights, right to participate to the general meetings, etc.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are used for general corporate purposes of the Issuer and to strengthen further the regulatory capital base of the Issuer and/or the BIL Group.

BANQUE INTERNATIONALE À LUXEMBOURG, SOCIÉTÉ ANONYME

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

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

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

Introduction

BIL was incorporated in Luxembourg on 8 March 1856 in the form of a *société anonyme* (limited liability company), governed by Luxembourg law. Its registered office is located at 69, route d'Esch, Luxembourg, L-2953 Luxembourg, telephone number +352 45901. BIL is registered in the Luxembourg Register of Commerce and Companies under number B-6307.

BIL's duration is unlimited.

Objects

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

History

From 1856 to 2016

Banque Internationale à Luxembourg, the first public limited bank in Luxembourg, was founded on 8 March 1856, to provide financing for the railways and the iron and steel industry of a country that was at that time predominantly agricultural. The same year, it issued its first banknotes and was one of the few private establishments to retain this privilege until the introduction of the euro.

March 1982

BIL inaugurated its subsidiary in Singapore.

July 1985

The Bank commenced its private banking activities in Switzerland.

October 1989

BIL moved into its newly-built offices on route d'Esch in Luxembourg. To commemorate the 150th anniversary of the independence of the Grand Duchy, the building was named "L'Indépendance".

November 2000

BIL commenced its private banking activities in Denmark.

September 2002

Experta Luxembourg was formed to offer custom investment and corporate services.

November 2005

BIL was set up in Bahrain.

2012

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

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

2013

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

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

The Bank started preparing the transfer of business activity from 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.

At the end of November 2013, IBM took over Associated Dexia Technology Services ("**ADTS**") and renamed it Innovative Solutions for Finance ("**IS4F**") which is responsible for managing IT infrastructure. As a long-term shareholder of ADTS, BIL remains a client of the new company. The change of ownership of ADTS severs the last operational link that existed between BIL and its previous shareholder.

On 18 December 2013, BIL transferred the activities of its Danish subsidiary to a newly created branch in Denmark. BIL's Danish subsidiary renamed Selskabet Af 18. December 2013 A/S has continued to exist due to a pending investigation into the EBH Bank market manipulation matter which dates back to 2008. On 5 October 2016, the State Prosecutor confirmed that he has decided to withdraw the accusation towards Selskabet Af 18. December 2013 A/S, so that the company can now be liquidated. In September 2013, BIL set up a multi-family office, named Belair House. After the ministerial approval received on 17 February 2014, Belair House has started the service offering to ultra-high-net-worth individuals and families on 1 April 2014.

2014

Experta, a fully-owned subsidiary of BIL, underwent a strategic repositioning in 2014. A new management team has been put in place with a newly-appointed CEO to increase the focus on its core business of global corporate services. Experta offers wealth structuring solutions, and address the structuring needs of investors active in real estate and private equity. As part of the overall wealth management strategy, Experta will continue to work closely with BIL, but it will also strengthen its own identity outside of the BIL Group, offering a full open architecture approach to find the optimal solution for each client.

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

In Denmark, BIL was awarded on 12 March 2014 the prestigious Morningstar Award, a prize recognising the best local individual and mutual funds. BIL received the award in the "Denmark – Shares" category for its BIL Nordic Invest DK Small Caps Fund, which outperformed the benchmark with a significant return of 68% during 2013.

BIL officially inaugurated its new branch in the United Arab Emirates in October 2014, located in the Dubai International Financial Centre. The launch of the Luxembourg bank's first branch in the UAE is emblematic of the close economic ties that exist between the two countries, particularly in the banking sector. The Grand Duchy is supporting the development of Luxembourg's financial centre to become the main centre for Islamic finance outside the Middle East. Luxembourg is the largest domicile for Islamic funds in Europe, and the third largest worldwide, after Malaysia and Saudi Arabia.

In October 2014, BIL received the "Private Bank of the Year Luxembourg" award and the "Innovation in Retail Banking Luxembourg" award from the International Banker magazine.

2015

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

The Loans project was officially launched on 30 January. This project will overhaul the Bank's loan issuing procedures by improving client service, optimising risk management, controlling costs and managing the profitability of the loans issued.

The bank announced and launched its new corporate strategy called "BIL2020" in April 2015. The strategy constitutes a roadmap for tackling overarching trends in banking, challenges in financial markets and issues affecting BIL's ability to compete efficiently. By 2020, BIL seeks to reinforce its position by putting a greater focus on providing relevant and adapted value propositions in order to meet the needs of a diverse clientele, both in Luxembourg and internationally. This effort will be reinforced by BIL2020's strong emphasis on innovation and technology.

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

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

BIL and the European Investment Fund (EIF) signed on 7 July 2015 an agreement to increase lending to innovative Luxembourg businesses. This agreement, part of the European Fund for Strategic Investments ("EFSI") – also called the Juncker plan – allows BIL to issue EUR 60 million in loans 50% guaranteed by the EIF through the InnovFin initiative, with financial backing from the European Commission.

On 9 July 2015, BIL received the "Best Bank in Luxembourg" award from Euromoney magazine – the acclaimed international finance and banking publication. Earlier in the year, BIL also won the "Commercial Banking Capabilities" award as part of Euromoney's Private Banking and Wealth Management Survey 2015.

BIL launched its new "BIL Immo index", the first Luxembourg residential real estate market information tool, developed by BIL in consultation with PwC on 24 September 2015.

On 26 October 2015, BIL launched BIL Start, a new offering geared towards providing services to entrepreneurs.

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

BIL received the CSR label from Luxembourg's National Institute for Sustainable Development and Corporate Social Responsibility ("INDR"), recognising the Bank's genuine and serious commitment to corporate social responsibility ("CSR"), on 26 November 2015,

BIL played the role of "cash taker" in the first-ever renminbi tri-party trade, in December 2015, with ICBC's Luxembourg branch serving as "cash giver". This marked the first-ever RMB tri-party

repurchase agreement (repo) transaction by a Chinese bank handled through Clearstream. For this “reverse repo” transaction, ICBC’s Luxembourg branch provided BIL with RMB liquidity, collateralised through high investment grade sovereign bonds.

On 14 December 2015, BIL joined with the Luxembourg state and six other investors (Arendt & Medernach, High Capital - BHS Services, POST Capital, Proximus, SES, and SNCI) to sign a letter of commitment creating a EUR 19.2 million seed fund for ICT start-ups.

Recent highlights

Despite the persistently challenging market environment in 2016, BIL upheld its solid performance. BIL is currently implementing its BIL2020 strategy which places a strong focus on innovation, especially in the area of client services.

The key highlights for BIL in 2016 are as follows:

Mobile banking – a digital client experience

Digitisation is a key aspect of BIL’s “BIL2020” strategy. In Luxembourg, BIL became the first bank to offer its clients a fully mobile experience on iPhones and iPads (BILnet). BIL clients can now access their accounts and all online services on an iPhone or iPad without using a second device to confirm their authentication.

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

BIL Select - a bespoke service for our clients

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

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

Innovative financing for corporate clients

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

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

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

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

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

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

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

Ignite

Following the selection of Temenos T24 as the bank's future Core Banking Solution ("CBS") in April 2016, BIL's executive management decided to optimise the bank's IT target architecture as well as overall investment by integrating the Loans project directly within the new CBS platform. The second release of Ignite on 19 November included a number of front-to-back functionalities as well as infrastructure and security elements

Research and development

Products and services are continuously adapted to optimise the way in which customer needs are met and to further ensure that portfolios match individual risk profiles. In the current low-interest rate environment, BIL is looking into the development of alternative savings products that combine a reasonable risk profile with an attractive return.

BIL continues to research innovative technologies and supports their development in startups through partnerships with business incubators such as nyuko and Technoport. Going forward, BIL intends to intensify its collaboration with startups to provide innovative services. The my|HOME partnership with Nexvia is a good example of how BIL's financing solutions can add value to services provided by startups: Nexvia's online simulation tool of real estate purchases has been enhanced by financing simulations by BIL.

Awards and ratings

BIL's longstanding expertise and proven capacity to innovate, especially in light of BIL2020, were recognised by The Banker magazine: BIL was elected Bank of the Year 2016 – Luxembourg. This followed the award of 'Best Wealth Manager' for BIL Dubai by 'The Banker Middle East' in May.

In addition, the BIL Denmark Nordic Invest fund was top-ranked by Morningstar in January for its performance in 2015, coming first place compared to other funds on offer in Denmark. The Danish small cap equity fund returned a phenomenal net euro-based absolute return of 63.86% (64.3% in DKK terms) and exceeded its benchmark by 22.8%, which also made it the second-best performing fund among all European-domiciled funds in 2015.

In March 2017, Global Finance awarded BIL "Best Bank in Luxembourg 2017"

On a more institutional basis, BIL's strong financial fundamentals were acknowledged by international rating agencies. Moody's upgraded its main indicators for BIL's financial rating from A3 to A2/positive /P-1, whereas Fitch and Standard & Poor's confirmed their stable outlook.

ECB stress tests in 2016 further confirmed BIL's solvency. The tests proved the resilient quality of BIL's assets even in very stressed scenarios and confirmed the overall soundness and the strong capital basis of the bank.

Business Activities

Thanks to its vast experience and network of some 40 branches and 108 ATMs throughout the country, BIL is one of the leading and most innovative players in the field of retail banking. It provides a comprehensive range of services to individual clients, SMEs and large businesses in Luxembourg.

In its retail activities, BIL continues to develop web and mobile applications, offering its individual and professional clients the ability to carry out banking transactions with a maximum of security and comfort. The digitalisation of retail transactions is an ongoing process and BIL is establishing itself as a pioneer bank for innovation. In order to modernise the Luxembourg branch network, the Bank introduced the Lean Branch Optimisation programme to review in-branch processes and the branch footprint. In the spirit of serving retail clients more efficiently, this programme allows to minimise the time taken up by transactions that can be done digitally using the Bank's state of the art mobile & Internet banking platforms and apps as well as self-banking equipment inside the branches.

While BIL's importance as a national player is undisputed, the challenge today is to further develop its international focus. Since the financial crisis blow up, international developments such as, for instance, tax transparency and compliance as well as the fight against money laundering have increased the speed at which financial centres have undergone structural changes. These changes have created a new momentum and the general value proposition for wealth management has to be revisited. In this context, financial institutions need to re-invent or at the least adjust their business models. This global movement contains challenges as well as opportunities for BIL both in terms of strategic and geographic focuses. The opening of a new Dubai subsidiary in October 2014 and the January 2015 announcements that BIL would be taking over KBL epb's private banking operations in Switzerland (closed in November 2015) and that Puilaetco Dewaay would acquire our private banking business in Belgium were significant milestones in the achievement of BIL's strategic priorities around the world. BIL's trading floor includes a complete range of activities aimed at meeting clients' needs. The bank has re-established its autonomy in the financial markets. Its activity on financial markets is carried out on trading floors located in Luxembourg and Zurich. On September 30, 2014, the Grand Duchy of Luxembourg successfully launched the euro zone's first Sukuk sovereign bond, which was the first of its kind denominated in euro. BIL was designated as the co-lead manager of the transaction. The Bank supported the issuer in the arrangement and actively played a role in the success of the transaction. As proof of confidence in BIL's bond origination and syndication capabilities, BIL has been invited to be part of the banking syndicate during each state bond issuance since 2000.

BIL also promotes employee work-life balance and treats its male and female employees equally. The humanitarian and social programmes of many organisations are a key part of the Bank's solidarity policy. BIL's commitment goes beyond mere financial assistance to more subtle means of collaboration and support.

Risk Management

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

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

Principal Subsidiaries

At 14 September 2017, the Bank held a direct interest of at least 20 per cent in the capital of the following undertakings:

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

Board of Directors and Management

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

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

Board of Directors

Name	Function/responsibility	Address	Directorships and significant appointments outside of the Issuer
Luc Frieden	Chairman	69, route d'Esch, L-2953 Luxembourg	
Georges Nasra	Vice Chairman	15, boulevard Royal, L-2450 Luxembourg	CEO, Precision Capital SA
Hugues Delcourt	Chief Executive Officer	69, route d'Esch, L-2953 Luxembourg	
Maurice Lam	Member	30, Grand-Rue, L-1660 Luxembourg	
Nicholas Harvey	Member	15, boulevard Royal L-2450 Luxembourg	Deputy CEO de Precision Capital SA

Christian Schaack	Member	29, rue de Scheuerhof L-5412 Canach	
Vincent Thurmes	Member	3, rue de la Congrégation L-1352 Luxembourg	Ministry of Finance
Albert Wildgen	Member	69 boulevard de la Pétrusse L-2320 Luxembourg	
Christophe Zeeb-Ichter	Member	3, rue de la Congrégation, L-1352 Luxembourg	Ministry of Finance
Michel Scharff	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	
Serge Schimoff	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	
Donny Wagner	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	
Fernand Welschbillig	Member (appointed by the delegation of employees)	69, route d'Esch, L-2953 Luxembourg	

Management Board

Name	Title	Function/ responsibility
Hugues Delcourt	Chairman	Chief Executive Officer
Pierre Malevez	Vice Chairman	Chief Financial and Risk Officer
Yves Baguet	Member	Chief Operating Officer
Hans-Peter Borgh	Member	Head of Wealth and Investment Management
Olivier Debehogne	Member	Head of Retail and Digital Banking
Marcel Leyers	Member	Chief of Corporate and Institutional Banking
Bernard Mommens	Member	Secretary General and General Counsel
Claude Schon	Member	Head of Treasury and Financial Markets
Pia Haas	Permanent Guest	Chief Internal Audit

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

The conflict of interests between the Directors' duties and/or the members of the Management Board's duties to BIL and their private interests or other duties, if any, are submitted, according to Article 57 al 2 of Luxembourg Company Law to the Annual General Meeting.

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

Shareholders

Precision Capital S.A. holds 89.94 per cent of the issued share capital in BIL and the Grand Duchy of Luxembourg holds a further 9.99 per cent.

On 1 September 2017, Legend Holdings Corp., a Hong Kong-listed diversified investment group, announced the signing of an agreement with Precision Capital for the acquisition of Precision Capital's 89.936% stake in BIL. The acquisition entity is Beyond Leap Limited, a wholly owned

subsidiary of Legend Holdings incorporated in Hong Kong.

According to the announcement, the proposed transaction remains subject to ECB/CSSF approval and that of other regulatory authorities. It also remains subject to Legend Holdings shareholder approval. The Grand Duchy of Luxembourg will retain its 9.993% ownership of BIL.

The proposed transaction is expected to close in the first quarter of 2018, subject to regulatory approval.

To the best of the Issuer's knowledge, there are no shares of BIL currently held by the members of its management body. Additionally, there are currently no schemes for involving the staff in the capital of BIL.

Changes to the Amount of Issued Capital/Number of Shares

On 15 September 2016, the extraordinary meeting of shareholders resolved to (i) cancel, in accordance with the provisions of the law of 28 July 2014 on the mandatory deposit and immobilisation of bearer shares and units, 168 non-immobilised bearer shares, hence (ii) reduce the share capital by an amount of EUR 11.760.-, i.e. to a share capital of EUR 141,212,330.-, and (iii) adopt the registered form for all current and future shares of the Issuer.

Dividend Distributions

	<u>2014</u> (in EUR)	<u>2015</u> (in EUR)	<u>2016</u> (in EUR)
Dividend paid	154,983,352	69,986,624	60,015,240

Fiscal Year and Accounts

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

Bank's Capital Requirements

Based on the Supervisory Review and Evaluation Process ("SREP") in 2016, the Bank has received a SREP Pillar 2 Requirement ("P2R") of 1.85 per cent and a Pillar 2 guidance, both to be fulfilled by Common Equity Tier 1 ("CET1" from 1 January 2017. Consequently, the Bank's consolidated minimum CET1 ratio (transitional) requirement amounts to 9.1 per cent for 2017, to which the Pillar 2 guidance is added. This is the sum of 4.5 per cent minimum CET1 Pillar 1 requirement plus 1.85 per cent P2R, 2.5 per cent Capital Conservation Buffer ("CCB") and 0.25 per cent Other Systemically Important Institution ("O-SII") buffer, on a transitional basis. All else equal, by 2019, the O-SII buffer will rise to 0.5 per cent CET1 which will bring the Bank's minimum CET1 ratio requirement to 9.35 per cent, to which the Pillar 2 guidance is added. With the inclusion of the 1.5% Additional Tier 1 ("AT1") and 2.0% Tier 2 requirements, the Bank's Overall Capital Requirement ("OCR") amounts to 12.85 per cent, to which the Pillar 2 guidance is added. A breach of the minimum requirements would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments, including the Notes under the Maximum Distributable Amount ("MDA") concept.

Available distributable items ("ADI") of the Bank as at 31 December 2016 amount to EUR 280,884,076 (Source: internal data, unaudited).

Auditors

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

The following tables show the consolidated balance sheet and profit or loss statement as of 31 December 2016:

Consolidated datas	31 December, 2014	31 December, 2014 (Restated)	31 December, 2015	31 December, 2015 (Restated)	31 December, 2016
	(in EUR)	(in EUR)	(in EUR)	(in EUR)	(in EUR)
Assets					
Cash, balances with central banks & loans to banks	2 349 556 202	2 349 556 202	2 334 652 737	2 334 652 737	3 157 100 099
Loans & advances to customers	10 838 506 113	10 838 506 113	11 371 806 693	11 371 806 693	12 042 999 820
Loans & securities available for sale	5 667 750 747	5 667 750 747	6 522 733 202	6 522 733 202	6 381 471 453
Positive fair value of derivative products	425 057 766	425 057 766	286 864 028	286 864 028	245 883 149
Other assets	1 003 911 664	1 004 823 987	957 814 502	960 202 974	1 321 204 205
Total assets	20 284 782 492	20 285 694 815	21 473 871 162	21 476 259 634	23 148 658 726
Liabilities					
Amounts owed to credit institutions	2 009 224 539	2 009 224 539	1 988 226 954	1 988 226 954	2 216 090 000
Customer deposits	13 444 133 543	13 444 133 543	15 019 202 404	15 019 202 404	16 129 249 400
Negative fair value of derivative products	712 019 921	712 019 921	414 021 724	414 021 724	436 598 717
Debt securities and Financial liabilities measured at FVTPL	2 038 228 226	2 038 228 226	1 981 315 559	1 978 315 559	2 409 814 596
Subordinated debt	451 200 114	451 200 114	446 661 346	446 661 346	293 936 368
Other liabilities	397 839 436	400 961 692	406 818 669	412 207 141	403 308 935
Shareholder's Equity	1 232 136 713	1 229 926 780	1 217 624 506	1 217 624 506	1 259 660 710
Total liabilities	20 284 782 492	20 285 694 815	21 473 871 162	21 476 259 634	23 148 658 726

	31 December, 2014	31 December, 2014 (Restated)	31 December, 2015	31 December, 2016
Profit or loss	(in EUR)	(in EUR)	(in EUR)	(in EUR)
Income	529 283 239	529 283 239	558 703 137	541 383 276
Expenses	-338 554 895	-339 111 941	-373 981 821	-368 521 250
Gross operating income	190 728 344	190 171 298	184 721 316	172 862 026
Cost of risk and impairment	-26 286 321	-26 286 321	-18 421 381	-16 916 571
Income before tax	164 442 023	163 884 977	166 299 935	155 945 455
Tax expense	-41 927 344	-41 764 575	-32 030 834	-45 583 434
Net Income	122 514 679	122 120 402	134 269 101	110 362 021
Net Income - Group share	122 514 679	122 120 402	134 269 101	110 362 021

Jubilee premium – Restatement of 2014 figures

Calculation of jubilee premium provision has been reviewed in order to correctly reflect the final cost of the benefits. The impact has been integrated retrospectively on 2014 figures.

CONSOLIDATED BALANCE SHEET ITEMS IMPACTED BY THE RESTATEMENT			
in EUR	31 December 2014	31 December 2014 (Restated)	Impact of restatement
Deferred tax assets	303,498,936	304,411,259	912,323
TOTAL ASSETS	20,284,782,492	20,285,694,815	912,323
Other liabilities	80,710,442	83,832,698	3,122,256
TOTAL LIABILITIES	19,052,645,779	19,055,768,035	3,122,256
Reserves and retained earnings	116,379,367	114,563,711	-1,815,656
Net income of the year	122,514,679	122,120,402	-394,277
TOTAL SHAREHOLDERS' EQUITY	1,232,136,713	1,229,926,780	-2,209,933
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,284,782,492	20,285,694,815	912,323

Positive goodwill – Restatement of 2015 figures

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

The impact has been integrated retrospectively on 2015 figures. The following tables show the impact of these changes on the consolidated balance sheet as of 31 December 2015:

CONSOLIDATED BALANCE SHEET ITEMS IMPACTED BY THE RESTATEMENT			
in EUR	31 December 2015	31 December 2015 (Restated)	Impact of restatement
Intangible fixed assets and	95,080,617	96,295,570	1,214,953

goodwill			
Deferred tax assets	282,653,664	283,827,183	1,173,519
TOTAL ASSETS	21,473,871,162	21,476,259,634	2,388,472
Other liabilities	265,043,498	267,431,970	2,388,472
TOTAL LIABILITIES	20,256,246,656	20,258,635,128	2,388,472
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21,473,871,162	21,476,259,634	2,388,472

TAXATION

The matters described below do not constitute, and should not be considered as, legal or tax advice to prospective purchasers. Prospective purchasers should consult legal or tax advisers in the country of their citizenship, residence or domicile to determine the possible tax or other consequences of purchasing, holding and redeeming Notes, under the laws of the relevant jurisdiction.

Luxembourg Tax Consequences

The following summary is of a general nature and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

Non-Resident holders of Notes

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

Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December, 2005 as amended (the "**Relibi Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

Further, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made or ascribed by a paying agent established outside Luxembourg in an EU Member State or the European Economic Area may opt for a final 20 per cent. levy. In such case, the 20 per cent. levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 20 per cent. final levy on interest payments must cover all interest payments made by paying agents to the beneficial owner during the entire civil year. Such 10 per cent. levy is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Income deriving from the Notes

Non-Resident holders

Holders of Notes will not become residents, or be deemed to be resident in Luxembourg by reason only of the holding of the Notes.

Holders of Notes who are non-resident of Luxembourg and who do not hold the Notes through a permanent establishment or permanent representative in Luxembourg are not liable to any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes, or realize capital gains on the sale of the Notes.

Resident holders – General

Holders of Notes who are tax resident in Luxembourg, or non-resident holders of the Notes who have a permanent establishment or permanent representative in Luxembourg to which or to whom the Notes are attributable, must for income tax purposes include any interest and other income received

or accrued on the Notes in their taxable income unless an individual holder holds the Notes in the frame of the management of its private wealth. If in this last case the aforementioned 20 per cent. withholding tax has been levied it can be credited against the overall income tax liability. They will not be liable to any Luxembourg income tax on repayment of principal.

Luxembourg Resident Individuals

Luxembourg resident individual holders of Notes who do not hold Notes as business assets are not subject to taxation on capital gains upon the disposal of the Notes, unless their disposal precedes their acquisition or they are disposed of within six months of the date of their acquisition. Upon a repurchase, redemption or exchange of Notes, the portion of repurchase, redemption or exchange price corresponding to accrued but unpaid interest is subject to the aforementioned 20 per cent. withholding tax. When the aforementioned 20 per cent. withholding tax is applied, it may be credited against the resident individual's income tax liability. Luxembourg resident individual holders of Notes who hold Notes as business assets are subject to tax as described in relation to "*Luxembourg Resident Undertakings with a Collective Character*" below.

Luxembourg Resident Undertakings with a Collective Character

Unless they benefit from an exemption under Luxembourg tax law, Luxembourg resident undertakings with a collective character (*organismes à caractère collectif*), holding Notes, or foreign entities of the same type who have a permanent establishment or permanent representative in Luxembourg to which or to whom the Notes are attributable, must include in their taxable income interests accrued in the Notes and, on a sale repurchase, redemption or exchange, the difference between the sale, repurchase, redemption or exchange price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold, repurchased, redeemed or exchanged.

Net Wealth Tax

Luxembourg net wealth tax (without prejudice to the application of annual minimum net wealth tax rules) will not be levied on a corporate holder of the Notes, unless

(a) such holder of Notes is a Luxembourg resident other than a holder of Notes governed by (i) the amended laws of 17 December, 2010 and 13 February, 2007 on undertakings for collective investment; (ii) the amended law of 22 March, 2004 on securitisation; (iii) the amended law of 15 June, 2004 on the investment company in risk capital; (iv) the amended law of 11 May, 2007 on family estate management companies; or (v) the law of 23 July, 2016 on reserved alternative investment funds; or

(b) such Notes are attributable to a business enterprise or part thereof or which is carried on in Luxembourg or through a permanent establishment or a permanent representative of a non-resident company in Luxembourg. In such a case, the holder of Notes must take the Notes into account for the purposes of Luxembourg wealth tax.

Other Tax Consequences

Stamp Taxes and Transfer Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes, unless the documents relating to the Notes are either (i) voluntarily registered in Luxembourg, or (ii) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (iii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*).

Inheritance Taxes/Gift Taxes

No estate or inheritance tax is levied on the transfer of Notes upon the death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of Notes if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of Notes is a resident for tax purposes of Luxembourg at the time of his death, the Notes are included in its taxable estate for inheritance tax or estate tax purposes.

FATCA Disclosure

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a

new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a **"Participating FFI"** by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **"Recalcitrant Holder"**). The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) the Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which (A) with respect to Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register and (B) with respect to Notes that give rise to a dividend equivalent pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986, is July 1, 2017, or (in each case) which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **"IGA"**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **"FATCA Withholding"**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Luxembourg have entered into an IGA (the **"US-Luxembourg IGA"**) based on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-Luxembourg IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary / Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

CRS Disclosure

Common Reporting Standard

The Organisation for Economic Co-operation and Development has developed a new global

standard for the annual automatic exchange of financial information between tax authorities (the "**CRS**"). Luxembourg is a signatory jurisdiction to the CRS and intends to conduct its first exchange of information with tax authorities of other signatory jurisdictions in September 2017, as regards reportable financial information gathered in relation to fiscal year 2016. The CRS has been implemented in Luxembourg via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU (the "**CRS Law**"). The regulation may impose obligations on the Issuer and the holders of Notes, if the Issuer is actually regarded as a reporting Financial Institution under the CRS Law, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of the tax residency (through the issuance of self-certifications forms by the holders of Notes), tax identification number and CRS classification of the holders of Notes in order to fulfil its own legal obligations pursuant to the CRS Law.

Each prospective investor and each holder of Notes should consult its own tax advisors regarding the requirements under CRS with respect to its own situation as well as the determination of its tax residence.

Each holder of Notes and each transferee of a Note shall furnish (including by way of updates) to the Issuer, or any third party designated by the Issuer (a "**Designated Third Party**"), in such form and at such time as is reasonably requested by the Issuer (including by way of electronic certification) any information, representations, waivers and forms relating to the holders of Notes (or the holders' direct or indirect owners or account holders) as shall reasonably be requested by the Issuer or the Designated Third Party to assist it in complying with the relevant CRS requirements.

As mentioned above, self-certification forms would need to be provided by some of the holders of Notes. In this respect, the self-certification forms can be provided in any form but in order for them to be valid it must be (i) signed by the relevant holder of Notes itself (where an individual) or a person authorised to sign on behalf of the holder of Notes (where an entity as defined by the CRS Law), (ii) dated and (iii) include:

- where the holder of Notes is an individual: its name, residence address, jurisdiction(s) of residence for tax purposes, tax identification number(s) and its date of birth; or
- where the holder of Notes is an entity (as defined by the CRS Law): its name, address, jurisdiction(s) of residence for tax purposes and tax identification number(s).

Concurrently, if the relevant holder of Notes is regarded as a passive non-financial entity under the CRS Law, separate individual self-certification forms would be needed for each of their Controlling Persons.

In this context, the term Controlling Person corresponds to the term "beneficial owner" as elaborated under recommendation 10 of the Financial Action Task Force recommendations dated February 2012 (the "**Recommendation**") and translated accordingly into Luxembourg Anti-Money Laundering regulation dated 12 November 2004, as amended. According to the Recommendation, a controlling ownership interest depends on the ownership structure of the entity. It may be based on a threshold, e.g. any person owning more than a certain percentage of the company (e.g. 25 per cent.). In case of a legal person/partnership (and equivalent arrangement), may be regarded as the Controlling Person any natural person who exercises control through direct or indirect ownership of the capital or profits of the legal person/partnership (and equivalent arrangement), voting rights in the legal person/partnership (and equivalent arrangement). If there are no natural person(s) who exercise control of the entity by ownership or other means, then the Controlling Person will be the natural person(s) who otherwise exercises control over the management of the entity (e.g. the senior managing official of the entity).

The Issuer or the Designated Third Party may disclose information regarding any holder of Notes (including any information provided by the holder of Notes pursuant to this section) to any person to whom information is required or requested to be disclosed by any taxing authority or other governmental agency including transfers to jurisdictions which do not have strict data protection or similar laws, to enable the Issuer to comply with any applicable law or regulation or agreement with a governmental authority.

By subscribing for the Notes, each holder of Notes irrevocably waives all rights it may have under applicable bank secrecy, data protection and similar legislation that would otherwise prohibit any such disclosure and warrants that each person whose information it provides (or has provided) to the Issuer or the Designated Third Party has been given such information, and has given such consent, as may be necessary to permit the collection, processing, disclosure, transfer and reporting

of their information as set out in this section and this paragraph.

LISTING AND GENERAL INFORMATION

1. The Issuer has made an application to the Luxembourg Stock Exchange to list the Notes on the official list of the Luxembourg Stock Exchange and for such Notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issuance of the Notes. The issue of the Notes were authorised by resolutions of the Board of Directors passed on 25 April 2014.
3. There has been no significant change in the financial or trading position of the BIL Group since 31 December 2016 and there has been no material adverse change in the prospects of the Issuer or the BIL Group since 31 December 2016.
4. Without prejudice to the recent developments on the shareholding structure of the Issuer reflected in the section headed "*Banque Internationale à Luxembourg, Société Anonyme*" – *Shareholders*", there have been no additional material change and adverse change statements of the Issuer or the BIL Group since 31 December 2016.
5. Neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.
6. Notes have been accepted for clearing and settlement through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) and the Common Code is 106877033. The Common Code, the International Securities Identification Number ("**ISIN**") and the identification number for any other relevant clearing system for the Notes is XS1068770335. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
7. Copies in physical form of the Articles of Association of the Issuer, the annual report (which includes audited consolidated and non-consolidated figures) of the Issuer for the years ended 31 December 2015 and 31 December 2016, including the reports of statutory auditors in respect thereof, may be obtained, and copies in physical form of this Prospectus will be available, at the specified offices of the Paying Agent during normal business hours, so long as any of the Notes are outstanding.
8. Ernst & Young (a member of the *Institut des Réviseurs d'Entreprises* (the Luxembourg institute of chartered accountants)) has audited, and rendered the unqualified audit report on, the consolidated and non-consolidated accounts of BIL for the years ended 31 December 2015 and 31 December 2016.
9. The Prospectus prepared for the Notes hereby listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and all documents that have been incorporated by reference will be available to view on the Luxembourg Stock Exchange website (www.bourse.lu).
10. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices to the holders of the Notes will, in addition to a publication in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) in accordance with Condition 13 (*Notices*) of the terms of the Notes, be also published on the website of the Luxembourg Stock Exchange (www.bourse.lu).
11. So long as the Notes as listed on the Luxembourg Stock Exchange, the Issuer will immediately notify the Luxembourg Stock Exchange in the context of Condition 3 (*Interest Cancellation*) of the terms of the Notes, of any cancellation or deemed cancellation of interest, and in the context of Condition 7 (*Automatic Conversion*) of the terms of the Notes, of any Automatic Conversion of the Notes.
12. The Issuer is subject to the Luxembourg law of 11 January 2008 on transparency requirements, as amended (the "**Luxembourg Transparency Law**") pursuant to issuances of debt securities which have been admitted to trading on the regulated market operated by the Luxembourg Stock Exchange and therefore publishes its periodic financial information (such as annual and half-yearly financial reports) in accordance with the Luxembourg Transparency Law

on the Luxembourg Stock Exchange website (www.bourse.lu).

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