Annual Report 2016

BIL
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BANQUE INTERNATIONALE À LUXEMBOURG

2016: a robust performance in challenging times

The financial industry continued to face a difficult market environment in 2016 with low interest rates and multiple regulatory changes. At the same time, political events such as the Brexit and the US election increased uncertainty and hence volatility in the markets. Changing customer behaviour, the accelerated pace of digitalisation in banking and the stringent regulatory environment added to the challenges.

The regulatory environment in particular is increasingly affecting our balance sheet and solvency ratio: 2016 was the first full year in which the Bank contributed to the deposit guarantee scheme and the resolution funds with a negative impact of EUR 11.7 million on revenues.

In total, BIL group reports a net income after tax of EUR 110 million for 2016. While this 18% drop compared to the EUR 134 million earned in 2015 can partially be explained by the resolution funds and deposit guarantee contributions, it should also be noted that the 2015 figures were boosted by the sale of BIL's Luxempart shares which resulted in capital gains of EUR 67 million.

When the effect of this once-off sale is removed, we see a very robust performance in this challenging market environment: BIL group made a respectable core operating net income of EUR 124 million in 2016, a 3% increase compared to the previous year. This also clearly shows that we are on target concerning our revenue ambition and cost control.

We are also pleased to report a good performance of our commercial franchises. Despite negative interest rates faced by some clients, deposits were up by 7.4%, reaching EUR 16.1 billion versus EUR 15.0 billion in 2015.

At the same time, assets under management grew by 6.3% to EUR 37.7 billion. This excellent result can mainly be attributed to inflows of EUR 1.9 billion in the wealth management segment. The volume of customer loans also increased in 2016 - up 5.9% to EUR 12.0 billion compared with EUR 11.4 billion in 2015. This extended granting of retail and corporate loans is proof of BIL's ongoing support of the local economy.

160 years of serving the Grand Duchy

2016 was also the year in which the Bank celebrated its 160th anniversary. This important event was an opportunity to draw inspiration from the past and prepare for the future. Our history is firmly rooted in Luxembourg: BIL was the first bank in the Grand Duchy and held the right to issue bank notes until the introduction of the euro. A pioneer in many respects, BIL remains a major economic player and one of Luxembourg's biggest employers with a network of over 40 branches.

Let us take this opportunity to thank our clients, employees, the Board of Directors and our shareholders for their unwavering commitment and support throughout the years. In the course of its long history, the Bank has overcome multiple challenges and has grown and evolved alongside its clients whilst remaining firmly embedded in the local economy. This anniversary was also an opportunity for the Bank to refocus its corporate and social responsibility policy on art and culture, education and innovation as further proof of its lasting commitment to the Grand Duchy.

BIL2020 – looking ahead

The BIL2020 strategy, which was launched in 2015, will strengthen BIL group's position as a leading multi-business bank by placing a greater focus on innovation and client satisfaction. The implementation of BIL2020 was well underway in 2016 and has yielded first results – for example, the Bank already enhanced its presence in Switzerland in 2015 by acquiring KBL (Switzerland) Ltd. We are significantly investing in the key operating platform to enhance digital capabilities and ensure full compliance with upcoming regulations.

By continuously adapting to new banking methods, our value proposition responds to the changing needs of our clients.

This proven capacity to innovate, especially in light of BIL2020, was recognised by The Banker magazine: BIL was elected "Bank of the Year 2016 – Luxembourg".

On a more institutional basis, BIL group's strong financial fundamentals were acknowledged by the international rating agency Moody's who upgraded the main indicators for BIL group's financial rating from A3 to A2/positive /P-1 in October. ECB stress tests in 2016 further confirmed BIL's robust solvency. The tests proved the resilient quality of the Bank's assets even in very stressed scenarios and confirmed the overall soundness and the strong capital basis of the Bank.

Based on these solid foundations, with a transparent organisational structure and responsible risk management, we are prepared for the future. We believe that BIL2020 firmly establishes the conditions for sustained profitability.

Hugues Delcourt
Chief Executive Officer

Luc Frieden
Chairman of the
Board of Directors

Annual Report 2016

Consolidated management report

Corporate governance (as at December 31, 2016)

Board of Directors

Chairman

Luc Frieden

Vice-Chairman

George Nasra

Members

Hugues Delcourt	Director/CEO
Nicholas Harvey	Director
Maurice Lam	Director
Christian Schaack	Director
Pascale Toussing	Director
Albert Wildgen	Director
Christophe Zeeb-Ichter	Director
Michel Scharff	Director, Staff Representative
Serge Schimoff	Director, Staff Representative
Donny Wagner	Director, Staff Representative
Fernand Welschbillig	Director, Staff Representative

Board Strategy Committee

Chairman	*Members*
George Nasra	Luc Frieden Pascale Toussing

Board Audit and Compliance Committee

Chairman	*Members*
Maurice Lam	Nicholas Harvey Christophe Zeeb-Ichter

Board Risk Committee

Chairman	*Vice-Chairman*	*Members*
Christian Schaack	George Nasra	Luc Frieden Pascale Toussing Albert Wildgen

Board Remuneration and Nominations Committee

Chairman	*Members*
George Nasra	Nicholas Harvey Pascale Toussing Fernand Welschbillig (sub-meeting Remuneration)

Management Board

Chairman

Hugues Delcourt Chief Executive Officer

Vice-Chairman

Pierre Malevez Chief of Finance and Risks

Members

Yves Baguet	Chief Operating Officer
Hans-Peter Borgh	Head of Wealth and Investment Management
Olivier Debehogne	Head of Retail and Digital Banking
Marcel Leyers	Head of Corporate and Institutional Banking
Bernard Mommens	Secretary General and General Counsel
Claude Schon	Head of Treasury and Financial Markets

Audit (Permanent Invitee)

Pia Haas Chief Internal Auditor

Business Review and Results

1. Highlights of 2016 and early 2017

Despite the persistently challenging market environment in 2016, BIL group upheld its solid performance while placing a strong focus on innovation, especially in the area of client services.

The key highlights for the Bank 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 HIGH-POTENTIAL 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

The Bank 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, the Bank 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.

The Bank 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, the Bank agreed with nyuko to provide start-ups with the necessary resources to grow in a favourable environment for innovative firms in Luxembourg. In May, the Bank 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.

SERVICE MODEL, DISTRIBUTION AND FOOTPRINT

The Bank continues to adapt its branch network to client needs by offering all clients access to its cutting-edge mobile technology regardless of their location, while at the same time strengthening its local touch through more tailored in-branch services.

The BIL Direct Centre (BDC) was inaugurated in January 2016 to support the branches through remote client management by creating an additional service channel. While secure messaging services were already in place for certain business areas, the aim is to also fully centralise phone overflows and client video conference systems at the BDC by 2017.

Institutional banking clients also benefit from more centralised services to exploit synergies; the correspondent banking, financial institutions and professional intermediaries departments are now gathered under a single umbrella. The new institutional banking segment will serve the common but mixed client base of financial institutions, management companies, funds, fund distributors, insurers and intermediaries. This measure implements the overarching BIL2020 objective of addressing the greater complexity and specific requirements of institutional clients by bringing various areas of knowledge together to offer these expert clients more bespoke services.

At BIL group level, the refocusing of the international network proceeded in 2016 with the opening of a representative office in Stockholm to enhance our servicing of the bank's growing Scandinavian client base. This followed the integration of KBL (Switzerland) Ltd, the Swiss private banking subsidiary of KBL epb, into BIL (Suisse) SA in 2015.

CUSTOMER VOICE AND EXPERIENCE

The Bank aims to interact with clients in a more systematic manner. To this end, client surveys as well as a general enquiry into client satisfaction through the BIL Net Promoter Score enabled BIL to design tailor-made offerings and enhance the customer experience in 2016. Concrete actions will follow in 2017. This initiative is linked to other digital projects that aim to strengthen the dialogue between the clients and their bank and to render products and services more efficient and relevant.

CORPORATE SOCIAL RESPONSIBILITY – THE LOCAL TOUCH

The Bank remains strongly committed to Luxembourg as part of the BIL2020 strategy. In the context of its 160th anniversary, the Bank unveiled its strengthened corporate social responsibility (CSR) policy in March. The CSR policy was refocused on three well-defined areas: art & culture, education and innovation. This not only underlines BIL's deep roots in Luxembourg but also its support of innovation.

Major CSR activities in 2016 included exhibitions by Michel Majerus and Armand Strainchamps in BIL's Galerie Indépendance. To mark its 160th anniversary, the Bank commissioned Strainchamps' exhibited works for which the artist drew his inspiration from the notes the bank had the privilege of issuing until the introduction of the euro. Art2Cure was another good example of CSR activities: over EUR 50,000 were raised through the sale of artworks by 28 artists to fund research into Parkinson's and Alzheimer's diseases at the University of Luxembourg.

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.

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.

Finally, 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.

AGILE, CUTTING-EDGE OPERATIONS AND IT

BIL's IT is one of the key enablers behind the digital transformation as laid out in BIL2020 strategy. BIL's IT landscape will be enhanced and rendered more lean and agile. In 2016, good progress was made and a number of service enhancements were successfully rolled out on schedule.

The Bank is considering Temenos T24 to upgrade its core banking solution; implementation is scheduled to begin in 2017. This IT strategy is also in line with another major BIL project which aims to deliver an end-to-end solution for credits based on the same technological platform.

At the same time, cutting-edge technology will be deployed to facilitate innovation in all business areas and to add value to the Bank's overall offering. The aim is to create an open and flexible architecture which will enable the integration of complementary, external FinTech solutions into the BIL service landscape.

GOVERNANCE AND TRANSPARENCY

The Bank undertook a thorough review of its Bank-wide governance framework. In compliance with EU (CRD IV) and Luxembourgish (CSSF 12/552) regulatory requirements, BIL governance is divided into clearly defined layers with distinct responsibilities, decision-making processes, ownership and actions.

The international exposure makes it unsurprising that important Luxembourgish financial market participants such as BIL, through its fiduciary Experta, were also named in connection with international events such as the Panama Papers. A thorough analysis of the situation confirmed that this practice of setting up offshore structures, although not illegal as such, was already discontinued and discouraged by BIL years before the leaks. Today, the Bank focuses on wealth structuring via local, Luxembourg-based vehicles.

2. Key figures

STRENGTH OF COMMERCIAL FRANCHISES

The "Retail, Corporate and Wealth Management" business areas once again delivered a good performance in 2016 despite macro-economic turbulence:

- Despite a selective pricing policy that resulted in negative interest rates for some clients, customer deposits were up by 7.4%, reaching EUR 16.1 billion (versus EUR 15.0 billion at year-end 2015);
- Assets under Management (AuM) increased by 6.3%, reaching EUR 37.7 billion compared to EUR 35.5 billion by the end of 2015. This increase mainly resulted from new net inflows of EUR 2.2 billion driven by Wealth Management activities (EUR 1.9 billion);
- Customer loans increased by 5.9% to EUR 12.0 billion compared with EUR 11.4 billion in 2015. This is further proof of BIL's commitment to the economy of Luxembourg by supporting retail and corporate customers.

PROFITABILITY CONFIRMED

BIL reported a net income after tax of EUR 110 million in 2016, compared with EUR 134 million in 2015. This change is mainly due to:

- Non-recurring items;
- Capital gains generated by "Treasury and Financial Markets" (TFM);
- Deposit Guarantee Scheme and Resolution Fund contributions;
- Core operating activities.

2015 income included both non-recurring income and expenses. On the income side, the main event was the sale of Luxempart in January 2015 (EUR 67 million). This gain was partially offset by non-recurring expenses due to the integration of KBL (Switzerland) Ltd and the closure of the branches in Belgium and Singapore (EUR 20 million).

2016 saw two major non-recurring items: On the income side, there was an investment write-off related to the switch of the "Loans project" to Temenos 24 to optimise the future IT roadmap. On the expense side, slight restructuring costs were incurred in Luxembourg and Dubai.

2016 income included EUR 39 million of capital gains from investment portfolio sales compared to only EUR 5 million generated by such sales in 2015.

The core operating net income before tax (excluding non-recurring items and capital gains) reached EUR 124 million in 2016, slightly above the 2015 figures (EUR 120 million). Deposit Guarantee Scheme and Resolution Funds[1] contributions increased by EUR 2.3 million compared to 2015. Adjusted by these contributions, the core operating net income before tax rose by 4.3% in 2016.

LONG-TERM COUNTERPARTY CREDIT RATINGS

In April 2016, Fitch confirmed BIL's ratings as BBB+/Stable/F2. In October 2016, Standard & Poor's ratings remained unchanged (A-/Stable/A-2) and Moody's ratings were upgraded with a positive outlook (A2/Positive/P-1). In March 2017, Fitch confirmed BIL's ratings as BBB+/Stable/F2.

BIL group	Dec 2015	Dec 2016	Outcome
Moody's	A3 Positive	A2 Positive	Rating upgrade by one notch
S&P	A- Stable	A- Stable	Ratings confirmed
Fitch	BBB+ Stable	BBB+ Stable	Ratings confirmed in March 20, 2017

3. Business line segmentation

In 2016, the Bank kept the segmentation of its business lines:

- "Retail Banking, Corporate & Investment Banking and Wealth Management". Commercial activities are divided into three business lines: Retail & Digital Banking, Corporate & Institutional Banking, and Wealth & Investment Management;

[1] See explanations in section 5 – Preliminary notes to the consolidated financial statements.

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

4. IFRS 9 implementation

IFRS 9 is a new accounting standard which replaces the existing standard IAS 39. It notably governs provisioning for expected credit losses. The implementation deadline for the new standard is January 1, 2018.

A key change introduced by IFRS 9 is the move from an incurred credit loss model to a forward-looking, expected lifetime credit loss model.

The standard is divided into 3 sections:

Section I - Classification and measurement of financial instruments: New classification and measurement model based on the entity's business model and the contractual cash flow characteristics of the individual financial asset.

Section II - Impairments: Change to an expected loss model vs. an incurred loss model under IAS 39.

Section III - Hedging: when an entity first applies IFRS 9, it may choose to continue to apply the hedge accounting requirements of IAS 39 as its accounting policy until a formal standard on macro hedging is introduced. This policy shall apply to all of an entity's hedging relationships.

SECTION I – CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model under which an asset is held.

The assessment of the features of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Hence, the assessment is referred to as the "SPPI" test.

The Bank does not expect major changes in the classification and measurement of financial liabilities. Therefore, the focus is rather on the classification and measurement of financial assets.

Financial assets are classified according to the Bank's business model for managing these assets and according to the contractual cash flow characteristics of the financial assets.

There are three portfolios for financial assets:
- Financial assets at amortised cost: Financial assets whose business model is to collect cash flows and which passed the SPPI test. These assets will mainly include the loans of the Bank as well as bonds.
- Financial assets at fair value through other comprehensive income: Financial assets whose business model is to collect cash flows and sell, and which passed the SPPI test. This portfolio will be mainly composed of bonds and equities.
- Financial assets measured at fair value through profit or loss: This portfolio will include the financial assets held for trading (derivatives held for trading and assets that the Bank intends to sell immediately or in the near term), the non-trading financial assets mandatorily at fair-value through P&L (financial assets whose business model is to collect cash or to collect cash flows and sell but which did not pass the SPPI test), and financial assets designated at fair-value through profit or loss (to avoid an accounting mismatch).

The Bank's exposures are classified into two portfolios:
- The first portfolio contains the dealing room exposures, most notably the Investment Portfolio. The Bank splits the Investment Portfolio into two sub-portfolios which follow two different business models:
  - A portfolio of financial assets aimed at collecting contractual cash flows ("Hold To Collect" or HTC business model).
  - A business model based on collecting contractual cash flows and selling financial assets ("Hold To Collect and Sell" or HTC&S business model).
- The second portfolio concerns the loans perimeter, the business model depends on the way the Bank manages its loans. The objective of the Bank is clearly to only hold loans to collect contractual cash flows and not to sell them (HTC model).

Both portfolios have been reviewed to define their classification and measurement under IFRS 9.

SECTION II – IMPAIRMENT

During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. Under IFRS 9, the IASB has introduced a new, expected loss impairment model that will require a more timely recognition of expected credit losses. Specifically, the new standard requires entities to already account for expected credit losses when financial instruments are first recognised and it lowers the threshold for the recognition of full lifetime expected losses.

The impairment calculation under IAS 39 is based on incurred losses, while the new impairment calculation under IFRS 9 will be based on forward-looking expected losses. This new model will underline an expected loss calculation either based on a 12-month period or on a lifetime period.

Forward-looking expected credit losses (ECL) have to be calculated on a diversified panel of instruments (at amortized cost or at fair value through other comprehensive Income [FVTOCI]). As soon as there is a substantial increase in credit risk, the calculation should be based on a lifetime ECL. Criteria to switch from a 12-month to a lifetime ECL calculation have to be defined internally (staging approach).

After having challenged available existing market tools regarding impairment calculation, BIL is currently implementing a dedicated tool and adapting its IT systems to be fully compliant with IFRS 9 phase II requirements.

SECTION III – HEDGE ACCOUNTING

IFRS 9 introduces a reformed model for hedge accounting with enhanced risk management disclosures. While the IFRS 9 hedge accounting disclosures will be applicable in any case, the standard gives the choice of either retaining IAS 39 accounting policies for hedging purposes or switching to IFRS 9 hedge accounting. This choice remains until a formal standard on macro hedging is issued. At this stage, the Bank will retain the IAS 39 accounting policy requirements for hedging purposes.

PROJECT PROGRESS

The Bank has now moved into the implementation phase, especially regarding modelling, data and systems. IFRS 9 poses numerous challenges with regards to availability, granularity, quality and storage of information.

The inherent challenge in implementing IFRS 9 is the range of people involved in the project. IFRS 9 requires significant involvement notably from the finance and risk departments. A steering committee is ultimately responsible for monitoring progress and approving key decisions.

The Bank has also set up a parallel run throughout 2017 to assess the impact of IFRS 9 and to be able to compare data of 2018 and 2017.

5. Consolidated statement of income and consolidated balance sheet

PRELIMINARY NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements of BIL group for 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The main accounting principles are described in Note 1 of the consolidated financial statements. Unless stated otherwise, all amounts are expressed in euro (EUR).

Several amendments to existing IFRSs as well as the annual improvements to IFRSs 2012-2014 became applicable on January 1, 2016. BIL considers that these amendments have no substantial impact on BIL group financial reporting.

In addition, two major new standards were endorsed by the European Commission in 2016: IFRS 15 "Revenues from contracts with customers" and IFRS 9 "Financial instruments", both applicable from January 1, 2018. While IFRS 15 should have a limited impact on the bank, IFRS 9 introduces major changes in terms of classification and measurement of financial instruments as well as a new impairment calculation model. The implementation of the standard within the Bank is ensured by a dedicated project.

Several other new standards were issued or existing ones amended during the year, but they have not been endorsed yet by the European Commission (refer to Note 1.2 of the Consolidated financial statements).

On December 18, 2015, Luxembourg adopted a law on the resolution, recovery and liquidation of credit institutions and certain investment firms as well as on deposit guarantee and investor compensation schemes (the "Law"). This Law transposed into Luxembourg law Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as well as Directive 2014/49/EU on deposit guarantee and investor compensation schemes.

The Law replaces Luxembourg's existing deposit guarantee and investor compensation scheme implemented by the AGDL (Association pour la Garantie des Dépôts, Luxembourg), with a new, contribution-based scheme. The new scheme will cover all eligible deposits by a single depositor up to EUR 100,000 and investments up to EUR 20,000. In addition, the Law requires that deposits arising from specific transactions, fulfilling a social objective, or relating to particular life events, be covered above the limit of EUR 100,000 for a 12-month period.

The new "Fonds de Garantie des Dépôts Luxembourg" (FGDL) target funding level is set at 0.8% of member institutions' covered deposits (as defined in Article 163(8) of the Law) and it will have to be reached by the end of 2018. Contributions are to be made annually from 2016 to 2018. For 2015, a 0.2% provision of covered deposits was made by the Bank in anticipation of these contributions.

In April 2016, credit institutions and investment firms received the invoice and appendix for the first tranche of the contributions from the FGDL. Individual risk-based contributions were determined based on the methodology presented in Annex 1 to the Circular CSSF-CPDI 16/01 of April 6, 2016. Said Circular specifies that from 2016 to 2018, credit institutions and investment firms will pay yearly contributions equal to one third of the 0.8% target level of covered deposits to the FGDL.

Article 179 of the Law of December 18, 2015 states that contributions will be collected on a regular basis.

In order to ensure a consistent impact of the contributions on the income statement between 2015 and 2018, the 2015 0.2% provision of covered deposits will be reversed progressively by one third each year from 2016 to 2018. The first reversal was performed on June 30, 2016.

Once the 0.8% target level is reached in 2018, Luxembourgish credit institutions and investment firms will continue their contributions for another eight years to provide an additional cushion of 0.8% as defined in Article 163(8) of the Law.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME [1]

In December 2016, net income for BIL group totalled EUR 110 million, a decrease of EUR 24 million compared to December 2015.

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

(in EUR million)	31/12/15	31/12/16	Change versus 2015	%
Income	559	541	(17)	(3%)
Expenses	(374)	(369)	5	(1%)
Gross operating income	**185**	**173**	**(12)**	**(6%)**
Cost of risk and provisions for legal litigation	(18)	(17)	2	(8)%
Net income before tax	**166**	**156**	**(10)**	**(6%)**
Tax expenses	(32)	(46)	(14)	42%
Net income	**134**	**110**	**(24)**	**(18%)**

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

(in EUR million)	Commercial activities and Treasury and Financial Markets		Group Center		Total		Change versus 2015	%
	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16		
Income	493	554	66	(12)	559	541	(17)	(3%)
of which Core operating income	*491*	*512*	*4*	*(6)*	*495*	*506*	*11*	*2%*
Expenses	(354)	(355)	(20)	(14)	(374)	(369)	5	(1%)
of which Core operating expenses	*(343)*	*(354)*	*(9)*	*(8)*	*(353)*	*(363)*	*(10)*	*3%*
Gross operating income	138	199	46	(26)	185	173	(12)	(6%)
of which Core gross operating income	*147*	*158*	*(5)*	*(14)*	*142*	*143*	*1*	*1%*
Cost of risk and provisions for legal litigation	(19)	(14)	1	(3)	(18)	(17)	2	(8%)
of which Core operating cost of risk	*(19)*	*(14)*	*(2)*	*(5)*	*(21)*	*(19)*	*2*	*(10%)*
Net income before tax	119	185	47	(29)	166	156	(10)	(6%)
of which Core operating net income before tax	*128*	*143*	*(7)*	*(19)*	*120*	*124*	*3*	*3%*
Tax expenses					(32)	(46)	(14)	42%
Net income					**134**	**110**	**(24)**	**(18)%**

[1] Variation and percentages calculated on exact numbers may bring rounding differences.

Income

In 2016, total income amounted to EUR 541 million, down 3% or EUR 17 million. As already mentioned, this decrease was mainly due to non-recurring items in 2015 at the Group Center level and partially compensated by capital gains in 2016.

The increase in core operating income (EUR 11 million) is mainly due to growth in commercial activities and TFM (EUR 21 million) which was partially offset by Group Center costs (EUR 10 million).

Commercial activities increased by EUR 7 million compared to 2015, mainly due to KBL (Switzerland)'s contribution (first full-year contribution in 2016). Income was affected by pressure on deposit margins due to the low interest rates on the one hand and fee decreases in wealth management and retail banking on the other hand. Despite this pressure on margins, net interest income increased by EUR 10 million due to a strong volume growth of loans (5.9%) and deposits (7.4%). Income from fees decreased slightly by EUR 3 million.

TFM contributions to the core operating income increased by EUR 14 million compared to December 2015. All TFM desks contributed to this positive performance. Assets and Liabilities Management added EUR 6 million in interest margin income. Treasury - through the active management of the Bank's liquidity surplus - and Financial Markets - through forex and bonds activities - contributed EUR 7 million. The Investment Portfolio desk increased interest margins by EUR 1 million.

Group Center activities generated a core operating loss of EUR 6 million compared to a core operating income of EUR 4 million in 2015. This decrease was mainly due to the DGS and Resolution Fund contributions (EUR 2.3 million) and the funding costs of subordinated debt issued in 2016, amongst other contributing factors.

Expenses

General expenses totaled EUR 369 million, down 1% compared with December 2015.

Core operating expenses increased by EUR 9 million. This was mainly due to BIL Switzerland (EUR 7 million) following the integration of KBL (Switzerland) Ltd in November 2015 which only accounted for two months of operational activity in 2015 compared to 12 months in 2016. The expense increase was also due to BIL Luxembourg's expenditure in support of the BIL2020 strategy (EUR 4 million). Expenditure in the context of BIL2020 included initiatives to reinforce staff skills and to support the IT strategy and marketing campaigns.

Gross operating income

Gross operating income amounted to EUR 173 million. The decrease of EUR 12 million compared with 2015 is due to non-recurring items and capital gains as already mentioned in the previous sections.

Core gross operating income amounted to EUR 143 million, a EUR 1 million increase compared with 2015.

Cost of risk and provisions for legal litigation

BIL group recorded net provisions on loans and advances of EUR 17 million (EUR 19 million limited for the core operating cost of risk compared with EUR 21 million in 2015).

In 2016, specific value adjustments on loans reached EUR 14 million (down from EUR 16 million in December 2015) in accordance with the Bank's cautious provisioning policy. Recoveries on an entirely provisioned legacy loan have led to a write-back of EUR 2 million in Group Center (EUR 3 million in 2015). The Bank posted EUR 3 million of collective impairments on its loan books compared with EUR 2 million in 2015. Impaired loans as a percentage of total outstanding loans amounted to 2.85% in December 2016 versus 2.95% in December 2015, reflecting the high quality of the Bank's assets.

Net income before tax

Net income before tax stood at EUR 156 million. Core operating net income before tax increased by 3% (EUR 3 million) due to a good increase of commercial activities and TFM by EUR 15 million (EUR 143 million vs. EUR 128 million).

Tax Expenses

The 2015 tax expenses were influenced by the non-taxable gains from the sale of Luxempart. The 2016 tax expenses of EUR 46 million correspond to the taxation rate applied to each BIL group entity.

Net income

Despite very low interest rates and high market volatility, net income reached a respectable EUR 110 million, driven by a solid commercial franchise and boosted by the BIL2020 strategy.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET [1]

(in EUR billion)	31/12/15	31/12/16	Change versus 2015
ASSETS	**21.5**	**23.1**	**8%**
Loans and advances to credit institutions	2.3	3.2	35%
Loans and advances to customers	11.4	12.0	6%
Loans and securities available for sale	6.5	6.4	(2%)
Positive fair value of derivative products	0.3	0.2	(14%)
Other assets	1.0	1.3	38%
LIABILITIES	**21.5**	**23.1**	**8%**
Amounts due to credit institutions	2.0	2.2	11%
Amounts due to customers	15.0	16.1	7%
Negative fair value of derivative products	0.4	0.4	5%
Debt securities	2.0	2.4	22%
Subordinated debts	0.4	0.3	(34%)
Other liabilities	0.4	0.4	(1%)
Shareholders' equity	1.2	1.3	3%

In 2016, the consolidated balance sheet increased by EUR 1.6 billion (+7.8%). This evolution can be explained by a significant growth of the "amounts due to customers" of EUR 1.1 billion, "amounts due to credit institutions" of EUR 0.2 billion and "debt securities" of EUR 0.4 billion.

ASSET MOVEMENTS[2]

"Loans and advances to customers" increased by EUR 0.6 billion (+5.9%). Outstanding mortgage loans increased by EUR 0.4 billion (+10.8%) and investment loans by EUR 0.6 billion (+10.4%). The Bank continued to develop its retail and corporate banking activities in Luxembourg.

"Loans and securities available for sale" reached EUR 6.4 billion (-2.2%). The nominal amount of the Investment Portfolio stood at EUR 6.3 billion at the end of 2016. It mainly consists of assets eligible for refinancing by the European Central Bank (ECB) that qualify as liquidity reserves under Basel III and the CRD IV Directive. These assets enable the Bank to fully comply with liquidity ratio requirements.

LIABILITY MOVEMENTS

"Amounts due to credit institutions" increased by 11.5%. This increase was partly due to the participation in targeted, long-term refinancing operations (TLTRO II) in June 2016. The Bank takes an active part in this ECB programme to lend to the real economy.

"Amounts due to customers" showed a robust increase of EUR 1.1 billion (+7.4%), mainly due to an increase in demand deposits (EUR +0.6 billion) and term deposits (EUR +0.5 billion). In an uncertain market environment characterized by high volatility, clients preferred to hold some of their assets as deposits.

"Debt securities" issued under the euro medium-term note (EMTN) programme to institutional, retail and wealth management clients increased by EUR 0.4 billion (+21.6%). This increase can be explained by the fact that structured products offer clients an attractive alternative to short-term cash products in a very low, short-term interest rate environment.

"Subordinated debt" decreased by EUR 153 million (34.2%) in 2016 compared to 2015. The Bank issued EUR 141 million in 2016 which permitted the mitigation of maturing debts (EUR 294 million).

"Shareholders' equity" increased by EUR 42 million (+3.5%). This increase was due to the 2016 net profit of EUR 110 million partially offset by the dividend payment of EUR 70 million in April 2016.

6. Movements in share capital

End of year 2016, the Bank's share capital was fixed at EUR 141,212,330 represented by 2,017,319 fully paid-up shares (168 shares were cancelled in 2016 in accordance with the law dated July 28, 2014). In 2016, the Bank held 970 BIL treasury shares with a value of EUR 1,455,000.

[1] Variation and percentages calculated on exact numbers may bring rounding differences.
[2] Figures disclosed here above can slightly differ from the annual accounts and the notes to the annual accounts as they present the evolution of the corporate, retail and wealth management franchise according to management control department.

7. 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, the Bank is looking into the development of alternative savings products that combine a reasonable risk profile with an attractive return.

The Bank continues to research innovative technologies and supports their development in startups through partnerships with business incubators such as nyuko and Technoport. Going forward, the Bank 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.

8. Post-balance sheet events

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

9. Strategic outlook

The implementation of the BIL2020 strategy is set to continue in 2017 with significant investments to upgrade the operating platform, enhance digital capabilities and ensure regulatory compliance at all times.

In Luxembourg, the Bank aims to meet the evolving needs of its diverse client base with its comprehensive retail and corporate banking, wealth management and financial market offering.

The Bank will also continue to contribute to economic growth in the Grand Duchy in 2017. One way of achieving this is through ongoing startup support, for example under the InnovFin guarantee agreement with the European Investment Fund and the Digital Tech Fund in cooperation with the Luxembourgish government.

Internationally, BIL group will strengthen its wealth management activities in target markets.

Risk Management

1. INTRODUCTION

1.1 Key events of 2016

Corporate structure and risk profile

Since late 2014, important strategic initiatives were undertaken at a group-wide level that naturally impacted BIL group's corporate structure and risk profile. All initiatives have been monitored closely by the Bank's Risk Management department whose main objective is to guide their implementation by ensuring that the related risks are continuously under control and compatible with the institution's Risk Appetite.

Main events of 2016 with an impact on the Bank's risk profile are described in the annual report, section 1 of the "Business Review and Results".

BIL group's Risk Management department monitored the Bank's activities and risk profile throughout 2016 in line with the BIL2020 strategy. The ongoing implementation of new regulatory requirements together with the participation in the EU-wide Stress Test were the main challenges faced by the institution during the year.

1.2 Main regulatory changes in 2016

In 2016, BIL continued to invest time and resources in making sure that it is and will always be compliant with regulatory standards.

In the context of the Single Supervisory Mechanism introduced in November 2014, BIL was required to participate in this year's 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. Even in a very stressed scenario, BIL's results are proof of a resilient solvency situation. 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). According to the EBA, the next Stress Test is foreseen in 2018.

Moreover, BIL has also realised different Stress Test exercises, including the Pillar II Stress Tests and the Pillar I Credit Risk. Along with the evolution of the supervisory practices, the ongoing implementation of CRR and CRD IV requirements as well as the analysis of new requirements, such as Basel IV, remained some of the most challenging tasks undertaken by the Risk Management department in 2016.

Indeed, in the context of the Basel III revisions, some topics were published by the Basel Committee in order to introduce the so-called Basel IV requirements. In 2017, the Bank will continue to invest resources to satisfy these requirements by the application date in January 2018.

In 2016, BIL also started to work on the new definition of default. Concerning these two previous topics, it is also worth mentioning that a roadmap of new internal models has been established and will be deployed during the next years.

The IFRS 9 project will officially replace IAS 39 from January 1st 2018. Governance processes are an essential tool for the Bank to implement the new standard. A steering committee is ultimately responsible for monitoring progress and approving key decisions. The Bank has now moved into the implementation phase, especially concerning modeling, data and systems. IFRS 9 poses numerous challenges with regards to availability (historic data at origination for stage allocation...) granularity, quality and storage. The Bank will strive to implement and respect the new standard within the period prescribed.

The Bank Recovery and Resolution Directive (2014/59/EU) was transposed into Luxembourgish law in late 2015. A set of publications related to this Directive has been issued all year long. Moreover, the Bank has participated in the SRB data collection in May in order to determine the Minimum Requirement for Own funds and Eligible Liabilities (MREL). In parallel, BIL participated in several meetings with the Resolution Authority in order to discuss future MREL requirements.

Finally, it is also worth noting that the Bank also took part in various ad hoc regulatory exercises among which the benchmarking portfolio exercise. The Group (Precision Capital SA) also took part in regulatory exercises such as the EBA's Transparency Exercise.

2. RISK MANAGEMENT MISSIONS, ORGANISATION AND GOVERNANCE

2.1 Missions

The main missions of the Risk Management function are to:

- **Ensure that all risks are under control** by identifying, measuring, assessing, mitigating and monitoring them on an ongoing 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.
- **Provide the Authorised Management, the Board Risk Committee and the Board of Directors** with a comprehensive, objective and relevant overview of the risks.

- **Ensure that the risk limits are compatible** with the Bank's strategy, business model and structure through an effective Risk Appetite framework, which defines the level of risk the Bank is willing to take in order to achieve its strategic and financial goals.
- **Ensure compliance with banking regulation requirements** by submitting regular reports to the supervisory bodies, taking part in regulatory discussions and analysing all new requirements related to Risk Management that could affect the regulatory monitoring of Bank's activities.

2.2 Risk Management Governance

General principles

According to Circular CSSF 12/552, as amended, the Risk Management function is one of the three distinct internal control functions (together with Internal Audit and Compliance).

BIL group's Risk Management framework is based on a decision-making process that allows a prudent and sound management of risks. The decision-making process is defined by:

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

BIL's internal control functions report to the corresponding control functions at the BIL head office from both a hierarchical and a functional point of view for branches and from a functional point of view for subsidiaries.

BIL group's Risk Management governance is based on a clear decision-making process supported by the following committees:

Board of Directors

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

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

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

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

Board Risk Committee

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

Among its roles, the Board Risk Committee:

- Reviews and recommends changes to the BIL group Risk Management framework and to the global risk limits and capital allocation to the Board of Directors;
- Reviews the global BIL group risk exposure, major Risk Management issues and capital adequacy requirements covering all of the group's risks;
- Reviews any significant risk or exposure and relevant risk assessments with an external auditor on an annual basis;
- Reports regularly to the Board of Directors and makes recommendations with respect to any of the above or other matters.

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

Board Audit & Compliance Committee

Among its missions, the Board Audit & Compliance Committee monitors the effectiveness of the Bank's Internal Control, Internal Audit, and Risk Management framework. It also independently assists the Board of Directors regarding the supervision of the Bank's management. This committee ensures that the Management Board follows the recommendations of the external auditors. This committee also reviews and discusses the implementation and the adequacy of key accounting policies, practices and financial reporting processes.

Management Board

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

According to Circular CSSF 12/552 (as amended), the Management Board *"is in charge of the effective, sound and prudent day-to-day business (and inherent risk) management. This management shall be exercised in compliance with the strategies and guiding principles laid down by the board of directors and the existing regulations (...)".*

Moreover, the Management Board regularly (at least once a year) informs the Board of Directors of the implementation, adequacy, effectiveness and compliance with internal governance arrangements.

Finally, once a year, the Management Board confirms compliance with CSSF circular 12/552, as amended. The information to be provided is submitted to the CSSF together with the annual accounts to be published.

The Management Board ensures that rigorous and robust processes for Risk Management and Internal Controls are in place, and that the Bank is sufficiently staffed to be able to ensure the safe and sound management of its activities. This includes the establishment of strong risk governance.

Internal Control Committee

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

Risk Committees

Risk Committees are constituted and receive their mandate from the Management Board within a defined scope. They facilitate the development and implementation of sound practices of governance and decision-making. Their mandate, roles, members and other rules are clearly specified. At least one member of the Management Board is part of the Risk Committees. If these Risk Committees make decisions related to the overall risk process, the Board of Directors and the Management Board are not exempted from their responsibilities.

Risk Management organisation

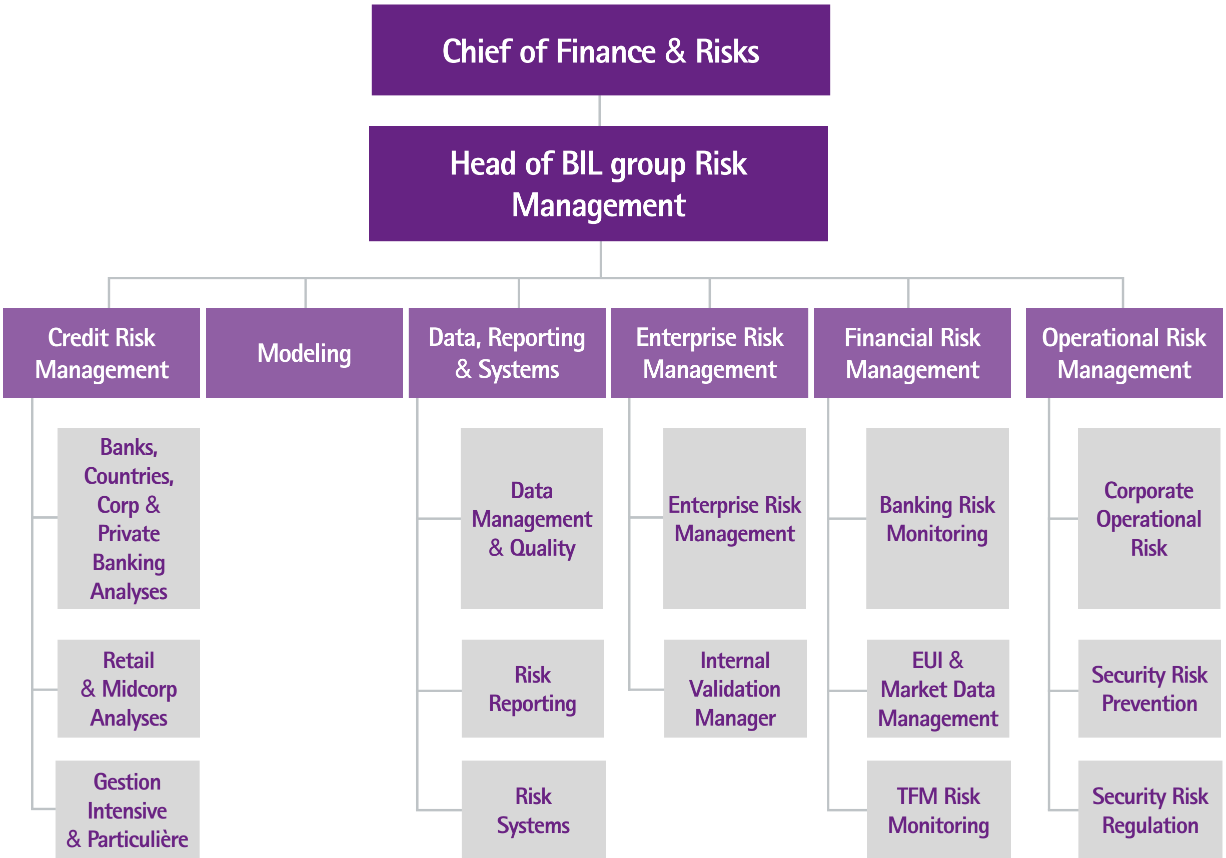
To ensure a sound management of risk and to develop an integrated Risk Management culture, the Bank has set up an effective Risk Management organisation, in adequacy with its activities, encompassing the relevant risks induced by its activities.

In line with the BIL 2020 Strategy and in order to help the Bank reach defined objectives as well as face expected regulatory developments, the Risk Management departments have been reorganised as depicted on the following pages.

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

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

The BIL group Risk Management department is divided into six dedicated units described on the following pages.



Credit Risk Management

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

- The *Banks, Countries, Corp & Private Banking Analyses* team is in charge of the assessment and the monitoring of the risk related to the banks, sovereign, corporate and institutional counterparts;
- The *Retail & Midcorp Analyses* team is in charge of retail and midcorp counterparts. Both teams are in charge of assigning internal ratings to BIL counterparties, but also of monitoring the corresponding portfolio;
- *Gestion Intensive et Particulière* (GIP) proactively manages assets deemed to be "sensitive" to minimize potential losses for the Bank in case of a default of a counterparty.

Modeling

The *Modeling* team is in charge of the development and performance monitoring of Basel III Pillar I approach and IFRS 9 models for Credit Risk.

Data, Reporting & Systems

The *Data, Reporting & Systems* unit is in charge of the development and maintenance of the data and risk systems used for the calculation of the credit risk capital requirements and the corresponding regulatory reporting. These teams are also responsible for the production of regulatory and internal reports related to Credit Risk such as the COREP and, Large Exposures and also deal with ad-hoc requests from regulatory authorities.

There are three teams:

- The *Data Management & Quality* team is responsible for operational quality control (known as level 1) and regulations (so-called second level) for data and processes related to Basel risk parameters;
- The *Risk Reporting* team is in charge of monitoring credit risk figures, producing regulatory reporting (e.g. COREP, Large Exposures, Past Due, IFRS 7) as well as any internal credit risk reporting, external demands or periodical credit risk reporting (ECB, EBA, CSSF, etc.);

- The *Risk Systems* team mainly works with the Moody's RAY software to produce, among others, the Basel COREP and Large Exposures reports. The team manages the software's expertise in terms of data, parameterisation and calculation engines (i.e. Basel, Economic IRBA, IBNR provisions and Large Exposures).

Enterprise Risk Management

The *Enterprise Risk Management* department consolidates all the activities related to the monitoring of the Bank's group-wide Risk Management frameworks (ICAAP/ILAAP, Stress Tests, Recovery Plan, etc.).

This unit is composed of two different teams:
- The *Enterprise Risk Management* team is in charge of the deployment and monitoring of the various components of the SREP process. This system is based on the analysis of the business model of the Bank through its Risk Appetite; the establishment of a framework for risk governance; the deployment of an Internal Capital Adequacy Assessment Process (ICAAP) and an Internal Liquidity Adequacy Assessment Process (ILAAP); a transversal stress testing device; and the establishment of a BIL Recovery Plan. Moreover, this team is also responsible for the prudential consolidation of the risks of the Bank and regulatory monitoring. In line with this requirement, the Enterprise Risk Management department ensures the regulatory monitoring and coordination of transversal projects related thereto; the realisation of regulatory transversal reports (Pillar III Report, Annual Report, Long Form Report, etc.) and the prudential risk consolidation for the Bank and its subsidiaries/ branches.
- The *Internal Validation Manager* is responsible for validating the internal rating systems used in the calculation of the regulatory capital requirement, notably the Credit Risk Pillar I under Basel III and IFRS 9.

Financial Risk Management

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

This unit is composed of three different teams:
- The *Banking Risk Monitoring* team is responsible for:
  - The supervision of Interest Rate Risk and Liquidity Risk on the balance sheet of the Bank;
  - Analysis and implementation of Basel III rules relating to liquidity (LCR / NSFR, HQLA, Asset Encumbrance, etc.);
  - The relationship with BCL regarding regulatory compliance and the consolidation of subsidiaries;
  - The assessment of daily collateral needs for derivatives and repo for BIL Social;
  - Ensure compliance with the unconfirmed credit limits for BIL Conso and update of limits in the systems.
- The *EUI (End-User Integration) & Market Data Management* team is in charge of the maintenance and the evolution of Market Risk data and of dedicated reports and systems;
- The *TFM Risk Monitoring* team is responsible for:
  - Overseeing the monitoring of Market Risk of all trading activities of the dealing room;
  - Managing the relationship with 'Finalyse' (external provider) for the validation of valuations of structured products;
  - Consolidating subsidiaries and reports to the Management Board;
  - Setting up systems to reduce Fraud Risk and Operational Risk.

Operational Risk Management

The *Operational Risk Management* unit handles the management of corporate operational risks, insurance reinsurance as well as security risks (i.e. prevention and regulation).
- The *Corporate Operational Risk* (COR) team is in charge of:
  - Putting in place, for BIL and its subsidiaries / branches, a system of control and actions to ensure an adequate operational risk exposure (internal fraud, external fraud, processes, systems, products, ...) in line with the Risk Appetite as defined by the Bank;
  - The establishment and regular updating of the insurance programme (BIL and employee coverage) within the Bank and its subsidiaries / branches;
  - A centralized management of insurance policies and claims within the Bank and its subsidiaries, acting as a single contact for both brokers and the insured;
  - Developing a comprehensive approach by ensuring the adequacy of the policy and insurance device including the own reinsurance company of BIL (captive) for risk analysis.
- The *Security Risk Prevention* team is in charge of validating and controlling access according to the rules and principles set out in memo NS0032 to ensure the security of systems and applications, and establishing and maintaining the continuity plan (Business Continuity Plan) and its alignment with the IT Recovery Plan (Disaster Recovery Plan);
- The *Security Risk Regulation* team ensures the establishment and maintenance of a global and transversal overview of various aspects of the Bank's Information Security to provide BIL with adequate protection and prevent threats (theft, loss, destruction, alteration, inaccessibility, etc.) which could affect this information.

3. CREDIT RISK

3.1 Definition

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

3.2 Risk policy

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

3.3 Organisation and Governance

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

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

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

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

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

3.4 Risk Measurement

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

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

Focus on the forbearance measure

BIL closely monitors its forborne exposures, in line with the definition stated in the publication of the Official Journal of the European Union dated February 2015.

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

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

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

For all counterparties, dedicated analyses are carried out at single credit file level in order to identify those that should be classified as forborne according to the regulatory definition. The granting of forbearance measure is likely to constitute an impairment trigger, meaning that the loan should be assessed for impairment either individually or as part of a collective assessment.

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

As at end 2016, BIL group's forborne exposures amounted to EUR 294.1 million including EUR 5.1 million as given banking guarantees.

3.5 Risk Exposure [1]

Credit Risk Exposure refers to the Bank's internal concept of Maximum Credit Risk Exposure (MCRE):

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

Equity exposures, tangible/intangible assets and deferred tax assets are excluded from this perimeter.

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

Unless otherwise stated, all figures are expressed in euro (EUR).

As at December 31, 2016, the Bank's total credit risk exposure amounted to 25.6 billion, almost 3.4 billion more than at year-end 2015. The overall exposure increase is observed on nearly all segments of the Bank's portfolio; the main contributors are Central Governments (+0.9 billion), Corporate (+0.82 billion), Individual, SME and Self-Employed (+0.7 billion) portfolios and Financial Institutions (+0.68 billion).

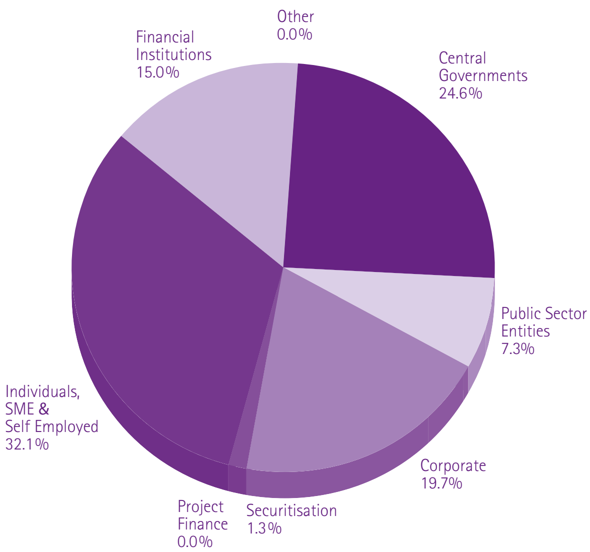
[1] Variation and percentages calculated on exact numbers may bring rounding differences.

Exposure by type of counterparty

In 2016 and in line with BIL group's business model and strategy, the Individuals, SME and Self Employed segment remained the Bank's largest portfolio, representing around 32.1% of the overall exposure.

The *Central Governments* exposure weighting slightly increased compared with the previous year and remained the second segment of the Bank's portfolio, representing 24.6% of the overall exposure.

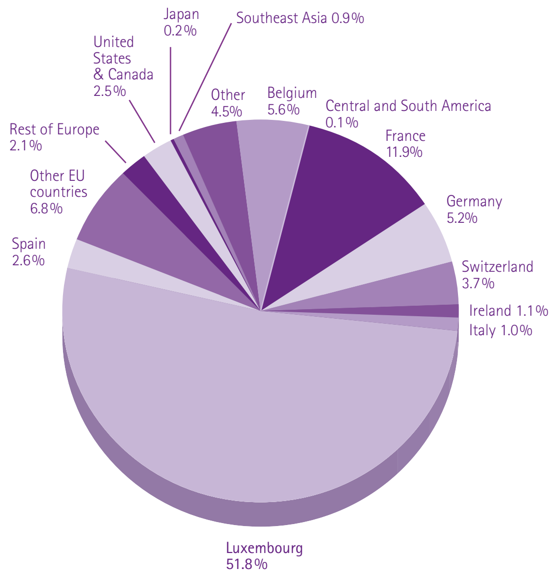
Finally, it is also worth noting the increases of the *Corporate and the Financial Institutions* exposures that respectively correspond to 19.7% and 15.0% of the overall exposure.



Exposures by counterparty category (in EUR million)	**31/12/15**	**31/12/16**	**Variation**
Central Governments	5,409	6,308	899
Public Sector Entities	1,583	1,870	287
Corporate	4,250	5,067	817
Securitisation	281	325	44
Project Finance	0	0	0
Individuals, SME & Self Employed	7,551	8,250	699
Financial Institutions	3,172	3,852	680
Other	5	3	(2)
TOTAL	**22,251**	**25,675**	**3,424**

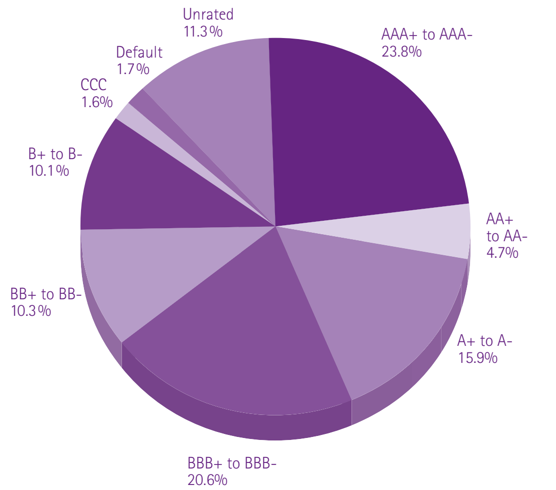
Exposure by geographic region

As at December 31, 2016, the Bank's exposure continued to be mainly concentrated in Europe, primarily in Luxembourg (51.8%), France (11.9%), Belgium (5.6%) and Germany (5.2%).



Exposure by internal rating

The credit risk profile of the Bank has remained stable since year-end 2015 and is of good quality. Indeed, the Investment Grade (IG) exposures represent 65% of the total credit risk exposure, of which 23.8% lies within the AAA+ to AAA range.



Exposure to PIIGS

The breakdown of the government bond portfolio for PIIGS[1] by maturity bucket is provided hereafter for 2016[2].

	31/12/15	31/12/16										
(in EUR million)		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Ireland	365	-	-	-	-	-	-	-	-	100	21	**121**
Italy	326	-	-	-	-	-	114	-	30	-	-	**144**
Spain	390	33	21	33	33	51	31	27	37	77	49	**392**
TOTAL	**1,081**	**33**	**21**	**33**	**33**	**51**	**145**	**27**	**67**	**177**	**70**	**657**

The Bank's portfolio exposure towards PIIGS has decreased compared to year-end 2015 which is explained by the will of the Bank to reduce its exposure to Ireland and Italy due to the macroeconomic environment.

As at end 2016, the Bank had no investments in Portuguese or Greek government bonds.

Losses on Immovable Property

The following table displays the losses recorded in 2016 on exposures collateralised by residential property regarding retail counterparties. These exposures are expressed in terms of Exposure-at-Default (EAD) and in millions of EUR.

	Sum of overall losses	Sum of the exposures
Collateralised by:		
Residential property	1,119,580	3,907,342,509
Commercial immovable property	0	413,000,953

Large exposures

According to its letter dated November 22, 2012, the CSSF has granted a total exemption for BIL's exposure towards its sister company KBL epb and its subsidiaries in the calculation of large exposure limits, in accordance with the former Circular 06/273 (part XVI, point 24), as amended. As at December 31, 2016, BIL had no exposure towards its sister company KBL epb.

Asset Quality

(in EUR million)	31/12/15	31/12/16
Gross amount of non-impaired loans	11,330.3	12,002.9
Impaired loans to customers	344.8	351.8
Specific provisions	274.8	280.3
Asset quality ratio[3]	2.95%	2.85%
Coverage ratio[4]	79.71%	79.67%
Collective impairments on loans	28.6	31.5

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

4.1 Definitions

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

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

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

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

Counterparty risk measures BIL's daily exposure to an external counterparty.

4.2 Risk Policy

To ensure integrated market and ALM risk management, BIL has defined a framework based on the following:

- An exhaustive risk measurement approach, which is an important part of BIL's risk profile monitoring and control process;

[1] Namely Portugal, Italy, Ireland, Greece and Spain.
[2] Excluding trading.
[3] Impaired loans as a percentage of total loans outstanding.
[4] The coverage ratio measures specific provisions recognised for loans and receivables in relation to total outstanding impaired loans and advances to customers.

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

4.3 Organisation and Governance

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

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

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

4.4 Risk Measurement and Exposures

Market Risk

Risk measurement

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

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

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

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

In 2016, the hypothetical back-testing calculated on the trading portfolio revealed 1 downward back-testing exception for interest rate and currency risks of which:

- 1 exception is explained to a high volatility of USD exchange rate against EUR combined with exceptional variations of USD interest rates.

By the end of 2016, the Bank had set up a stress testing[1] framework taking into account exceptional market occurrences.

[1] Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. The traditional focus of stress testing relates to exceptional but plausible events.

Risk exposure

Treasury and Financial Market

The detailed IR&FX VaR used for Treasury and Financial Market activities (ALM not included) is disclosed in the table below. The average Value at Risk was 0.91 million in 2016, compared with 0.97 million in 2015.

VaR (10 days, 99%) (in EUR million)		**2015**							
		IR[1] & FX[2] (trading and banking)[3]				**EQT[4] trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	1.17	1.06	0.89	0.76	0.01	0.01	0.00	0.00
	Maximum	5.22	2.21	1.25	1.30	0.02	0.02	0.01	0.02
Global	Average	0.97							
	Maximum	5.22							
	End of period	1.15							
	Limit	8.00							

VaR (10 days, 99%) (in EUR million)		**2016**							
		IR[1] & FX[2] (trading and banking)[3]				**EQT[4] trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.84	1.00	1.00	0.81	0.01	0.01	0.01	0.01
	Maximum	1.22	1.48	1.45	1.32	0.03	0.02	0.04	0.02
Global	Average	0.91							
	Maximum	1.48							
	End of period	0.44							
	Limit	8.00							

As of December 30, 2016, the spread sensitivity (+1bp) for the capital markets activity amounted to EUR -10,471 for a limit set at EUR -60,000. The average for 2016 amounted to EUR -16,753.

Asset & Liabilities Management

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

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

As at December 31, 2016, the ALM sensitivity amounted to 6 million (vs. -16 million as at end 2015).

Over 2016, the ALM department managed its rate position by progressively limiting its exposure to an increase in long term rates.

The limit of interest-rate sensitivity for a 100 bp parallel shift was 81 million as at December 31, 2016 (identical to last year's limit).

1 IR: interest rate.
2 FX: foreign exchange.
3 IR & FX: excluding asset & liability management (ALM).
4 EQT: equity.

Investment Portfolio

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

The investment portfolio had a total nominal exposure of 6.23 billion as at December 31, 2016 (against 6.06 billion as at December 31, 2015). The majority of the bonds are classified in the AFS portfolio: 5.71 billion as at December 31, 2016 (against 5.94 billion as at December 31, 2015). The remaining part is classified in the HTM portfolio: 0.522 billion as at December 31, 2016.

As far as the AFS-classified bond portfolio is concerned, the sensitivity of fair value (and the AFS reserve), to a one basis point widening of the spread, was -3.0 million as at end 2016 (compared with –3.0 million per basis point as at December 31, 2015).

Investment portfolio (in EUR million)

	Notional amount		Rate bpv		Spread bpv	
	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16
Treasury	2,939	2,947	(0.16)	(0.10)	(1.05)	(1.24)
ALM	3,126	3,285	(1.41)	(1.39)	(2.10)	(2.17)

Liquidity Risk

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

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

Risk measurement

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

Risk exposure

In line with the 2015 year-end situation, BIL presented a significant liquidity surplus throughout 2016.

Additional funding needed to reach 100% of the base case ratio (in EUR million)	2015	Q1	Q2	Q3	Q4
	Estimated - 1 month				
Average	(4,257)	(3,510)	(4,597)	(4,208)	(4,712)
Maximum	(4,960)	(3,784)	(4,785)	(4,450)	(4,960)

Additional funding needed to reach 100% of the base case ratio (in EUR million)	2016	Q1	Q2	Q3	Q4
	Estimated - 1 month				
Average	(4,418)	(4,607)	(4,348)	(4,355)	(4,362)
Maximum	(5,041)	(5,041)	(4,783)	(4,633)	(4,678)

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

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

This excess cash has been partially invested through the Bank's liquidity buffer bonds portfolio. This portfolio is mainly composed of Central Bank-eligible bonds which are also compliant with the Basel III package requirements, i.e. the LCR and NSFR.

Liquidity Coverage Ratio (LCR)

As the main short-term liquidity reference indicator, the LCR requires the Bank to hold sufficient HQLA to cover its total net cash outflows over 30 days. It has been fully implemented in 2014 to comply with the CRR (Delegated Act based on art. 462 of the CRR).

In EUR billion	2015	2016
Stock of HQLA	5.8	5.7
Net Cash Outflows	4.84	4.06
LCR ratio	119%	140%
Limit	100%	100%

This ratio increased from 119% as of December 31, 2015 to 140% as of December 31, 2016. The excess of liquidity (HQLA – Net Cash Outflows) increased too (+ EUR 0.68 billion).

[1] Called "Base Case Ratio".

The improvement of the ratio and the excess of liquidity are mainly explained by funding with a low run-off rate on the liability side and short-term investments on the asset side. In 2016, BIL implemented a new deposit with a notice period of 35 days. The stock amounted to EUR 0.78 billion as of December 31, 2016. It includes both previous sight deposits without notice period and new deposits. The other positive sources of funding are long-term ones resulting from the increased participation to Targeted Longer Term Refinancing Operations (TLTRO) programme (+ EUR 0.2 billion) and new issuances (+ EUR 0.15 billion).

The funding was principally invested in overnight deposits at Central Banks (+ EUR 0.8 billion). This significant increase of withdrawable Central Bank reserves is not reflected in the variation of the total liquid assets, which slightly decrease. Indeed, this investment is offset by the increase of securities lending with open maturity for a total amount of EUR 1.1 billion. These operations characteristically include a recall period of no more than two days. For this reason, encumbered securities which could have been eligible as Liquid Assets are taken into account in the Inflows, more precisely as "Other inflows". Consequently, the positive contribution of Central Bank deposits for the LCR is transferred from the Liquid Assets to Inflows category.

It is worth mentioning that the LCR has an impact on the asset structure as well as the funding profile of the Bank. LCR forecasts therefore become an integral part of the decision-making process of the Management Bodies.

Net Stable Funding Ratio (NSFR)

The NSFR, reflecting the longer term liquidity position of an institution, requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress. Pending the official EU calibration of the NSFR, calculations are based on Basel III calibration included in the Quantitative Impact Study (QIS) and reported in the Short Term Exercise (STE).

(in EUR billion)	2015	2016
Available Stable Funding (ASF)	13.94	15.31
Required Stable Funding (RSF)	12.68	13.41
NSFR ratio	110%	114%
Limit	100%	100%

The ratio increased from 110% as of December 31, 2015 to 114% as of December 31, 2016. The Available Stable Funding (ASF) and the Required Stable Funding (RSF) both increased but the ASF variation is greater (+ EUR 1.37 billion).

NSFR shares similar sources of improvement with LCR, as mentioned above. On the asset side, an increased participation to TLTRO program (+ EUR 0.2 billion) and new issuances (+ EUR 0.15 billion) occurred to some extent. An additional significant contribution was a new retail deposit of EUR 0.2 billion. Its ASF factor amounts to 90%, the lowest ASF factor applicable to retail deposits. On the liability side, these funding were invested in overnight deposits at Central Banks, which generate no funding requirement in the NSFR Basel calibration.

Asset Encumbrance

In response to a recommendation of the JST in its letter of January 5, 2016, a report of key metrics and a limit regarding asset encumbrance has been set up. The internal report is based on data of regulatory reporting. The following metrics have been selected to provide key information :

- Level of asset encumbrance;
- Credit quality of unencumbered debt securities;
- Sources of encumbrance;
- Contingent encumbrance.

A reference to the LCR classification has been added in the section "Credit quality of unencumbered debt securities" in order to give a complementary information about the quality of unencumbered assets.

The European asset encumbrance ratio has been calculated and added in the internal report. The components also rely on metrics of regulatory reporting:

$$\text{AE\%} = \frac{\text{Total encumbered assets} + \text{Total collateral received re} - \text{used}}{\text{Total assets} + \text{Total collateral received available for encumbrance}}$$

This ratio measures the asset encumbrance of credit institutions in Europe in a harmonised way. The overall weighted average encumbrance ratio calculated and published regularly by the EBA (for example 25.6% in December 2015) is an available benchmark. By comparison, BIL's ratio is around 11% (cf. table below) and reflects a low/moderate level of asset encumbrance compared to other institutions.

(in EUR million)

LEVEL OF ASSET ENCUMBRANCE	31/12/15	31/12/16
Encumbered assets	1,336	2,597
Collateral received re-used	129	0
Total	**1,465**	**2,597**
Ratio[1]	**7%**	**11%**
Limit	**25%**	**25%**

CREDIT QUALITY OF UNENCUMBERED DEBT SECURITIES[2]	2015 YE	2016 YE
Step 1 (AAA to AA-)	4,069	3,048
of which eligible as LA for LCR	*3,861*	*2,851*
Step 2 (A+ to A-)	1,043	1,214
of which eligible as LA for LCR	*624*	*754*
Step 3 (BBB+ to BBB-)	976	819
of which eligible as LA for LCR	*799*	*755*
Non-rated securities	157	22
of which eligible as LA for LCR	*0*	*10*
Total	**6,246**	**5,103**
of which eligible as LA for LCR	*5,283*	*4,371*

SOURCES OF ENCUMBRANCE	2015 YE	2016 YE
OTC Derivatives	413	437
Repurchase agreements	453	554
Collateral swaps	721	594
Securities lending	0	751
Total	**1,586**	**2,335**

CONTINGENT ENCUMBRANCE[3]	2015 YE	2016 YE
OTC Derivatives	86	57
Repurchase agreements	136	165
Collateral swaps	218	245
Securities lending[4]	0	309
Total	**440**	**776**

As of December 31, 2016, EUR 2.33 billion of BIL group's balance sheet assets were encumbered. Key sources of encumbrance are securities lending (EUR 0.75 billion), collateral swaps (EUR 0.59 billion), deposits to the BCL (EUR 0.55 billion) and OTC derivatives (EUR 0.43 billion). Almost all securities lending transactions are open maturity operations with a maximum recall period of two days, which mitigates liquidity risk. Depending on the counterparty, BIL or a third party on the behalf of BIL receives securities as collateral to address the credit risk. A common feature of collateral swaps carried out by BIL is the lending of high quality securities (e.g. issued by a general government) against LCR-eligible securities of lesser quality (e.g. RMBS). Central Bank-eligible securities are encumbered to pledge BIL's participation in the Targeted Longer Term Refinancing Operations (TLTRO) programme. Lastly, collateral needs from derivatives (CSA and GRMA) require cash deposits.

The significant increase of encumbered assets (+ EUR 1.1 billion) and of contingent encumbrance are mainly explained by the variation of securities lending. As previously explained, the liquidity risk resulting from these operations is very limited due the very short-term recall period.

Despite the securities lending, BIL maintained a sufficient level of unencumbered high quality assets, including assets eligible as liquid assets for LCR and Central Banks. Furthermore, the BIL asset encumbrance ratio remains largely below the limit, in line with the EU average ratio.

1 Asset encumbrance ratio = (Encumbered assets + Collateral received re-used) / (Total assets + Total collateral received).
2 Assets and collateral received available for encumbrance.
3 Additional amount of encumbered assets resulting from a decrease by 30% of the fair value of encumbered assets.
4 Collateral has been given to Clearstream for EUR 453 million in the context of securities lending activities. Despite the materialization of encumbered assets, the caption "source of encumbrance" do not reflect these transactions as the Bank only received a commitment to deliver from its counterpart rather than a real delivery of collateral.

5. OPERATIONAL RISK

5.1. Definition

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

5.2 Risk Policy

BIL's Operational Risk Management (ORM) policy involves identifying and regularly assessing existing risks and current measures in order to ensure that the acceptance level defined per activity is respected. If not, the business has to implement quick corrective or improvement actions permitting a return to an acceptable situation. This framework is implemented through a preventive approach, particularly with regard to Information Security, Business Continuity and, whenever necessary, through the transfer of the financial consequences of certain risks towards insurances.

In terms of information security, including business continuity management and access management, BIL group's Management Board has validated and implemented an information security policy. This document and its related guidelines, standards, procedures and practices are intended to secure BIL group's information assets. In 2016, BIL mandated PwC to review all the internal governance and policies related to cybersecurity topics (covering both IT Security and Information Security perimeters). In this context, the Information Security Policy is being completely rewritten.

In terms of operational risk, BIL's management conducted the annual review of the Operational Risk Global Policy without any major change in September 2016.

5.3 Organisation and Governance

BIL's Operational Risk Management framework relies on strong governance, with clearly defined roles and responsibilities.

The following committees are responsible for operational risk at BIL:

- ***The Internal Control Committee (ICC)***, mandated by the Management Board, is in charge of supervising the Operational Risk Management for operational incidents, major risks and root causes, follow-up on corrective/mitigating measures, RCSA results, KRI, BCP/DRP Information Security as well as overseeing the operational risks for BIL, its subsidiaries and branches based on the existing products/services.
- ***The New Product Committee (NPC)*** is a transversal committee responsible for new products/ services on the basis of ideas coming from the entire bank including the Innovation & Digital Forum and for checking the relevancy of the underlying business case against the Bank's strategy. The Head of BIL's group Risk Management acts as a permanent member for risk advice;
- ***The Monthly Operational Committee (MOC)***, under the responsibility of the Treasury & Financial Markets (TFM) business line, and with the participation of ORM, supervises BIL's TFM projects and operational risks, takes decisions in terms of tackling day-to-day problems and monitors other risks related to TFM Luxembourg's activities;
- ***The Security Committee (SC)*** is mandated by the Management Board to oversee the risks to BIL's Information Security and to that of its subsidiaries and branches, as well as all risks of deficiency of confidentiality, availability, or integrity of the Bank's information assets. It is also in charge of overseeing security incidents involving BIL, taking decisions on any project which could have a potential impact on the security of BIL's information assets and ensuring that the implementation and support of a global Business Continuity Plan (BCP) follows the strategy defined by the Management Board;
- ***The Crisis Committee (CC)*** is mandated by the Management Board to create an Operational Crisis Management Committee consisting of a core incorporating different members of the functions necessary for the management of any crisis; depending on the type of crisis, this core is complemented by the heads of the entities affected;
- ***The Compliance, Audit and Risk (CAR) Committee*** is a monthly committee which has been set up following a proposal by IS4F[1]. This Committee covers aspects of Compliance, Audit and Risk between BIL and IS4F. It brings together the Chief Compliance Officer, the Head of Audit and the Head of BIL group's Risk Management and/or their substitutes.

5.4 Risk measurement and management

The operational risk framework relies on the following elements:

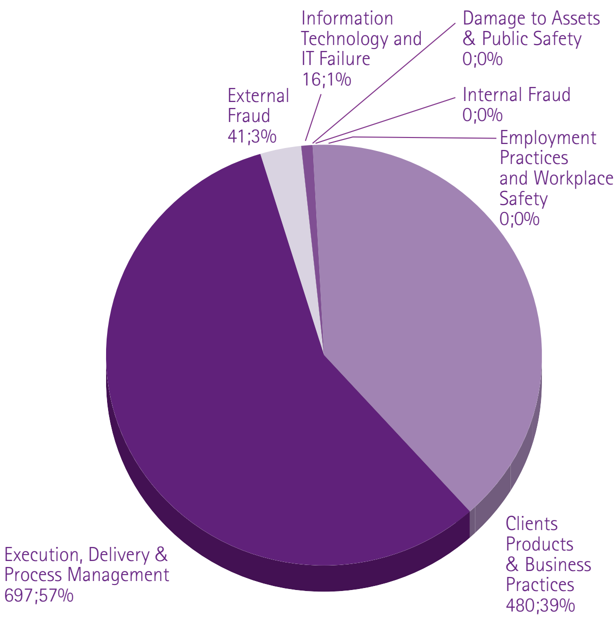
Operational Risk Event Data Collection

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

Regardless of the approach used to calculate the capital, data collection is required. Having a relevant procedure in place ensures that BIL complies with the Basel Committee's requirements (i.e. guidelines for reporting operational incidents). At the same time, recording incidents provides information that may be used to improve the internal control system and determine the Bank's operational risk profile.

The division of BIL group's gross losses for the year 2016 by risk event type is disclosed in the chart below. The total gross impact is calculated on an absolute value basis, including losses, profits, timing accounting and excluding recoveries. This explains possible differences with other regulatory reports which are only based on a losses point of view.

Gross impact in EUR thousand and share in %



Execution, Delivery & Process Management incidents represent 57% of the total amount of BIL group's operational risk losses. Losses related to these incidents were in the vast majority incurred due to human errors and the main operational risk lies in the wrong execution of instructions.

In the second place, one incident related to the *Client Products & Business Practices* category represents 39% of the total amount of operational incidents.

An action plan has been implemented regarding those kind of incidents which consists of:
- A reminder to client advisors about the obligation to have a statement signed annually by the customers, to protect the Bank against claims on account management;
- Monitoring that all the customers have a statement duly signed within a maximum of 12 months.

In 2016, the Bank recorded 68 operational incidents related to *External Fraud* among which 49 have been stopped by the Bank (fraud attempts) for a risk exposure amount slightly below EUR 2 million. Seven frauds were executed for an effective loss of EUR 41,000 but the risk exposure amount was EUR 0.5 million. A review of the internal memorandum that imposes the execution of additional controls based on the customer's habits or profile has been started in 2017. The criteria of the controls will be updated to keep them in line with the fraudulent practices. Moreover, thanks to reminding campaigns especially via intranet, the Bank keeps raising all front business lines' employees awareness. The Bank didn't face any internal fraud in 2016.

In the *Information, Technology and Infrastructures* category (1%), the operational incidents were mainly linked to disturbances in the IT systems. BIL does not estimate the related financial impacts except if they have direct financial consequences for customers. The principal impact is calculated in men/days. Each financial impact related to Damage to Assets & Public Safety event type have been totally recovered, which explains that it represents 0% of the total amount of the operational risk losses.

In terms of control, an exhaustive monthly document is produced for each line manager (Head Office, subsidiaries and branches). It covers every incident that has arisen in their business over the previous month and that has been declared to the COR team. Recipients analyse their report and verify that all incidents brought to their attention have been treated and reported.

ORM presents an operational risk report to the ICC at the end of each quarter.

[1] IS4F (Innovative Solutions For Finance) is provider of financial services (PFS company) that delivers IT infrastructure and production services for BIL.

Self-assessment of risks and associated controls

A pre-defined RCSA exercise is performed each year to identify the most significant operational risk areas of the Bank. This assessment provides a good overview of the various activities and existing checks and can lead to the definition of mitigating actions. The results of these assessments are reported to the management during the ICC meeting. The guideline for RCSA has been reviewed in 2016 without significant changes.

Definition and follow-up of action plans

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

Two types of action plans are managed through operational risk management:

- Action plans – Incidents: Following a significant incident, management has to implement action plans in order to reduce the impact or prevent its reiteration;
- Action plans – RCSA: In the event of unacceptable risk exposure, management has to identify ad hoc action plans mitigating the identified risk.

Calculation of the regulatory capital requirements

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

The relevant indicator is defined by the regulator and is based on the operational results of the underlying business lines, using an average over the past three years. The calculation is updated at the end of each year. The amount of operational risk-weighted assets has increased compared with the 2015 figures (764 million) to 799 million at year-end 2016.

Risk Weighted Assets (in EUR million)	
2015	**2016**
764	799

6. REGULATORY CAPITAL ADEQUACY - PILLAR 1

6.1 Weighted risks

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

For credit risk, BIL group has decided to use the Advanced-Internal Rating Based (A-IRB) approach on its main counterparties (i.e. Central Governments, Banks, Corporate, SMEs and Retail) for the assessment of its risk-weighted assets (RWA). When it comes to Market Risk, the Bank has adopted the standardised method; this choice is based on the Bank's very moderate trading activity, whose sole purpose is to assist BIL's customers by providing the best service relating to the purchase or sale of bonds, foreign currencies, equities and structured products. The standardised method is also used for the calculation of the weighted operational risks of the Bank.

At the end of 2016, the Bank's total RWAs amounted to 5.8 billion, compared with 5.6 billion as at end 2015.

On the credit risk side, the slight increase observed in 2016 (+0.2 billion), is mainly explained by the increase in fixed and roll-over term advances on one hand, and on the other hand by new lines of mortgage loans.

While the market risk RWAs decreased by 42 million, the operational risk RWAs increased by 35 million in 2016, explained by higher average revenues on the *Commercial Banking and Trading & Sales* activities of the Bank.

(in EUR million)	31/12/15	31/12/16	Variation
Weighted credit risks	4,703	4,942	5%
Weighted market risks	97	55	(43%)
Weighted operational risks	764	799	5%
Weighted CVA risks	25	23	(9%)
TOTAL WEIGHTED RISKS	5,589	5,819	4%

6.2 Capital Adequacy ratios

(in EUR million)	31/12/15	31/12/16
Common Equity Tier 1 Capital (CET1)	729	755
Additional Tier One Capital	150	150
Total regulatory capital	898	1,050
Risk Weighted Assets	5,589	5,819
Common Equity Tier 1 Capital Ratio (CET1%)	13.04%	12.98%
TOTAL ADEQUACY RATIO	16.07%	18.04%

The Bank's Common Equity Tier 1 (CET1) capital evolution since 2015 is mainly explained by the integration of the profits of the current financial year minus the dividend paid.

The increase observed on total own funds is due to both the evolution of the CET1 capital and the issuance of new subordinated loans of Tier 2 capital.

7. INTERNAL CAPITAL ADEQUACY – PILLAR 2

Article 73 of Directive 2013/36/EU defines the ICAAP as a set of *"[…] sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed".*

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

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

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

The main building blocks of BIL group's ICAAP

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

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

- In order to determine the adequacy of its internal capital, BIL group first translates its business and strategy plans into *Risk Appetite Statements* and develops and monitors the corresponding framework;
- Secondly, BIL group has to identify the risks to which it is exposed to (i.e. risk identification and cartography). Different steps are then taken within the Bank on an ongoing basis: Definition of a risk glossary, identification of the risks borne by the institution, assessment of the risks materiality, drafting of the Bank's risk cartography;
- BIL group then assesses its capital needs to cover the economic effects of risk-taking activities thanks to the Economic Capital (ECAP) framework. ECAP is defined as the potential deviation between the group's economic value and its expected value, for a given confidence interval (depending on BIL group's target rating), and a horizon of one year;
- BIL group finally assesses its capacity to maintain sufficient capital, in terms of quantity and quality, to support its risk profile through both normal and crisis periods. This is carried out through the ongoing assessment of the Bank's capital adequacy and, at least once a year, through the forward-looking assessment of the Bank's capital soundness (Capital Planning).

Consolidated financial statements

Report of the "réviseur d'entreprises agréé"

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

Report on the consolidated financial statements

Following our appointment by the Board of Directors, we have audited the accompanying consolidated financial statements of Banque Internationale à Luxembourg SA, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg SA as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

April 7, 2017

Consolidated balance sheet

ASSETS (in EUR)		Notes	31/12/15	31/12/16
I.	Cash and balances with central banks	7.2	1,340,198,076	2,085,823,944
II.	Loans and advances to credit institutions	7.3	994,454,661	1,071,276,155
III.	Loans and advances to customers	7.4	11,371,806,693	12,042,999,820
IV.	Financial assets measured at fair value through profit or loss	7.5	88,239,176	79,801,733
V.	Financial investments	7.6	6,646,471,735	6,917,484,841
VI.	Derivatives	9.1	286,864,028	245,883,149
VII.	Fair value revaluation of portfolios hedged against interest rate risk		10,161,025	6,523,489
VIII.	Investments in associates	7.7	22,348,474	28,274,796
IX.	Investment property	7.8 / 7.12	132,165,285	120,762,712
X.	Property, plant and equipment	7.8 / 7.12	104,448,698	107,055,746
XI.	Intangible fixed assets and goodwill	7.9	96,295,570	121,944,143
XII.	Current tax assets	7.10	264,475	214,285
XIII.	Deferred tax assets	7.10 / 9.2	283,827,183	243,692,753
XIV.	Other assets	7.11	98,714,555	76,921,160
TOTAL ASSETS			**21,476,259,634**	**23,148,658,726**

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

LIABILITIES

(in EUR)		Notes	31/12/15	31/12/16
I.	Amounts due to credit institutions	8.1	1,988,226,954	2,216,090,000
II.	Amounts due to customers	8.2	15,019,202,404	16,129,249,400
III.	Financial liabilities measured at fair value through profit or loss	8.3	839,991,931	879,926,299
IV.	Derivatives	9.1	414,021,724	436,598,717
V.	Fair value revaluation of portfolios hedged against interest rate risk		55,197,019	48,683,055
VI.	Debt securities	8.4	1,141,323,628	1,529,888,297
VII.	Subordinated debts	8.5	446,661,346	293,936,368
VIII.	Provisions and other obligations	8.6	81,002,409	61,714,820
IX.	Current tax liabilities	8.7	4,079,426	3,878,602
X.	Deferred tax liabilities	8.7 / 9.2	1,496,317	2,759,526
XI.	Other liabilities	8.8	267,431,970	286,272,932
TOTAL LIABILITIES			**20,258,635,128**	**21,888,998,016**

SHAREHOLDERS' EQUITY

(in EUR)		Notes	31/12/15	31/12/16
XII.	Subscribed capital	9.7	141,224,090	141,212,330
XIII.	Additional paid-in capital		708,297,160	708,216,940
XIV.	Treasury shares		(1,455,000)	(1,455,000)
XV.	Reserves and retained earnings		174,680,099	231,962,461
XVI.	Net income for the year		134,269,101	110,362,021
CORE SHAREHOLDERS' EQUITY			**1,157,015,450**	**1,190,298,752**
XVII.	Gains and losses not recognised in the consolidated statement of income		60,609,056	69,361,958
	a) AFS reserve		*89,146,369*	*99,775,612*
	b) Other reserves		*(28,537,313)*	*(30,413,654)*
GROUP EQUITY			**1,217,624,506**	**1,259,660,710**
XVIII.	Non-controlling interest		0	0
TOTAL SHAREHOLDERS' EQUITY			**1,217,624,506**	**1,259,660,710**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**21,476,259,634**	**23,148,658,726**

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

Consolidated statement of income

(in EUR)		Notes	31/12/15	31/12/16
I.	Interest and similar income	11.1	503,863,462	480,781,377
II.	Interest and similar expenses	11.1	(218,876,842)	(181,347,393)
III.	Dividend income	11.2	215,342	9,253
IV.	Net income from associates	11.3	2,595,856	3,013,906
V.	Net trading income and net result of hedge accounting	11.4	18,536,805	23,322,626
VI.	Net income on investments (assets and liabilities not measured at fair value through profit or loss)	11.5	84,769,121	47,042,743
VII.	Fee and commission income	11.6	203,552,542	220,757,947
VIII.	Fee and commission expenses	11.6	(30,105,252)	(35,770,530)
IX.	Other net income	11.7	(5,847,897)	(16,426,653)
INCOME			**558,703,137**	**541,383,276**
X.	Staff expenses	11.8	(225,052,781)	(214,070,395)
XI.	General and administrative expenses	11.9 / 11.10	(124,301,385)	(128,610,493)
XII.	Amortisation of tangible and intangible fixed assets	11.11	(24,627,655)	(25,840,362)
EXPENSES			**(373,981,821)**	**(368,521,250)**
GROSS OPERATING INCOME			**184,721,316**	**172,862,026**
XIII.	Impairment on loans and provisions for credit commitments	11.12	(18,559,324)	(16,916,571)
XIV.	Provisions for legal litigation	11.13	137,943	0
NET INCOME BEFORE TAX			**166,299,935**	**155,945,455**
XV.	Tax expenses	11.14	(32,030,834)	(45,583,434)
NET INCOME FOR THE YEAR			**134,269,101**	**110,362,021**
	Net income - Group share		134,269,101	110,362,021
	Non-controlling interest		0	0

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

Consolidated statement of comprehensive income

(in EUR)	31/12/15	31/12/16
NET INCOME FOR THE YEAR RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	134,269,101	110,362,021
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	(84,567,361)	8,752,902
Items that will not be reclassified to profit or loss	**11,740,411**	**(1,274,715)**
Actuarial gains (losses) on defined benefit pension plans - Gross	14,492,750	898,039
Actuarial gains (losses) on defined benefit pension plans - Tax	(2,752,339)	(2,172,754)
Items that may be reclassified to profit or loss	**(96,307,772)**	**10,027,617**
Gains (losses) on net investment hedge	(313,729)	(35,352)
Translation adjustments	(3,371,954)	(341,316)
Gains (losses) on cash flow hedge	13,047,731	(5,515,095)
Unrealised gains (losses) on available for sale financial investments	(111,940,578)	9,272,791
Share of other recognised income & expense of investments in subsidiaries, joint ventures & associates	(1,517,300)	4,126,695
Tax on items that may be reclassified to profit or loss	7,788,058	2,519,894
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	49,701,740	119,114,923
Attributable to equity holders of the parent company	**49,701,740**	**119,114,923**
Attributable to non-controlling interests	0	0

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

Consolidated statement of changes in equity

CORE SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings[1]	Net income for the year	Core shareholders' equity
AS AT 01/01/15	**141,224,090**	**708,297,160**	**(1,455,000)**	**114,563,711**	**122,120,402**	**1,084,750,363**
Dividend paid				(54,996,696)		(54,996,696)
Redemption for the year or liquidation						
Classification of income 2014				122,120,402	(122,120,402)	0
Interest on contingent convertible bond				(7,033,760)		(7,033,760)
Dividend received on own shares				26,442		26,442
Net income for the year					134,269,101	134,269,101
AS AT 31/12/15	**141,224,090**	**708,297,160**	**(1,455,000)**	**174,680,099**	**134,269,101**	**1,157,015,450**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Associates	Other reserves	Translation adjustments[2]	Gains and losses not recognised in the consolidated statement of income
AS AT 01/01/15	**189,687,997**	**(12,767,048)**	**3,481,109**	**(24,111,331)**	**(11,114,310)**	**145,176,417**
Net change in fair value through equity - Available for sale investments	(7,284,789)		(1,517,300)			(8,802,089)
Net change in fair value through equity - Cash flow hedges		1,323,805				1,323,805
Net change in other reserves				12,274,649		12,274,649
Translation adjustments	194,664			(534,239)	(3,371,954)	(3,711,529)
Reimbursements for the period, disposals or maturities	(1,305)					(1,305)
Cancellation of fair value following AFS disposals	(93,450,198)					(93,450,198)
Cash flow hedge - Break in hedging		7,799,306				7,799,306
AS AT 31/12/15	**89,146,369**	**(3,643,937)**	**1,963,809**	**(12,370,921)**	**(14,486,264)**	**60,609,056**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
AS AT 01/01/15	**0**	**0**	**0**
Changes in scope of consolidation	0	0	0
AS AT 31/12/15	**0**	**0**	**0**

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

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 20 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2015, translation adjustments comprise an amount of EUR -53,159,213 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

CORE SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings [1]	Net income for the year	Core shareholders' equity
AS AT 01/01/16	**141,224,090**	**708,297,160**	**(1,455,000)**	**174,680,099**	**134,269,101**	**1,157,015,450**
Dividend paid				(69,986,624)		(69,986,624)
Redemption for the year or liquidation	(11,760)	(80,220)				(91,980)
Classification of income 2015				134,269,101	(134,269,101)	0
Interest on contingent convertible bond				(7,033,763)		(7,033,763)
Dividend received on own shares				33,648		33,648
Net income for the year					110,362,021	110,362,021
AS AT 31/12/16	**141,212,330**	**708,216,940**	**(1,455,000)**	**231,962,461**	**110,362,021**	**1,190,298,752**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Associates	Other reserves	Translation adjustments [2]	Gains and losses not recognised in the consolidated statement of income
AS AT 01/01/16	**89,146,369**	**(3,643,937)**	**1,963,809**	**(12,370,921)**	**(14,486,264)**	**60,609,056**
Net change in fair value through equity - Available for sale investments	40,827,001		4,126,695			44,953,696
Net change in fair value through equity - Cash flow hedges		(4,387,006)				(4,387,006)
Net change in other reserves				(1,139,169)		(1,139,169)
Translation adjustments	5,871			(135,545)	(341,316)	(470,990)
Reimbursements for the period, disposals or maturities						0
Cancellation of fair value following AFS disposals	(30,203,629)					(30,203,629)
Cash flow hedge - Break in hedging						0
AS AT 31/12/16	**99,775,612**	**(8,030,943)**	**6,090,504**	**(13,645,635)**	**(14,827,580)**	**69,361,958**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
AS AT 01/01/16	**0**	**0**	**0**
Changes in scope of consolidation	0	0	0
AS AT 31/12/16	**0**	**0**	**0**

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

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 20 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2016, translation adjustments comprise an amount of EUR -54,637,249 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	Notes	31/12/15	31/12/16
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		134,269,101	110,362,021
Adjustment for :			
- Depreciation and amortisation	7.8 / 7.9	37,294,055	37,658,671
- Impairment on bonds, equities and other assets	11.5 / 11.12	4,748,581	2,344,088
- Net gains/(losses) on investments		(65,759,530)	(1,130,738)
- Provisions (including collective impairment)	7.11 / 8.6 / 8.8 / 11.12	(228,466)	(17,921,262)
- Change in unrealised gains/(losses)	11.4	12,240,929	378,423
- Income/(expense) from associates	7.7 / 11.3	(2,595,856)	(3,013,906)
- Dividends from associates	7.7	1,390,280	1,214,280
- Deferred taxes	11.14	30,520,393	44,642,450
- Other adjustments		0	(2,379,562)
Changes in operating assets and liabilities		(222,259,333)	504,833,361
NET CASH FLOW FROM OPERATING ACTIVITIES		**(70,379,846)**	**676,987,826**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.8 / 7.9	(33,428,706)	(59,519,810)
Sale of fixed assets	7.8 / 7.9	(596,202)	(205,853)
Purchase of non-consolidated shares		(385,200)	(3,844,755)
Sales of non-consolidated shares		78,264,611	601,908
Capital increase on non-consolidated subsidiaries		(20,200,909)	(20,000)
NET CASH FLOW FROM INVESTING ACTIVITIES		**23,653,594**	**(62,988,510)**
CASH FLOW FROM FINANCING ACTIVITIES			
Reimbursement of capital		0	(91,980)
Issuance of subordinated debts		0	140,929,757
Reimbursement of subordinated debts		(26,752,176)	(291,773,451)
Dividends paid		(54,996,696)	(69,986,624)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(81,748,872)**	**(220,922,298)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(128,475,124)**	**393,077,018**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,150,617,305**	**2,042,876,070**
Net cash flow from operating activities		(70,379,846)	676,987,826
Net cash flow from investing activities		23,653,594	(62,988,510)
Net cash flow from financing activities		(81,748,872)	(220,922,298)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents		20,733,889	3,702,351
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7.1**	**2,042,876,070**	**2,439,655,439**
ADDITIONAL INFORMATION			
Taxes paid		813,210	(1,090,282)
Dividends received	11.2	215,342	9,253
Interest received		509,973,356	482,594,055
Interest paid		(254,776,283)	(174,304,423)

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

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

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

Notes to the consolidated financial statements

Preliminary note:

Presentation of the consolidated financial statements

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

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

GENERAL INFORMATION

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

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

The object of BIL is to undertake all banking and financial operations, for its own account or for the account of third parties, in Luxembourg or abroad – including the establishment of subsidiaries, branches and representative offices – and to carry out all financial, industrial and commercial operations, as well as to take deposits of funds and to hold items of value on deposit. These financial statements were approved for publication by the Board of Directors on March 17, 2017, and signed by Hugues Delcourt, Chairman of the Management Board of the BIL group and Chief Executive Officer.

These annual accounts cover the period beginning January 1, 2016 and ending December 31, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. ACCOUNTING POLICIES

1.1 Basis of accounting

1.1.1 Statement of compliance
BIL's consolidated financial statements have been prepared in accordance with all IFRSs as adopted by the EU and endorsed by the EC up to December 31, 2016.

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

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

Judgments are made principally in the following areas:
- Determination on whether BIL controls the investee, including special purpose entities (see 1.3);
- Classification of financial instruments into the appropriate category ('loans and receivables', 'held to maturity', 'available for sale', 'held for trading' and 'fair value option') for measurement purposes based on the instrument's characteristics and BIL's intention (see 1.6);
- Identification of impairment triggers (see 1.6.5);
- Financial instruments for which no quoted market prices on active markets are available are valued by means of valuation techniques. The determination as to whether or not there is an active market is based on criteria such as number of contributors, bid offer spread and issue size (see 1.7);
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.7);
- The appropriateness of designating derivatives as hedging instruments (see 1.11); and
- Existence of a present obligation with probable outflows in the context of litigation (see 1.23).

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

Estimates are principally made in the following areas:
- Determination of the market value correction to adjust for market value and model uncertainty (see 1.7);

- The measurement of hedge effectiveness in hedging relations (see 1.11);
- Determination of the useful life and the residual value of property, plant and equipment, investment property and intangible assets (see 1.14,1.15);
- Estimation of the recoverable amount of cash-generating units for goodwill impairment (see 1.17.2);
- Estimation of future taxable profit for the recognition and measurement of deferred tax assets (see 1.21);
- Actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.22).

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

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

The overview of the texts below is made up to the reporting date of December 31, 2016.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2016

- Amendments to IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations" (issued on May 6, 2014). No impact on BIL financial reporting;
- Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets", on depreciation and amortisation (issued on May 12, 2014). These amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. No impact on BIL financial reporting;
- Amendments to IAS 16, "Property, plant and equipment" and IAS 41, "Agriculture" on bearer plants (issued on June 30, 2014). The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. No impact on BIL financial reporting;
- Amendments to IAS 27, "Equity Method in Separate Financial Statements" (issued on August 12, 2014). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. No impact on BIL financial reporting;
- Annual Improvements to IFRSs 2012-2014 Cycle (issued on September 25, 2014). These amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting", do not impact BIL financial reporting;
- Amendments to IAS 1: Disclosure Initiative (issued on December 18, 2014). Do not have a significant impact on BIL financial reporting;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception (issued on 18 December 2014). These amendments do not impact the Bank.

1.2.2 IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from January 1, 2016

- IFRS 15, "Revenue from Contracts with Customers" (issued on 28 May 2014) including amendments to IFRS 15 (issued on 11 September 2015). IFRS 15 is effective as from January 1, 2018 and establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. The Bank estimates that the impact of this standard will be limited on its financial reporting;
- IFRS 9, "Financial instruments" (effective January 1, 2018) includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard will replace the IAS 39 standard and the Bank has launched an internal project to ensure its compliance with the standard as at the effective date (refer to the "Business Review and Results" section "IFRS 9 Implementation").

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

- IFRS 16, "Leases" (issued on January 13, 2016). IFRS 16 supersedes IAS 17 Leases (and related Interpretations) and is effective from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). This new standard could impact the Bank;
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (issued on April 12, 2016). Clarifications to IFRS 15 address several implementation issues (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts. These clarifications to IFRS 15 will be taken into account by the Bank during the implementation of IFRS 15;
- Amendments to IAS 12, "Recognition of Deferred Tax Assets for Unrealised Losses" (issued on January 19, 2016). The amendment is effective as from January 1, 2017 and aims to clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. The amended standard is not expected to have a significant impact of the Bank's financial statements;
- Amendments to IAS 7, "Disclosure Initiative" (issued on January 29, 2016). The amendments are effective as from

January 1, 2017 and are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The standard could impact presentation of the cash flows statement of the Bank;

- Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions" (issued on 20 June 2016). No impact on BIL financial reporting;
- Amendments to IFRS 4, "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016). The standard applies to entities that issue insurance contracts as insurer. No impact on BIL financial reporting.

1.3 Consolidation

1.3.1 Subsidiaries

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

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

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

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

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

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

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

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

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

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

1.3.2 Associates

Associates are consolidated by the equity method. Associates are participating interests in which the parent company exerts a significant influence without having the control. In general, participating interests in which the parent company owns between 20 and 50% of the voting rights are classified in this category. Nevertheless, the IFRS 10 principles are used to determine whether BIL has the control over the entity or only exerts a significant influence.

The net result for the financial year on which is applied the owning percentage is booked as the result of the associate and the participation in the associate is booked in the balance sheet for an amount equal to the net assets, including value adjustments after applying the owning percentage.

Consolidation using the equity method ends when the amount of the participating interest reaches zero, except if the parent company has to take responsibility for or to guarantee commitments of the associate. If necessary, rules and accounting methods of associates are adapted to be consistent with those of the parent company.

1.3.3 Business combinations

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

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

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

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

1.4 Offsetting financial assets and financial liabilities

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

1.5 Foreign currency translation and transactions

1.5.1 Foreign currency translation

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

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

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

1.5.2 Foreign currency transactions

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

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

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

1.6 Financial assets and liabilities

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

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

1.6.1 Recognition and derecognition of financial instruments

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

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

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

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

1.6.2 Loans and advances to credit institutions and to customers

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

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

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

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

1.6.3 Financial instruments measured at fair value through profit or loss

1.6.3.1 Loans and securities held for trading

BIL reports loans held for trading purposes in the line "Financial assets held for trading" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net trading income and net result of hedge accounting". Interest income is accrued using the effective interest rate method and is recorded under "Net interest income".

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

1.6.3.2 Liabilities held for trading

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

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

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

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

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

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

1.6.3.5 Trading derivatives

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

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

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

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

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

1.6.4 Financial investments

1.6.4.1 Held to maturity

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

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

1.6.4.2 Available for sale

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

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

BIL subsequently measures AFS financial assets at fair value.

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

1.6.5 Impairments on financial assets

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

1.6.5.1 Financial assets measured at amortised cost

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

Determination of the impairment

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

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

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

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

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

Accounting treatment of the impairment

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

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

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

1.6.5.2 Available for sale financial assets

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

Determination of the impairment

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

Accounting treatment of the impairment

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

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

Impairments on equity securities cannot be reversed in the statement of income unless the instrument is derecognised.

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

1.6.5.3 Off-balance sheet exposures

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

1.6.6 Borrowings

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

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

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

1.7 Fair value of financial instruments

1.7.1 Valuation principles as per IFRS 13

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

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

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

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

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

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

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

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

1.7.2 Valuation techniques used by the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General principles

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

Interest rate part

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

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

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

1.8 Interest and similar income and expenses

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

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

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

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

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

1.9 Fee and commission income and expenses

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

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

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

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

1.10 Insurance and reinsurance activities

1.10.1 Insurance
BIL's main activity is banking products.

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

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

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

1.11 Hedging derivatives

Hedging derivatives are categorised as either:
- A hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- A hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- A hedge of a net investment in a foreign operation.

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

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

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

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

1.12 Hedge of the interest rate risk exposure of a portfolio

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

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

BIL performs an overall analysis of interest rate risk exposure.

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

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

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

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

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

1.13 Day one profit or loss

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

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

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

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

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

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

1.14 Tangible fixed assets

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

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

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

Typical useful lives are linked to asset categories as follows:
- Buildings (including acquisition costs and non-deductible taxes): 20 to 50 years;
- Computer equipment: 3 to 6 years;
- Leasehold improvements, equipment and furniture: 2 to 12 years;
- Vehicles: 2 to 5 years.

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

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

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

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

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

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

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

1.15 Intangible assets

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

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

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

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

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

1.16 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

1.17 Goodwill

1.17.1 Measurement of goodwill

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

It is measured as the difference between:

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

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

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

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

1.17.2 Impairment of goodwill

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

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

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is higher). The "value in use" is the sum of the future cash flows expected to be derived from a CGU.

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

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

1.18 Other assets

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

1.19 Leases

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

1.19.1 BIL is the lessee

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

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

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

1.19.2 BIL is the lessor

BIL grants both operating and finance leases.

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

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

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

1.20 Sale and repurchase agreements and lending of securities

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

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

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

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

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

1.21 Deferred tax

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

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

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

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

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

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

1.22 Employee benefits

1.22.1 Short-term benefits

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

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

1.22.2 Post-employment benefits

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

1.22.2.1 Defined benefit plans

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

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

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

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

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

1.22.2.2 Defined contribution pension plans

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

1.22.2.3 Post-employment medical care

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

1.22.3 Other long-term benefits

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

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

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

1.22.4 Termination benefits

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

1.23 Provisions

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

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

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

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

1.24 Share capital and treasury shares

1.24.1 Share issue costs

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

1.24.2 Dividends on BIL's ordinary shares

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

1.24.3 Preferred shares

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

1.24.4 Treasury shares

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

1.25 Fiduciary activities

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

1.26 Cash and cash equivalents

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

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

2.1 Changes compared with 2015

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

Companies fully consolidated for the first time
N/A

Companies no longer fully consolidated
Experta Immobilien A.G.

Companies accounted for by the equity method for the first time
N/A

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

B. Main changes in the Group's interest percentage

N / A

C. Changes in corporate names

N/A

2.2 List of fully consolidated subsidiaries, non-consolidated subsidiaries and associates accounted for by the equity method

A. Fully consolidated subsidiaries

Name	Head office	% of capital held
Banque Internationale à Luxembourg (Suisse) SA	Beethovenstrasse 48 PO Box 2192 CH-8002 Zürich	100
Belair House SA	2, boulevard Grande-Duchesse Charlotte L-1330 Luxembourg	100
BIL Asia Singapore Ltd (in liquidation)	9 Raffles Place #29-01 Republic Plaza Singapore 048619	100
BIL Auto Lease SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Manage Invest SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Reinsurance SA	69, route d'Esch L-2953 Luxembourg	100
Experta Corporate and Trust Services SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
I.B. Finance SA	69, route d'Esch L-2953 Luxembourg	100
Privagest SA (in liquidation as from February 2016)	c/o Banque Internationale à Luxembourg (Suisse) SA Rue Jean-Petitot 5 CH-1204 Genève	100
Red Sky SA	69, route d'Esch L-2953 Luxembourg	100
Selskabet af 18 December 2013 A/S	Gronningen 17 DK-1270 Copenhagen	100
Société du 25 juillet 2013 SA (in liquidation)	Building Regus 54-56 avenue Hoche F-75008 Paris	100
Société Luxembourgeoise de Leasing - BIL-LEASE SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100

B. Non-consolidated subsidiaries

Name	Head office	% of capital held	Reason for exclusion
Audit-Trust SA	c/o Experta Corporate and Trust Services SA Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
BIL Trust Limited	PO Box 665 Roseneath/The Grange St Peter Port GY1 3SJ, Guernsey	100	insignificant
Compagnie Financière BIL SA & Cie S.e.c.s.	69, route d'Esch L-2953 Luxembourg	100	in liquidation
Koffour SA	c/o Experta Corporate and Trust Services SA Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Lannage SA	c/o Experta Corporate and Trust Services SA Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Private II Wealth Management SARL	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant
Valon SA	c/o Experta Corporate and Trust Services SA Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100	insignificant

C. Associates accounted for by the equity method

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

Consolidated management report

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Note 3: Business and geographic reporting

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

In 2016, BIL kept the segmentation of its business lines:

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

INCOME (in EUR thousands)	31/12/15			
	Income	*of which net income from associates*	*of which interest income and dividend income*	Net income before tax
Retail, Corporate and Wealth Management	453,832	*0*	*259,264*	115,529
Treasury and Financial Markets	38,843	*0*	*20,159*	3,333
Group Center	66,028	*2,596*	*5,779*	47,438
TOTAL	**558,703**	***2,596***	***285,202***	**166,300**
Net income before tax				166,300
Tax expenses				(32,031)
NET INCOME				**134,269**

	31/12/16			
	Income	*of which net income from associates*	*of which interest income and dividend income*	Net income before tax
Retail, Corporate and Wealth Management	467,153	*0*	*269,471*	134,636
Treasury and Financial Markets	86,675	*0*	*27,959*	49,924
Group Center	(12,445)	*3,014*	*2,013*	(28,615)
TOTAL	**541,383**	***3,014***	***299,443***	**155,945**
Net income before tax				155,945
Tax expenses				(45,583)
NET INCOME				**110,362**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/15		31/12/16	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	11,371,807	16,175,974	12,043,000	17,516,211
Treasury and Financial Markets	9,316,009	3,202,989	10,364,117	3,606,985
Group Center	788,444	879,672	741,542	765,802
TOTAL	**21,476,260**	**20,258,635**	**23,148,659**	**21,888,998**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/15				
	Capital expenditures	Depreciation and amortisation	Impairments [1]		Other non-cash expenses [2]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management	0	0	(52,129)	32,549	(7,451)
Treasury and Financial Markets	0	0	(394)	2,259	0
Group Center	10,742	(24,628)	(2,693)	3,711	(22,102)
TOTAL	**10,742**	**(24,628)**	**(55,216)**	**38,519**	**(29,553)**

	31/12/16				
	Capital expenditures	Depreciation and amortisation	Impairments [1]		Other non-cash expenses [2]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management	0	0	(35,965)	21,553	0
Treasury and Financial Markets	0	0	(73)	108	0
Group Center	14,409	(25,840)	(6,346)	3,842	(13,960)
TOTAL	**14,409**	**(25,840)**	**(42,384)**	**25,503**	**(13,960)**

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

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

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

GEOGRAPHIC BREAKDOWN (in EUR thousands)	Belgium	Denmark	France	Luxembourg	Singapore	Switzerland	United Arab Emirates	Total
Staff (in average FTE)	0	35	0	1,840	3	157	15	2,050
Subsidies	0	0	0	0	0	0	0	0
Income	2,323	8,083	(113)	526,207	904	19,880	1,419	558,703
Net income before tax	1,490	726	(124)	193,253	(7,165)	(18,784)	(3,096)	166,300
Tax expenses	0	0	0	(32,139)	0	108	0	(32,031)
NET INCOME AS AT 31/12/15	**1,490**	**726**	**(124)**	**161,114**	**(7,165)**	**(18,676)**	**(3,096)**	**134,269**
Staff (in average FTE)	0	35	0	1,844	0	117	10	2,006
Subsidies	0	0	0	0	0	0	0	0
Income	0	8,872	5	493,832	16	36,355	2,303	541,383
Net income before tax	0	980	(5)	157,077	16	(236)	(1,887)	155,945
Tax expenses	0	(33)	0	(45,023)	0	(527)	0	(45,583)
NET INCOME AS AT 31/12/16	**0**	**947**	**(5)**	**112,054**	**16**	**(763)**	**(1,887)**	**110,362**

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

[1] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.
[2] Include IFRS2 costs, net allowances to provisions for restructuring costs, net allowances to provisions related to IAS 19 and capital losses on exchange of assets.

BIL

BIL has been serving retail and business customers since 1856. As a bank of systemic importance, it is a key player in the Luxembourg market. Recognised as a cornerstone of the Luxembourg financial centre, BIL plays an active role in developing the local economy. Through its retail banking (with a network of 40 branches), private banking, corporate banking and financial markets activities, the Bank boasts one of the best credit ratings in Luxembourg's banking sector (A2/A-/BBB+ as per respectively Moody's, S&P and Fitch) and is among the country's top three banks. The European Central Bank has confirmed BIL's systemic importance, currently owned by Precision Capital SA – a Luxembourg public limited company regulated by the CSSF (Luxembourg's financial regulator) – and the Grand Duchy of Luxembourg.

BIL (Suisse)

BIL (Suisse), a wholly-owned subsidiary of the BIL group, has been a leading wealth manager for more than 25 years. Specialised in financial analysis and management, it is active in Switzerland's three main financial centres, Zurich, Geneva and Lugano, and offers a full range of private banking services. The company is a wealth management leader in Switzerland and supports its customers in structuring, protecting and growing their assets. Flexible and efficient, BIL (Suisse) offers personalised services including asset management and investment advice. Similarly, it undertakes to find innovative and transparent solutions tailored to specific requirements, while simultaneously protecting its customers. BIL (Suisse) is also a partner of choice for Independent Financial Advisers (IFA) providing a robust and independent set of services that supports the work they conduct with their clients.

BIL Denmark

BIL Denmark is a private banking centre specialised in wealth management and asset management services. The Scandinavian community of entrepreneurs and senior executives is a key market for the Bank. Operating with moderate risk exposure, the branch's objective concerns the long-term development of a sound private banking activity. The company offers interesting and attractive wealth management services, including investment management, asset structuring and financial planning services covering inheritance, estate and retirement planning. The Bank offers bespoke investment solutions to its customers.

BIL Dubai

In the Middle East, the Bank focuses in particular on regional very high net worth customers, both with respect to their family and their business activities. The branch works closely with the Luxembourg and Swiss-based units. As such, it can offer a comprehensive range of international financial structuring services on an open architecture basis, as well as meeting the service needs of family offices and independent external wealth managers. BIL Dubai offers a broad range of banking products, including bespoke financing solutions. For its wealth structuring services, BIL's Middle East branch can call on BIL group's international expertise to propose specific financial solutions for customer projects.

Note 4: Material items in the consolidated statement of income

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

Note 5: Post-balance sheet events

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

Note 6: Litigation

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

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

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

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

As at December 31, 2015 and 2016, no provision for clawback actions had been made.

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

6.2 Banque Internationale à Luxembourg Bank Danmark A/S

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

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

BIL DK denies any involvement or responsibility in connection with the actions targeted by the investigation. Effective on December 18, 2013, BIL DK transferred its assets and obligations to a newly created branch of BIL in Denmark and BIL DK has been renamed Selskabet af 18 December 2013 A/S.

By letter of the Prosecutor dated September 28, 2016, Selskabet af 18 December 2013 has been informed that the charges lodged by the Danish State Prosecutor's office against Selskabet af 18 December 2013 for involvement in market manipulation in EBH BANK shares were dropped.

Since the overruling period of two months during which the Attorney General may decide to continue the proceedings has lapsed, the case is now closed with no charges continuing for BIL DK.

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

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

7.1 Cash and cash equivalents

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

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Cash and balances with central banks	1,340,193,518	2,086,553,590
Loans and advances to credit institutions	668,564,063	337,244,911
Financial assets available for sale	34,118,489	15,856,938
TOTAL	**2,042,876,070**	**2,439,655,439**

B. OF WHICH RESTRICTED CASH	31/12/15	31/12/16
Mandatory reserves[1]	392,149,430	1,358,859,866
TOTAL RESTRICTED CASH	**392,149,430**	**1,358,859,866**

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

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

7.2 Cash and balances with central banks

ANALYSIS BY NATURE	31/12/15	31/12/16
Cash in hand	51,203,952	44,185,505
Balances with central banks other than mandatory reserve deposits	896,840,136	682,902,101
Mandatory reserve deposit	392,153,988	1,358,736,338
TOTAL	**1,340,198,076**	**2,085,823,944**
of which included in cash and cash equivalents	*1,340,193,518*	*2,086,553,590*

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

7.3 Loans and advances to credit institutions

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Nostro accounts	83,884,431	38,356,916
Cash collateral	240,518,813	178,017,264
Loans and other advances	670,051,417	854,901,975
TOTAL	**994,454,661**	**1,071,276,155**
of which included in cash and cash equivalents	*668,564,063*	*337,244,911*

B. QUALITATIVE ANALYSIS

see Note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.4 Loans and advances to customers

A. ANALYSIS BY COUNTERPART	31/12/15	31/12/16
Public sector	109,066,887	164,564,154
Other (primarily fixed advances and property loans)	11,221,339,100	11,838,439,129
Impaired loans	344,826,327	351,833,581
Less:		
Specific impairment of impaired loans and debt instruments	(274,844,153)	(280,295,805)
Collective impairment	(28,581,468)	(31,541,239)
TOTAL	**11,371,806,693**	**12,042,999,820**

B. ANALYSIS BY NATURE	31/12/15	31/12/16
On demand and short notice	1,808,287,259	1,551,226,840
Finance leases	173,434,723	163,401,149
Debt instruments	20,198,496	90,744,316
Other term loans	9,369,604,734	10,237,627,515
of which mortgage loans (real estate collateralised loans)	*7,050,463,244*	*7,643,571,676*
Advances that are not loans	281,481	0
TOTAL	**11,371,806,693**	**12,042,999,820**

C. QUALITATIVE ANALYSIS

see Note 7.13

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

E. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.5 Financial assets measured at fair value through profit or loss

Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/15	31/12/16
Public sector	8,911,621	18,440,380
Credit institutions	38,779,912	42,248,643
Other	40,547,643	19,112,710
TOTAL	**88,239,176**	**79,801,733**

B. ANALYSIS BY NATURE	31/12/15	31/12/16
Bonds issued by public bodies	8,911,621	18,440,380
Other bonds and fixed-income instruments	79,228,352	61,204,811
Equities and other variable-income instruments	99,203	156,542
TOTAL	**88,239,176**	**79,801,733**

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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

As at December 31, 2015 and 2016, the Bank does not hold any financial assets designated at fair value through profit or loss (fair value option).

7.6 Financial investments

A. ANALYSIS BY COUNTERPART	31/12/15	31/12/16
Public sector	4,403,439,327	4,092,351,411
Credit institutions	1,399,897,306	1,786,615,041
Other	839,804,421	1,033,926,409
Impaired financial investments	23,484,364	24,982,779
TOTAL BEFORE IMPAIRMENT	**6,666,625,418**	**6,937,875,640**
Specific and collective impairment on financial investments	(20,153,683)	(20,390,799)
TOTAL	**6,646,471,735**	**6,917,484,841**
of which included in cash and cash equivalents	*34,118,489*	*15,856,938*

B. QUALITATIVE ANALYSIS

see Note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS BY NATURE	Available for sale financial assets		Held to maturity financial assets	
	31/12/15	31/12/16	31/12/15	31/12/16
Bonds issued by public bodies	4,300,539,705	3,722,746,236	102,899,622	369,605,175
Other bonds and fixed-income instruments	2,171,814,159	2,616,048,409	20,838,911	166,408,213
Equities and other variable-income instruments[1]	70,533,021	63,067,607	n.a.	n.a.
TOTAL BEFORE IMPAIRMENT	**6,542,886,885**	**6,401,862,252**	**123,738,533**	**536,013,388**
Specific and collective impairment on financial investments	(20,153,683)	(20,390,799)	0	0
TOTAL	**6,522,733,202**	**6,381,471,453**	**123,738,533**	**536,013,388**

7.7 Investments in associates

A. CARRYING VALUE	2015	2016
CARRYING VALUE AS AT JANUARY 1	22,660,198	22,348,474
- Share of result before tax	3,745,482	4,223,022
- Share of tax	(1,149,626)	(1,209,116)
- Dividend paid	(1,390,280)	(1,214,280)
- Gains and losses not recognised in the statement of income	(1,517,300)	4,126,696
CARRYING VALUE AS AT DECEMBER 31	**22,348,474**	**28,274,796**

B. LIST OF MAIN ASSOCIATES as at 31/12/16

	Acquisition cost	Equity method valuation	Reference to website
Europay Luxembourg S.C.	260,823	4,442,639	
Société de la Bourse de Luxembourg SA	319,806	23,832,157	https://www.bourse.lu/
TOTAL	**580,629**	**28,274,796**	

Financial statements of Europay Luxembourg S.C.

(in EUR)	31/12/15	31/12/16
Assets	12,677,464	10,318,586
Liabilities	11,201,487	8,850,591
Shareholders' equity	1,475,977	1,467,995
Revenue	6,605,371	(636,315)
Other comprehensive income	0	0
Net income	90,490	90,490
Total comprehensive income	90,490	90,490

2015 and 2016 figures have been estimated based on Lux GAAP financial statements.

Financial statements of Société de la Bourse de Luxembourg SA

(in EUR)	31/12/15	31/12/16
Assets	198,406,400	197,718,785
Liabilities	100,011,586	96,512,497
Shareholders' equity	98,394,814	101,206,288
Revenue	44,980,736	45,300,283
Other comprehensive income	(7,087,107)	(1,247,499)
Net income	13,007,221	13,680,308
Total comprehensive income	5,920,114	12,432,809

2016 figures have been estimated based on 2015 figures.

[1] The amount of variable-income securities recorded at cost amounted to EUR 2.1 million as at December 31, 2016 (EUR 18.3 million as at December 31, 2015).

7.8 Tangible fixed assets

A. NET CARRYING VALUE	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Operating lease		
ACQUISITION COST AS AT 01/01/15	**310,923,431**	**129,073,990**	**1,070,136**	**218,143,723**	**659,211,280**
- Acquisitions	6,224,708	4,311,324	0	205,704	10,741,736
- Disposals	0	(522,838)	0	0	(522,838)
- Change in consolidation scope	0	0	0	0	0
- Transfers and cancellations	(1,935,350)	0	(1,070,136)	(1,754,747)	(4,760,233)
- Translation adjustments	29,893	2,000,196	0	0	2,030,089
- Other[1]	(8,728,396)	9,949,233	0	(84,064,852)	(82,844,015)
ACQUISITION COST AS AT 31/12/15 (A)	**306,514,286**	**144,811,905**	**0**	**132,529,828**	**583,856,019**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/15	**(214,931,394)**	**(115,756,664)**	**(591,279)**	**(79,807,360)**	**(411,086,697)**
- Booked	(7,570,133)	(3,610,338)	(478,857)	(12,187,543)	(23,846,871)
- Write-off	0	451,364	0	0	451,364
- Change in consolidation scope	0	0	0	0	0
- Transfers and cancellations	1,901,136	(603)	1,070,136	893,199	3,863,868
- Translation adjustments	(6,021)	(1,852,336)	0	0	(1,858,357)
- Other[1]	3,600,095	(9,102,599)	0	90,737,161	85,234,657
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/15 (B)	**(217,006,317)**	**(129,871,176)**	**0**	**(364,543)**	**(347,242,036)**
NET CARRYING VALUE AS AT 31/12/15 (A)+(B)	**89,507,969**	**14,940,729**	**0**	**132,165,285**	**236,613,983**

	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Operating lease		
ACQUISITION COST AS AT 01/01/16	**306,514,286**	**144,811,905**	**0**	**132,529,828**	**583,856,019**
- Acquisitions	10,234,733	3,758,480	0	415,736	14,408,949
- Disposals	(1,477,535)	(432,688)	0	0	(1,910,223)
- Change in consolidation scope	(458,039)	(56,091)	0	0	(514,130)
- Transfers and cancellations	(1,055,858)	(11,555,551)	0	0	(12,611,409)
- Translation adjustments	9,090	84,619	0	0	93,709
- Other	0	0	0	0	0
ACQUISITION COST AS AT 31/12/16 (A)	**313,766,677**	**136,610,674**	**0**	**132,945,564**	**583,322,915**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/16	**(217,006,317)**	**(129,871,176)**	**0**	**(364,543)**	**(347,242,036)**
- Booked	(7,486,222)	(3,353,963)	0	(11,818,309)	(22,658,494)
- Write-off	1,018,346	408,744	0	0	1,427,090
- Change in consolidation scope	458,039	56,091	0	0	514,130
- Transfers and cancellations	993,249	11,541,234	0	0	12,534,483
- Translation adjustments	(10,698)	(68,932)	0	0	(79,630)
- Other	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/16 (B)	**(222,033,603)**	**(121,288,002)**	**0**	**(12,182,852)**	**(355,504,457)**
NET CARRYING VALUE AS AT 31/12/16 (A)+(B)	**91,733,074**	**15,322,672**	**0**	**120,762,712**	**227,818,458**

B. FAIR VALUE OF INVESTMENT PROPERTIES	31/12/15	31/12/16
Fair value subject to an independant valuation	131,000,000	131,000,000

The Esch-Belval property was revalued in December 2015 by an independent valuator, CBRE Luxembourg.

[1] 2015 movements relate to the contribution in kind of Esch-Belval into Red Sky SA.

7.9 Intangible fixed assets and goodwill

	Positive goodwill [1]	Internally-developed softwares	Other intangible fixed assets [2]	Total
ACQUISITION COST AS AT 01/01/15	42,383,450	132,734,602	14,708,985	189,827,037
- Acquisitions	20,200,909	12,604,294	10,082,676	42,887,879
- Disposals	0	0	(12,732)	(12,732)
- Change in the scope of consolidation	0	0	0	0
- Transfers and cancellations	1,239,952	(11,597,570)	(15,541)	(10,373,159)
- Translation adjustments	(432,269)	0	504,615	72,346
- Other	0	0	4,238,273	4,238,273
ACQUISITION COST AS AT 31/12/15 (A)	63,392,042	133,741,326	29,506,276	226,639,644
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/15	(11,734,189)	(99,791,567)	(11,963,023)	(123,488,779)
- Booked	0	(11,870,427)	(1,576,757)	(13,447,184)
- Change in the scope of consolidation	0	0	0	0
- Transfers and cancellations	0	11,546,049	(371,378)	11,174,671
- Translation adjustments	0	0	(563,351)	(563,351)
- Other	0	0	(4,019,431)	(4,019,431)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/15 (B)	(11,734,189)	(100,115,945)	(18,493,940)	(130,344,074)
NET CARRYING VALUE AS AT 31/12/15 (A)+(B)	51,657,853	33,625,381	11,012,336	96,295,570

	Positive goodwill [1]	Internally-developed software	Other intangible fixed assets [2]	Total
ACQUISITION COST AS AT 01/01/16	63,392,042	133,741,326	29,506,276	226,639,644
- Acquisitions	0	18,922,495	26,188,366	45,110,861
- Disposals	0	0	(6,306)	(6,306)
- Change in the scope of consolidation	0	(2,498,726)	(36,888)	(2,535,614)
- Transfers and cancellations	0	(1,520,784)	(8,126,643)	(9,647,427)
- Translation adjustments	229,778	0	81,951	311,729
- Other	0	0	0	0
ACQUISITION COST AS AT 31/12/16 (A)	63,621,820	148,644,311	47,606,756	259,872,887
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/16	(11,734,189)	(100,115,945)	(18,493,940)	(130,344,074)
- Booked	0	(11,896,084)	(3,104,093)	(15,000,177)
- Change in the scope of consolidation	0	2,498,726	36,888	2,535,614
- Transfers and cancellations	0	57,261	4,841,630	4,898,891
- Translation adjustments	0	0	(18,998)	(18,998)
- Other	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/16 (B)	(11,734,189)	(109,456,042)	(16,738,513)	(137,928,744)
NET CARRYING VALUE AS AT 31/12/16 (A)+(B)	51,887,631	39,188,269	30,868,243	121,944,143

[1] Origin of goodwill :
- EUR 30.7 million goodwill from the acquisition of Bikuben Girobank International SA Luxembourg in 2001.
- Fully depreciated EUR 6.3 million goodwill from the acquisition of Petersen-Hinrichsen Holding Danmark at the end of year 2000.
- EUR 21.2 million goodwill from the acquisition of KBL (Switzerland) Ltd in 2015.

The impairment test on the goodwill from nordic market activities has been performed on the relating cash generating unit based on the discounted cash flow methodology with indefinite lifetime assumption. Cash flows are assumed to be stable. They have been computed as revenue of the generating unit less direct and indirect cost, and after taxes. No further impairment is required as at the end of 2016 (goodwill valuation of EUR 48.7 million).

Sensisivity test : +1% increase of the discount rate generates EUR -6.1 million goodwill value whereas -1% decrease of this rate generates EUR +8.1 million goodwill value.

The impairment test on the goodwill from KBL (Switzerland) Ltd acquisition could not be based on a cash generating unit as KBLS has been merged into BILS and no "cash-generating unit" is identifiable as such. The only identifiable element linked to the business assets of ex KBLS are the original AUMs of this entity. Therefore, the impairment test has been based on the valuation of these AUMs. No impairment is deemed necessary as at the end of 2016.

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

Positive goodwill – Restatement of 2015 figures	31/12/15	31/12/15 restated	Impact of restatement
XI. Intangible fixed assets and goodwill	95,080,617	96,295,570	1,214,953
XIII. 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
XI. 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

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.

7.10 Tax assets

	31/12/15	31/12/16
Current tax assets	264,475	214,285
Deferred tax assets (see Note 9.2)	283,827,183	243,692,753
TOTAL	284,091,658	243,907,038

7.11 Other assets

	31/12/15	31/12/16
Other assets*	98,607,251	76,662,706
Other assets specific to insurance activities	107,304	258,454
TOTAL	98,714,555	76,921,160

*ANALYSIS BY NATURE	31/12/15	31/12/16
Receivables	3,834,854	3,584,668
Prepaid fees	1,089,253	1,793,586
Other receivables	66,217,091	46,534,421
Pension plan assets	5,449,000	4,130,000
Precious metals	0	9,669,132
Operating taxes	11,163,449	3,702,112
Other assets[1]	10,853,604	7,248,787
TOTAL	98,607,251	76,662,706

[1] Transactions linked to current business awaiting settlement.

7.12 Leasing

1. BIL as lessor

A. FINANCE LEASE

Gross investment in finance lease:	31/12/15	31/12/16
Less than 1 year	76,919,681	63,894,628
More than 1 year and less than 5 years	228,651,758	234,355,077
SUBTOTAL (A)	305,571,439	298,249,705
UNEARNED FUTURE FINANCE INCOME ON FINANCE LEASE (B)	(132,301,669)	(135,028,576)
NET INVESTMENT IN FINANCE LEASE (A)-(B)	173,269,770	163,221,129

Net investment in finance lease may be analysed as follows:	31/12/15	31/12/16
Less than 1 year	33,268,310	23,497,002
More than 1 year and less than 5 years	140,001,460	139,724,127
TOTAL	173,269,770	163,221,129

	31/12/15	31/12/16
Amount of doubtful debts on finance leases included in the loan loss provision at the end of the financial year	4,037,305	4,009,346
Estimated fair value of finance lease	173,269,770	163,221,129
Accumulated provision for irrecoverable minimum lease payments	3,105,568	2,946,620

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

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

- 71.8% of the assets is composed of vehicles, mainly passenger cars but also commercial vehicles;
- 9.9% of the assets is composed of IT equipment;
- 18.0% of the assets is composed of industrial equipment : machinery, medical equipment, etc.;
- 0.3% of the assets is composed primarily of office furniture.

B. OPERATING LEASE

BIL is the operating lessor of certain land and buildings. Relating information is detailed in Note 7.8.
55% of the Esch Belval property is rented by one lessee till at least end of 2029.

Future net minimum lease payments under operating lease:	31/12/15	31/12/16
Less than 1 year	15,357,363	10,565,203
More than 1 year and less than 5 years	42,229,726	42,219,363
More than 5 years	91,205,359	80,650,519
TOTAL	148,792,448	133,435,085

No contingent rents were recognised in 2015 and 2016.

2. BIL as lessee

A. FINANCE LEASE

The Bank is not involved in any financial lease as at December 31, 2016.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease:	31/12/15	31/12/16
Less than 1 year	8,401,386	8,687,538
More than 1 year and less than 5 years	10,624,904	12,633,198
More than 5 years	8,507,986	6,252,996
TOTAL	**27,534,276**	**27,573,732**

Lease and sublease payments recognised as an expense during the financial year: - minimum lease payments	6,334,167	8,357,841
TOTAL	**6,334,167**	**8,357,841**

7.13 Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/15	31/12/16
Normal loans and advances to credit institutions	994,454,661	1,071,276,155
Normal loans to customers	11,330,405,987	12,003,003,283
Normal financial investments held to maturity	123,738,533	536,013,388
Normal financial investments available for sale	6,519,402,521	6,376,879,473
of which bonds and fixed-income instruments	*6,472,353,864*	*6,338,794,645*
of which equities and other variable-income instruments	*47,048,657*	*38,084,828*
Collective impairment on normal loans[1]	(28,581,468)	(31,541,239)
TOTAL	**18,939,420,234**	**19,955,631,060**

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

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Net amount (B+C)	
	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16
Impaired loans and advances to customers	344,826,327	351,833,581	(274,844,153)	(280,295,805)	69,982,174	71,537,776
Impaired financial assets available for sale	23,484,364	24,982,779	(20,153,683)	(20,390,799)	3,330,681	4,591,980
of which equities and other variable-income instruments	*23,484,364*	*24,982,779*	*(20,153,683)*	*(20,390,799)*	*3,330,681*	*4,591,980*
TOTAL	**368,310,691**	**376,816,360**	**(294,997,836)**	**(300,686,604)**	**73,312,855**	**76,129,756**

Analysis of normal and impaired loans and securities	Gross amount (A+B)		Specific loan loss allowance (C)		Net amount (A+B+C)	
	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16
Loans and advances to credit institutions	994,454,661	1,071,276,155	0	0	994,454,661	1,071,276,155
Loans and advances to customers	11,675,232,314	12,354,836,864	(274,844,153)	(280,295,805)	11,400,388,161	12,074,541,059
Financial investments held to maturity	123,738,533	536,013,388	0	0	123,738,533	536,013,388
Financial investments available for sale	6,542,886,885	6,401,862,252	(20,153,683)	(20,390,799)	6,522,733,202	6,381,471,453
of which bonds and fixed-income instruments	*6,472,353,864*	*6,338,794,645*	*0*	*0*	*6,472,353,864*	*6,338,794,645*
of which equities and other variable-income instruments	*70,533,021*	*63,067,607*	*(20,153,683)*	*(20,390,799)*	*50,379,338*	*42,676,808*
Collective impairment on normal loans[1]	(28,581,468)	(31,541,239)	n.a.	n.a.	(28,581,468)	(31,541,239)
TOTAL	**19,307,730,925**	**20,332,447,420**	**(294,997,836)**	**(300,686,604)**	**19,012,733,089**	**20,031,760,816**

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

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

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/15	31/12/16
On demand	537,337,056	519,707,730
Term	375,499,274	560,542,379
Cash collateral	178,104,226	58,583,532
Repurchase agreements	56,795,264	0
Central banks[1]	396,563,235	555,158,986
Other borrowings[2]	443,927,899	522,097,373
TOTAL	**1,988,226,954**	**2,216,090,000**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Demand deposits	9,612,236,339	10,219,221,388
Savings deposits	3,678,360,916	3,642,237,149
Term deposits	1,727,077,742	2,253,400,232
Cash collateral	1,162,131	14,311,012
TOTAL CUSTOMER DEPOSITS	**15,018,837,128**	**16,129,169,781**
Other borrowings	365,276	79,619
TOTAL CUSTOMER BORROWINGS	**365,276**	**79,619**
TOTAL	**15,019,202,404**	**16,129,249,400**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

[1] The Management Board decided to participate for EUR 150 million at the June 2015 TLTRO (Targeted longer-term refinancing operations) and for EUR 550 million at the June 2016 TLTRO.
[2] Other borrowings represent day-to-day cash management operations.

8.3 Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Other bonds	0	2,013,272
TOTAL	**0**	**2,013,272**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Non-subordinated liabilities	839,991,931	877,913,027
TOTAL	**839,991,931**	**877,913,027**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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

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

8.4 Debt securities

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Certificates of deposit	55,821,740	156,500,962
Non-convertible bonds	1,085,501,888	1,373,387,335
TOTAL	**1,141,323,628**	**1,529,888,297**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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8.5 Subordinated debts

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Non-convertible subordinated debts[1]	297,089,262	144,346,452
Contingent convertible bond (compound instrument)[2]	149,572,084	149,589,916
TOTAL	446,661,346	293,936,368

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

8.6 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Litigation[3]	9,857,950	8,423,322
Restructuring (included garden leave)	18,777,216	7,917,837
Defined benefit plans	34,005,684	27,478,512
Other long-term employee benefits (included jubilee and time saving account)	17,269,359	17,089,326
Provision for off-balance sheet credit commitments	24,200	24,200
Other provisions	1,068,000	781,623
TOTAL	81,002,409	61,714,820

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/15	13,163,798	12,107,863	56,979,448	31,931	1,549,658
Exchange differences	649,813	(153,975)	963,617	0	100,328
Additional provisions	5,104,490	16,284,631	4,788,125	0	533,137
Unused amounts reversed	(331,405)	(366,181)	(2,490,714)	(7,731)	(94,784)
Used during the year	(12,468,361)	(9,072,331)	(3,820,222)	0	(1,020,339)
Transfers	22,791	(22,791)	0	0	0
Revaluation through reserves[4]	n.a.	n.a.	(10,846,390)	n.a.	n.a.
Other movements[5]	3,716,824	0	5,701,179	0	0
AS AT 31/12/15	9,857,950	18,777,216	51,275,043	24,200	1,068,000
AS AT 01/01/16	9,857,950	18,777,216	51,275,043	24,200	1,068,000
Exchange differences	61,519	93	143,752	0	5,385
Additional provisions	1,248,067	5,157,054	3,478,921	0	385,211
Unused amounts reversed	(7,595)	(2,542,521)	(3,280,904)	0	0
Used during the year	(2,736,619)	(12,832,605)	(8,279,533)	0	(637,093)
Change in consolidation scope	0	(641,400)	0	0	(39,880)
Transfers	0	0	(2,337)	0	0
Revaluation through reserves[4]	n.a.	n.a.	1,265,264	n.a.	n.a.
Other movements	0	0	(32,368)	0	0
AS AT 31/12/16	8,423,322	7,917,837	44,567,838	24,200	781,623

[1] List available upon request.
[2] On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital.
[3] Provisions for legal litigation, including those for staff and tax-related litigation.
[4] See point 1.22 of Note 1.
[5] Other movements mainly relate to the merger of KBL (Switzerland) Ltd into BIL (Suisse) SA.

C. ANALYSIS BY MATURITY

see Note 12.6

D. PROVISIONS FOR PENSIONS

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

a. Reconciliation of benefit obligations	31/12/15	31/12/16
Defined benefit obligations at the beginning of the year	288,224,900	298,557,490
Current service cost	11,795,051	11,620,538
Interest cost	4,144,997	3,685,536
Past service cost and gains and losses arising from settlements	0	(2,042,591)
Actuarial gains/losses	(11,131,627)	4,100,107
Stemming from changes in demographic assumptions	*34,769*	*538,474*
Stemming from changes in financial assumptions	*(4,975,280)*	*3,954,456*
Experience adjustments	*(6,191,116)*	*(392,823)*
Benefits paid	(16,223,289)	(17,418,954)
Out of which: amounts paid in respect of settlements	*0*	*0*
Pension plan participant contributions	713,243	824,682
Currency adjustment	2,330,913	429,023
Business combination and disposals	20,768,607	(4,124,443)
Other	(2,065,305)	(1,898,072)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**298,557,490**	**293,733,316**

b. Reconciliation of fair value of pension plan assets	31/12/15	31/12/16
Fair value of pension plan assets at the beginning of the year	250,663,755	270,000,806
Actual return on pension plan assets	7,708,581	8,683,560
Interest income	*3,659,001*	*3,513,609*
Return on pension plan assets (excluding interest income)	*4,049,580*	*5,169,951*
Employer contributions	13,088,491	12,155,787
Pension plan participant contributions	713,243	824,682
Benefits paid	(16,223,289)	(17,418,954)
Out of which: amounts paid in respect of settlements	*0*	*0*
Currency adjustment	2,259,383	326,532
Business combination and disposals	14,120,135	(2,240,001)
Other	(2,329,493)	(1,947,443)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**270,000,806**	**270,384,969**

c. Reconciliation of the effect of the asset ceiling	31/12/15	31/12/16
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
Other	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

NET LIABILITY	**(28,556,684)**	**(23,348,348)**

d. Funded status	31/12/15	31/12/16
Pension plan assets in excess of benefit obligation	(5,449,000)	(4,130,000)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/15	31/12/16
Net liability at the beginning of the year	(37,561,145)	(28,556,684)
Net periodic pension cost recognised in the income statement	(12,323,334)	(9,799,410)
Remeasurements recognised in OCI	14,492,750	898,039
Employer contributions	13,088,491	12,155,787
Pension payments by employer	0	0
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	(6,648,473)	1,884,441
Currency adjustments	616,928	69,479
Other	(221,901)	0
NET LIABILITY AT THE END OF THE YEAR	**(28,556,684)**	**(23,348,348)**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/15	31/12/16
Recognised reserve at the beginning of the year	(33,622,189)	(19,129,439)
Remeasurements recognised in OCI	14,492,750	898,039
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(19,129,439)**	**(18,231,400)**

g. Amounts recognised in the income statement	31/12/15	31/12/16
Current service cost	11,795,051	11,620,538
Net interest on the defined benefit liability/asset	485,996	171,927
Past service cost	0	(2,042,591)
Gains and losses arising from settlements	0	0
Other	42,287	49,536
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**12,323,334**	**9,799,410**

h. Amounts recognised in other comprehensive income	31/12/15	31/12/16
Actuarial gains/losses on the defined benefit obligation	(11,131,627)	4,100,107
Actual return on plan assets (excluding amounts included in interest income)	(4,049,580)	(5,169,951)
Other	0	(156)
Currency adjustments	688,457	171,961
TOTAL OTHER COMPREHENSIVE INCOME	**(14,492,750)**	**(898,039)**

Actual return on pension plan assets (%)	31/12/15	31/12/16
	2.96%	3.29%

Breakdown of pension plan assets	31/12/15	31/12/16
Fixed income		
Quoted market price on an active market	61.29%	64.78%
Equities		
Quoted market price on an active market	15.96%	15.80%
Alternatives		
Quoted market price on an active market	2.26%	1.17%
Cash	2.68%	2.01%
Other	17.81%	16.24%
TOTAL	**100.00%**	**100.00%**

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

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

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR -1%	11.39%
	Scenario DR +1%	(9.03%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR -1%	(2.27%)
	Scenario SR +1%	4.25%

The Duration of the DBO of the pension plans in EUR as of December 31, 2016 is 6.99.
The Duration of the DBO of the Swiss pension plan as of December 31, 2016 is 19.70.

Expected contributions for next year	12,953,297

Additional descriptions

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

In Luxembourg, pension plans for "active people" are two hybrid defined benefit (DB) / defined contribution (DC) pension plans (closed plans) and one DC with guaranteed return pension plan (open plan). For retirees, pension plan is a DB plan (closed). No specific event occured in Luxembourg during the year 2016. Risk exposure is actually an exposure to financial risk, and for part of the plans, to the longevity and inflation risks.

In Switzerland, BIL (Suisse) SA merges with KBL (Switzerland) Ltd in 2015. 50 people from KBL (Switzerland) Ltd joined the BIL (Suisse) SA pension plan. This leads to an incresae in DBO, in Assets and in Net Liability recognised through Business combination and disposals. In application of the Share Purchase Agreement, amounts were adjusted during 2016.

B. Methods and assumptions used in preparing the sensitivity analysis

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

	Luxembourg		Switzerland	
	31/12/15	31/12/16	31/12/15	31/12/16
Discount rate	1.50%	1.00%	0.75%	0.60%
Salary increase (age based since 2015 and inflation excluded)	0.50% - 3.75%	0.50% - 3.75%	0.50%	1.00%
of which inflation	*1.80%*	*1.80%*	*0.50%*	*1.00%*

C. Description of ALM strategies (if applicable)

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

D. Description of funding arrangements

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

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

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8.7 Tax liabilities

ANALYSIS BY NATURE	31/12/15	31/12/16
Current tax liabilities	4,079,426	3,878,602
Deferred tax liabilities (see Note 9.2)	1,496,317	2,759,526
TOTAL	**5,575,743**	**6,638,128**

8.8 Other liabilities

	31/12/15	31/12/16
Other liabilities*	264,900,113	285,892,920
Other liabilities specific to insurance activities	2,531,857	380,012
TOTAL	**267,431,970**	**286,272,932**

*ANALYSIS BY NATURE	31/12/15	31/12/16
Accrued costs	10,997,881	12,605,725
Deferred income	13,598,617	14,352,940
Other payables[1]	163,924,420	190,816,652
Other granted amounts received	987,888	894,648
Salaries and social security costs (payable)	27,870,366	27,287,010
Other operating taxes	41,148,090	29,236,465
Other liabilities	6,372,851	10,699,480
TOTAL	**264,900,113**	**285,892,920**

[1] As at December 31, 2015 and 2016, the heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

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

9.1 Derivatives

A. ANALYSIS BY NATURE	31/12/15		31/12/16	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	203,231,984	212,659,321	166,645,200	148,033,962
Derivatives designated as fair value hedge	7,870,610	168,830,595	14,418,034	259,035,167
Derivatives designated as cash flow hedge	18,500,748	22,005,077	14,267,588	22,773,332
Derivatives designated as portfolio hedge against interest rate	57,260,686	10,526,731	50,552,327	6,756,256
TOTAL	286,864,028	414,021,724	245,883,149	436,598,717

B. DETAIL OF DERIVATIVES HELD FOR TRADING	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,882,617,367**	**7,870,845,602**	**96,634,862**	**97,800,138**
FX forward	7,422,385,675	7,417,708,556	82,204,141	86,094,912
Cross currency swap	90,208,489	90,107,924	11,345,757	9,019,946
FX options	370,023,203	363,029,122	3,084,964	2,685,280
Interest rate derivatives	**1,481,842,391**	**1,136,467,579**	**92,547,486**	**92,647,321**
Options-Caps-Floors-Collars-Swaptions	135,589,205	135,589,205	1,867,616	1,871,786
IRS	973,278,594	973,878,594	90,679,870	90,775,535
Interest futures	372,974,592	26,999,780	0	0
Equity derivatives	**336,121,106**	**324,764,403**	**14,049,636**	**22,211,862**
Equity futures	0	3,634,638	0	0
Equity options	208,662,777	195,294,334	3,931,055	15,493,103
Other equity derivatives	127,458,329	125,835,431	10,118,581	6,718,759
TOTAL	9,700,580,864	9,332,077,584	203,231,984	212,659,321

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**8,340,073,537**	**8,330,161,798**	**133,955,815**	**117,902,210**
FX forward	7,669,735,604	7,662,540,271	117,185,692	105,150,872
Cross currency swap	81,084,700	80,411,539	10,341,555	6,471,808
FX options	589,253,233	587,209,988	6,428,568	6,279,530
Interest rate derivatives	**1,215,594,155**	**1,224,561,933**	**12,277,915**	**10,845,992**
Options-Caps-Floors-Collars-Swaptions	151,083,246	151,083,246	2,151,566	2,252,931
IRS	670,491,865	670,491,865	10,126,349	8,593,061
Interest futures	394,019,044	402,986,822	0	0
Equity derivatives	**547,933,075**	**515,034,805**	**20,411,470**	**19,285,760**
Equity futures	2,734,990	4,216,872	0	0
Equity options	380,392,236	348,445,886	8,814,810	15,842,865
Other equity derivatives	164,805,849	162,372,047	11,596,660	3,442,895
TOTAL	10,103,600,767	10,069,758,536	166,645,200	148,033,962

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE

	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**1,958,104,348**	**1,958,104,348**	**7,870,610**	**168,830,595**
IRS	1,958,104,348	1,958,104,348	7,870,610	168,830,595
TOTAL	**1,958,104,348**	**1,958,104,348**	**7,870,610**	**168,830,595**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**2,584,908,280**	**2,584,908,280**	**14,418,034**	**259,035,167**
IRS	2,584,908,280	2,584,908,280	14,418,034	259,035,167
TOTAL	**2,584,908,280**	**2,584,908,280**	**14,418,034**	**259,035,167**

D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE

	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**0**	**0**	**0**	**0**
Cross currency swap	0	0	0	0
Other currency derivatives	0	0	0	0
Interest rate derivatives	**399,519,841**	**399,519,841**	**18,500,748**	**22,005,077**
IRS	399,519,841	399,519,841	18,500,748	22,005,077
TOTAL	**399,519,841**	**399,519,841**	**18,500,748**	**22,005,077**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**169,799,332**	**162,696,220**	**1,958,864**	**5,902,121**
Cross currency swap	135,996,154	130,103,112	1,481,478	5,902,121
Other currency derivatives	33,803,178	32,593,108	477,386	0
Interest rate derivatives	**380,868,953**	**380,868,953**	**12,308,724**	**16,871,211**
IRS	380,868,953	380,868,953	12,308,724	16,871,211
TOTAL	**550,668,285**	**543,565,173**	**14,267,588**	**22,773,332**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.
Interest generated by derivatives designated as cash flow hedge amounted to EUR 0.3 million in 2016 (EUR -2.7 million in 2015) and are recorded in the statement of income as interests on derivatives used for hedging purposes.

Breakdown of derivatives designated as Cash Flow Hedge by residual maturity	31/12/15				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	273,387	15,197,687	3,029,674	0	**18,500,748**
Liabilities	374,947	14,174,932	7,455,198	0	**22,005,077**

	31/12/16				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	2,212,129	8,393,596	2,700,503	961,360	**14,267,588**
Liabilities	1,005,370	9,093,784	6,938,043	5,736,135	**22,773,332**

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	34,014,633	40,101,212	1,367,646	201,898
Interest rate derivatives	510,804,564	510,804,564	55,893,040	10,324,833
TOTAL	**544,819,197**	**550,905,776**	**57,260,686**	**10,526,731**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	27,959,806	32,724,754	960,425	35,306
Interest rate derivatives	468,141,326	468,141,326	49,591,902	6,720,950
TOTAL	**496,101,132**	**500,866,080**	**50,552,327**	**6,756,256**

9.2 Deferred tax

A. ANALYSIS	31/12/15	31/12/16
Net deferred tax assets	283,827,183	243,692,753
Deferred tax liabilities	(1,496,317)	(2,759,526)
DEFERRED TAX	**282,330,866**	**240,933,227**

B. MOVEMENTS	2015	2016
AS AT JANUARY 1	**303,826,635**	**282,330,866**
Movements during the financial year:		
- Amounts recognised in the statement of income	(31,617,296)	(17,495,598)
- Items directly computed by equity	5,016,134	(1,055,744)
- Effect of change in tax rates - statement of income	0	(27,146,853)
- Effect of change in tax rates - equity	0	2,537,643
- Exchange differences	91,668	30,730
- Other movements	5,013,725	1,732,183
AS AT DECEMBER 31	**282,330,866**	**240,933,227**

Deferred tax coming from balance sheet assets	31/12/15		31/12/16	
	Balance sheet	P&L	Balance sheet	P&L
Cash, loans and loan loss provisions	8,011,107	607,671	7,888,137	(124,094)
Securities	(31,562,753)	2,124,924	(30,216,627)	0
Derivatives	1,241,677	0	2,441,846	0
Tangible and intangible fixed assets	5,692,938	(247,520)	5,893,338	186,437
Other - non-allocated	0	(34,312)	0	0
TOTAL	**(16,617,031)**	**2,450,763**	**(13,993,306)**	**62,343**

Deferred tax coming from balance sheet liabilities	31/12/15		31/12/16	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(1,451,869)	(2,903,738)	(1,292,372)	(2,744,241)
Provisions	(25,350,558)	1,857,043	(18,910,987)	6,143,133
Pensions	13,987,940	(559,267)	9,563,080	(1,070,840)
Other liabilities specific to insurance companies	(1,528,368)	(982,742)	(2,730,180)	(1,201,810)
TOTAL	**(14,342,855)**	**(2,588,704)**	**(13,370,459)**	**1,126,242**

Deferred tax coming from other items	31/12/15		31/12/16	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	503,918,897	(29,703,571)	442,738,776	(61,180,121)
less: impairments	*(190,628,145)*	*0*	*(174,441,784)*	*16,186,361*
TOTAL	**313,290,752**	**(29,703,571)**	**268,296,992**	**(44,993,760)**

Considering that :

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

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

9.3 Share-based payments

There is no Stock option plan settled in BIL shares.

9.4 Related parties transactions

A. RELATED PARTIES TRANSACTIONS

(in EUR thousands)	Key management		Subsidiaries	
	31/12/15	31/12/16	31/12/15	31/12/16
Loans[1]	10,626	8,074	34	39
Interest received	0	0	0	0
Deposits	12,466	13,984	118	208
Contingent convertible bond (compound instrument)	0	0	0	0
Interest paid	0	0	0	0
Guarantees and commitments given by the Group	28	29	0	0
Guarantees and commitments given to the Group	1,317	3	0	0
Assets entrusted from third parties	8,079	10,707	0	0

	Associates		Other related parties	
	31/12/15	31/12/16	31/12/15	31/12/16
Loans[1]	38	37	150,579	119,220
Interest received	0	0	61	3,888
Deposits	9,219	8,707	63,030	29,879
Contingent convertible bond (compound instrument)	0	0	150,000	150,000
Interest paid	(2)	(4)	0	0
Guarantees and commitments given by the Group	0	0	30,011	0
Guarantees and commitments given to the Group	0	0	27,630	0
Assets entrusted from third parties	0	0	150,000	150,000

Advisory fees paid to Precision Capital SA amount to EUR -0.8 million in 2016 (EUR -0.8 million in 2015).

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

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.8 "Staff expenses")

9.5 Securitisation

As at December 31, 2016, the BIL group has no securitisation vehicles included in its scope of consolidation.
The relevant accounting rules are described in point 1.3 of Note 1.

9.6 Acquisitions and disposals of consolidated companies

A. MAIN ACQUISITIONS

Year 2015

In November 2015, BIL (Suisse) SA acquired KBL (Switzerland) Ltd, subsidiary of KBL European Private Bankers SA.

Year 2016

None.

B. MAIN DISPOSALS

Year 2015

In October 2015, BIL SA sold the private banking activity of its Belgian Branch to Puilaetco Dewaay Private Bankers SA.

Year 2016

Experta Immobilien A.G.

9.7 Subscribed and authorised capital

By share category	31/12/15	31/12/16
Number of shares authorised and not issued[1]	2,982,513	2,982,681
Number of shares issued and fully paid up[2]	2,017,487	2,017,319
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	970	970

[1] As at December 31, 2016, the subscribed and paid-up capital of the Bank is EUR 141,212,330 (2015: EUR 141,224,090) represented by 2,017,319 shares (2015: 2,017,487 shares) with a par value of EUR 70 (2015: EUR 70). Following the extraordinary general meeting of April 25, 2014, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 350 million, without prejudice to possible renewals, until April 25, 2019.

[2] By application of the Law dated July 28, 2014 "Immobilisation of bearer shares and units and the keeping of the register of registered shares and the register of bearer shares", 168 bearer shares have been cancelled and the net proceeds of such cancellation has been deposited with the Luxembourg Caisse de Consignation.

9.8 Exchange rates

The main exchange rates used are the following:		31/12/15		31/12/16	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.4878	1.4817	1.4624	1.4852
Canadian dollar	CAD	1.5095	1.4259	1.4196	1.4582
Swiss franc	CHF	1.0861	1.0642	1.0743	1.0901
Danish krone	DKK	7.4632	7.4607	7.4340	7.4444
Pound sterling	GBP	0.7373	0.7243	0.8542	0.8228
Hong Kong dollar	HKD	8.4438	8.5636	8.1949	8.5652
Japanese yen	JPY	130.8260	133.5991	123.3914	120.4615
Norwegian krone	NOK	9.5911	8.9799	9.0953	9.2571
Polish zloty	PLN	4.2787	4.1829	4.4068	4.3666
Swedish krone	SEK	9.1668	9.3325	9.5567	9.4731
Singapore dollar	SGD	1.5411	1.5222	1.5264	1.5244
US dollar	USD	1.0894	1.1047	1.0568	1.1035

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

10.1 Regular way trade

	31/12/15	31/12/16
Loans to be delivered	172,605,851	1,087,527,580
Borrowings to be received	471,440,878	1,210,212,918

10.2 Guarantees

	31/12/15	31/12/16
Guarantees given to credit institutions	334,822,638	149,777,873
Guarantees given to customers	497,293,960	644,827,009
Guarantees received from credit institutions	268,682	25,000,000
Guarantees received from customers	2,644,870,245	2,628,275,287

10.3 Loan commitments

	31/12/15	31/12/16
Unused credit lines granted to credit institutions	51,065,468	51,795,007
Unused credit lines granted to customers	1,726,989,312	2,070,589,810

10.4 Other commitments

	31/12/15	31/12/16
Banking activity - Other commitments given[1]	35,231,715,311	37,100,963,478
Banking activity - Other commitments received[2]	200,339,880,578	175,060,323,077

[1] Other commitments given are mainly composed of assets entrusted to third parties.
[2] Other commitments received are composed of assets held on behalf of third parties, which amounted to EUR 166.3 billion as at December 31, 2016 and EUR 192.3 billion as at December 31, 2015.

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

11.1 Interest and similar income - Interest and similar expenses

	31/12/15	31/12/16
INTEREST AND SIMILAR INCOME	503,863,462	480,781,377
a) Interest and similar income of assets not measured at fair value through profit or loss	**327,586,782**	**322,295,253**
Cash and balances with central banks	69,183	15,446
Loans and advances to credit institutions	5,553,635	5,149,927
Loans and advances to customers	237,013,949	243,148,125
Financial assets available for sale	82,176,007	71,078,381
Investments held to maturity	2,774,008	2,903,374
b) Interest and similar income of assets measured at fair value through profit or loss	**176,276,680**	**157,754,749**
Financial assets held for trading	1,789,096	723,700
Derivatives held for trading	91,529,196	77,337,993
Derivatives used for hedging purposes	82,958,388	79,693,056
c) Interest income on liabilities[1]	**0**	**731,375**
INTEREST AND SIMILAR EXPENSES	(218,876,842)	(181,347,393)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(42,635,501)**	**(37,309,907)**
Amounts due to credit institutions	(4,564,146)	(7,365,463)
Amounts due to customers	(23,531,452)	(13,873,495)
Debt securities	(12,354,240)	(12,855,719)
Subordinated debts	(2,160,403)	(3,161,186)
Other	(25,260)	(54,044)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(176,241,341)**	**(143,059,268)**
Financial liabilities held for trading	(295)	(22)
Financial liabilities designated at fair value through profit or loss	(17,471,752)	(12,823,177)
Derivatives held for trading	(64,729,023)	(42,987,795)
Derivatives used for hedging purposes	(94,040,271)	(87,248,274)
c) Interest expenses on assets[1]	**0**	**(978,218)**
NET INTEREST INCOME	284,986,620	299,433,984

11.2 Dividend income

	31/12/15	31/12/16
Financial assets available for sale	212,403	5,557
Financial assets held for trading	2,939	3,696
TOTAL	215,342	9,253

11.3 Net income from associates

	31/12/15	31/12/16
Income from associates before tax	3,745,482	4,223,022
Share of tax	(1,149,626)	(1,209,116)
TOTAL	2,595,856	3,013,906

[1] The disclosure of negative interests in "Interest income on liabilities" and "Interest expenses on assets" is applicable as from December 31, 2016.

11.4 Net trading income and net result of hedge accounting

	31/12/15	31/12/16
Net income from transactions	3,390,251	10,162,584
of which income from trading securities	*(233,081)*	*3,743,095*
of which income from trading derivatives	*3,623,332*	*6,419,489*
Net result of hedge accounting	(12,240,929)	(378,423)
Net result of financial instruments designated at fair value through profit or loss*	403,040	(406,979)
Change in own credit risk[1]	(183,613)	(222,304)
Net foreign exchange gain/(loss)	27,168,056	14,167,748
TOTAL	**18,536,805**	**23,322,626**

	31/12/15	31/12/16
* including hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	**(16,457,600)**	**5,530,148**

Result of hedge accounting	31/12/15 Net gain/(loss)	31/12/16 Net gain/(loss)
Fair value hedge	**(1,407,486)**	**(359,917)**
Change in the fair value of the hedged item attributable to the hedged risk	(13,190,184)	24,267,147
Change in the fair value of the hedging derivatives	11,782,698	(24,627,064)
Portfolio hedge against interest rate risk	**185,638**	**(18,506)**
Change in the fair value of the hedged item	12,192,382	3,099,041
Change in the fair value of the hedging derivatives	(12,006,744)	(3,117,547)
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**(11,019,081)**	**0**
TOTAL	**(12,240,929)**	**(378,423)**

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

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

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

	31/12/15	31/12/16
Gains on loans and advances	2,671,217	3,246,362
Gains on financial assets available for sale	83,767,694	44,931,641
Gains on tangible fixed assets	24,302	331,120
Gains on liabilities	625,964	0
TOTAL GAINS	**87,089,177**	**48,509,123**
Losses on loans and advances	(1,291,709)	0
Losses on financial assets available for sale	(2,398,016)	(1,483,464)
Losses on tangible fixed assets	(308,025)	(17,831)
Losses on intangible fixed assets	(12,732)	0
Losses on liabilities	(171,929)	0
TOTAL LOSSES	**(4,182,411)**	**(1,501,295)**
NET IMPAIRMENT	**1,862,355**	**34,915**
TOTAL	**84,769,121**	**47,042,743**

The impact of net income on financial assets available for sale of EUR 43,448,177 as at December 31, 2016 (EUR 81,369,678 as at December 31, 2015) should be compared with the EUR -42,672,548 impact of the sale of securities on the AFS reserves as at December 31, 2016 (EUR -100,886,957 as at December 31, 2015).

Net impairment	Specific Risk		Total
	Allowances	Write-backs	
AS AT DECEMBER 31, 2015			
Available for sale securities	(396,556)	2,258,911	1,862,355
TOTAL	**(396,556)**	**2,258,911**	**1,862,355**
AS AT DECEMBER 31, 2016			
Available for sale securities	(72,618)	107,533	34,915
TOTAL	**(72,618)**	**107,533**	**34,915**

11.6 Fees and commissions income and expenses

	31/12/15			31/12/16		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	25,295,313	(3,957,599)	21,337,714	21,597,650	(4,335,578)	17,262,072
Administration of unit trusts and mutual funds	365,163	0	365,163	346,077	0	346,077
Insurance activity	9,715,681	0	9,715,681	8,109,007	0	8,109,007
Credit activity	18,416,539	(683,395)	17,733,144	19,673,359	(754,825)	18,918,534
Purchase and sale of securities	25,411,350	(9,649,386)	15,761,964	25,603,538	(10,607,031)	14,996,507
Purchase and sale of units trusts and mutual funds	6,681,884	(479,677)	6,202,207	5,947,749	(441,026)	5,506,723
Payment services	28,953,656	(868,835)	28,084,821	25,950,077	(902,574)	25,047,503
Commissions to non-exclusive brokers	58,425	(401,332)	(342,907)	0	(299,955)	(299,955)
Financial engineering	6,438,474	(92,557)	6,345,917	5,058,688	(176,011)	4,882,677
Services on securities other than safekeeping	3,395,529	(578,591)	2,816,938	3,249,047	(701,609)	2,547,438
Custody	18,810,713	(3,813,605)	14,997,108	29,116,764	(7,178,244)	21,938,520
Issues and placements of securities	3,137,014	(4,323)	3,132,691	2,957,060	0	2,957,060
Private banking	46,652,376	(7,546,708)	39,105,668	43,958,749	(7,860,436)	36,098,313
Clearing and settlement	2,148,877	(1,828,236)	320,641	21,390,642	(1,845,321)	19,545,321
Securities lending	0	(32,680)	(32,680)	0	(33,425)	(33,425)
Other	8,071,548	(168,328)	7,903,220	7,799,540	(634,495)	7,165,045
TOTAL	**203,552,542**	**(30,105,252)**	**173,447,290**	**220,757,947**	**(35,770,530)**	**184,987,417**

11.7 Other net income

	31/12/15	31/12/16
Operating taxes	26,169	2,525
Rental income	11,984,638	15,357,363
Other banking income[1]	1,704,002	2,032,823
Other income on other activities[2]	22,497,880	13,838,370
OTHER INCOME	**36,212,689**	**31,231,081**
Operating taxes	(2,075,790)	(3,270,084)
Maintenance and repair of investment property	(134,940)	(5,136,705)
Other bank charges[3]	(9,913,483)	(11,715,009)
Other expenses in relation to other activities[4]	(29,936,373)	(27,535,936)
OTHER EXPENSES	**(42,060,586)**	**(47,657,734)**
TOTAL	**(5,847,897)**	**(16,426,653)**

Advances paid to the AGDL in 2008:	37,876,176
Reimbursements received from the AGDL in 2009:	(11,572,127)
Reimbursements received from the AGDL in 2010:	(4,951,593)
Reimbursements received from the AGDL in 2011:	(2,322,004)
Reimbursements received from the AGDL in 2012:	(2,187,355)
Reimbursements received from the AGDL in 2013:	(427,430)
Reimbursements received from the AGDL in 2014:	(869,072)
Reimbursements received from the AGDL in 2015:	(1,704,002)
Reimbursements received from the AGDL in 2016:	(2,032,823)
Advances paid to the AGDL and not reimbursed as at December 31, 2016	11,809,770

In 2008, in order to pay advances to the AGDL, an expense of EUR 37.9 million was recorded in the statement of income. Reimbursements of EUR 26.1 million were made in 2009 till 2016 and recorded under other net operating income. Lastly, no reimbursements are expected from the AGDL in 2017.

11.8 Staff expenses

A. STAFF EXPENSES

	31/12/15	31/12/16
Wages and salaries	(174,726,807)	(175,153,203)
Social security and insurance costs	(21,201,107)	(21,787,385)
Staff benefits	(13,772,110)	(11,313,144)
Restructuring expenses	(12,205,953)	(2,614,533)
Other expenses	(3,146,804)	(3,202,130)
TOTAL	**(225,052,781)**	**(214,070,395)**

B. WORKFORCE

(in average FTE)	2015	2016
Senior management	51	51
Employees	1,997	1,953
Other	2	2
TOTAL	**2,050**	**2,006**

[1] This consists of the recovery of AGDL (Association pour la Garantie des Dépôts, Luxembourg) payments made in 2008 following the bankruptcies of Icelandic banks.
[2] This consists primarily of write-backs of provisions and extraordinary operating income.
[3] This consists of charges related to FGDL and FRL.
[4] This consists primarily of depreciation of investment property for EUR -11.8 million (EUR -12.2 million in 2015), provisions for litigation and extraordinary loss.

(in average FTE)[1] as at 31/12/15	Luxembourg	Other Europe	Other non-Europe	Total BIL
Senior management	44	5	2	51
Employees	1,796	185	16	1,997
Other	0	2	0	2
TOTAL	**1,840**	**192**	**18**	**2,050**

(Average FTE)[1] as at 31/12/16	Luxembourg	Other Europe	Other non-Europe	Total BIL
Senior management	46	4	1	51
Employees	1,798	146	9	1,953
Other	0	2	0	2
TOTAL	**1,844**	**152**	**10**	**2,006**

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

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

	31/12/15	31/12/16	31/12/15	31/12/16
	Remuneration		Retirement pensions	
Members of the administrative bodies	1,052,712	898,017	-	-
Members of the managerial bodies[2]	17,574,027	16,603,260	1,833,504	1,953,977
TOTAL	**18,626,739**	**17,501,277**	**1,833,504**	**1,953,977**

D. DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/15	31/12/16
Defined contribution plan expenses	1,783,923	1,769,398
TOTAL	**1,783,923**	**1,769,398**

11.9 General and administrative expenses

	31/12/15	31/12/16
Occupancy	(8,924,613)	(8,509,553)
Operating leases	(5,731,144)	(8,098,303)
Professional fees	(20,071,501)	(20,761,411)
Marketing, advertising and public relations	(5,253,320)	(6,193,824)
Technology and system costs	(29,692,800)	(33,918,243)
Software costs and maintenance expenses	(7,563,019)	(9,082,928)
Repair and maintenance expenses	(69,890)	(69,632)
Operating taxes	(943,296)	(869,301)
Other general and administrative expenses[3]	(46,051,802)	(41,107,298)
TOTAL	**(124,301,385)**	**(128,610,493)**

[1] Breakdown by subsidiary's and branches' country of implementation.
[2] 2016 retirement pensions include EUR 1.4 million of pension plan and EUR 0.5 million of managerial plan.
[3] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.

11.10 Independent auditors' fees

The fees payable to the independant auditors of the BIL group for the years 2015 and 2016 are as follows:

	2015	2016
Legal control of annual financial statements	1,728,450	1,590,157
Certification	93,971	0
Other	120,248	61,702
TOTAL	**1,942,669**	**1,651,859**

11.11 Amortisation of tangible and intangible fixed assets

	31/12/15	31/12/16
Depreciation on land and buildings	(7,570,133)	(7,486,222)
Depreciation on other tangible fixed assets	(1,059,671)	(863,727)
Depreciation on IT equipment	(2,550,667)	(2,490,236)
Depreciation on intangible fixed assets	(13,447,184)	(15,000,177)
TOTAL	**(24,627,655)**	**(25,840,362)**

11.12 Impairment on loans and provisions for credit commitments

Collective impairment	31/12/15			31/12/16		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
LOANS	**(3,315,129)**	**1,285,655**	**(2,029,474)**	**(4,563,916)**	**1,610,043**	**(2,953,873)**

Specific impairment	31/12/15				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances to customers	(38,597,682)	31,751,391	(12,572,491)	2,831,085	(16,587,697)
Other receivables[1]	(148,625)	383,979	(185,238)	0	50,116
Commitments	0	7,731	n.a.	n.a.	7,731
TOTAL	**(38,746,307)**	**32,143,101**	**(12,757,729)**	**2,831,085**	**(16,529,850)**

Specific impairment	31/12/16				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances to customers	(25,884,696)	23,595,663	(11,521,979)	0	(13,811,012)
Other receivables[1]	(279,043)	189,073	(61,717)	0	(151,686)
Commitments	0	0	n.a.	n.a.	0
TOTAL	**(26,163,739)**	**23,784,736**	**(11,583,696)**	**0**	**(13,962,698)**

[1] Is published in heading XIV. of the assets.

11.13 Provisions for legal litigation

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

11.14 Tax expenses

	31/12/15	31/12/16
Income tax for current financial year	(560,419)	(942,417)
Deferred taxes	(29,442,952)	(44,238,529)
Tax on current financial year result (A)	**(30,003,371)**	**(45,180,946)**
Income tax for previous year	(950,022)	1,433
Deferred taxes for previous year	(1,077,441)	(403,921)
Other tax expenses (B)	**(2,027,463)**	**(402,488)**
TOTAL (A)+(B)	(32,030,834)	(45,583,434)

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 29.22% as at December 31, 2015 and 2016.
The effective BIL tax rate was 18.33% in 2015 and 29.54% in 2016.
The difference between both rates may be analysed as follows:

	31/12/15	31/12/16
NET INCOME BEFORE TAX	166,299,935	155,945,455
Tax base	**163,704,079**	**152,931,549**
Applicable tax rate at year-end	29.22%	29.22%
Theoretical corporate income tax at standard rate	**(47,834,332)**	**(44,686,599)**
Effect of different tax rates in other countries	(2,608,169)	(383,452)
Tax effect of non-deductible expenses	(1,623,667)	(1,140,201)
Tax effect of non-taxable income	25,261,242	(26,918)
Tax effect of items taxed at a reduced rate	19,318	0
Effect of change in tax rates[1]	0	(27,146,930)
Tax effect on the use of previous tax losses not recognised in the assets	0	27,300,000
Other	(3,217,763)	903,154
Tax on current financial year result	**(30,003,371)**	**(45,180,946)**
EFFECTIVE TAX RATE	18.33%	29.54%

[1] Review of the deferred tax assets due to the 2017 Luxembourg tax reform and the progressive reduction of the corporate income tax rate to 19% in 2017 and down to 18% in 2018.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value

A. BREAKDOWN OF FAIR VALUE

A.1 Fair value of assets	31/12/15			31/12/16		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	1,340,198,076	1,340,198,076	0	2,085,823,944	2,085,823,944	0
Loans and advances to credit institutions	994,454,661	994,884,332	429,671	1,071,276,155	1,071,707,198	431,043
Loans and advances to customers	11,371,806,693	11,519,733,884	147,927,191	12,042,999,820	12,198,082,796	155,082,976
Financial assets held for trading	88,239,176	88,239,176	0	79,801,733	79,801,733	0
Financial assets available for sale	6,522,733,202	6,522,733,202	0	6,381,471,453	6,381,471,453	0
Investments held to maturity	123,738,533	134,834,794	11,096,261	536,013,388	551,715,571	15,702,183
Derivatives	286,864,028	286,864,028	0	245,883,149	245,883,149	0
Fair value revaluation of portfolios hedged against interest rate risk	10,161,025	10,161,025	0	6,523,489	6,523,489	0
Investments in associates	22,348,474	22,348,474	0	28,274,796	28,274,796	0
Other assets	715,715,766	715,715,766	0	670,590,799	670,590,799	0
TOTAL	**21,476,259,634**	**21,635,712,757**	**159,453,123**	**23,148,658,726**	**23,319,874,928**	**171,216,202**

A.2 Fair value of liabilities	31/12/15			31/12/16		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	1,988,226,954	1,996,056,578	(7,829,624)	2,216,090,000	2,221,224,732	(5,134,732)
Amounts due to customers	15,019,202,404	15,028,615,600	(9,413,196)	16,129,249,400	16,116,968,509	12,280,891
Financial liabilities held for trading	0	0	0	2,013,272	2,013,272	0
Financial liabilities designated at fair value	839,991,931	839,991,931	0	877,913,027	877,913,027	0
Derivatives	414,021,724	414,021,724	0	436,598,717	436,598,717	0
Fair value revaluation of portfolios hedged against interest rate risk	55,197,019	55,197,019	0	48,683,055	48,683,055	0
Debt securities	1,141,323,628	1,156,567,391	(15,243,763)	1,529,888,297	1,548,719,665	(18,831,368)
Subordinated debt	446,661,346	447,247,743	(586,397)	293,936,368	306,123,963	(12,187,595)
Other liabilities	354,010,122	354,010,122	0	354,625,880	354,625,880	0
TOTAL	**20,258,635,128**	**20,291,708,108**	**(33,072,980)**	**21,888,998,016**	**21,912,870,820**	**(23,872,804)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see point 1.7 of Note 1).

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

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

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

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

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

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

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

B.1 Assets	31/12/15			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	67,697,342	16,010,971	4,530,863	88,239,176
Financial assets available for sale - bonds	5,592,237,867	857,621,712	22,494,285	6,472,353,864
Financial assets available for sale - equities	0	22,809,266	27,570,072	50,379,338
Derivatives	0	278,109,506	8,754,522	286,864,028
TOTAL	**5,659,935,209**	**1,174,551,455**	**63,349,742**	**6,897,836,406**

	31/12/16			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	47,507,395	27,756,702	4,537,636	79,801,733
Financial assets available for sale - bonds	5,398,769,344	839,899,891	100,125,410	6,338,794,645
Financial assets available for sale - equities	0	10,177,665	32,499,143	42,676,808
Derivatives	0	225,388,991	20,494,158	245,883,149
TOTAL	**5,446,276,739**	**1,103,223,249**	**157,656,347**	**6,707,156,335**

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

B.2 Liabilities	31/12/15			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	679,441,757	160,550,174	839,991,931
Derivatives	0	393,220,856	20,800,868	414,021,724
TOTAL	**0**	**1,072,662,613**	**181,351,042**	**1,254,013,655**

	31/12/16			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	0	2,000,024	13,248	2,013,272
Financial liabilities designated at fair value	0	672,572,334	205,340,693	877,913,027
Derivatives	0	433,700,940	2,897,777	436,598,717
TOTAL	**0**	**1,108,273,298**	**208,251,718**	**1,316,525,016**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets	31/12/15		31/12/16	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets available for sale - bonds	12,039,493	39,606,472	4,669,588	0
TOTAL	**12,039,493**	**39,606,472**	**4,669,588**	**0**

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2015 and 2016.

D. LEVEL 3 RECONCILIATION

D.1 Assets	31/12/15				
	Opening balance	Total gains and losses in the statement of income	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	3,756,453	622,782	0	3,096,409	(2,944,781)
Financial assets available for sale - bonds	266,138,286	969,301	(21,123,135)	22,494,285	(969,301)
Financial assets available for sale - equities	33,387,243	12,893	(6,455,285)	648,480	(23,259)
Derivatives	10,491,413	(1,736,891)	0	0	0
TOTAL	**313,773,395**	**(131,915)**	**(27,578,420)**	**26,239,174**	**(3,937,341)**

	31/12/15				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	0	0	0	0	4,530,863
Financial assets available for sale - bonds	(195,966,075)	0	(50,148,186)	1,099,110	22,494,285
Financial assets available for sale - equities	0	0	0	0	27,570,072
Derivatives	0	0	0	0	8,754,522
TOTAL	**(195,966,075)**	**0**	**(50,148,186)**	**1,099,110**	**63,349,742**

	31/12/16				
	Opening balance	Total gains and losses in the statement of income	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	4,530,863	(498,860)	0	2,886,249	(2,380,616)
Financial assets available for sale - bonds	22,494,285	0	0	50,573,484	0
Financial assets available for sale - equities	27,570,072	(1,729)	4,166,654	777,496	(13,350)
Derivatives	8,754,522	1,837,206	0	9,902,430	0
TOTAL	**63,349,742**	**1,336,617**	**4,166,654**	**64,139,659**	**(2,393,966)**

	31/12/16				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	0	0	0	0	4,537,636
Financial assets available for sale - bonds	(22,494,285)	49,551,926	0	0	100,125,410
Financial assets available for sale - equities	0	0	0	0	32,499,143
Derivatives	0	0	0	0	20,494,158
TOTAL	**(22,494,285)**	**49,551,926**	**0**	**0**	**157,656,347**

D.2 Liabilities	31/12/15			
	Opening balance	Total gains and losses in the statement of income	New issues	Settlement
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	225,234,038	3,610	93,545,215	(162,434,335)
Derivatives	1,895,150	321,828	18,583,890	0
TOTAL	**227,129,188**	**325,438**	**112,129,105**	**(162,434,335)**

	31/12/15			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	0	4,201,646	160,550,174
Derivatives	0	0	0	20,800,868
TOTAL	**0**	**0**	**4,201,646**	**181,351,042**

	31/12/16			
	Opening balance	Total gains and losses in the statement of income	New issues	Settlement
Financial liabilities held for trading	0	0	13,248	0
Financial liabilities designated at fair value	160,550,174	(2,324,232)	127,992,987	(83,094,050)
Derivatives	20,800,868	(18,177,686)	274,595	0
TOTAL	**181,351,042**	**(20,501,918)**	**128,280,830**	**(83,094,050)**

	31/12/16			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities held for trading	0	0	0	13,248
Financial liabilities designated at fair value	0	0	2,215,814	205,340,693
Derivatives	0	0	0	2,897,777
TOTAL	**0**	**0**	**2,215,814**	**208,251,718**

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

Banking bonds

For each position, the FRM department has obtained from Bloomberg the following information:
- The bid and ask spread;
- The issue size (with type of issuer and currency);
- Number of contributors providing a direct observable price.

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

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

a) The rarity of the issue: when the overall issuer debt is relatively low, or in the case of securities issued by issuers outside the Eurozone. This is the case of emissions from Poland, the Czech Republic (EUR -area size and debt), Slovakia and Lithuania (loan size). The bid/ask spread observed on these bonds can be relatively low as well as the number of contributors.
b) Securitisations: prices are not available on Bloomberg, therefore there is no spread, nor any contributor. However, they are reported on a daily basis by traders and there are at least five contributors per security.

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

Structured bonds

Finalyse communicates for each product the type of data required for the valorisation as well as whether these data are observable or not.

Moreover, the market expert is requested to evaluate the impact of the non observability of the forward data.

The "Total gains and losses in the statement of income" column cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3. We refer to Note 11.3 "Result of hedge accounting" for an economic view of the impact in the statement of income.

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

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVE SCENARIOS

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

With regard to the spread valuation, in cases where BIL uses its own models, alternative scenarios relating to unobservable parameters were taken into consideration, in particular for:
- Credit spreads: by considering credit spreads available on a single counterpart or, failing that, on similar counterparts or counterparts belonging to similar sectors, or by using credit spreads indexed to liquid CDS indices;
- Liquidity premiums: by considering the different levels of premiums primarily used in determining the fair value of bonds, and which depend in particular on the eligibility of the security for refinancing with the central banks;
- The illiquidity of the financial instrument: by considering a change in the estimated liquidity of the market for a single instrument or similar B213 and/or by incorporating an analysis of the bid/ask spread for real transactions.

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

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

The most significant stand-alone Level 3 instrument is BIL's participation in Luxair SA. The sensitivity test leads to a minor impact in the OCI reserve. Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair SA valuation.

12.2 Credit risk exposures

A. ANALYSIS OF BIL EXPOSURES

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

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

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

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

Exposures by geographic region

(in EUR million)	31/12/15	31/12/16
Belgium	1,436	1,428
France	2,558	3,045
Germany	1,118	1,344
Switzerland	952	938
Greece	1	1
Ireland	459	276
Italy	467	248
Luxembourg	10,660	13,306
Spain	617	680
Portugal	7	7
Other EU countries	1,856	1,757
Turkey	8	7
Rest of Europe	672	553
United States and Canada	575	632
Central and South America	8	19
Japan	27	48
South-east Asia	226	225
Other	604	1,161
TOTAL	**22,251**	**25,675**

Exposures by counterparty category

(in EUR million)	31/12/15	31/12/16
Central Governments	5,409	6,308
Public Sector Entities	1,583	1,870
Corporate	4,250	5,067
Securitisation	281	325
Project Finance	0	0
Individuals, SME & Self Employed	7,551	8,250
Financial institutions	3,172	3,852
Other	5	3
TOTAL	**22,251**	**25,675**

Credit risk exposures are shown as follows:

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

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

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

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS

(in EUR million)	31/12/15 Credit risk exposures [1]	31/12/15 Financial effect of the collateral	31/12/16 Credit risk exposures [1]	31/12/16 Financial effect of the collateral
Available for sale portfolio (excluding variable-income securities)	6,457	0	6,336	0
Held for trading portfolio (excluding variable-income securities)	68	0	47	0
Loans and advances (at amortised cost)	12,796	2,062	14,546	1,652
Financial assets held to maturity	124	0	536	0
Derivatives	120	151	160	57
Other financial instruments at cost	148	0	97	0
Commitments in respect of loans granted	132	3	32	6
Commitments in respect of guarantees given	2,406	883	3,921	423
TOTAL	**22,251**	**3,099**	**25,675**	**2,138**

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS

	31/12/15				
	Credit quality of normal financial assets				
(in EUR million)	AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	3,347	2,271	86	753	6,457
Held for trading portfolio (excluding variable-income securities)	19	27	5	17	68
Loans and advances (at amortised cost)	1,804	5,517	4,091	1,042	12,454
Financial assets held to maturity	124	0	0	0	124
Derivatives	11	98	7	4	120
Other financial instruments at cost	44	2	2	100	148
Commitments in respect of loans granted	15	89	25	2	131
Commitments in respect of guarantees given	297	1,050	775	270	2,392
TOTAL	**5,661**	**9,054**	**4,991**	**2,188**	**21,894**

	31/12/16				
	Credit quality of normal financial assets				
(in EUR million)	AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	3,598	1,796	74	868	6,336
Held for trading portfolio (excluding variable-income securities)	22	18	2	6	48
Loans and advances (at amortised cost)	2,579	5,911	4,457	1,185	14,132
Financial assets held to maturity	455	81	0	0	536
Derivatives	18	129	4	8	159
Other financial instruments at cost	39	2	0	56	97
Commitments in respect of loans granted	0	0	9	23	32
Commitments in respect of guarantees given	603	1,439	1,099	756	3,897
TOTAL	**7,314**	**9,376**	**5,645**	**2,902**	**25,237**

The quality of financial assets is determined using internal credit ratings, or external ratings in the event that internal ratings are not available. Prior to being taken into account in the table, external ratings are converted into internal ratings by means of a correlation table based on default probabilities.

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

D. PAST DUE OR IMPAIRED FINANCIAL ASSETS

	31/12/15				
	Past due but not impaired assets			Gross carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	215,619,644	60,261,214	159,110,793	344,826,327	534,260,900
TOTAL	**215,619,644**	**60,261,214**	**159,110,793**	**344,826,327**	**534,260,900**

	31/12/16				
	Past due but not impaired assets			Gross carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	212,385,782	93,463,865	141,000,549	351,833,581	540,879,093
TOTAL	**212,385,782**	**93,463,865**	**141,000,549**	**351,833,581**	**540,879,093**

BIL has defined three types of past due loans:
- "Technical" past due financial assets;
- "Operational" past due financial assets;
- "Credit" past due financial assets.

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

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF THE GUARANTEES HELD

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/15	31/12/16
Cash	10,724,979	26,184,528
Debt instruments	477,434	1,153,774
TOTAL	**11,202,413**	**27,338,302**

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

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/15	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(276,939,147)**	**14,640,547**	**(38,994,238)**	**19,369,755**
Loans and advances to customers	(256,012,021)	12,381,636	(38,597,682)	19,369,755
Financial assets available for sale	(20,927,126)	2,258,911	(396,556)	0
of which equities and other variable-income instruments	*(20,927,126)*	*2,258,911*	*(396,556)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(26,528,462)**	**0**	**(3,315,130)**	**1,285,654**
TOTAL	**(303,467,609)**	**14,640,547**	**(42,309,368)**	**20,655,409**

	Other adjustments	As at 31/12/15	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**(13,074,753)**	**(294,997,836)**	**2,831,085**	**(12,572,491)**
Loans and advances to customers	(11,985,841)	(274,844,153)	2,831,085	(12,572,491)
Financial assets available for sale	(1,088,912)	(20,153,683)	0	0
of which equities and other variable-income instruments	*(1,088,912)*	*(20,153,683)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(23,532)**	**(28,581,470)**	**0**	**0**
TOTAL	**(13,098,285)**	**(323,579,306)**	**2,831,085**	**(12,572,491)**

	As at 01/01/16	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(294,997,836)**	**11,107,529**	**(25,957,314)**	**12,595,667**
Loans and advances to customers	(274,844,153)	10,999,996	(25,884,696)	12,595,667
Financial assets available for sale	(20,153,683)	107,533	(72,618)	0
of which equities and other variable-income instruments	*(20,153,683)*	*107,533*	*(72,618)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(28,581,470)**	**0**	**(4,563,916)**	**1,610,043**
TOTAL	**(323,579,306)**	**11,107,529**	**(30,521,230)**	**14,205,710**

	Other adjustments	As at 31/12/16	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**(3,434,650)**	**(300,686,604)**	**0**	**(11,521,979)**
Loans and advances to customers	(3,162,619)	(280,295,805)	0	(11,521,979)
Financial assets available for sale	(272,031)	(20,390,799)	0	0
of which equities and other variable-income instruments	*(272,031)*	*(20,390,799)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(5,896)**	**(31,541,239)**	**0**	**0**
TOTAL	**(3,440,546)**	**(332,227,843)**	**0**	**(11,521,979)**

The other adjustments correspond to exchange rate variations over the period affecting provisions recognised in other currencies as well as the deconsolidation of entities.

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

As at 31/12/15				
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity[1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	839,991,931	183,613	(985,222)	4,470,808

As at 31/12/16				
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity[1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	877,913,027	222,304	(762,918)	11,082,785

In 2015 and 2016, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposures towards its subsidiaries (BIL group) and towards its sister company (KBL European Private Bankers SA and its subsidiaries) in the calculation of large exposures limits, in accordance with Part XVI, point 24 of the former Circular 06/273, as amended. The amount of exposures covered by this exemption is null as at December 31, 2016 (as on a consolidated basis, exposures on entities of BIL group are excluded from the large exposures reporting). This exemption was granted on November 22, 2012.

I. INFORMATION ON FORBORNE EXPOSURES

"BIL monitors closely its forborne exposures, in line with the definition stated in the publication of the Official Journal of the European Union dated February 2015.

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

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

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

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition.

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

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

As at end 2016, BIL group's forborne exposures amounted to EUR 294.1 million including EUR 5.1 million as given banking guarantees.

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

J. INFORMATION ON SOVEREIGN DEBTS

For 2015 and 2016, this statement refers to bonds issued by central & local governments and governmental bodies.

As at 31/12/15	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	57,261,953	*3,372,967*				
More than 5 years	61,916,521	*2,526,434*				
Belgium						
Less than 1 year	22,494,285	*22*				
Between 1 and 5 years	81,307,526	*962,043*	*154,034*			
More than 5 years	734,415,523	*17,565,993*	*2,670,603*			
Czech Republic						
Less than 1 year	4,754,500	*33,344*				
More than 5 years	42,307,821	*830,645*	*2,169,539*			
Finland						
Between 1 and 5 years	23,611,328	*2,642,135*				
More than 5 years				51,437,069		
France						
Between 1 and 5 years	129,065,989	*6,308,469*				
More than 5 years	755,354,125	*17,188,790*	*5,261,468*			
Germany						
Between 1 and 5 years	10,270,089	*58,448*	*116,146*			
More than 5 years	107,654,417	*2,281,803*	*1,824,629*	30,922,907	5,997,919	*(152,536)*
Ireland						
Less than 1 year	73,230,539	*505,744*				
Between 1 and 5 years	111,317,023	*5,317,450*	*823,749*			
More than 5 years	181,210,277	*4,435,044*				
Italy						
Less than 1 year	181,925,837	*2,547,238*				
Between 1 and 5 years	143,833,100	*4,959,175*	*23,440*			
Lithuania						
Between 1 and 5 years	42,677,388	*90,038*	*(108,723)*			
More than 5 years	5,370,917	*(24,195)*	*48,010*			
Luxembourg						
Between 1 and 5 years					805,877	*(14,843)*
More than 5 years	39,338,020	*1,561,198*	*3,020,705*			
Mexico						
More than 5 years					26,364	*895*
Poland						
Less than 1 year	4,730,531	*2,922*				
Between 1 and 5 years	32,241,782	*213,839*	*230,399*			
More than 5 years	74,393,332	*1,580,339*	*3,835,123*			
Qatar						
Between 1 and 5 years	33,981,234	*28,526*	*(139,601)*			
More than 5 years	46,004,590	*(279,727)*	*(275,316)*			
SUB-TOTAL	**3,000,668,647**	***74,708,684***	***19,654,205***	**82,359,976**	**6,830,160**	***(166,484)***

As at 31/12/15	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
SUB-TOTAL BROUGHT FORWARD	**3,000,668,647**	***74,708,684***	***19,654,205***	**82,359,976**	**6,830,160**	***(166,484)***
Slovakia						
Between 1 and 5 years	4,179,410	*184,112*				
More than 5 years	133,463,464	*7,723,262*	*3,166,949*			
South Korea						
More than 5 years					6,768	*(30)*
Spain						
Less than 1 year	61,240,497	*567,789*				
Between 1 and 5 years	66,691,942	*29,134*	*(105,626)*			
More than 5 years	213,929,740	*477,642*	*2,058,703*			
Supranational						
Between 1 and 5 years	139,819,594	*2,786,774*			233,406	*(1,559)*
More than 5 years	266,684,875	*12,973,683*	*1,515,610*	20,539,646	1,841,287	*(103,837)*
Switzerland						
Less than 1 year	10,156,465					
The Netherlands						
More than 5 years	78,377,367	*2,327,366*	*4,077,668*			
United States of America						
Between 1 and 5 years	325,327,704	*(1,851,548)*				
TOTAL	**4,300,539,705**	***99,926,898***	***30,367,509***	**102,899,622**	**8,911,621**	***(271,910)***

As at 31/12/16 Country Maturity date	Available for sale			Held to maturity	Held for trading	
	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	54,991,714	*1,916,650*				
More than 5 years	61,718,001	*3,615,215*				
Belgium						
Less than 1 year	57,750,990	*31,463*				
Between 1 and 5 years	61,591,541	*1,451,861*	*(84,564)*			
More than 5 years	693,271,391	*37,102,969*	*(3,066,298)*			
Czech Republic						
Between 1 and 5 years	17,660,569	*1,554,820*	*(665,910)*			
More than 5 years	24,343,249	*4,372,942*	*(1,971,110)*			
Finland						
Between 1 and 5 years	22,957,907	*2,141,495*				
More than 5 years				51,351,180		
France						
Between 1 and 5 years	127,993,412	*5,653,297*				
More than 5 years	735,751,865	*30,681,874*	*(498,732)*	213,299,826		
Germany						
Between 1 and 5 years	10,212,876	*226,572*	*(109,508)*		5,140,750	*(8,550)*
More than 5 years	110,000,717	*5,122,891*	*(886,120)*	30,870,796	9,674,799	*(115,456)*
Ireland						
More than 5 years	120,706,384	*795,579*	*192,783*			
Italy						
More than 5 years	143,684,008	*(877,744)*	*(95,549)*			
Japan						
Between 1 and 5 years	40,696,639	*9,292*				
Latvia						
Between 1 and 5 years	15,788,242	*(800,954)*	*562,875*			
More than 5 years					285,592	*(12,300)*
Lithuania						
Between 1 and 5 years	41,468,620	*(541,209)*	*465,739*			
Luxembourg						
Between 1 and 5 years					804,293	*(16,400)*
More than 5 years	39,883,385	*8,748,539*	*(3,634,535)*		1,916,408	*(14,938)*
Mexico						
Between 1 and 5 years					26,333	*862*
Poland						
Between 1 and 5 years	40,448,818	*584,695*	*(175,124)*			
More than 5 years	35,269,346	*(341,785)*	*(32,322)*			
Qatar						
Less than 1 year	23,987,909	*(20,787)*	*3,978*			
Between 1 and 5 years	34,923,405	*(696,486)*	*450,122*			
More than 5 years	55,489,878	*(2,095,845)*	*948,107*			
Saudi Arabia						
Between 1 and 5 years					548,771	*(15,767)*
SUB-TOTAL	**2,570,590,866**	***98,635,344***	***(8,596,168)***	**295,521,802**	**18,396,946**	***(182,549)***

As at 31/12/16	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
SUB-TOTAL BROUGHT FORWARD	**2,570,590,866**	***98,635,344***	***(8,596,168)***	**295,521,802**	**18,396,946**	***(182,549)***
Slovakia						
Between 1 and 5 years	4,133,425	*134,631*				
More than 5 years	47,276,906	*2,527,340*	*(50,574)*	38,591,714		
South Korea						
Between 1 and 5 years	4,036,875	*27,702*				
More than 5 years				4,434,820		
Spain						
Less than 1 year	13,710,296	*3,731*				
Between 1 and 5 years	88,489,201	*1,093,883*	*(215,126)*			
More than 5 years	189,507,178	*924,087*	*(294,436)*	10,549,970		
Supranational						
More than 5 years	269,417,286	*16,391,322*	*(318,137)*	20,506,869	43,434	*149*
The Netherlands						
More than 5 years	88,411,304	*1,031,600*				
United States of America						
Less than 1 year	19,213,494	*2,230*				
Between 1 and 5 years	427,959,406	*(3,485,944)*				
TOTAL	**3,722,746,237**	***117,285,926***	***(9,474,441)***	**369,605,175**	**18,440,380**	***(182,400)***

12.3 Encumbered assets

A. COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	31/12/15			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	179,266,357	*179,266,357*	0	*0*
Debt securities	591,938,941	*591,938,941*	128,620,520	*128,620,520*
TOTAL	**771,205,298**	***771,205,298***	**128,620,520**	***128,620,520***

	31/12/16			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	72,894,544	*72,894,544*	0	*0*
Debt securities	607,621,529	*200,881,452*	0	*0*
TOTAL	**680,516,073**	***273,775,996***	**0**	***0***

B. ENCUMBERED ASSETS

	31/12/15			
	Carrying amount of encumbered assets	***of which: central bank eligible***	**Fair value of encumbered assets**	***of which: central bank eligible***
HTM Debt securities	0	*0*	0	*0*
of which: issued by general governments	*0*	*0*	*0*	*0*
of which: issued by financial corporations	*0*	*0*	*0*	*0*
of which: issued by non-financial corporations	*0*	*0*	*0*	*0*
AFS Debt securities	1,050,810,330	1,050,810,330	1,050,810,330	1,050,810,330
of which: issued by general governments	*783,575,187*	*783,575,187*	*783,575,187*	*783,575,187*
of which: issued by financial corporations	*267,235,143*	*267,235,143*	*267,235,143*	*267,235,143*
of which: issued by non-financial corporations	*0*	*0*	*0*	*0*
Loans and advances other than loans on demand	285,578,368	*285,578,368*	285,578,368	*285,578,368*
TOTAL	**1,336,388,698**	***1,336,388,698***	**1,336,388,698**	***1,336,388,698***

	31/12/16			
	Carrying amount of encumbered assets	***of which: central bank eligible***	**Fair value of encumbered assets**	***of which: central bank eligible***
HTM Debt securities	48,330,646	*46,974,491*	48,911,076	*47,402,497*
of which: issued by general governments	*41,961,241*	*41,961,241*	*42,280,951*	*42,280,951*
of which: issued by financial corporations	*4,805,055*	*3,448,900*	*4,792,459*	*3,283,880*
of which: issued by non-financial corporations	*1,564,350*	*1,564,350*	*1,837,666*	*1,837,666*
AFS Debt securities	2,351,965,385	1,976,264,294	2,351,965,385	1,976,264,294
of which: issued by general governments	*1,698,361,768*	*1,337,267,986*	*1,698,361,768*	*1,337,267,986*
of which: issued by financial corporations	*651,894,148*	*637,668,878*	*651,894,148*	*637,668,878*
of which: issued by non-financial corporations	*1,709,469*	*1,327,430*	*1,709,469*	*1,327,430*
Loans and advances other than loans on demand	197,092,010	*197,092,010*	197,092,010	*197,092,010*
TOTAL	**2,597,388,041**	***2,220,330,795***	**2,597,968,471**	***2,220,758,801***

C. SOURCES OF ENCUMBRANCE

	31/12/15		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which: collateral received re-used***
Derivatives	412,949,676	285,578,368	*0*
Repurchase agreements	407,220,681	407,273,243	*128,620,520*
of which: central banks	*350,425,417*	*350,425,417*	128,620,520
Collateralised deposits other than repurchase agreements	45,430,246	45,430,246	*0*
of which: central banks	*45,430,246*	*45,430,246*	*0*
Fair value of securities borrowed with non cash collateral	720,559,461	726,727,362	*0*
TOTAL	**1,586,160,064**	**1,465,009,219**	***128,620,520***

	31/12/16		
	Matching liabilities, contingent liabilities or securities lent	**Assets or collateral received encumbered**	***of which: collateral received re-used***
Derivatives	436,598,717	197,092,010	*0*
Repurchase agreements	548,869,444	548,869,444	*0*
of which: central banks	*548,869,444*	*548,869,444*	*0*
Collateralized deposits other than repurchase agreements	4,683,553	4,683,553	*0*
of which: central banks	*4,683,553*	*4,683,553*	*0*
Fair value of securities borrowed with non cash collateral	1,345,127,660	1,846,743,034	*0*
TOTAL	**2,335,279,374**	**2,597,388,041**	***0***

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D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in the Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/15				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	286,864,028	0	286,864,028	181,096,367	105,767,661
Reverse repurchase agreements	0	0	0	0	0
TOTAL	**286,864,028**	**0**	**286,864,028**	**181,096,367**	**105,767,661**

Financial liabilities recognised at end of reporting period	31/12/15				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	414,021,724	0	414,021,724	285,578,368	128,443,356
Repurchase agreements	407,220,681	0	407,220,681	407,220,681	0
Collateralised deposits other than repurchase agreements	45,430,246	0	45,430,246	45,430,246	0
TOTAL	**866,672,651**	**0**	**866,672,651**	**738,229,295**	**128,443,356**

Financial assets recognised at end of reporting period	31/12/16				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	245,883,149	0	245,883,149	72,894,544	172,988,605
Reverse repurchase agreements	0	0	0	0	0
TOTAL	**245,883,149**	**0**	**245,883,149**	**72,894,544**	**172,988,605**

Financial liabilities recognised at end of reporting period	31/12/16				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	436,598,717	0	436,598,717	197,092,010	239,506,707
Repurchase agreements	548,869,444	0	548,869,444	548,869,444	0
Collateralised deposits other than repurchase agreements	4,683,553	0	4,683,553	4,683,553	0
TOTAL	**990,151,714**	**0**	**990,151,714**	**750,645,007**	**239,506,707**

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12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/15				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,340,193,518	0	0	0	0
Loans and advances to credit institutions	934,565,648	53,285,669	683,968	1,100,000	4,500,000
Loans and advances to customers	4,540,330,869	130,631,835	64,348,968	1,145,705,416	5,779,311,441
Financial assets held for trading	2,044,209	15,541,204	6,769,460	29,537,961	35,221,800
Financial assets available for sale	16,167,513	1,253,279,613	379,137,151	1,725,958,808	2,938,922,750
Investments held to maturity	101,830,140	0	0	0	20,000,000
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**6,935,131,897**	**1,452,738,321**	**450,939,547**	**2,902,302,185**	**8,777,955,991**

	31/12/15				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	4,558	n.a.	n.a.	1,340,198,076
Loans and advances to credit institutions	0	319,376	0	0	994,454,661
Loans and advances to customers	0	14,591,427	312,358	(303,425,621)	11,371,806,693
Financial assets held for trading	99,203	524,437	(1,499,098)	n.a.	88,239,176
Financial assets available for sale	4,042,095	63,735,976	161,642,979	(20,153,683)	6,522,733,202
Investments held to maturity	0	1,908,393	0	0	123,738,533
Derivatives	n.a.	13,945,733	272,918,295	n.a.	286,864,028
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	10,161,025	n.a.	10,161,025
TOTAL	**4,141,298**	**95,029,900**	**443,535,559**	**(323,579,304)**	**20,738,195,394**

[1] Excluding derivatives and off-balance sheet items.

[2] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

	31/12/16				
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	2,086,553,591	0	0	0	0
Loans and advances to credit institutions	1,061,273,526	3,796,561	0	560,000	4,162,500
Loans and advances to customers	4,255,648,687	259,891,998	101,072,428	1,355,052,460	6,368,960,018
Financial assets held for trading	28,856,135	414,848	2,182,193	9,596,497	38,928,879
Financial assets available for sale	1,139,330,351	145,726,190	162,255,648	1,831,743,472	2,921,278,542
Investments held to maturity	0	0	0	17,455,025	515,686,550
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**8,571,662,290**	**409,829,597**	**265,510,269**	**3,214,407,454**	**9,849,016,489**

	31/12/16				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	(729,647)	n.a.	n.a.	2,085,823,944
Loans and advances to credit institutions	0	1,483,568	0	0	1,071,276,155
Loans and advances to customers	0	15,194,410	(983,137)	(311,837,044)	12,042,999,820
Financial assets held for trading	156,542	350,430	(683,791)	n.a.	79,801,733
Financial assets available for sale	235,753	54,288,491	147,003,805	(20,390,799)	6,381,471,453
Investments held to maturity	0	2,871,813	0	0	536,013,388
Derivatives	n.a.	18,073,533	227,809,616	n.a.	245,883,149
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	6,523,489	n.a.	6,523,489
TOTAL	**392,295**	**91,532,598**	**379,669,982**	**(332,227,843)**	**22,449,793,131**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES	31/12/15				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,195,891,541	168,692,395	146,163,135	382,750,000	94,145,802
Amounts due to customers	13,335,909,745	595,693,135	657,720,154	416,516,481	9,754,494
Financial liabilities held for trading	0	0	0	0	0
Financial liabilities designated at fair value	0	335,648,484	144,376,691	136,704,195	215,985,599
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	38,875,686	587,661,873	142,841,388	319,465,055	46,979,027
Subordinated debt	0	296,772,349	0	0	149,572,084
TOTAL	**14,570,676,972**	**1,984,468,236**	**1,091,101,368**	**1,255,435,731**	**516,437,006**

	31/12/15			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	584,081	0	1,988,226,954
Amounts due to customers	904,978	2,703,417	0	15,019,202,404
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	2,739,272	4,537,690	839,991,931
Derivatives	n.a.	33,475,043	380,546,681	414,021,724
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	55,197,019	55,197,019
Debt securities	0	5,500,599	0	1,141,323,628
Subordinated debt	0	316,913	0	446,661,346
TOTAL	**904,978**	**45,319,325**	**440,281,390**	**19,904,625,006**

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES	31/12/16				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,142,754,479	293,712,662	130,522,545	565,160,000	83,323,110
Amounts due to customers	14,703,681,967	613,119,081	447,551,824	350,888,778	11,666,962
Financial liabilities held for trading	2,013,250	0	0	0	0
Financial liabilities designated at fair value	361,749,281	25,798,648	74,940,624	160,512,304	241,366,452
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	737,965,197	41,443,119	47,020,643	500,890,995	197,994,814
Subordinated debt	48,651,710	0	0	0	244,629,761
TOTAL	**16,996,815,884**	**974,073,510**	**700,035,636**	**1,577,452,077**	**778,981,099**

	31/12/16			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	617,204	0	2,216,090,000
Amounts due to customers	0	2,340,788	0	16,129,249,400
Financial liabilities held for trading	0	22	0	2,013,272
Financial liabilities designated at fair value	0	2,346,013	11,199,705	877,913,027
Derivatives	n.a.	40,122,423	396,476,294	436,598,717
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	48,683,055	48,683,055
Debt securities	0	4,573,529	0	1,529,888,297
Subordinated debt	0	654,897	0	293,936,368
TOTAL	**0**	**50,654,876**	**456,359,054**	**21,534,372,136**

C. NET POSITION	31/12/15					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,635,545,075)	(531,729,915)	(640,161,821)	1,646,866,454	8,261,518,985	3,236,320

	31/12/16					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(8,425,153,594)	(564,243,913)	(434,525,367)	1,636,955,377	9,070,035,390	392,295

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

A. TREASURY AND FINANCIAL MARKETS (TFM) ACTIVITIES

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

Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.

Treasury management - banking - subject to VaR limit and interest-rate sensitivity limit.

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

In 2016, BIL calculated:

- An interest rate VaR and a Forex VaR based on a historical VaR (99%, 10 days)
- An equity VaR based on a historical VaR "full Valuation".

The details of the calculation are detailed below:

VaR (10 days, 99%) (in EUR million)		**31/12/15**							
		IR[1] & FX[2] (Trading and Banking)[3]				**EQT[4] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	1.17	1.06	0.89	0.76	0.01	0.01	0.00	0.00
	Maximum	5.22	2.21	1.25	1.30	0.02	0.02	0.01	0.02
Global	Average	0.97							
	Maximum	5.22							
	End of period	1.15							
	Limit	8.00							

VaR (10 days, 99%) (in EUR million)		**31/12/16**							
		IR[1] & FX[2] (Trading and Banking)[3]				**EQT[4] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.84	1.00	1.00	0.81	0.01	0.01	0.01	0.01
	Maximum	1.22	1.48	1.45	1.32	0.03	0.02	0.04	0.02
Global	Average	0.91							
	Maximum	1.48							
	End of period	0.44							
	Limit	8.00							

The treasury activity is subject to sensitivity limits (on December 31, 2016, the sensitivity (+1%) is EUR -2.7 million, for a limit of EUR 20 million).

[1] IR: interest rate.
[2] FX: forex.
[3] IR & FX: without ALM.
[4] EQT: equity.

b. Investment Treasury Portfolio (in EUR million)

• Exposures

Exposures include swapped and non-swapped positions.

	31/12/15	31/12/16
Investment Treasury Portfolio – AFS	2,939	2,947

• Interest rate sensitivity (+1 basis point)

The portfolio's interest rate is managed by Treasury.

	31/12/15	31/12/16
Investment Treasury Portfolio – AFS	(0.16)	(0.10)

• Credit spread sensitivity

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

	31/12/15	31/12/16
Investment Treasury Portfolio – AFS	(1.05)	(1.24)

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

The interest rate risk is followed by an interest rate sensitivity limit. For information, the investment portfolio is measured by a credit spread sensitivity measure.

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1% change in the interest-rate position of ALM activities.

(in EUR million)		31/12/15							
		Interest rate [1, 2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	36	18	(5)	(16)	(2)	(2)	(2)	(2)

(in EUR million)		31/12/16							
		Interest rate [1, 4]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(17)	(16)	(7)	6	(2)	(2)	(2)	(2)

[1] Sensitivity (+1%).
[2] On December 31, 2015, the interest rate sensitivity limit for BIL ALM reached EUR 81 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2016, the interest rate sensitivity limit for BIL ALM reached EUR 81 million per percent.

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b. Investment Portfolio (in EUR million)

- Exposures

	31/12/15	31/12/16
Investment ALM Portfolio – AFS	3,006	2,763

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

	31/12/15	31/12/16
Investment ALM Portfolio – AFS	(1.31)	(0.95)

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

	31/12/15	31/12/16
Investment ALM Portfolio – AFS	(2.00)	(1.71)

c. ALM equity – Sensitivity of listed equities (in EUR million)

ALM Equity Portfolio [1]	Market Value
December, 31 2011	57.21
December 31, 2012	59.48
December 31, 2013	66.30
December 31, 2014	75.15
December 31, 2015	0.00
December 31, 2016	0.00

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

12.6 Liquidity risk: breakdown by residual maturity[1]

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the consolidated management report.

The maturity analysis do not include the remaining contractual maturities for derivative. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received.

A. ASSETS	31/12/15				
	Breakdown of gross amount and premium/discount				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,340,193,518	0	0	0	0
Loans and advances to credit institutions	600,687,041	82,187,530	95,494,750	211,265,964	4,500,000
Loans and advances to customers	2,350,707,065	1,600,056,776	744,268,887	1,150,232,667	5,815,063,134
Financial assets held for trading	901,646	2,774,080	6,196,199	43,917,768	35,324,941
Financial assets available for sale	116,342	44,274,953	479,800,800	2,387,804,059	3,347,280,874
Investments held to maturity	0	0	0	0	121,830,140
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**4,292,605,612**	**1,729,293,339**	**1,325,760,636**	**3,793,220,458**	**9,323,999,089**

	31/12/15				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	4,558	n.a.	n.a.	1,340,198,076
Loans and advances to credit institutions	0	319,376	0	0	994,454,661
Loans and advances to customers	0	14,591,427	312,358	(303,425,621)	11,371,806,693
Financial assets held for trading	99,203	524,437	(1,499,098)	n.a.	88,239,176
Financial assets available for sale	58,230,902	63,735,976	161,642,979	(20,153,683)	6,522,733,202
Investments held to maturity	0	1,908,393	0	0	123,738,533
Derivatives	n.a.	13,945,733	272,918,295	n.a.	286,864,028
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	10,161,025	n.a.	10,161,025
TOTAL	**58,330,105**	**95,029,900**	**443,535,559**	**(323,579,304)**	**20,738,195,394**

[1] Residual maturity, excluding derivatives and off-balance sheet items.
[2] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

A. ASSETS	31/12/16				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	2,086,553,590	0	0	0	0
Loans and advances to credit institutions	485,271,021	215,969,668	221,607,129	142,782,269	4,162,500
Loans and advances to customers	2,351,269,920	1,698,043,540	519,122,109	1,367,506,475	6,404,683,546
Financial assets held for trading	12,353	2,798,063	4,049,112	29,494,038	43,624,986
Financial assets available for sale	0	244,000,799	282,859,913	2,285,977,844	3,387,495,647
Investments held to maturity	0	0	0	17,455,025	515,686,550
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**4,923,106,884**	**2,160,812,070**	**1,027,638,263**	**3,843,215,651**	**10,355,653,229**

	31/12/16				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	(729,646)	n.a.	n.a.	2,085,823,944
Loans and advances to credit institutions	0	1,483,568	0	0	1,071,276,155
Loans and advances to customers	0	15,194,411	(983,137)	(311,837,044)	12,042,999,820
Financial assets held for trading	156,542	350,430	(683,791)	n.a.	79,801,733
Financial assets available for sale	235,753	54,288,491	147,003,805	(20,390,799)	6,381,471,453
Investments held to maturity	0	2,871,813	0	0	536,013,388
Derivatives	n.a.	18,073,533	227,809,616	n.a.	245,883,149
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	6,523,489	n.a.	6,523,489
TOTAL	**392,295**	**91,532,600**	**379,669,982**	**(332,227,843)**	**22,449,793,131**

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

B. LIABILITIES	31/12/15				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,054,855,396	302,853,392	153,038,284	382,750,000	94,145,802
Amounts due to customers	13,335,909,745	595,693,135	657,720,154	416,516,481	9,754,494
Financial liabilities held for trading	0	0	0	0	0
Financial liabilities designated at fair value	0	46,626,698	167,417,294	396,065,254	222,605,723
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	16,250,654	96,096,963	153,055,028	820,490,672	49,929,712
Subordinated debts	0	0	206,188,367	90,583,982	149,572,084
TOTAL	**14,407,015,795**	**1,041,270,188**	**1,337,419,127**	**2,106,406,389**	**526,007,815**

	31/12/15			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	584,080	0	1,988,226,954
Amounts due to customers	904,978	2,703,417	0	15,019,202,404
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	2,739,272	4,537,690	839,991,931
Derivatives	n.a.	33,475,043	380,546,681	414,021,724
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	55,197,019	55,197,019
Debt securities	0	5,500,599	0	1,141,323,628
Subordinated debts	0	316,913	0	446,661,346
TOTAL	**904,978**	**45,319,324**	**440,281,390**	**19,904,625,006**

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

B. LIABILITIES	31/12/16				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	369,197,943	866,212,838	145,402,792	751,336,113	83,323,110
Amounts due to customers	14,703,681,967	613,156,768	447,551,824	350,851,087	11,666,966
Financial liabilities held for trading	0	0	0	0	2,013,250
Financial liabilities designated at fair value	0	41,598,648	142,240,624	429,778,505	250,749,532
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	15,664,851	173,331,634	55,509,903	1,082,813,566	197,994,814
Subordinated debts	0	0	0	0	293,281,471
TOTAL	**15,088,544,761**	**1,694,299,888**	**790,705,143**	**2,614,779,271**	**839,029,143**

	31/12/16			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	617,204	0	2,216,090,000
Amounts due to customers	0	2,340,788	0	16,129,249,400
Financial liabilities held for trading	0	22	0	2,013,272
Financial liabilities designated at fair value	0	2,346,013	11,199,705	877,913,027
Derivatives	n.a.	40,122,423	396,476,294	436,598,717
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	48,683,055	48,683,055
Debt securities	0	4,573,529	0	1,529,888,297
Subordinated debts	0	654,897	0	293,936,368
TOTAL	**0**	**50,654,876**	**456,359,054**	**21,534,372,136**

C. NET POSITION	31/12/15					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(10,114,410,183)	688,023,151	(11,658,491)	1,686,814,069	8,797,991,274	57,425,127

	31/12/16					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(10,165,437,877)	466,512,182	236,933,120	1,228,436,380	9,516,624,086	392,295

Asset liquidity and the refinancing of assets are not taken into account in this table; some long-term assets may be sold in the event that liquidity is required.

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

12.7 Currency risk

	31/12/15				
	EUR	Other EU currencies	USD	Other	Total
Assets	17,886,389,531	484,549,459	1,585,871,688	1,519,448,956	21,476,259,634
Liabilities	16,641,023,099	598,262,527	3,092,049,153	1,144,924,855	21,476,259,634
NET ON-BALANCE SHEET POSITION	**1,245,366,432**	**(113,713,068)**	**(1,506,177,465)**	**374,524,101**	**0**
Off-balance sheet – receivable	1,993,699,088	611,904,013	3,660,554,078	1,821,181,297	8,087,338,476
Off-balance sheet – payable	3,197,832,047	481,732,945	2,129,205,271	2,272,867,043	8,081,637,306
NET OFF-BALANCE SHEET POSITION	**(1,204,132,959)**	**130,171,068**	**1,531,348,807**	**(451,685,746)**	**5,701,170**

	31/12/16				
	EUR	Other EU currencies	USD	Other	Total
Assets	19,577,962,755	486,522,089	1,962,188,062	1,121,985,820	23,148,658,726
Liabilities	18,185,192,646	750,787,290	3,324,537,241	888,141,549	23,148,658,726
NET ON-BALANCE SHEET POSITION	**1,392,770,109**	**(264,265,201)**	**(1,362,349,179)**	**233,844,271**	**0**
Off-balance sheet – receivable	2,732,517,851	903,935,328	3,959,663,353	2,006,546,775	9,602,663,307
Off-balance sheet – payable	4,088,682,845	635,454,193	2,618,400,775	2,247,617,723	9,590,155,536
NET OFF-BALANCE SHEET POSITION	**(1,356,164,994)**	**268,481,135**	**1,341,262,578**	**(241,070,948)**	**12,507,771**

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12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/15	31/12/16
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**898,066,617**	**1,049,711,520**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**728,632,040**	**755,081,759**
Capital, share premium and own shares	848,066,250	847,974,270
Reserves, retained earnings and eligible result	260,289,156	301,324,420
Regulatory and transitional adjustments[1]	(379,723,366)	(394,216,931)
ADDITIONAL TIER 1 CAPITAL (AT1)	**150,000,000**	**150,000,000**
Contingent convertible bond (issued on June 30, 2014)	150,000,000	150,000,000
TIER 2 CAPITAL (T2)	**19,434,577**	**144,629,761**
Subordinated liabilities	18,451,816	144,629,761
IRB excess	982,761	0
RISK WEIGHTED ASSETS	**5,588,699,164**	**5,819,065,531**
Credit risk	4,702,903,412	4,942,486,363
Market risk	97,107,274	55,100,619
Operational risk	763,869,385	798,887,214
Credit Value Adjustment	24,819,093	22,591,335
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	13.04%	12.98%
Tier 1 ratio	15.72%	15.55%
Capital Adequacy ratio	16.07%	18.04%

[1] **REGULATORY AND TRANSITIONAL ADJUSTMENTS – COMMON EQUITY TIER 1**	**31/12/15**	**31/12/16**
Goodwill and intangible assets	(95,080,616)	(121,944,144)
Deferred tax assets that rely on future probability	(177,353,878)	(152,691,885)
Fair value reserves related to gains or losses cash flow hedges	2,631,332	6,946,258
Gains or losses on liabilities at fair value resulting from own credit	(1,168,835)	(985,222)
Additional Value Adjustment	0	(1,642,210)
Defined benefit pension fund assets	(5,449,001)	(4,130,000)
AGDL reserves	(14,156,000)	(14,156,000)
Unrealised gains or losses measured at fair value	(89,146,368)	(105,613,728)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS ON COMMON EQUITY TIER 1	**(379,723,366)**	**(394,216,931)**

The figures are computed according to Basel III rules (CRR 575/2013 and CSSF 14/01).

Financial statements of the parent company

Report of the "réviseur d'entreprises agréé"

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

Report on the financial statements

Following our appointment by the Board of Directors, we have audited the accompanying financial statements of Banque Internationale à Luxembourg SA, which comprise the balance sheet as at 31 December 2016, the statement of income, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banque Internationale à Luxembourg SA as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Jean-Michel Pacaud

April 7, 2017

Balance sheet

ASSETS (in EUR)		Notes	31/12/15	31/12/16
I.	Cash and balances with central banks	7.2	800,680,893	1,693,919,996
II.	Loans and advances to credit institutions	7.3	1,099,548,561	1,109,399,582
III.	Loans and advances to customers	7.4	11,380,904,757	12,032,823,885
IV.	Financial assets measured at fair value through profit or loss	7.5	88,239,176	79,801,733
V.	Financial investments	7.6	6,755,957,799	6,940,892,013
VI.	Derivatives	9.1	287,764,276	247,475,993
VII.	Fair value revaluation of portfolios hedged against interest rate risk		10,161,025	6,523,489
VIII.	Investment property	7.8 / 7.12	28,973	29,018
IX.	Property, plant and equipment	7.8 / 7.12	103,044,939	105,716,773
X.	Intangible fixed assets	7.9	39,815,468	64,027,302
XI.	Current tax assets	7.10	2,006	2,006
XII.	Deferred tax assets	7.10 / 9.2	275,359,016	235,080,816
XIII.	Other assets	7.11	92,985,445	64,143,271
TOTAL ASSETS			20,934,492,334	22,579,835,877

The notes are an integral part of these financial statements.

LIABILITIES

(in EUR)		Notes	31/12/15	31/12/16
I.	Amounts due to credit institutions	8.1	2,393,641,549	2,530,755,382
II.	Amounts due to customers	8.2	14,194,391,345	15,335,173,535
III.	Financial liabilities measured at fair value through profit or loss	8.3	840,450,899	879,926,299
IV.	Derivatives	9.1	412,949,676	432,612,114
V.	Fair value revaluation of portfolios hedged against interest rate risk		55,197,019	48,683,055
VI.	Debt securities	8.4	1,141,323,628	1,529,888,297
VII.	Subordinated debts	8.5	446,661,346	293,936,368
VIII.	Provisions and other obligations	8.6	48,540,128	39,290,085
IX.	Current tax liabilities	8.7	0	174,946
X.	Other liabilities	8.8	233,953,281	252,425,174
TOTAL LIABILITIES			**19,767,108,871**	**21,342,865,255**

SHAREHOLDERS' EQUITY

(in EUR)		Notes	31/12/15	31/12/16
XI.	Subscribed capital	9.6	141,224,090	141,212,330
XII.	Additional paid-in capital		708,297,160	708,216,940
XIII.	Treasury shares		(1,455,000)	(1,455,000)
XIV.	Reserves and retained earnings		182,173,846	180,363,061
XV.	Net income for the year		83,637,156	129,855,518
CORE SHAREHOLDERS' EQUITY			**1,113,877,252**	**1,158,192,849**
XVI.	Gains and losses not recognised in the statement of income		53,506,211	78,777,773
	a) AFS reserve		*122,109,956*	*143,004,853*
	b) Other reserves		*(68,603,745)*	*(64,227,080)*
TOTAL SHAREHOLDERS' EQUITY			**1,167,383,463**	**1,236,970,622**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**20,934,492,334**	**22,579,835,877**

The notes are an integral part of these financial statements.

Statement of income

(in EUR)		Notes	31/12/15	31/12/16
I.	Interest and similar income	11.1	494,623,457	476,081,931
II.	Interest and similar expenses	11.1	(221,599,584)	(186,697,713)
III.	Dividend income	11.2	5,156,872	24,118,528
IV.	Net trading income and net result of hedge accounting	11.3	16,481,996	18,098,588
V.	Net income on investments (assets and liabilities not measured at fair value through profit or loss)	11.4	16,892,669	47,063,602
VI.	Fee and commission income	11.5	171,662,612	176,895,408
VII.	Fee and commission expenses	11.5	(22,810,587)	(24,046,581)
VIII.	Other net income	11.6	(6,358,869)	(21,415,851)
INCOME			**454,048,566**	**510,097,912**
IX.	Staff expenses	11.7	(189,768,363)	(183,187,116)
X.	General and administrative expenses	11.8/11.9	(108,218,099)	(111,706,955)
XI.	Amortisation of tangible and intangible fixed assets	11.10	(23,366,968)	(23,989,684)
EXPENSES			**(321,353,430)**	**(318,883,755)**
GROSS OPERATING INCOME			**132,695,136**	**191,214,157**
XII.	Impairment on loans and provisions for credit commitments	11.11	(18,327,998)	(16,460,076)
XIII.	Provisions for legal litigation	11.12	(50,000)	0
NET INCOME BEFORE TAX			**114,317,138**	**174,754,081**
XIV.	Tax expenses	11.13	(30,679,982)	(44,898,563)
NET INCOME FOR THE YEAR			**83,637,156**	**129,855,518**

The notes are an integral part of these financial statements.

Statement of comprehensive income

(in EUR)	31/12/15	31/12/16
NET INCOME FOR THE YEAR RECOGNISED IN THE STATEMENT OF INCOME	**83,637,156**	**129,855,518**
GAINS (LOSSES) NOT RECOGNISED IN THE STATEMENT OF INCOME	**(19,177,457)**	**25,271,562**
Items that will not be reclassified to profit or loss	**14,999,342**	**1,573,709**
Actuarial gains (losses) on defined benefit pension plans - Gross	21,191,497	2,335,265
Actuarial gains (losses) on defined benefit pension plans - Tax	(6,192,155)	(761,556)
Items that may be reclassified to profit or loss	**(34,176,799)**	**23,697,853**
Gains (losses) on net investment hedge	(313,729)	(35,352)
Translation adjustments	(15,391,422)	7,189,961
Gains (losses) on cash flow hedge	13,047,731	(5,515,095)
Unrealised gains (losses) on available for sale financial investments	(39,073,659)	19,613,271
Tax on items that may be reclassified to profit or loss	7,554,280	2,445,068
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**64,459,699**	**155,127,080**

The notes are an integral part of these financial statements.

Statement of changes in equity

CORE SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings[1]	Net income for the year	Core shareholders' equity
AS AT 01/01/15	**141,224,090**	**708,297,160**	**(1,455,000)**	**75,278,548**	**168,899,312**	**1,092,244,110**
Dividends paid				(54,996,696)		(54,996,696)
Redemption for the year or liquidation						
Classification of income 2014				168,899,312	(168,899,312)	0
Interest on contingent convertible bond				(7,033,760)		(7,033,760)
Dividend received on own shares				26,442		26,442
Changes in scope of consolidation						
Net income for the year					83,637,156	83,637,156
AS AT 31/12/15	**141,224,090**	**708,297,160**	**(1,455,000)**	**182,173,846**	**83,637,156**	**1,113,877,252**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Other reserves	Translation adjustments[2]	Gains and losses not recognised in the statement of income
AS AT 01/01/15	**150,018,444**	**(12,767,052)**	**(18,398,404)**	**(46,169,320)**	**72,683,668**
Net change in fair value through equity - Available for sale investments	(2,300,560)				(2,300,560)
Net change in fair value through equity - Cash flow hedges		1,323,805			1,323,805
Net change in other reserves			14,999,342		14,999,342
Translation adjustments	(34,474)			(15,391,422)	(15,425,896)
Reimbursements for the period, disposals or maturities	(1,305)				(1,305)
Changes in scope of consolidation					
Cancellation of fair value following AFS disposals	(25,572,149)				(25,572,149)
Cash flow hedge - Break in hedging		7,799,306			7,799,306
AS AT 31/12/15	**122,109,956**	**(3,643,941)**	**(3,399,062)**	**(61,560,742)**	**53,506,211**

The notes are an integral part of these financial statements.

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 10 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2015, translation adjustments comprise an amount of EUR -53,159,213 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

CORE SHAREHOLDERS' EQUITY (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings [1]	Net income for the year	Core shareholders' equity
AS AT 01/01/16	**141,224,090**	**708,297,160**	**(1,455,000)**	**182,173,846**	**83,637,156**	**1,113,877,252**
Dividends paid				(69,986,624)		(69,986,624)
Redemption for the year or liquidation	(11,760)	(80,220)				(91,980)
Classification of income 2015				83,637,156	(83,637,156)	0
Interest on contingent convertible bond				(7,033,763)		(7,033,763)
Dividend received on own shares				33,648		33,648
Changes in scope of consolidation				(8,461,202)		(8,461,202)
Net income for the year					129,855,518	129,855,518
AS AT 31/12/16	**141,212,330**	**708,216,940**	**(1,455,000)**	**180,363,061**	**129,855,518**	**1,158,192,849**

GAINS AND LOSSES NOT RECOGNISED IN THE STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Other reserves	Translation adjustments [2]	Gains and losses not recognised in the statement of income
AS AT 01/01/16	**122,109,956**	**(3,643,941)**	**(3,399,062)**	**(61,560,742)**	**53,506,211**
Net change in fair value through equity - Available for sale investments	51,098,509				51,098,509
Net change in fair value through equity - Cash flow hedges		(4,387,006)			(4,387,006)
Net change in other reserves			1,573,710		1,573,710
Translation adjustments	17			(1,284,765)	(1,284,748)
Reimbursements for the period, disposals or maturities					
Changes in scope of consolidation				8,474,726	8,474,726
Cancellation of fair value following AFS disposals	(30,203,629)				(30,203,629)
Cash flow hedge - Break in hedging					
AS AT 31/12/16	**143,004,853**	**(8,030,947)**	**(1,825,352)**	**(54,370,781)**	**78,777,773**

The notes are an integral part of these financial statements.

[1] Of which AGDL (Association pour la garantie des dépôts Luxembourg) reserve for EUR 20 million according to Circular CSSF 14/599 and legal reserve for EUR 14.1 million.
[2] As at December 31, 2016, translation adjustments comprise an amount of EUR -54,637,249 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Cash flow statement

(in EUR)	Notes	31/12/15	31/12/16
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		83,637,156	129,855,518
Adjustment for:			
- Depreciation and amortisation	7.8 / 7.9	35,728,681	23,989,684
- Impairment on bonds, equities and other assets	11.4 / 11.11	5,877,300	2,394,646
- Net gains/(losses) on investments		828,297	(1,129,210)
- Provisions (including collective impairment)	7.11 / 8.6 / 8.8 / 11.11	(2,429,483)	(4,650,514)
- Change in unrealised gains/(losses)	11.3	12,240,929	378,423
- Deferred taxes	11.13	29,729,960	44,865,453
Changes in operating assets and liabilities		(460,193,519)	499,937,527
NET CASH FLOW FROM OPERATING ACTIVITIES		**(294,580,679)**	**695,641,527**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	7.8 / 7.9	(27,839,043)	(56,150,012)
Sale of fixed assets	7.8 / 7.9	(656,280)	(243,888)
Purchase of non-consolidated shares		(27,789,387)	(603,773)
Sales of non-consolidated shares		4,329,610	195,772
Capital increase on subsidiaries		0	(250,000)
Capital decrease on subsidiaries		0	12,756,845
NET CASH FLOW FROM INVESTING ACTIVITIES		**(51,955,100)**	**(44,295,056)**
CASH FLOW FROM FINANCING ACTIVITIES			
Reimbursement of capital		0	(91,980)
Issuance of subordinated debts		0	140,929,757
Reimbursement of subordinated debts		(26,752,178)	(291,773,451)
Dividends paid		(54,996,695)	(69,986,624)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(81,748,873)**	**(220,922,298)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(428,284,652)**	**430,424,173**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,029,680,649**	**1,608,342,676**
Net cash flow from operating activities		(294,580,679)	695,641,527
Net cash flow from investing activities		(51,955,100)	(44,295,056)
Net cash flow from financing activities		(81,748,873)	(220,922,298)
Effect of change in exchange rate on cash and cash equivalents		6,946,679	151,467
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**7.1**	**1,608,342,676**	**2,038,918,316**
ADDITIONAL INFORMATION			
Taxes paid		(950,557)	141,790
Dividends received	11.2	5,156,872	24,118,528
Interest received		500,960,517	478,118,674
Interest paid		(257,215,972)	(179,381,656)

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

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

The notes are an integral part of these financial statements.

Notes to the financial statements of the parent company

Preliminary note:
Presentation of the accounts

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

Note 1
Accounting principles and rules of the financial statements

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

Note 3
Business and geographic reporting

Note 4
Material items in the statement of income

Note 5
Post-balance sheet events

Note 6
Litigation

Note 7
Notes on the assets of the balance sheet

7.1 Cash and cash equivalents
7.2 Cash and balances with central banks
7.3 Loans and advances to credit institutions
7.4 Loans and advances to customers
7.5 Financial assets measured at fair value through profit or loss
7.6 Financial investments
7.7 Investments in participating interests
7.8 Tangible fixed assets
7.9 Intangible fixed assets
7.10 Tax assets
7.11 Other assets
7.12 Leasing
7.13 Quality of financial assets

Note 8
Notes on the liabilities of the balance sheet

8.1 Amounts due to credit institutions
8.2 Amounts due to customers
8.3 Financial liabilities measured at fair value through profit or loss
8.4 Debt securities
8.5 Subordinated debts
8.6 Provisions and other obligations
8.7 Tax liabilities
8.8 Other liabilities

Note 9
Other notes on the balance sheet

9.1 Derivatives
9.2 Deferred tax
9.3 Share-based payments
9.4 Related parties transactions
9.5 Securitisation
9.6 Subscribed and authorised capital
9.7 Exchange rates

Note 10
Notes on the off-balance sheet items

10.1 Regular way trade
10.2 Guarantees
10.3 Loan commitments
10.4 Other commitments

Note 11
Notes on the statement of income

11.1 Interest and similar income - Interest and similar expenses
11.2 Dividend income
11.3 Net trading income and net result of hedge accounting
11.4 Net income on investments (assets and liabilities not measured at fair value through profit or loss)
11.5 Fees and commissions income and expenses
11.6 Other net income
11.7 Staff expenses
11.8 General and administrative expenses
11.9 Independent auditor's fees
11.10 Amortisation of tangible and intangible fixed assets
11.11 Impairment on loans and provisions for credit commitments
11.12 Provisions for legal litigation
11.13 Tax expenses

Note 12
Notes on risk exposures

12.1 Fair value
12.2 Credit risk exposures
12.3 Encumbered assets
12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date
12.5 Market risk and Assets & Liabilities Management (ALM)
12.6 Liquidity risk: breakdown by residual maturity
12.7 Currency risk
12.8 Solvency ratios

Note 1: Accounting principles and rules of the financial statements

As the parent company's annual financial statements have been published using IFRS since 2008, the accounting principles and rules applying to the parent company's financial statements are explained in detail in the note 1 to the consolidated financial statements herein.

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

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

2.1 Changes in branches

Openings
N/A

Closings
Banque Internationale à Luxembourg Belgique,
succursale de Banque Internationale à Luxembourg SA
Banque Internationale à Luxembourg SA, Singapore Branch

2.2 List of main subsidiaries and associates

As at December 31, 2016, the Bank has a participating interest of at least 10% in the capital of the following undertakings:

Name	Head office	% of capital held
Banque Internationale à Luxembourg (Suisse) SA	Beethovenstrasse 48 PO Box 2192 CH-8002 Zürich	100
Belair House SA	2, boulevard Grande-Duchesse Charlotte L-1330 Luxembourg	100
BIL Asia Singapore Ltd	9 Raffles Place #29-01 Republic Plaza Singapore 048619	100
BIL Auto Lease SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Manage Invest SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
BIL Reinsurance SA	69, route d'Esch L-2953 Luxembourg	100
BIL Trust Ltd	Canada Court 14 PO Box 48 St Peter Port Guernsey GY1 3BQ, Channel Islands	100
CD-PME, Société Luxembourgeoise de Capital-Développement pour les PME SA	7, rue du Saint-Esprit L-1475 Luxembourg	10
Compagnie Financière BIL SA & Cie S.e.c.s.	69, route d'Esch L-2953 Luxembourg	99.99
Europay Luxembourg S.C	10, rue Gabriel Lippmann L-5365 Munsbach	35.20
Experta Corporate and Trust Services SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100

Name	Head office	% of capital held
FS-B Sàrl	29, boulevard Prince Henri L-1724 Luxembourg	17.66
FS-T Sàrl	29, boulevard Prince Henri L-1724 Luxembourg	17.66
I.B. Finance SA	69, route d'Esch L-2953 Luxembourg	100
Red Sky SA	69, route d'Esch L-2953 Luxembourg	100
Luxair, Société Luxembourgeoise de Navigation Aérienne SA	Aéroport de Luxembourg L-2987 Luxembourg	13.14
Lux Multimanager Sicav - Thema Equities -M-	11-13 Boulevard de la Foire L-1528 Luxembourg	100
Private II Wealth Management SARL	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
Selskabet af 18 December 2013 A/S	Gronningen 17 DK-1270 Copenhagen	100
Société de la Bourse de Luxembourg SA	35A, boulevard Joseph II L-1840 Luxembourg	21.41
Société du 25 juillet 2013 SA	Building Regus 54-56 avenue Hoche F-75008 Paris	100
Société Luxembourgeoise de Leasing - BIL-LEASE SA	Valley Park B 42, rue de la Vallée L-2661 Luxembourg	100
Visalux S.C.	10, rue Gabriel Lippmann L-5365 Munsbach	16.24

Note 3: Business and geographic reporting

Please refer to Note 3 to the consolidated financial statements.

INCOME (in EUR thousands)	31/12/15		
	Income	*of which net interest income and dividend income*	Net income before tax
Retail, Corporate and Wealth Management	419,794	*249,513*	133,985
Treasury and Financial Markets	38,843	*20,159*	3,333
Group Center	(4,588)	*8,509*	(23,001)
TOTAL	**454,049**	***278,181***	**114,317**
Net income before tax			114,317
Tax expenses			(30,680)
NET INCOME			**83,637**

	31/12/16		
	Income	*of which net interest income and dividend income*	Net income before tax
Retail, Corporate and Wealth Management	419,800	*259,849*	139,106
Treasury and Financial Markets	86,675	*27,959*	49,924
Group Center	3,623	*25,694*	(14,276)
TOTAL	**510,098**	***313,502***	**174,754**
Net income before tax			174,754
Tax expenses			(44,898)
NET INCOME			**129,856**

ASSETS AND LIABILITIES (in EUR thousands)	31/12/15		31/12/16	
	Assets	Liabilities	Assets	Liabilities
Retail, Corporate and Wealth Management	11,380,905	15,351,163	12,032,824	16,722,135
Treasury and Financial Markets	8,828,832	3,607,332	9,862,444	3,917,663
Group Center	724,755	808,614	684,568	703,067
TOTAL	**20,934,492**	**19,767,109**	**22,579,836**	**21,342,865**

OTHER SEGMENT INFORMATION (in EUR thousands)	31/12/15				
	Capital expenditures	Depreciation and amortisation	Impairments[1]		Other non-cash expenses[2]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management	0	0	(50,416)	31,037	(4,248)
Treasury and Financial Markets	0	0	(1,545)	2,259	0
Group Center	10,070	(23,367)	(2,660)	3,711	(14,776)
TOTAL	**10,070**	**(23,367)**	**(54,621)**	**37,007**	**(19,024)**

	31/12/16				
	Capital expenditures	Depreciation and amortisation	Impairments[1]		Other non-cash expenses[2]
			Allowances	Write-backs	
Retail, Corporate and Wealth Management	0	0	(34,013)	19,726	0
Treasury and Financial Markets	0	0	(71)	108	0
Group Center	13,569	(23,990)	(6,015)	3,842	(15,559)
TOTAL	**13,569**	**(23,990)**	**(40,099)**	**23,676**	**(15,559)**

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

- Earnings from commercial transformation, including the management costs of this transformation;
- Cost of financing.

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

GEOGRAPHIC BREAKDOWN (in EUR thousands)	Belgium	Denmark	Luxembourg	Singapore	United Arab Emirates	Total
Staff (in average FTE)	0	35	1,757	3	15	1,810
Subsidies	0	0	0	0	0	0
Income	2,323	8,027	441,376	904	1,419	454,049
Net income before tax	1,490	677	122,411	(7,165)	(3,096)	114,317
Tax expenses	0	0	(30,680)	0	0	(30,680)
NET INCOME AS AT 31/12/15	**1,490**	**677**	**91,731**	**(7,165)**	**(3,096)**	**83,637**
Staff (in average FTE)	0	35	1,770	0	10	1,815
Subsidies	0	0	0	0	0	0
Income	0	8,828	498,951	16	2,303	510,098
Net income before tax	0	942	175,683	16	(1,887)	174,754
Tax expenses	0	(33)	(44,865)	0	0	(44,898)
NET INCOME AS AT 31/12/16	**0**	**909**	**130,818**	**16**	**(1,887)**	**129,856**

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

[1] Include impairments on tangible and other intangible assets, impairments on securities, impairments on loans and provisions for credit commitments and impairments on goodwill with a breakdown between allowances and write-backs.

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

Note 4: Material items in the statement of income

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

Note 5: Post-balance sheet events

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

Note 6: Litigation

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

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

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

As at December 31, 2015 and 2016, no provision for clawback actions had been made.

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

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

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

7.1 Cash and cash equivalents

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

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Cash and balances with central banks	800,676,335	1,694,649,643
Loans and advances to credit institutions	773,547,852	328,411,736
Financial assets available for sale	34,118,489	15,856,937
TOTAL	**1,608,342,676**	**2,038,918,316**

B. OF WHICH RESTRICTED CASH	31/12/15	31/12/16
Mandatory reserves[1]	392,149,430	1,358,859,866
TOTAL RESTRICTED CASH	**392,149,430**	**1,358,859,866**

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

7.2 Cash and balances with central banks

ANALYSIS BY NATURE	31/12/15	31/12/16
Cash in hand	47,294,866	41,141,105
Balances with central banks other than mandatory reserve deposits	361,232,039	294,042,553
Mandatory reserve deposits	392,153,988	1,358,736,338
TOTAL	**800,680,893**	**1,693,919,996**
of which included in cash and cash equivalents	*800,676,335*	*1,694,649,643*

7.3 Loans and advances to credit institutions

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Nostro accounts	182,344,295	84,523,730
Cash collateral	240,518,813	170,505,396
Loans and other advances	676,685,453	854,370,456
TOTAL	**1,099,548,561**	**1,109,399,582**
of which included in cash and cash equivalents	*773,547,852*	*328,411,736*

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

B. QUALITATIVE ANALYSIS

see Note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.4 Loans and advances to customers

A. ANALYSIS BY COUNTERPART	31/12/15	31/12/16
Public sector	109,066,887	164,564,154
Other (primarily fixed advances and property loans)	11,230,480,451	11,828,102,027
Impaired loans	338,214,109	345,215,740
Less:		
Specific impairment of impaired loans and debt instruments	(269,163,672)	(274,740,690)
Collective impairment	(27,693,018)	(30,317,346)
TOTAL	**11,380,904,757**	**12,032,823,885**

B. ANALYSIS BY NATURE	31/12/15	31/12/16
On demand and short notice	1,926,258,900	1,806,378,127
Debt instruments	20,198,496	90,744,316
Other term loans	9,434,447,361	10,135,701,442
of which mortgage loans (real estate collateralized loans)	*7,042,595,853*	*7,633,138,871*
TOTAL	**11,380,904,757**	**12,032,823,885**

C. QUALITATIVE ANALYSIS

see Note 7.13

D. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

E. ANALYSIS OF THE FAIR VALUE

see Note 12.1

7.5 Financial assets measured at fair value through profit or loss

Financial assets held for trading

A. ANALYSIS BY COUNTERPART	31/12/15	31/12/16
Public sector	8,911,621	18,440,380
Credit institutions	38,779,912	42,248,643
Other	40,547,643	19,112,710
TOTAL	**88,239,176**	**79,801,733**

B. ANALYSIS BY NATURE	31/12/15	31/12/16
Bonds issued by public bodies	8,911,621	18,440,380
Other bonds and fixed-income instruments	79,228,352	61,204,811
Equities and other variable-income instruments	99,203	156,542
TOTAL	**88,239,176**	**79,801,733**

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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

As at December 31, 2015 and 2016, the Bank does not hold any financial assets designated at fair value through profit or loss (fair value option).

7.6 Financial investments

A. ANALYSIS BY COUNTERPART	31/12/15	31/12/16
Public sector	4,393,282,862	3,985,559,921
Credit institutions	1,366,504,799	1,753,769,600
Other	985,820,108	1,189,969,434
Impaired financial investments	47,930,426	49,408,841
TOTAL BEFORE IMPAIRMENT	**6,793,538,195**	**6,978,707,796**
Specific and collective impairment on financial investments	(37,580,396)	(37,815,783)
TOTAL	**6,755,957,799**	**6,940,892,013**
of which included in cash and cash equivalents	*34,118,489*	*15,856,937*

B. QUALITATIVE ANALYSIS

see Note 7.13

C. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

D. ANALYSIS BY NATURE	Available for sale financial assets		Held to maturity financial assets	
	31/12/15	31/12/16	31/12/15	31/12/16
Bonds issued by public bodies	4,290,383,240	3,615,954,746	102,899,622	369,605,175
Other bonds and fixed-income instruments	2,128,315,982	2,573,355,393	20,838,911	166,408,213
Equities and other variable-income instruments[1 2]	251,100,440	253,384,269	n.a.	n.a.
TOTAL BEFORE IMPAIRMENT	**6,669,799,662**	**6,442,694,408**	**123,738,533**	**536,013,388**
Specific and collective impairment on financial investments	(37,580,396)	(37,815,783)	0	0
TOTAL	**6,632,219,266**	**6,404,878,625**	**123,738,533**	**536,013,388**

7.7 Investments in participating interests

	31/12/15	31/12/16
Net carrying value	206,069,102	206,849,122

A. ANALYSIS BY COUNTERPART (NET CARRYING VALUE)	31/12/15	31/12/16
Banks	109,039,020	96,282,175
Other	97,030,082	110,566,947
TOTAL	**206,069,102**	**206,849,122**

B. ANALYSIS BY NATURE (NET CARRYING VALUE)	31/12/15	31/12/16
Unlisted equities and other variable-income instruments	206,069,102	206,849,122
TOTAL	**206,069,102**	**206,849,122**

[1] The amount of non-consolidated variable income securities recorded at cost amounted to EUR 2.0 million as at December 31, 2016 (EUR 1.9 million as at December 31, 2015).
[2] Include investments in participating interests as described in Note 7.7.

7.8 Tangible fixed assets

A. NET CARRYING VALUE	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Operating lease		
ACQUISITION COST AS AT 01/01/15	**310,923,431**	**119,973,096**	**1,070,136**	**218,143,723**	**650,110,386**
- Acquisitions	6,224,708	3,639,123	0	205,704	10,069,535
- Disposals	0	(103,932)	0	0	(103,932)
- Transfers and cancellations	(1,935,350)	0	(1,070,136)	(1,754,747)	(4,760,233)
- Translation adjustments	29,893	42,262	0	0	72,155
- Other[1]	(8,728,396)	0	0	(216,505,852)	(225,234,248)
ACQUISITION COST AS AT 31/12/15 (A)	**306,514,286**	**123,550,549**	**0**	**88,828**	**430,153,663**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/15	**(214,931,395)**	**(107,334,892)**	**(591,279)**	**(79,807,360)**	**(402,664,926)**
- Booked	(7,570,133)	(2,721,739)	(478,857)	(11,882,855)	(22,653,584)
- Write-off	0	71,943	0	0	71,943
- Transfers and cancellations	1,901,136	(603)	1,070,136	893,199	3,863,868
- Translation adjustments	(6,021)	(28,287)	0	0	(34,308)
- Other[1]	3,600,095	0	0	90,737,161	94,337,256
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/15 (B)	**(217,006,318)**	**(110,013,578)**	**0**	**(59,855)**	**(327,079,751)**
NET CARRYING VALUE AS AT 31/12/15 (A)+(B)	**89,507,968**	**13,536,971**	**0**	**28,973**	**103,073,912**

	Land and buildings	Office furniture and other equipment		Investment property	Total
	Own use owner	Own use owner	Operating lease		
ACQUISITION COST AS AT 01/01/16	**306,514,286**	**123,550,549**	**0**	**88,828**	**430,153,663**
- Acquisitions	10,234,733	3,334,607	0	45	13,569,385
- Disposals	(1,477,535)	(293,454)	0	0	(1,770,989)
- Changes in scope of consolidation	(458,039)	(56,091)	0	0	(514,130)
- Transfers and cancellations	(1,055,858)	(790,779)	0	0	(1,846,637)
- Translation adjustments	9,091	15,690	0	0	24,781
- Other	0	0	0	0	0
ACQUISITION COST AS AT 31/12/16 (A)	**313,766,678**	**125,760,522**	**0**	**88,873**	**439,616,073**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/16	**(217,006,318)**	**(110,013,578)**	**0**	**(59,855)**	**(327,079,751)**
- Booked	(7,486,222)	(2,882,508)	0	0	(10,368,730)
- Write-off	1,018,346	299,711	0	0	1,318,057
- Changes in scope of consolidation	458,039	56,091	0	0	514,130
- Transfers and cancellations	993,249	776,462	0	0	1,769,711
- Translation adjustments	(10,697)	(13,002)	0	0	(23,699)
- Other	0	0	0	0	0
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/16 (B)	**(222,033,603)**	**(111,776,824)**	**0**	**(59,855)**	**(333,870,282)**
NET CARRYING VALUE AS AT 31/12/16 (A)+(B)	**91,733,075**	**13,983,698**	**0**	**29,018**	**105,745,791**

[1] 2015 movements relate to the contribution in kind of Esch-Belval into Red Sky SA.

7.9 Intangible fixed assets

	Internally-developed software	Other intangible fixed assets [1]	Total
ACQUISITION COST AS AT 01/01/15	**132,734,604**	**13,130,163**	**145,864,767**
- Acquisitions	12,604,294	5,165,214	17,769,508
- Disposals	0	(12,732)	(12,732)
- Transfers	(11,597,570)	(15,541)	(11,613,111)
- Translation adjustments	0	(2,674)	(2,674)
ACQUISITION COST AS AT 31/12/15 (A)	**133,741,328**	**18,264,430**	**152,005,758**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/15	**(99,791,567)**	**(10,501,095)**	**(110,292,662)**
- Booked	(11,870,427)	(1,204,670)	(13,075,097)
- Write-off	383,953	0	383,953
- Transfers	11,162,096	(371,378)	10,790,718
- Translation adjustments	0	2,798	2,798
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/15 (B)	**(100,115,945)**	**(12,074,345)**	**(112,190,290)**
NET CARRYING VALUE AS AT 31/12/15 (A)+(B)	**33,625,383**	**6,190,085**	**39,815,468**

	Internally-developed software	Other intangible fixed assets [1]	Total
ACQUISITION COST AS AT 01/01/16	**133,741,328**	**18,264,430**	**152,005,758**
- Acquisitions	18,922,495	23,658,132	42,580,627
- Disposals	0	0	0
- Changes in scope of consolidation	(2,498,726)	(36,888)	(2,535,614)
- Transfers	(1,520,784)	(3,288,714)	(4,809,498)
- Translation adjustments	0	6,180	6,180
ACQUISITION COST AS AT 31/12/16 (A)	**148,644,313**	**38,603,140**	**187,247,453**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 01/01/16	**(100,115,945)**	**(12,074,345)**	**(112,190,290)**
- Booked	(11,896,084)	(1,724,870)	(13,620,954)
- Changes in scope of consolidation	2,498,726	36,888	2,535,614
- Write-off	0	0	0
- Transfers	57,261	3,701	60,962
- Translation adjustments	0	(5,483)	(5,483)
ACCUMULATED DEPRECIATION AND IMPAIRMENT AS AT 31/12/16 (B)	**(109,456,042)**	**(13,764,109)**	**(123,220,151)**
NET CARRYING VALUE AS AT 31/12/16 (A)+(B)	**39,188,271**	**24,839,031**	**64,027,302**

7.10 Tax assets

	31/12/15	31/12/16
Taxes / Current	2,006	2,006
Deferred tax assets (see Note 9.2)	275,359,016	235,080,816
TOTAL	**275,361,022**	**235,082,822**

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

7.11 Other assets

	31/12/15	31/12/16
Other assets*	92,985,445	64,143,271
TOTAL	92,985,445	64,143,271

* ANALYSIS BY NATURE	31/12/15	31/12/16
Receivables	3,225,247	3,324,507
Prepaid fees	620,876	645,289
Other receivables	61,600,282	43,744,626
Pension plan assets	5,449,001	4,130,000
Operating taxes	10,972,377	3,568,154
Other assets[1]	11,117,662	8,730,695
TOTAL	92,985,445	64,143,271

7.12 Leasing

1. BIL as lessor

OPERATING LEASE

Since the contribution in kind of Esch-Belval property to Red Sky SA in 2015, BIL does no longer act as an operating lessor.

2. BIL as lessee

A. FINANCIAL LEASE

The Bank is not involved in any financial lease as at December 31, 2016.

B. OPERATING LEASE

Future net minimum lease payments under non-cancellable operating lease:	31/12/15	31/12/16
Less than 1 year	4,636,116	4,760,924
More than 1 year and less than 5 years	0	354,657
TOTAL	4,636,116	5,115,581

Lease and sublease payments recognised as an expense during the financial year: - minimum lease payments	3,121,342	4,250,324
TOTAL	3,121,342	4,250,324

[1] Transactions linked to current business awaiting settlement.

7.13 Quality of financial assets

Analysis of normal loans and securities	Gross amount (A)	
	31/12/15	31/12/16
Normal loans and advances to credit institutions	1,099,548,561	1,109,399,582
Normal loans to customers	11,339,547,338	11,992,666,181
Normal financial investments held to maturity	123,738,533	536,013,388
Normal financial investments available for sale	6,621,869,236	6,393,285,567
of which bonds and fixed-income instruments	*6,418,699,222*	*6,189,310,139*
of which equities and other variable-income instruments	*203,170,014*	*203,975,428*
Collective impairment on normal loans[1]	(27,693,018)	(30,317,346)
TOTAL	**19,157,010,650**	**20,001,047,372**

Analysis of impaired loans and securities	Gross amount (B)		Specific loan loss allowance (C)		Net amount (B+C)	
	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16
Impaired loans and advances to customers	338,214,109	345,215,740	(269,163,672)	(274,740,690)	69,050,437	70,475,050
Impaired financial assets available for sale	47,930,426	49,408,841	(37,580,396)	(37,815,783)	10,350,030	11,593,058
of which equities and other variable-income instruments	*47,930,426*	*49,408,841*	*(37,580,396)*	*(37,815,783)*	*10,350,030*	*11,593,058*
TOTAL	**386,144,535**	**394,624,581**	**(306,744,068)**	**(312,556,473)**	**79,400,467**	**82,068,108**

Analysis of normal and impaired loans and securities	Gross amount (A+B)		Specific loan loss allowance (C)		Net amount (A+B+C)	
	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16
Loans and advances to credit institutions	1,099,548,561	1,109,399,582	0	0	1,099,548,561	1,109,399,582
Loans and advances to customers	11,677,761,447	12,337,881,921	(269,163,672)	(274,740,690)	11,408,597,775	12,063,141,231
Financial investments held to maturity	123,738,533	536,013,388	0	0	123,738,533	536,013,388
Financial investments available for sale	6,669,799,662	6,442,694,408	(37,580,396)	(37,815,783)	6,632,219,266	6,404,878,625
of which bonds and fixed-income instruments	*6,418,699,222*	*6,189,310,139*	*0*	*0*	*6,418,699,222*	*6,189,310,139*
of which equities and other variable-income instruments	*251,100,440*	*253,384,269*	*(37,580,396)*	*(37,815,783)*	*213,520,044*	*215,568,486*
Collective impairment on normal loans[1]	(27,693,018)	(30,317,346)	n.a.	n.a.	(27,693,018)	(30,317,346)
TOTAL	**19,543,155,185**	**20,395,671,953**	**(306,744,068)**	**(312,556,473)**	**19,236,411,117**	**20,083,115,480**

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

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

8.1 Amounts due to credit institutions

A. ANALYSIS BY NATURE	31/12/15	31/12/16
On demand	721,686,611	524,050,263
Term	481,419,726	572,118,355
Cash collateral	179,934,226	61,013,532
Repurchase agreements	56,795,264	0
Central banks[1]	396,563,235	555,158,986
Other borrowings[2]	557,242,487	818,414,246
TOTAL	**2,393,641,549**	**2,530,755,382**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

8.2 Amounts due to customers

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Demand deposits	8,783,320,959	9,421,860,039
Savings deposits	3,679,830,513	3,642,602,252
Term deposits	1,730,077,742	2,256,400,232
Cash collateral	1,162,131	14,311,012
TOTAL	**14,194,391,345**	**15,335,173,535**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

[1] The Management Board decided to participate for EUR 150 million at June 2015 TLTRO (Targeted longer-term refinancing operations) and for EUR 550 million at the June 2016 TLTRO.

[2] Other borrowings represent day-to-day cash management operations.

8.3 Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Other bonds	0	2,013,272
TOTAL	**0**	**2,013,272**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Non-subordinated liabilities	840,450,899	877,913,027
TOTAL	**840,450,899**	**877,913,027**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

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

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

8.4 Debt securities

A, ANALYSIS BY NATURE	31/12/15	31/12/16
Certificates of deposit	55,821,740	156,500,962
Non-convertible bonds	1,085,501,888	1,373,387,335
TOTAL	**1,141,323,628**	**1,529,888,297**

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

8.5 Subordinated debts

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Non-convertible subordinated debts[1]	297,089,262	144,346,452
Contingent convertible bond (compound instrument)[2]	149,572,084	149,589,916
TOTAL	446,661,346	293,936,368

B. ANALYSIS BY MATURITY AND INTEREST RATE

see Notes 12.4, 12.5 and 12.6

C. ANALYSIS OF THE FAIR VALUE

see Note 12.1

8.6 Provisions and other obligations

A. ANALYSIS BY NATURE	31/12/15	31/12/16
Litigation[3]	4,357,104	2,592,121
Restructuring (including garden leave)	10,933,522	6,994,000
Defined benefit plans	17,408,001	13,073,000
Other long-term employee benefits (including jubilee and time saving account)	15,653,412	16,606,764
Provision for off-balance sheet credit commitments	24,200	24,200
Other provisions	163,889	0
TOTAL	48,540,128	39,290,085

B. ANALYSIS BY MOVEMENT	Litigation	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Other provisions
AS AT 01/01/15	5,447,194	12,087,699	52,393,079	31,931	500,991
Exchange differences	(308)	4,788	0	0	25,464
Additional provisions	632,693	8,279,547	2,855,256	0	191,978
Unused amounts reversed	0	(366,181)	(2,158,775)	(7,731)	(94,784)
Used during the year	(1,722,475)	(9,072,331)	(2,483,010)	0	(459,760)
Changes in the scope of consolidation	0	0	0	0	0
Revaluation through reserves[4]	n.a.	n.a.	(17,545,137)	n.a.	n.a.
AS AT 31/12/15	4,357,104	10,933,522	33,061,413	24,200	163,889
AS AT 01/01/16	4,357,104	10,933,522	33,061,413	24,200	163,889
Exchange differences	300	21,637	0	0	1,741
Additional provisions	1,031,600	4,765,054	3,493,078	0	0
Unused amounts reversed	(1,157,595)	0	(3,267,171)	0	0
Used during the year	(1,639,288)	(8,084,813)	(3,607,556)	0	(125,750)
Changes in the scope of consolidation	0	(641,400)	0	0	(39,880)
Revaluation through reserves[4]	n.a.	n.a.	0	n.a.	n.a.
AS AT 31/12/16	2,592,121	6,994,000	29,679,764	24,200	0

1 List available upon request.
2 On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital.
3 Provisions for legal litigations, including those for staff and tax-related litigation.
4 See point 1.22 of Note 1 to the Consolidated financial statements.

C. ANALYSIS BY MATURITY

see Note 12.6

D. PROVISIONS FOR PENSIONS

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

a. Reconciliation of benefit obligations	31/12/15	31/12/16
Defined benefit obligations at the beginning of the year	257,156,334	235,738,000
Current service cost	9,906,452	9,572,044
Interest cost	3,687,822	3,349,709
Past service cost and gains and losses arising from settlements	0	140,000
Actuarial gains / (losses)	(16,752,452)	2,742,283
Stemming from changes in demographic assumptions	*0*	*0*
Stemming from changes in financial assumptions	*(8,882,183)*	*3,321,000*
Stemming from experience adjustments	*(7,870,269)*	*(578,560)*
Benefits paid	(17,515,000)	(14,240,000)
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	1,058,723	0
Other	(1,803,879)	(1,631,036)
DEFINED BENEFIT OBLIGATIONS AS AT THE END OF THE YEAR	**235,738,000**	**235,671,000**

b. Reconciliation of fair value of pension plan assets	31/12/15	31/12/16
Fair value of pension plan assets at the beginning of the year	223,101,000	223,779,000
Actual return on pension plan assets	7,700,000	8,338,000
Expected return on pension plan assets	*3,260,955*	*3,260,453*
Actuarial gains / (losses)	*4,439,045*	*5,077,548*
Employer contributions	11,555,879	10,482,036
Benefits paid	(17,515,000)	(14,240,000)
Out of which: amounts paid in respect of settlements	*0*	*0*
Business combination and disposals	741,000	0
Other	(1,803,879)	(1,631,036)
FAIR VALUE OF PENSION PLAN ASSETS AS AT THE END OF THE YEAR	**223,779,000**	**226,728,000**

c. Reconciliation of the effect of the asset ceiling	31/12/15	31/12/16
Effect of the asset ceiling at the beginning of the year	0	0
Interest on the effect of the asset ceiling	0	0
Change in the effect of the asset ceiling	0	0
EFFECT OF THE ASSET CEILING AT THE END OF THE YEAR	**0**	**0**

NET LIABILITY	**(11,959,000)**	**(8,943,000)**

d. Funded status	31/12/15	31/12/16
Pension plan assets in excess of benefit obligation	(5,449,000)	(4,130,000)
Unrecognised assets	0	0

e. Movement in net defined benefit pension liability or asset	31/12/15	31/12/16
Net liability at the beginning of the year	(34,055,334)	(11,959,000)
Net periodic pension cost recognised in the income statement	(10,651,042)	(9,801,301)
Remeasurements recognised in OCI	21,191,497	2,335,265
Employer contributions	11,555,879	10,482,036
NET LIABILITY AT THE END OF THE YEAR	**(11,959,000)**	**(8,943,000)**

f. Movement in the IAS 19 remeasurement reserve in equity	31/12/15	31/12/16
Recognised reserve at the beginning of the year	(25,993,790)	(4,802,293)
Remeasurements recognised in OCI	21,191,497	2,335,265
Transfers	0	0
RECOGNISED RESERVE AT THE END OF THE YEAR	**(4,802,293)**	**(2,467,028)**

g. Amounts recognised in the income statement	31/12/15	31/12/16
Current service cost	9,906,452	9,572,044
Net interest on the defined benefit liability/asset	426,867	89,256
Past service cost	0	140,000
Business combination and disposals	317,723	0
ACTUARIALLY DETERMINED NET PERIODIC PENSION COST	**10,651,042**	**9,801,301**

h. Amounts recognised in other comprehensive income	31/12/15	31/12/16
Actuarial gains/losses on the defined benefit obligation	(16,752,452)	2,742,283
Actual return on plan assets (excluding amounts included in interest income)	(4,439,045)	(5,077,548)
Change in the effect of the asset ceiling	0	0
TOTAL OTHER COMPREHENSIVE INCOME	**(21,191,497)**	**(2,335,265)**

Actual return on pension plan assets (%)	31/12/15	31/12/16
	3.45%	3.70%

Breakdown of pension plan assets	31/12/15	31/12/16
Fixed-income		
Quoted market price on an active market	73.43%	76.74%
Unquoted	0.00%	0.00%
Equities		
Quoted market price on an active market	18.79%	18.40%
Unquoted	0.00%	0.00%
Alternatives		
Quoted market price on an active market	2.70%	1.38%
Unquoted	0.00%	0.00%
Cash	2.93%	2.19%
Real estate	0.00%	0.00%
Other	2.15%	1.29%
TOTAL	**100.00%**	**100.00%**

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

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

Discount rate

DBO sensitivity to changes in discount rate		
	Scenario DR - 1 %	8.43%
	Scenario DR + 1 %	(7.03%)

Expected rate of salary increase (including inflation)

DBO sensitivity to changes in expected rate of salary increase		
	Scenario SR - 1 %	(2.14%)
	Scenario SR + 1 %	4.52%

The Duration of the pension plans DBO as of December 31, 2016 is 6.99.

Expected contributions for next year	10,482,036

Additional descriptions

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

In Luxembourg, pension plans for "active people" are two hybrid defined benefit (DB) / defined contribution (DC) pension plans (closed plans) and one DC with guaranteed return pension plan (open plan). In the open plan, DC depends on seniority. For retirees, pension plan is a DB plan (closed). No specific event occured in Luxemburg during the year 2016.

Risk exposure is actually an exposure to financial risk, and for part of the plans, to the longevity and inflation risks.

B. Methods and assumptions used in preparing the sensitivity analysis

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

	31/12/15	31/12/16
Discount rate	1.50%	1.00%
Salary increase (age based since 2015 and inflation excluded)	0.50% - 3.75%	0.50% - 3.75%
Inflation	1.80%	1.80%

C. Description of ALM strategies

In Luxembourg, investment strategy is based on ALM objectives, trying to align as far as possible assets maturities with liabilites profile and is also based on return objectives, with limited risks exposures.

Investment strategy also aims at protecting the funding surplus (surplus according to Funding vehicule local GAAP).

D. Description of funding arrangements

In Luxembourg, pension plans for "active people" are funded through pension fund arrangements and pension plan for retired people is funded through an insurance agreement.

8.7 Tax liabilities

ANALYSIS BY NATURE	31/12/15	31/12/16
Current tax liabilities	0	174,946
TOTAL	**0**	**174,946**

8.8 Other liabilities

ANALYSIS BY NATURE	31/12/15	31/12/16
Accrued costs	1,718,985	1,668,116
Deferred income	13,335,420	14,017,651
Other payables[1]	151,533,235	175,424,004
Other granted amounts received	987,888	894,648
Salaries and social security costs (payable)	27,758,170	27,175,582
Other operating taxes	35,841,372	26,197,712
Other liabilities	2,778,211	7,047,461
TOTAL	**233,953,281**	**252,425,174**

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

9.1 Derivatives

A. ANALYSIS BY NATURE	31/12/15		31/12/16	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading	204,405,619	211,587,273	168,715,430	144,047,359
Derivatives designated as fair value hedge	7,870,610	168,830,595	14,418,034	259,035,167
Derivatives designated as cash flow hedge	18,227,361	22,005,077	13,790,202	22,773,332
Derivatives of portfolio hedge	57,260,686	10,526,731	50,552,327	6,756,256
TOTAL	**287,764,276**	**412,949,676**	**247,475,993**	**432,612,114**

[1] As at December 31, 2015 and 2016, the heading "Other payables" mainly comprises the amounts of the coupons to be paid to clients of the parent company, the amounts of stock exchange transactions and transactions being liquidated.

B. DETAIL OF DERIVATIVES HELD FOR TRADING

	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**7,904,620,473**	**7,890,345,424**	**97,808,497**	**96,728,090**
FX forward	7,407,628,803	7,393,898,953	83,297,797	84,680,072
Cross currency swap	90,208,489	90,107,924	11,345,757	9,019,946
FX options	406,783,181	406,338,547	3,164,943	3,028,072
Interest rate derivatives	**1,481,842,391**	**1,136,467,579**	**92,547,486**	**92,647,321**
Options-Caps-Floors-Collars-Swaptions	135,589,205	135,589,205	1,867,616	1,871,786
IRS	973,278,594	973,878,594	90,679,870	90,775,535
Interest futures	372,974,592	26,999,780	0	0
Equity derivatives	**336,121,106**	**324,764,403**	**14,049,636**	**22,211,862**
Equity futures	0	3,634,638	0	0
Equity options	208,662,777	195,294,334	3,931,055	15,493,103
Other equity derivatives	127,458,329	125,835,431	10,118,581	6,718,759
TOTAL	**9,722,583,970**	**9,351,577,406**	**204,405,619**	**211,587,273**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**8,423,449,594**	**8,403,043,748**	**136,026,045**	**113,915,607**
FX forward	7,695,353,257	7,674,446,054	119,133,789	101,115,389
Cross currency swap	81,084,700	80,411,539	10,341,555	6,471,808
FX options	647,011,637	648,186,155	6,550,701	6,328,410
Interest rate derivatives	**1,215,594,155**	**1,224,561,933**	**12,277,915**	**10,845,992**
Options-Caps-Floors-Collars-Swaptions	151,083,246	151,083,246	2,151,566	2,252,931
IRS	670,491,865	670,491,865	10,126,349	8,593,061
Interest futures	394,019,044	402,986,822	0	0
Equity derivatives	**547,933,075**	**515,034,805**	**20,411,470**	**19,285,760**
Equity futures	2,734,990	4,216,872	0	0
Equity options	380,392,236	348,445,886	8,814,810	15,842,865
Other equity derivatives	164,805,849	162,372,047	11,596,660	3,442,895
TOTAL	**10,186,976,824**	**10,142,640,486**	**168,715,430**	**144,047,359**

C. DETAIL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGE

	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**1,958,104,348**	**1,958,104,348**	**7,870,610**	**168,830,595**
IRS	1,958,104,348	1,958,104,348	7,870,610	168,830,595
TOTAL	**1,958,104,348**	**1,958,104,348**	**7,870,610**	**168,830,595**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Interest rate derivatives	**2,584,908,280**	**2,584,908,280**	**14,418,034**	**259,035,167**
IRS	2,584,908,280	2,584,908,280	14,418,034	259,035,167
TOTAL	**2,584,908,280**	**2,584,908,280**	**14,418,034**	**259,035,167**

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D. DETAIL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGE

	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**0**	**0**	**0**	**0**
Cross currency swap	0	0	0	0
Interest rate derivatives	**399,519,841**	**399,519,841**	**18,227,361**	**22,005,077**
IRS	399,519,841	399,519,841	18,227,361	22,005,077
TOTAL	**399,519,841**	**399,519,841**	**18,227,361**	**22,005,077**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	**135,996,154**	**130,103,112**	**1,481,478**	**5,902,121**
Cross currency swap	135,996,154	130,103,112	1,481,478	5,902,121
Interest rate derivatives	**380,868,953**	**380,868,953**	**12,308,724**	**16,871,211**
IRS	380,868,953	380,868,953	12,308,724	16,871,211
TOTAL	**516,865,107**	**510,972,065**	**13,790,202**	**22,773,332**

Cash flows in respect of the hedging instruments relating to the statement of income are recorded therein on a continual basis as interest is paid.

Interest generated by derivatives designated as cash flow hedge amounted to EUR 0.3 million in 2016 (EUR -2.7 million in 2015) and are recorded in statement of income as interests on derivatives used for hedging purposes.

Breakdown of derivatives designated as Cash Flow Hedge by residual maturity	31/12/15				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	0	15,197,687	3,029,674	0	**18,227,361**
Liabilities	374,947	14,174,932	7,455,198	0	**22,005,077**

	31/12/16				
	Less than 1 year	Between 1 year and 5 years	Between 5 years and 10 years	More than 10 years	Total
Assets	1,734,743	8,393,596	2,700,503	961,360	**13,790,202**
Liabilities	1,005,370	9,093,784	6,938,043	5,736,135	**22,773,332**

E. DETAIL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGE AGAINST INTEREST RATE

	31/12/15			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	34,014,633	40,101,212	1,367,646	201,898
Interest rate derivatives	510,804,564	510,804,564	55,893,040	10,324,833
TOTAL	**544,819,197**	**550,905,776**	**57,260,686**	**10,526,731**

	31/12/16			
	Notional Amount		Assets	Liabilities
	To be received	To be delivered		
Foreign exchange derivatives	27,959,806	32,724,754	960,425	35,306
Interest rate derivatives	468,141,326	468,141,326	49,591,902	6,720,950
TOTAL	**496,101,132**	**500,866,080**	**50,552,327**	**6,756,256**

9.2 Deferred tax

A. ANALYSIS	31/12/15	31/12/16
Net deferred tax assets	275,359,016	235,080,816
Deferred tax liabilities	0	0
DEFERRED TAX	**275,359,016**	**235,080,816**

B. MOVEMENTS	2015	2016
AS AT JANUARY 1	**300,820,964**	**275,359,016**
Movements during the financial year:		
- Amounts recognised in the statement of income	(29,914,539)	(17,680,875)
- Items directly computed by equity	1,395,891	(861,328)
- Effect of change in tax rates - statement of income	0	(27,184,578)
- Effect of change in tax rates - equity	0	2,544,845
- Exchange differences	152,962	0
- Other movements	2,903,738	2,903,736
AS AT DECEMBER 31	**275,359,016**	**235,080,816**

Deferred tax coming from balance sheet assets	31/12/15		31/12/16	
	Balance sheet	P&L	Balance sheet	P&L
Cash, loans and loan loss provisions	7,980,690	631,076	7,802,840	(177,850)
Securities	(31,194,764)	2,033,214	(29,923,464)	0
Derivatives	1,241,677	0	2,441,846	0
Tangible and intangible fixed assets	5,692,938	(247,520)	4,856,268	(836,670)
TOTAL	**(16,279,459)**	**2,416,770**	**(14,822,510)**	**(1,014,520)**

Deferred tax coming from balance sheet liabilities	31/12/15		31/12/16	
	Balance sheet	P&L	Balance sheet	P&L
Borrowings, deposits and issuance of debt securities	(1,451,869)	(2,903,738)	(1,292,372)	(2,744,241)
Provisions	(25,464,774)	1,839,691	(19,405,204)	5,655,589
Pensions	8,658,533	(603,520)	5,958,978	(656,302)
TOTAL	**(18,258,110)**	**(1,667,567)**	**(14,738,598)**	**2,255,046**

Deferred tax coming from other items	31/12/15		31/12/16	
	Balance sheet	P&L	Balance sheet	P&L
Tax losses carried forward	500,524,730	(29,800,281)	439,083,708	(61,441,022)
less: impairments	*(190,628,145)*	*0*	*(174,441,784)*	*16,186,361*
TOTAL	**309,896,585**	**(29,800,281)**	**264,641,924**	**(45,254,661)**

Considering that :

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

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

9.3 Share-based payments

There is no stock option plan settled in BIL shares.

9.4 Related parties transactions

A. RELATED PARTIES TRANSACTIONS

(in EUR thousands)	Key management		Subsidiaries	
	31/12/15	31/12/16	31/12/15	31/12/16
Loans[1]	7,332	5,261	423,831	209,398
Interest received	0	0	1,575	797
Deposits	10,265	11,882	515,225	349,321
Contingent convertible bond (compound instrument)	0	0	0	0
Interest paid	0	0	(3,470)	(3,349)
Other income – fee and commission expense	0	0	149	215
Guarantees and commitments given by the Group	13	28	574,172	198,774
Guarantees and commitments given to the Group	1,317	3	11,292	16,615
Assets entrusted from third parties	7,612	10,429	0	0

	Associates		Other related parties	
	31/12/15	31/12/16	31/12/15	31/12/16
Loans[1]	38	37	146,716	121,850
Interest received	0	0	61	3,888
Deposits	9,219	8,707	59,012	31,980
Contingent convertible bond (compound instrument)	0	0	150,000	150,000
Interest paid	(2)	(4)	0	0
Other income – fee and commission expense	0	0	0	0
Guarantees and commitments given by the Group	0	0	30,026	(2)
Guarantees and commitments given to the Group	0	0	27,630	0
Assets entrusted from third parties	0	0	150,467	150,279

Advisory fees paid to Precision Capital SA amount to EUR -0.8 million in 2016 (EUR -0.8 million in 2015).

B. REMUNERATION OF BOARD MEMBERS AND PERSONNEL MANAGEMENT

(see Note 11.7 "Staff expenses")

9.5 Securitisation

As at December 31, 2016, the BIL group has no securitisation vehicles included in its scope of consolidation. The relevant accounting rules are described in point 1.3. of Note 1 to the Consolidated financial statements.

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

9.6 Subscribed and authorised capital

By share category	31/12/15	31/12/16
Number of shares authorised and not issued[1]	2,982,513	2,982,681
Number of shares issued and fully paid up[2]	2,017,487	2,017,319
Value per share (accounting par value)	EUR 70	EUR 70
Number of treasury shares	970	970

9.7 Exchange rates

The main exchange rates used are the followings:

		31/12/15		31/12/16	
		Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.4878	1.4817	1.4624	1.4852
Canadian dollar	CAD	1.5095	1.4259	1.4196	1.4582
Swiss franc	CHF	1.0861	1.0642	1.0743	1.0901
Danish krone	DKK	7.4632	7.4607	7.4340	7.4444
Pound sterling	GBP	0.7373	0.7243	0.8542	0.8228
Hong Kong dollar	HKD	8.4438	8.5636	8.1949	8.5652
Japanese yen	JPY	130.8260	133.5991	123.3914	120.4615
Norwegian krone	NOK	9.5911	8.9799	9.0953	9.2571
Polish zloty	PLN	4.2787	4.1829	4.4068	4.3666
Swedish krone	SEK	9.1668	9.3325	9.5567	9.4731
Singapore dollar	SGD	1.5411	1.5222	1.5264	1.5244
US dollar	USD	1.0894	1.1047	1.0568	1.1035

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

10.1 Regular way trade

	31/12/15	31/12/16
Loans to be delivered	175,193,724	1,092,676,959
Borrowings to be received	474,024,934	1,215,378,283

10.2 Guarantees

	31/12/15	31/12/16
Guarantees given to credit institutions	334,786,568	149,777,873
Guarantees given to customers	661,344,114	638,178,064
Guarantees received from credit institutions	11,291,603	16,615,385
Guarantees received from customers	2,644,870,245	2,628,275,287

[1] As at December 31, 2016, the subscribed and paid-up capital of the Bank is EUR 141,212,330 (2015: EUR 141,224,090) represented by 2,017,319 shares (2015: 2,017,487 shares) with a par value of EUR 70 (2015: EUR 70). Following the extraordinary general meeting of April 25, 2014, and in accordance with the articles of incorporation, the Board of Directors of the Bank is authorised to increase the share capital to a maximum of EUR 350 million, without prejudice to possible renewals, until April 25, 2019.

[2] By application of the Law dated July 28, 2014 "Immobilisation of bearer shares and units and the keeping of the register of registered shares and the register of bearer shares", 168 bearer shares have been cancelled and the net proceeds of such cancellation has been deposited with the Luxembourg Caisse de Consignation.

10.3 Loan commitments

	31/12/15	31/12/16
Unused credit lines granted to credit institutions	51,065,468	51,795,007
Unused credit lines granted to customers	1,641,240,122	1,984,172,645

10.4 Other commitments

	31/12/15	31/12/16
Banking activity - Other commitments given[1]	35,629,215,323	37,297,258,349
Banking activity - Other commitments received[2]	197,850,491,983	172,576,793,932

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

11.1 Interest and similar income - Interest and similar expenses

	31/12/15	31/12/16
INTEREST AND SIMILAR INCOME	494,623,457	476,081,931
a) Interest and similar income of assets not measured at fair value through profit or loss	**319,288,456**	**316,908,294**
Cash and balances with central banks	69,183	15,434
Loans and advances to credit institutions	5,683,403	5,172,850
Loans and advances to customers	230,059,698	239,620,180
Financial assets available for sale	80,702,164	69,196,456
Investments held to maturity	2,774,008	2,903,374
b) Interest and similar income of assets measured at fair value through profit or loss	**175,335,001**	**157,870,789**
Financial assets held for trading	1,789,096	723,700
Derivatives held for trading	91,578,987	77,454,033
Derivatives used for hedging purposes	81,966,918	79,693,056
c) Interest income on liabilities[3]	**0**	**1,302,848**
INTEREST AND SIMILAR EXPENSES	(221,599,584)	(186,697,713)
a) Interest and similar expenses of liabilities not measured at fair value through profit or loss	**(45,152,962)**	**(42,664,209)**
Amounts due to credit institutions	(7,287,325)	(10,340,321)
Amounts due to customers	(23,350,979)	(16,289,999)
Debt securities	(12,354,240)	(12,855,719)
Subordinated debts	(2,160,403)	(3,161,186)
Other	(15)	(16,984)
b) Interest and similar expenses of liabilities measured at fair value through profit or loss	**(176,446,622)**	**(143,055,286)**
Financial liabilities held for trading	(295)	(22)
Financial liabilities designated at fair value through profit or loss	(17,471,752)	(12,823,177)
Derivatives held for trading	(65,122,025)	(42,989,983)
Derivatives used for hedging purposes	(93,852,550)	(87,242,104)
c) Interest expenses on assets[3]	**0**	**(978,218)**
NET INTEREST INCOME	273,023,873	289,384,218

[1] Other commitments given are mainly composed of assets entrusted to third parties.
[2] Other commitments received are mainly composed of assets held on behalf of third parties, which amounted to EUR 163.8 billion as at December 31, 2016 and EUR 189.7 billion as at December 31, 2015.
[3] The disclosure of negative interests in "Interest income on liabilities" and "Interest expenses on assets" is applicable as from December 31, 2016.

11.2 Dividend income

	31/12/15	31/12/16
Financial assets available for sale	5,153,933	24,114,832
Financial assets held for trading	2,939	3,696
TOTAL	**5,156,872**	**24,118,528**

11.3 Net trading income and net result of hedge accounting

	31/12/15	31/12/16
Net income from transactions	3,390,020	10,162,584
of which income from trading securities	*(233,312)*	*3,743,095*
of which income from trading derivatives	*3,623,332*	*6,419,489*
Net result of hedge accounting	(12,240,929)	(378,423)
Net result of financial instruments designated at fair value through profit or loss*	716,902	(406,979)
Change in own credit risk[1]	(183,613)	(222,304)
Net foreign exchange gain/(loss)	24,799,616	8,943,710
TOTAL	**16,481,996**	**18,098,588**

	31/12/15	31/12/16
* including hedging derivatives classified in the accounts as trading derivatives (accounting mismatch)	**(16,457,600)**	**5,530,148**

Result of hedge accounting	**31/12/15**	**31/12/16**
	Net gain/(loss)	**Net gain/(loss)**
Fair value hedge	**(1,407,486)**	**(359,917)**
Change in the fair value of the hedged item attributable to the hedged risk	(13,190,184)	24,267,147
Change in the fair value of the hedging derivatives	11,782,698	(24,627,064)
Portfolio hedge against interest rate risk	**185,638**	**(18,506)**
Change in the fair value of the hedged item	12,192,382	3,099,041
Change in the fair value of the hedging derivatives	(12,006,744)	(3,117,547)
Discontinuation of cash flow hedge accounting (cash flows not expected to occur)	**(11,019,081)**	**0**
TOTAL	**(12,240,929)**	**(378,423)**

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

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

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

	31/12/15	31/12/16
Gains on loans and advances	2,671,217	3,246,362
Gains on financial assets available for sale	17,059,897	44,902,441
Gains on tangible fixed assets	0	324,852
Gains on liabilities	625,964	0
TOTAL GAINS	**20,357,078**	**48,473,655**
Losses on loans and advances	(1,291,709)	0
Losses on financial assets available for sale	(2,398,016)	(1,433,606)
Losses on tangible fixed assets	(304,316)	(13,091)
Losses on intangible fixed assets	(12,732)	0
Losses on liabilities	(171,929)	0
TOTAL LOSSES	**(4,178,702)**	**(1,446,697)**
NET IMPAIRMENT	**714,293**	**36,644**
TOTAL	**16,892,669**	**47,063,602**

The impact of net income on financial assets available for sale of EUR 43,468,835 as at December 31, 2016 (EUR 14,661,881 as at December 31, 2015) should be compared with the EUR -42,672,548 impact of the sale of securities on the AFS reserves as at December 31, 2016 (EUR -32,969,910 as at December 31, 2015).

Net impairment	Specific Risk		Total
	Allowances	Write-backs	
AS AT DECEMBER 31, 2015			
Available for sale securities	(1,544,618)	2,258,911	714,293
TOTAL	**(1,544,618)**	**2,258,911**	**714,293**
AS AT DECEMBER 31, 2016			
Available for sale securities	(70,889)	107,533	36,644
TOTAL	**(70,889)**	**107,533**	**36,644**

11.5 Fees and commissions income and expenses

	31/12/15			31/12/16		
	Income	Expenses	Net	Income	Expenses	Net
Management of unit trusts and mutual funds	18,662,875	(843,479)	17,819,396	13,946,341	(638,034)	13,308,307
Administration of unit trusts and mutual funds	365,163	0	365,163	346,077	0	346,077
Insurance activity	9,535,436	0	9,535,436	7,947,217	0	7,947,217
Credit activity	18,097,719	(588,502)	17,509,217	19,247,203	(682,744)	18,564,459
Purchase and sale of securities	21,188,235	(7,867,002)	13,321,233	18,571,205	(8,239,378)	10,331,827
Purchase and sale of units trusts and mutual funds	5,677,508	(479,677)	5,197,831	4,429,389	(441,026)	3,988,363
Payment services	28,829,305	(868,505)	27,960,800	25,722,814	(902,242)	24,820,572
Commissions to non-exclusive brokers	58,425	(401,332)	(342,907)	0	(299,955)	(299,955)
Services on securities other than safekeeping	3,300,725	(578,591)	2,722,134	2,904,802	(701,609)	2,203,193
Custody	14,938,963	(2,093,514)	12,845,449	15,341,770	(2,453,217)	12,888,553
Issues and placements of securities	3,137,014	(4,323)	3,132,691	2,957,060	0	2,957,060
Private banking	38,235,669	(7,095,220)	31,140,449	38,691,622	(7,755,194)	30,936,428
Clearing and settlement	2,216,230	(1,756,331)	459,899	21,392,272	(1,777,923)	19,614,349
Securities lending	0	(32,680)	(32,680)	0	(33,425)	(33,425)
Other	7,419,345	(201,431)	7,217,914	5,397,636	(121,834)	5,275,802
TOTAL	**171,662,612**	**(22,810,587)**	**148,852,025**	**176,895,408**	**(24,046,581)**	**152,848,827**

11.6 Other net income

	31/12/15	31/12/16
Operating taxes	21,863	0
Rental income	11,990,264	77,110
Other banking income[1]	1,704,002	2,032,823
Other income on other activities[2]	17,406,868	5,690,651
OTHER INCOME	**31,122,997**	**7,800,584**
Operating taxes	(1,972,686)	(3,048,024)
Maintenance and repair of investment property	(436,775)	(52,386)
Other bank charges[3]	(9,913,483)	(11,714,548)
Other expenses in relation to other activities[4]	(25,158,922)	(14,401,477)
OTHER EXPENSES	**(37,481,866)**	**(29,216,435)**
TOTAL	**(6,358,869)**	**(21,415,851)**

Advances paid to the AGDL in 2008:	37,876,176
Reimbursements received from the AGDL in 2009:	(11,572,127)
Reimbursements received from the AGDL in 2010:	(4,951,593)
Reimbursements received from the AGDL in 2011:	(2,322,004)
Reimbursements received from the AGDL in 2012:	(2,187,355)
Reimbursements received from the AGDL in 2013:	(427,430)
Reimbursements received from the AGDL in 2014:	(869,072)
Reimbursements received from the AGDL in 2015:	(1,704,002)
Reimbursements received from the AGDL in 2016:	(2,032,823)
Advances paid to the AGDL and not reimbursed as at December 31, 2016	11,809,770

In 2008, in order to pay advances to the AGDL, an expense of EUR 37.9 million was recorded in the statement of income. Reimbursements of EUR 26.1 million were made in 2009 till 2016 and recorded under other net operating income. Lastly, no reimbursements are expected from the AGDL in 2017.

11.7 Staff expenses

A. STAFF EXPENSES

	31/12/15	31/12/16
Wages and salaries	(151,093,629)	(146,634,706)
Social security and insurance costs	(18,904,033)	(18,947,630)
Staff benefits	(11,060,773)	(10,794,090)
Restructuring expenses	(6,562,368)	(4,765,054)
Other expenses	(2,147,560)	(2,045,636)
TOTAL	**(189,768,363)**	**(183,187,116)**

B. WORKFORCE

(in average FTE)	2015	2016
Senior management	41	43
Employees	1,769	1,772
TOTAL	**1,810**	**1,815**

[1] This consists primarily of the recovery of AGDL (Association pour la Garantie des Dépôts, Luxembourg) payments made in 2008 following the bankruptcies of Icelandic banks.
[2] This consists primarily of write-backs of provisions and extraordinary income.
[3] This consists of charges related to the FGDL and FRL.
[4] This consists primarily of extraordinary losses and other exceptional results. 2015 figures comprised depreciation for Esch-Belval investment property (EUR -11.9 million) which have been contributed in kind into Red Sky SA at the end of 2015.

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

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

	31/12/15	31/12/16	31/12/15	31/12/16
	Remuneration		Retirement pensions	
Members of the administrative bodies	1,052,712	756,666	-	-
Members of the managerial bodies[1]	14,496,233	13,797,435	1,730,047	1,829,867
TOTAL	**15,548,945**	**14,554,101**	**1,730,047**	**1,829,867**

D. DEFINED CONTRIBUTION PLAN EXPENSES

	31/12/15	31/12/16
Defined contribution plan expenses	1,714,146	1,683,312
TOTAL	**1,714,146**	**1,683,312**

11.8 General and administrative expenses

	31/12/15	31/12/16
Occupancy	(7,997,335)	(7,391,869)
Operating leases	(2,650,896)	(4,250,324)
Professional fees	(18,660,085)	(19,338,831)
Marketing, advertising and public relations	(4,166,072)	(5,227,178)
Technology and system costs	(27,207,047)	(28,904,461)
Software costs and maintenance expenses	(6,467,988)	(8,180,123)
Repair and maintenance expenses	(11,672)	0
Other general and administrative expenses[2]	(41,057,004)	(38,414,169)
TOTAL	**(108,218,099)**	**(111,706,955)**

11.9 Independent auditor's fees

The fees payable to the independant auditor of the Bank for the years 2015 and 2016 are as follows:

	2015	2016
Legal control of annual financial statements	1,110,809	946,978
Other	120,248	61,702
TOTAL	**1,231,057**	**1,008,680**

11.10 Amortisation of tangible and intangible fixed assets

	31/12/15	31/12/16
Depreciation on land and buildings	(7,570,133)	(7,486,222)
Depreciation on other tangible fixed assets	(818,843)	(588,041)
Depreciation on IT equipment	(1,902,895)	(2,294,466)
Depreciation on intangible fixed assets	(13,075,097)	(13,620,955)
TOTAL	**(23,366,968)**	**(23,989,684)**

[1] 2016 retirement pensions include EUR 1.3 million of pension plan and EUR 0.5 million of managerial plan.
[2] This heading primarily comprises the cost of financial information, various types of insurance cover and the transport of valuables.

11.11 Impairment on loans and provisions for credit commitments

Collective impairment	31/12/15			31/12/16		
	Allowances	Write-backs	Total	Allowances	Write-backs	Total
LOANS	**(3,016,224)**	**1,013,495**	**(2,002,729)**	**(4,183,794)**	**1,560,867**	**(2,622,927)**

Specific impairment	31/12/15				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances to customers	(37,487,753)	30,896,159	(12,572,491)	2,831,085	(16,333,000)
Commitments	0	7,731	n.a.	n.a.	7,731
TOTAL	**(37,487,753)**	**30,903,890**	**(12,572,491)**	**2,831,085**	**(16,325,269)**

Specific impairment	31/12/16				
	Allowances	Write-backs	Losses	Recoveries	Total
Loans and advances to customers	(24,438,842)	22,007,553	(11,405,860)	0	(13,837,149)
Commitments	0	0	n.a.	n.a.	0
TOTAL	**(24,438,842)**	**22,007,553**	**(11,405,860)**	**0**	**(13,837,149)**

11.12 Provisions for legal litigation

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

11.13 Tax expenses

	31/12/15	31/12/16
Income tax for current financial year	0	(33,110)
Deferred taxes	(28,652,519)	(44,461,468)
Tax on current financial year result (A)	**(28,652,519)**	**(44,494,578)**
Income tax for previous year	(950,022)	0
Deferred taxes for previous year	(1,077,441)	(403,985)
Other tax expenses (B)	**(2,027,463)**	**(403,985)**
TOTAL (A)+(B)	**(30,679,982)**	**(44,898,563)**

EFFECTIVE CORPORATE INCOME TAX RATE

The standard tax rate applicable in Luxembourg was 29.22% as at December 31, 2015 and 2016.
The effective BIL tax rate was 25.06% in 2015 and 25.46% in 2016.
The difference between both rates may be analysed as follows:

NET INCOME BEFORE TAX	31/12/15	31/12/16
NET INCOME BEFORE TAX	**114,317,138**	**174,754,081**
Tax base	**114,317,138**	**174,754,081**
Applicable tax rate at year-end	29.22%	29.22%
Theoretical corporate income tax at standard rate	**(33,403,468)**	**(51,063,142)**
Effect of different tax rates in other countries	(1,822,609)	(478,640)
Tax effect of non-deductible expenses	(1,615,801)	(1,090,932)
Tax effect of non-taxable income	6,946,076	7,019,274
Tax effect of items taxed at a reduced rate	19,318	0
Effect of change in tax rates[1]	0	(27,184,576)
Tax effect on the use of previous tax losses not recognised in the assets	0	27,300,000
Other	1,223,965	1,003,438
Tax on current financial year result	**(28,652,519)**	**(44,494,578)**
EFFECTIVE TAX RATE	**25.06%**	**25.46%**

[1] Review of the deferred tax assets due to the 2017 Luxembourg tax reform and the progressive reduction of the corporate income tax rate to 19% in 2017 and down to 18% in 2018.

Note 12: Notes on risk exposures (in EUR)

12.1 Fair value

A. BREAKDOWN OF FAIR VALUE

A.1 Fair value of assets	31/12/15			31/12/16		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	800,680,893	800,680,893	0	1,693,919,996	1,693,919,996	0
Loans and advances to credit institutions	1,099,548,561	1,099,876,721	328,160	1,109,399,582	1,109,729,114	329,532
Loans and advances to customers	11,380,904,757	11,528,045,008	147,140,251	12,032,823,885	12,186,784,479	153,960,594
Financial assets held for trading	88,239,176	88,239,176	0	79,801,733	79,801,733	0
Financial assets available for sale	6,632,219,266	6,632,219,266	0	6,404,878,625	6,404,878,625	0
Investments held to maturity	123,738,533	134,834,794	11,096,261	536,013,388	551,715,571	15,702,183
Derivatives	287,764,276	287,764,276	0	247,475,993	247,475,993	0
Fair value revaluation of portfolios hedged against interest rate risk	10,161,025	10,161,025	0	6,523,489	6,523,489	0
Other assets	511,235,847	511,235,847	0	468,999,186	468,999,186	0
TOTAL	**20,934,492,334**	**21,093,057,006**	**158,564,672**	**22,579,835,877**	**22,749,828,186**	**169,992,309**

A.2 Fair value of liabilities	31/12/15			31/12/16		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	2,393,641,549	2,401,471,173	(7,829,624)	2,530,755,382	2,535,890,114	(5,134,732)
Amounts due to customers	14,194,391,345	14,203,804,541	(9,413,196)	15,335,173,535	15,322,892,644	12,280,891
Financial liabilities held for trading	0	0	0	2,013,272	2,013,272	0
Financial liabilities designated at fair value	840,450,899	840,450,899	0	877,913,027	877,913,027	0
Derivatives	412,949,676	412,949,676	0	432,612,114	432,612,114	0
Fair value revaluation of portfolios hedged against interest rate risk	55,197,019	55,197,019	0	48,683,055	48,683,055	0
Debt securities	1,141,323,628	1,156,567,391	(15,243,763)	1,529,888,297	1,548,719,665	(18,831,368)
Subordinated debt	446,661,346	447,247,743	(586,397)	293,936,368	306,123,963	(12,187,595)
Other liabilities	282,493,409	282,493,409	0	291,890,205	291,890,205	0
TOTAL	**19,767,108,871**	**19,800,181,851**	**(33,072,980)**	**21,342,865,255**	**21,366,738,059**	**(23,872,804)**

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

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

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

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

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

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

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

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

B.1 Assets	31/12/15			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	67,697,342	16,010,971	4,530,863	88,239,176
Financial assets available for sale - bonds	5,542,251,370	853,953,567	22,494,285	6,418,699,222
Financial assets available for sale - equities	0	186,036,568	27,483,476	213,520,044
Derivatives	0	279,009,754	8,754,522	287,764,276
TOTAL	**5,609,948,712**	**1,335,010,860**	**63,263,146**	**7,008,222,718**

	31/12/16			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	47,507,395	27,756,702	4,537,636	79,801,733
Financial assets available for sale - bonds	5,252,793,368	836,391,361	100,125,410	6,189,310,139
Financial assets available for sale - equities	0	183,174,210	32,394,276	215,568,486
Derivatives	0	226,981,835	20,494,158	247,475,993
TOTAL	**5,300,300,763**	**1,274,304,108**	**157,551,480**	**6,732,156,351**

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

B.2 Liabilities	31/12/15			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	679,900,725	160,550,174	840,450,899
Derivatives	0	392,148,808	20,800,868	412,949,676
TOTAL	**0**	**1,072,049,533**	**181,351,042**	**1,253,400,575**

	31/12/16			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	0	2,000,024	13,248	2,013,272
Financial liabilities designated at fair value	0	672,572,334	205,340,693	877,913,027
Derivatives	0	429,714,337	2,897,777	432,612,114
TOTAL	**0**	**1,104,286,695**	**208,251,718**	**1,312,538,413**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1 Assets	31/12/15		31/12/16	
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 1 to Level 2	From Level 2 to Level 1
Financial assets available for sale - bonds	12,039,493	39,606,472	4,669,588	0
TOTAL	**12,039,493**	**39,606,472**	**4,669,588**	**0**

C.2 Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2015 and 2016.

D. LEVEL 3 RECONCILIATION

D.1 Assets	31/12/15				
	Opening balance	Total gains and losses in the statement of income	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	3,756,453	622,782	0	3,096,409	(2,944,781)
Financial assets available for sale - bonds	266,138,286	969,301	(21,123,135)	22,494,285	(196,935,376)
Financial assets available for sale - equities	33,297,709	15,831	(6,455,285)	648,480	(23,259)
Derivatives	10,491,413	(1,736,891)	0	0	0
TOTAL	**313,683,861**	**(128,977)**	**(27,578,420)**	**26,239,174**	**(199,903,416)**

	31/12/15				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	0	0	0	0	4,530,863
Financial assets available for sale - bonds	0	0	(50,148,186)	1,099,110	22,494,285
Financial assets available for sale - equities	0	0	0	0	27,483,476
Derivatives	0	0	0	0	8,754,522
TOTAL	**0**	**0**	**(50,148,186)**	**1,099,110**	**63,263,146**

	31/12/16				
	Opening balance	Total gains and losses in the statement of income	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	4,530,863	(498,860)	0	2,886,249	(2,380,616)
Financial assets available for sale - bonds	22,494,285	0	0	50,573,484	0
Financial assets available for sale - equities	27,483,476	0	4,166,654	757,496	(13,350)
Derivatives	8,754,522	1,837,206	0	9,902,430	0
TOTAL	**63,263,146**	**1,338,346**	**4,166,654**	**64,119,659**	**(2,393,966)**

	31/12/16				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	0	0	0	0	4,537,636
Financial assets available for sale - bonds	(22,494,285)	49,551,926	0	0	100,125,410
Financial assets available for sale - equities	0	0	0	0	32,394,276
Derivatives	0	0	0	0	20,494,158
TOTAL	**(22,494,285)**	**49,551,926**	**0**	**0**	**157,551,480**

D.2 Liabilities	31/12/15			
	Opening balance	Total gains and losses in the statement of income	New issues	Settlement
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	225,234,038	3,610	93,545,215	(162,434,335)
Derivatives	1,895,150	321,828	18,583,890	0
TOTAL	**227,129,188**	**325,438**	**112,129,105**	**(162,434,335)**

	31/12/15			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	0	4,201,646	160,550,174
Derivatives	0	0	0	20,800,868
TOTAL	**0**	**0**	**4,201,646**	**181,351,042**

	31/12/16			
	Opening balance	Total gains and losses in the statement of income	New issues	Settlement
Financial liabilities held for trading	0	0	13,248	0
Financial liabilities designated at fair value	160,550,174	(2,324,232)	127,992,987	(83,094,050)
Derivatives	20,800,868	(18,177,686)	274,595	0
TOTAL	**181,351,042**	**(20,501,918)**	**128,280,830**	**(83,094,050)**

	31/12/16			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities held for trading	0	0	0	13,248
Financial liabilities designated at fair value	0	0	2,215,814	205,340,693
Derivatives	0	0	0	2,897,777
TOTAL	**0**	**0**	**2,215,814**	**208,251,718**

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

Banking bonds

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

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

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

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

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

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

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

Structured bonds

Finalyse communicates for each product the type of data required for the valorization as well as whether these data are observable or not.

Moreover, the market expert is requested to evaluate the impact of the non observability of the forward data.

The "Total gains and losses in the statement of income" column cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3. We refer to Note 11.3 "Result of hedge accounting" for an economic view of the impact in the statement of income.

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

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVE SCENARIOS

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

With regard to the spread valuation, in cases where BIL uses its own models, alternative scenarios relating to unobservable parameters were taken into consideration, in particular for:
- Credit spreads: by considering credit spreads available on a single counterpart or, failing that, on similar counterparts or counterparts belonging to similar sectors, or by using credit spreads indexed to liquid CDS indices;
- Liquidity premiums: by considering the different levels of premiums primarily used in determining the fair value of bonds, and which depend in particular on the eligibility of the security for refinancing with the central banks;
- The illiquidity of the financial instrument: by considering a change in the estimated liquidity of the market for a single instrument or similar products, and/or by incorporating an analysis of the bid/ask spread for real transactions.

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

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

The most significant stand-alone level 3 instrument is BIL's participation in Luxair SA. The sensitivity test leads to a minor impact in the OCI reserve. Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair SA valuation.

12.2 Credit risk exposures

A. ANALYSIS OF BIL EXPOSURES

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

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

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

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

Exposures by geographic region

(in EUR million)	31/12/15	31/12/16
Belgium	1,435	1,426
France	2,530	3,017
Germany	1,118	1,343
Switzerland	694	524
Greece	1	1
Ireland	459	276
Italy	467	248
Luxembourg	10,770	13,428
Portugal	7	7
Spain	616	679
Other EU countries	1,846	1,745
Turkey	8	7
Rest of Europe	671	550
United States and Canada	573	523
Central and South America	5	9
Japan	27	48
South-east Asia	226	225
Other	599	1,130
TOTAL	22,052	25,186

Exposures by counterparty category

(in EUR million)	31/12/15	31/12/16
Central Governments	5,044	5,808
Public Sector Entities	1,583	1,870
Corporate	4,306	5,140
Securitisation	281	325
Project Finance	0	0
Individuals, SME & Self Employed	7,416	8,077
Financial institutions	3,422	3,965
Other	0	1
TOTAL	22,052	25,186

Credit risk exposure is shown as follows:

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

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

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

B. CREDIT RISK EXPOSURES BY CLASS OF FINANCIAL INSTRUMENTS

	31/12/15		31/12/16	
(in EUR million)	Credit risk exposures [1]	Financial effect of the collateral	Credit risk exposures [1]	Financial effect of the collateral
Available for sale portfolio (excluding variable-income securities)	6,419	0	6,189	0
Held for trading portfolio (excluding variable-income securities)	68	0	47	0
Loans and advances (at amortised cost)	12,470	2,007	14,142	1,599
Financial assets held to maturity	124	0	536	0
Derivatives	127	150	163	58
Other financial instruments at cost	113	0	89	0
Commitments in respect of loans granted	132	3	29	3
Commitments in respect of guarantees given	2,599	864	3,991	399
TOTAL	22,052	3,024	25,186	2,059

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

C. CREDIT QUALITY OF NORMAL FINANCIAL ASSETS

	31/12/15				
	Credit quality of normal financial assets				
(in EUR million)	AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	3,314	2,266	86	753	6,419
Held for trading portfolio (excluding variable-income securities)	19	27	5	17	68
Loans and advances (at amortised cost)	1,406	5,612	3,961	1,150	12,129
Financial assets held to maturity	124	0	0	0	124
Derivatives	11	105	7	4	127
Other financial instruments at cost	44	2	3	64	113
Commitments in respect of loans granted	15	89	25	2	131
Commitments in respect of guarantees given	297	1,267	753	268	2,585
TOTAL	**5,230**	**9,368**	**4,840**	**2,258**	**21,696**

	31/12/16				
	Credit quality of normal financial assets				
(in EUR million)	AAA to AA-	A+ to BBB-	Non-investment grade	Unlisted	Total
Available for sale portfolio (excluding variable-income securities)	3,456	1,791	74	868	6,189
Held for trading portfolio (excluding variable-income securities)	22	18	2	6	48
Loans and advances (at amortised cost)	2,186	5,941	4,315	1,290	13,732
Financial assets held to maturity	455	81	0	0	536
Derivatives	17	133	4	8	162
Other financial instruments at cost	39	2	0	48	89
Commitments in respect of loans granted	0	0	6	23	29
Commitments in respect of guarantees given	603	1,533	1,065	766	3,967
TOTAL	**6,778**	**9,499**	**5,466**	**3,009**	**24,752**

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

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

D. PAST DUE OR IMPAIRED FINANCIAL ASSETS

	31/12/15				
	Past due but not impaired assets			Gross carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	207,085,121	59,796,563	159,044,637	338,214,109	534,260,900
TOTAL	**207,085,121**	**59,796,563**	**159,044,637**	**338,214,109**	**534,260,900**

	31/12/16				
	Past due but not impaired assets			Gross carrying amount of individually impaired financial assets	Guarantees held for past due or individually impaired assets and debt instruments
	≤ 90 days	> 90 days ≤ 180 days	> 180 days		
Loans and advances (at amortised cost)	210,071,609	93,395,861	140,980,444	345,215,740	540,879,093
TOTAL	**210,071,609**	**93,395,861**	**140,980,444**	**345,215,740**	**540,879,093**

BIL has defined three types of past due loans:
- "Technical" past due financial assets;
- "Operational" past due financial assets;
- "Credit" past due financial assets.

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

E. COLLATERAL AND OTHER CREDIT ENHANCEMENTS OBTAINED BY TAKING POSSESSION OF THE GUARANTEES HELD

Type of assets obtained during the period by taking possession of the guarantees held	Carrying value	
	31/12/15	31/12/16
Cash	10,724,979	26,184,528
Debt instruments	477,434	1,153,774
TOTAL	**11,202,413**	**27,338,302**

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

F. MOVEMENTS IN ALLOWANCES FOR CREDIT LOSSES

	As at 01/01/15	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(288,841,998)**	**14,640,547**	**(39,032,370)**	**18,514,523**
Loans and advances to customers	(251,636,221)	12,381,636	(37,487,752)	18,514,523
Financial assets available for sale	(37,205,777)	2,258,911	(1,544,618)	0
of which equities and other variable-income instruments	*(37,205,777)*	*2,258,911*	*(1,544,618)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(25,689,356)**	**0**	**(3,016,224)**	**1,013,494**
TOTAL	**(314,531,354)**	**14,640,547**	**(42,048,594)**	**19,528,017**

	Other adjustments	As at 31/12/15	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**(12,024,770)**	**(306,744,068)**	**2,831,085**	**(12,572,491)**
Loans and advances to customers	(10,935,858)	(269,163,672)	2,831,085	(12,572,491)
Financial assets available for sale	(1,088,912)	(37,580,396)	0	0
of which equities and other variable-income instruments	*(1,088,912)*	*(37,580,396)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(931)**	**(27,693,017)**	**0**	**0**
TOTAL	**(12,025,701)**	**(334,437,085)**	**2,831,085**	**(12,572,491)**

	As at 01/01/16	Utilisation	Allowances	Write-backs
Specific allowances for financial assets individually assessed for impairment	**(306,744,068)**	**11,107,529**	**(24,509,732)**	**11,007,557**
Loans and advances to customers	(269,163,672)	10,999,996	(24,438,843)	11,007,557
Financial assets available for sale	(37,580,396)	107,533	(70,889)	0
of which equities and other variable-income instruments	*(37,580,396)*	*107,533*	*(70,889)*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(27,693,017)**	**0**	**(4,183,794)**	**1,560,867**
TOTAL	**(334,437,085)**	**11,107,529**	**(28,693,526)**	**12,568,424**

	Other adjustments	As at 31/12/16	Recoveries recorded directly in profit or loss	Charges recorded directly in profit or loss
Specific allowances for financial assets individually assessed for impairment	**(3,417,760)**	**(312,556,474)**	**0**	**(11,405,860)**
Loans and advances to customers	(3,145,729)	(274,740,691)	0	(11,405,860)
Financial assets available for sale	(272,031)	(37,815,783)	0	0
of which equities and other variable-income instruments	*(272,031)*	*(37,815,783)*	*0*	*0*
Allowances for incurred but not reported losses on financial assets and specific allowances for financial assets collectively assessed for impairment	**(1,402)**	**(30,317,346)**	**0**	**0**
TOTAL	**(3,419,162)**	**(342,873,820)**	**0**	**(11,405,860)**

The other adjustments correspond to exchange rate variations over the period affecting provisions recognised in other currencies as well as the deconsolidation of entities.

Consolidated management report

Consolidated financial statements

Financial statements of the parent company

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

	As at 31/12/15			
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity [1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	840,450,899	183,613	(985,222)	4,470,808

	As at 31/12/16			
	Carrying value	Variation in fair value due to change in credit risk		Difference between the carrying value of the financial liability and the contractual amount due on maturity [1]
		During the period	Aggregate amount	
Banque Internationale à Luxembourg	877,913,027	222,304	(762,918)	11,082,785

In 2015 and 2016, no change in the fair value of BIL's financial liabilities is attributable to changes in the credit risk relating to liabilities, except for liabilities designated at fair value through profit or loss.

For liabilities revalued at fair value against profit or loss, our own credit risk was determined on the basis of changes in financing costs. Own credit risk refers to changes in the issue costs under current conditions compared to initial conditions.

H. EXEMPTION ASSOCIATED WITH LARGE EXPOSURES

At the request of the Bank, the CSSF has granted a total exemption for its exposures towards its subsidiaries (BIL group) and towards its sister company (KBL European Private Bankers SA and its subsidiaries) in the calculation of large exposures limits, in accordance with Part XVI, point 24 of the former Circular 06/273, as amended. The amount of exposures covered by this exemption is null as at December 31, 2016 (as on a consolidated basis, exposures on entities of BIL group are excluded from the large exposures reporting). This exemption was granted on November 22, 2012.

I. INFORMATION ON FORBORNE EXPOSURES

BIL monitors closely its forborne exposures, in line with the definition stated in the publication of the Official Journal of the European Union dated February 2015.

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

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

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

For all counterparties, dedicated analyses are carried out at single credit files level in order to identify those that should be classified as forborne according to the regulatory definition.

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

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

As at end 2016, BIL group's forborne exposures amounted to EUR 294.1 million including EUR 5.1 million as given banking guarantees.

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

J. INFORMATION ON SOVEREIGN DEBTS

For 2015 and 2016, this statement refers to bonds issued by central & local governments and governmental bodies.

As at 31/12/15	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	57,261,953	*3,372,967*				
More than 5 years	61,916,521	*2,526,434*				
Belgium						
Less than 1 year	22,494,285	*22*				
Between 1 and 5 years	81,307,526	*962,043*	*154,034*			
More than 5 years	734,415,523	*17,565,993*	*2,670,603*			
Czech Republic						
Less than 1 year	4,754,500	*33,344*				
More than 5 years	42,307,821	*830,645*	*2,169,539*			
Finland						
Between 1 and 5 years	23,611,328	*2,642,135*				
More than 5 years				51,437,069		
France						
Between 1 and 5 years	129,065,989	*6,308,469*				
More than 5 years	755,354,125	*17,188,790*	*5,261,468*			
Germany						
Between 1 and 5 years	10,270,089	*58,448*	*116,146*			
More than 5 years	107,654,417	*2,281,803*	*1,824,629*	30,922,907	5,997,919	*(152,536)*
Ireland						
Less than 1 year	73,230,539	*505,744*				
Between 1 and 5 years	111,317,023	*5,317,450*	*823,749*			
More than 5 years	181,210,277	*4,435,044*				
Italy						
Less than 1 year	181,925,837	*2,547,238*				
Between 1 and 5 years	143,833,100	*4,959,175*	*23,440*			
Lithuania						
Between 1 and 5 years	42,677,388	*90,038*	*(108,723)*			
More than 5 years	5,370,917	*(24,195)*	*48,010*			
Luxembourg						
Between 1 and 5 years					805,877	*(14,843)*
More than 5 years	39,338,020	*1,561,198*	*3,020,705*			
Mexico						
More than 5 years					26,364	*895*
Poland						
Less than 1 year	4,730,531	*2,922*				
Between 1 and 5 years	32,241,782	*213,839*	*230,399*			
More than 5 years	74,393,332	*1,580,339*	*3,835,123*			
Qatar						
Between 1 and 5 years	33,981,234	*28,526*	*(139,601)*			
More than 5 years	46,004,590	*(279,727)*	*(275,316)*			
SUB-TOTAL	**3,000,668,647**	***74,708,684***	***19,654,205***	**82,359,976**	**6,830,160**	***(166,484)***

As at 31/12/15	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
SUB-TOTAL BROUGHT FORWARD	**3,000,668,647**	***74,708,684***	***19,654,205***	**82,359,976**	**6,830,160**	***(166,484)***
Slovakia						
Between 1 and 5 years	4,179,410	*184,112*				
More than 5 years	133,463,464	*7,723,262*	*3,166,949*			
South Korea						
More than 5 years					6,768	*(30)*
Spain						
Less than 1 year	61,240,497	*567,789*				
Between 1 and 5 years	66,691,942	*29,134*	*(105,626)*			
More than 5 years	213,929,740	*477,642*	*2,058,703*			
Supranational						
Between 1 and 5 years	139,819,594	*2,786,774*			233,406	*(1,559)*
More than 5 years	266,684,875	*12,973,683*	*1,515,610*	20,539,646	1,841,287	*(103,837)*
The Netherlands						
More than 5 years	78,377,367	*2,327,366*	*4,077,668*			
United States of America						
Between 1 and 5 years	325,327,705	*(1,851,548)*				
TOTAL	**4,290,383,241**	***99,926,898***	***30,367,509***	**102,899,622**	**8,911,621**	***(271,910)***

As at 31/12/16	Available for sale			Held to maturity	Held for trading	
Country Maturity date	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
Austria						
Between 1 and 5 years	54,991,714	*1,916,650*				
More than 5 years	61,718,001	*3,615,215*				
Belgium						
Less than 1 year	57,750,990	*31,463*				
Between 1 and 5 years	61,591,541	*1,451,861*	*(84,564)*			
More than 5 years	693,271,391	*37,102,969*	*(3,066,298)*			
Czech Republic						
Between 1 and 5 years	17,660,569	*1,554,820*	*(665,910)*			
More than 5 years	24,343,249	*4,372,942*	*(1,971,110)*			
Finland						
Between 1 and 5 years	22,957,907	*2,141,495*				
More than 5 years				51,351,180		
France						
Between 1 and 5 years	127,993,412	*5,653,297*				
More than 5 years	735,751,865	*30,681,874*	*(498,732)*	213,299,826		
Germany						
Between 1 and 5 years	10,212,876	*226,572*	*(109,508)*		5,140,750	*(8,550)*
More than 5 years	110,000,717	*5,122,891*	*(886,120)*	30,870,796	9,674,799	*(115,456)*
Ireland						
More than 5 years	120,706,384	*795,579*	*192,783*			
Italy						
More than 5 years	143,684,008	*(877,744)*	*(95,549)*			
Japan						
Between 1 and 5 years	40,696,639	*9,292*				
Latvia						
Between 1 and 5 years	15,788,242	*(800,954)*	*562,875*			
More than 5 years					285,592	*(12,300)*
Lithuania						
Between 1 and 5 years	41,468,620	*(541,209)*	*465,739*			
Luxembourg						
Between 1 and 5 years					804,293	*(16,400)*
More than 5 years	39,883,385	*8,748,539*	*(3,634,535)*		1,916,408	*(14,938)*
Mexico						
More than 5 years					26,333	*862*
Poland						
Between 1 and 5 years	40,448,818	*584,695*	*(175,124)*			
More than 5 years	35,269,346	*(341,785)*	*(32,322)*			
Qatar						
Less than 1 year	23,987,909	*(20,787)*	*3,978*			
Between 1 and 5 years	34,923,405	*(696,486)*	*450,122*			
More than 5 years	55,489,878	*(2,095,845)*	*948,107*			
SUB-TOTAL	**2,570,590,866**	***98,635,344***	***(8,596,168)***	**295,521,802**	**17,848,175**	***(166,782)***

As at 31/12/16 Country Maturity date	Available for sale			Held to maturity	Held for trading	
	Net carrying amount	*Of which fair value in OCI*	*Of which fair value related to hedging*	Carrying amount	Carrying amount	*Of which fair value in profit or loss*
SUB-TOTAL BROUGHT FORWARD	**2,570,590,866**	***98,635,344***	***(8,596,168)***	**295,521,802**	**17,848,175**	***(166,782)***
Saudi Arabia						
Between 1 and 5 years					548,771	*(15,767)*
More than 5 years						
Slovakia						
Between 1 and 5 years	4,133,425	*134,631*				
More than 5 years	47,276,906	*2,527,340*	*(50,574)*	38,591,714		
South Korea						
Between 1 and 5 years	4,036,875	*27,702*				
More than 5 years				4,434,820		
Spain						
Less than 1 year	13,710,296	*3,731*				
Between 1 and 5 years	88,489,201	*1,093,883*	*(215,126)*			
More than 5 years	189,507,178	*924,087*	*(294,436)*	10,549,970		
Supranational						
More than 5 years	269,417,284	*16,391,322*	*(318,137)*	20,506,869	43,434	*149*
The Netherlands						
More than 5 years	88,411,304	*1,031,600*				
United States of America						
Between 1 and 5 years	340,381,411	*(3,243,151)*				
TOTAL	**3,615,954,746**	***117,526,489***	***(9,474,441)***	**369,605,175**	**18,440,380**	***(182,400)***

12.3 Encumbered assets

A. COLLATERAL RECEIVED BY THE REPORTING INSTITUTION

	31/12/15			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	181,096,367	*181,096,367*	0	*0*
Debt securities	591,938,941	*591,938,941*	128,620,520	*128,620,520*
TOTAL	**773,035,308**	***773,035,308***	**128,620,520**	***128,620,520***

	31/12/16			
	Fair value of collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*	Fair value of encumbered collateral received or own debt securities issued available for encumbrance	*of which: central bank eligible*
Cash collateral	75,324,544	*75,324,544*	0	*0*
Debt securities	607,621,529	*200,881,452*	0	*0*
TOTAL	**682,946,073**	***276,205,996***	**0**	***0***

B. ENCUMBERED ASSETS

	31/12/15			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
HTM Debt securities	0	0	0	0
of which: issued by general governments	0	0	0	0
of which: issued by financial corporations	0	0	0	0
of which: issued by non-financial corporations	0	0	0	0
AFS Debt securities	1,050,810,330	1,050,810,330	1,050,810,330	1,050,810,330
of which: issued by general governments	783,575,187	783,575,187	783,575,187	783,575,187
of which: issued by financial corporations	267,235,143	267,235,143	267,235,143	267,235,143
of which: issued by non-financial corporations	0	0	0	0
Loans and advances other than loans on demand	285,578,368	285,578,368	285,578,368	285,578,368
TOTAL	**1,336,388,698**	***1,336,388,698***	**1,336,388,698**	***1,336,388,698***

	31/12/16			
	Carrying amount of encumbered assets	*of which: central bank eligible*	Fair value of encumbered assets	*of which: central bank eligible*
HTM Debt securities	48,330,646	46,974,491	48,911,076	47,402,497
of which: issued by general governments	41,961,241	41,961,241	42,280,951	42,280,951
of which: issued by financial corporations	4,805,055	3,448,900	4,792,459	3,283,880
of which: issued by non-financial corporations	1,564,350	1,564,350	1,837,666	1,837,666
AFS Debt securities	2,351,965,385	1,976,264,293	2,351,965,385	1,976,264,293
of which: issued by general governments	1,698,361,768	1,337,267,985	1,698,361,768	1,337,267,985
of which: issued by financial corporations	651,894,148	637,668,878	651,894,148	637,668,878
of which: issued by non-financial corporations	1,709,469	1,327,430	1,709,469	1,327,430
Loans and advances other than loans on demand	189,580,142	189,580,142	189,580,142	189,580,142
TOTAL	**2,589,876,173**	***2,212,818,926***	**2,590,456,603**	***2,213,246,932***

C. SOURCES OF ENCUMBRANCE

	31/12/15		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which: collateral received re-used*
Derivatives	412,949,676	285,578,368	0
Repurchase agreements	407,220,681	407,273,243	128,620,520
of which: central banks	350,425,417	350,425,417	128,620,520
Collateralised deposits other than repurchase agreements	45,430,246	45,430,246	0
of which: central banks	45,430,246	45,430,246	0
Fair value of securities borrowed with non cash collateral	720,559,461	726,727,362	0
TOTAL	**1,586,160,064**	**1,465,009,219**	***128,620,520***

	31/12/16		
	Matching liabilities, contingent liabilities or securities lent	Assets or collateral received encumbered	*of which: collateral received re-used*
Derivatives	432,612,117	189,580,142	0
Repurchase agreements	548,869,444	548,869,444	0
of which: central banks	548,869,444	548,869,444	0
Collateralised deposits other than repurchase agreements	4,683,553	4,683,553	0
of which: central banks	4,683,553	4,683,553	0
Fair value of securities borrowed with non cash collateral	1,345,127,660	1,846,743,034	0
TOTAL	**2,331,292,774**	**2,589,876,173**	***0***

D. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Offsetting policy is described in the Note 1.4 to the consolidated financial statements.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreements are not presented on a net basis in the consolidated financial statements. BIL may have conditional rights to set-off that are enforceable only in the event of default, or insolvency or bankruptcy of any of the counterparts. Such arrangements do not meet the conditions for offsetting according to IAS 32.

Guarantees are obtained within the framework of reverse repos, securities lending and derivatives activities.

Guarantees are given within the framework of repos, securities borrowing and derivatives activities.

The conditions for using and returning pledged assets or pledged liabilities are defined either in Global Master Repurchase Agreements (GMRA), Global Master Securities Lending Agreements (GMSLA) and Credit Support Annexes Agreements (CSA), amended, when appropriate, by the Legal Department, or in agreements drafted directly by this department.

Cash collateral received or given relates to derivatives CSA agreements.

Financial assets recognised at end of reporting period	31/12/15				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	287,764,276	0	287,764,276	181,096,367	106,667,909
Reverse repurchase agreements	0	0	0	0	0
TOTAL	**287,764,276**	**0**	**287,764,276**	**181,096,367**	**106,667,909**

Financial assets recognised at end of reporting period	31/12/15				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	412,949,676	0	412,949,676	285,578,368	127,371,308
Repurchase agreements	407,220,681	0	407,220,681	407,220,681	0
Collateralised deposits other than repurchase agreements	45,430,246	0	45,430,246	45,430,246	0
TOTAL	**865,600,603**	**0**	**865,600,603**	**738,229,295**	**127,371,308**

Financial assets recognised at end of reporting period	31/12/16				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	247,475,993	0	247,475,993	75,324,544	172,151,449
Reverse repurchase agreements	0	0	0	0	0
TOTAL	**247,475,993**	**0**	**247,475,993**	**75,324,544**	**172,151,449**

Financial assets recognised at end of reporting period	31/12/16				
	Gross carrying amounts before offsetting	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet IAS 32 criteria	Net exposure
Derivatives	432,612,114	0	432,612,114	189,580,142	243,031,972
Repurchase agreements	548,869,444	0	548,869,444	548,869,444	0
Collateralised deposits other than repurchase agreements	4,683,553	0	4,683,553	4,683,553	0
TOTAL	**986,165,111**	**0**	**986,165,111**	**743,133,139**	**243,031,972**

12.4 Interest rate risk: breakdown by maturity until next interest rate repricing date[1]

A. ASSETS	31/12/15				
	At sight or on demand[2]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	800,676,335	0	0	0	0
Loans and advances to credit institutions	1,033,025,512	54,647,689	3,685,873	3,260,000	4,500,000
Loans and advances to customers	4,644,686,029	79,926,744	43,805,402	1,115,403,956	5,779,311,441
Financial assets held for trading	2,044,209	15,541,204	6,769,460	29,537,961	35,221,800
Financial assets available for sale	131,434,735	1,243,123,149	375,438,380	1,688,772,861	2,973,780,602
Investments held to maturity	101,830,140	0	0	0	20,000,000
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**6,713,696,960**	**1,393,238,786**	**429,699,115**	**2,836,974,778**	**8,812,813,843**

	31/12/15				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	4,558	n.a.	n.a.	800,680,893
Loans and advances to credit institutions	0	429,487	0	0	1,099,548,561
Loans and advances to customers	0	14,315,516	312,358	(296,856,689)	11,380,904,757
Financial assets held for trading	99,203	524,437	(1,499,098)	n.a.	88,239,176
Financial assets available for sale	28,138	62,983,219	194,238,578	(37,580,396)	6,632,219,266
Investments held to maturity	0	1,908,393	0	0	123,738,533
Derivatives	n.a.	13,740,106	274,024,170	n.a.	287,764,276
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	10,161,025	n.a.	10,161,025
TOTAL	**127,341**	**93,905,716**	**477,237,033**	**(334,437,085)**	**20,423,256,487**

[1] Excluding derivatives and off-balance sheet items.
[2] Demand deposits and saving deposits are declared "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

A. ASSETS	31/12/16				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,694,649,643	0	0	0	0
Loans and advances to credit institutions	1,100,392,517	540,000	0	2,720,000	4,162,500
Loans and advances to customers	4,353,748,151	208,669,084	86,315,803	1,319,976,456	6,355,114,131
Financial assets held for trading	28,856,135	414,848	2,182,193	9,596,497	38,928,879
Financial assets available for sale	1,293,116,093	116,082,753	152,860,988	1,716,527,913	2,921,278,542
Investments held to maturity	0	0	0	17,455,025	515,686,550
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**8,470,762,539**	**325,706,685**	**241,358,984**	**3,066,275,891**	**9,835,170,602**

	31/12/16				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	(729,647)	n.a.	n.a.	1,693,919,996
Loans and advances to credit institutions	0	1,584,565	0	0	1,109,399,582
Loans and advances to customers	0	15,041,433	(983,137)	(305,058,036)	12,032,823,885
Financial assets held for trading	156,542	350,430	(683,791)	n.a.	79,801,733
Financial assets available for sale	28,248	52,859,986	189,939,885	(37,815,783)	6,404,878,625
Investments held to maturity	0	2,871,813	0	0	536,013,388
Derivatives	n.a.	17,609,569	229,866,424	n.a.	247,475,993
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	6,523,489	n.a.	6,523,489
TOTAL	**184,790**	**89,588,149**	**424,662,870**	**(342,873,819)**	**22,110,836,691**

[1] Demand deposits and saving deposits are declared "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES	31/12/15				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,485,974,770	175,644,837	178,400,210	458,793,806	94,145,802
Amounts due to customers	12,508,887,744	595,693,135	657,720,154	419,516,481	9,754,494
Financial liabilities held for trading	0	0	0	0	0
Financial liabilities designated at fair value	0	335,648,484	144,376,691	137,163,163	215,985,599
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	38,875,686	587,661,873	142,841,388	319,465,055	46,979,027
Subordinated debt	0	296,772,349	0	0	149,572,084
TOTAL	**14,033,738,200**	**1,991,420,678**	**1,123,338,443**	**1,334,938,505**	**516,437,006**

	31/12/15			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	682,123	0	2,393,641,548
Amounts due to customers	0	2,819,337	0	14,194,391,345
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	2,739,272	4,537,690	840,450,899
Derivatives	n.a.	33,918,959	379,030,717	412,949,676
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	55,197,019	55,197,019
Debt securities	0	5,500,599	0	1,141,323,628
Subordinated debt	0	316,913	0	446,661,346
TOTAL	**0**	**45,977,203**	**438,765,426**	**19,484,615,461**

[1] Demand deposits and saving deposits are declared "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

B. LIABILITIES	31/12/16				
	At sight or on demand[1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,163,418,382	313,273,267	166,177,294	804,010,193	83,323,110
Amounts due to customers	13,907,350,709	612,227,019	447,551,824	353,888,778	11,666,962
Financial liabilities held for trading	2,013,250	0	0	0	0
Financial liabilities designated at fair value	361,749,281	25,798,648	74,940,624	160,512,304	241,366,452
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	737,965,197	41,443,119	47,020,643	500,890,995	197,994,814
Subordinated debt	48,651,710	0	0	0	244,629,761
TOTAL	**16,221,148,529**	**992,742,053**	**735,690,385**	**1,819,302,270**	**778,981,099**

	31/12/16			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	553,136	0	2,530,755,382
Amounts due to customers	0	2,488,243	0	15,335,173,535
Financial liabilities held for trading	0	22	0	2,013,272
Financial liabilities designated at fair value	0	2,346,013	11,199,705	877,913,027
Derivatives	n.a.	40,396,853	392,215,261	432,612,114
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	48,683,055	48,683,055
Debt securities	0	4,573,529	0	1,529,888,297
Subordinated debt	0	654,897	0	293,936,368
TOTAL	**0**	**51,012,693**	**452,098,021**	**21,050,975,050**

C. NET POSITION	31/12/15					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,320,041,240)	(598,181,892)	(693,639,328)	1,502,036,273	8,296,376,837	127,341

	31/12/16					
	At sight or on demand	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Balance sheet sensitivity gap	(7,750,385,990)	(667,035,368)	(494,331,401)	1,246,973,621	9,056,189,503	184,790

Derivatives are used to hedge the balance sheet sensitivity gap.

[1] Demand deposits and savings deposits are declared in the "At sight or on demand" column as the information shown above takes into account the remaining maturity until the next date on which interest rates are repriced on an accounting basis rather than according to assumptions based on observed behavioral data. The latter approach is used in the context of ALM sensitivity (see Note 12.5).

12.5 Market risk and Assets & Liabilities Management (ALM)

A. TREASURY AND FINANCIAL MARKETS (TFM) ACTIVITIES

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

Risk on trading activity: general rate risk, forex risk, equities and spread risk are limited by value at risk (VaR) limit and / or sensitivity limit.

Treasury management - banking - subject to VaR limit and interest rate sensitivity limit.

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

In 2016, BIL calculated:

- an interest rate VaR and a Forex VaR based on a historical VaR (99%, 10 days)
- an equity VaR based on a historical VaR "full Valuation".

The details of the calculation are detailed below:

VaR (10 days, 99%)		**31/12/2015**							
(in EUR million)		**IR[1] & FX[2] (Trading and Banking)[3]**				**EQT[4] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	1.18	1.06	0.89	0.76	0.01	0.01	0.00	0.00
	Maximum	5.17	2.19	1.25	1.29	0.02	0.02	0.01	0.02
Global	Average	0.97							
	Maximum	5.17							
	End of period	1.15							
	Limit	8.00							

VaR (10 days, 99%)		**31/12/2016**							
(in EUR million)		**IR[1] & FX[2] (Trading and Banking)[3]**				**EQT[4] Trading**			
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
By risk factor	Average	0.84	0.99	1.00	0.84	0.01	0.01	0.01	0.01
	Maximum	1.22	1.48	1.48	1.50	0.03	0.02	0.04	0.02
Global	Average	0.92							
	Maximum	1.50							
	End of period	0.43							
	Limit	8.00							

The treasury activity is subject to sensitivity limits (on December 31, 2016, the sensitivity (+1%) is EUR -2.6 million, for a limit of EUR 20 million).

b. Investment Treasury Portfolio (in EUR million)

- Exposure

Exposures include swapped and non-swapped positions.

	31/12/15	**31/12/16**
Investment Treasury Portfolio – AFS	2,939	2,947

[1] IR: interest-rate
[2] FX: forex
[3] IR & FX: without ALM
[4] EQT: equity

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

	31/12/15	31/12/16
Investment Treasury Portfolio – AFS	(0.16)	(0.10)

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

	31/12/15	31/12/16
Investment Treasury Portfolio – AFS	(1.05)	(1.24)

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

a. ALM

ALM is managed by the ALCO (ALM Committee).
Sensitivity is the measure of the change in fair value due to a 1% change in the interest-rate position of ALM activities.

(in EUR million)		31/12/15							
		Interest rate [1] [2]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	37	20	(4)	(15)	(2)	(2)	(2)	(2)

(in EUR million)		31/12/2016							
		Interest rate [1] [4]				Credit spread [3]			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ALM	Sensitivity	(15)	(17)	(8)	7	(2)	(2)	(2)	(2)

b. Investment Portfolio (in EUR million)

• Exposures

	31/12/15	31/12/16
Investment ALM Portfolio – AFS	2,959	2,726

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

	31/12/15	31/12/16
Investment ALM Portfolio – AFS	(1.30)	(0.95)

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

	31/12/15	31/12/16
Investment ALM Portfolio – AFS	(1.99)	(1.71)

[1] Sensitivity (+1%).
[2] On December 31, 2015, the interest rate sensitivity limit for BIL ALM reached EUR 81 million per percent.
[3] Sensitivity (+1 basis point).
[4] On December 31, 2016, the interest rate sensitivity limit for BIL ALM reached EUR 81 million per percent.

c. ALM equity – Sensitivity of listed equities (in EUR million)

ALM Equity Portfolio[1]	Market Value
December, 31 2011	57.21
December 31, 2012	59.48
December 31, 2013	0.00
December 31, 2014	0.00
December 31, 2015	0.00
December 31, 2016	0.00

12.6 Liquidity risk: breakdown by residual maturity[2]

BIL's approach to liquidity risk management is described under point 4. "Market risk, Assets & Liabilities Management (ALM)" section of the consolidated management report.

The maturity analysis do not include the remaining contractual maturities for derivative. The Bank considers that their contractual maturities are not essential for an understanding of the timing of the cash flows as liquidity for derivatives is managed on a daily basis according to the cash collateral posted or received.

A. ASSETS	31/12/15				
	Breakdown of gross amount and premium/discount				
	At sight or on demand[3]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	800,676,335	0	0	0	0
Loans and advances to credit institutions	705,670,830	82,187,530	95,494,750	211,265,964	4,500,000
Loans and advances to customers	2,502,093,151	1,544,947,304	689,756,376	1,117,402,900	5,808,933,841
Financial assets held for trading	901,646	2,774,080	6,196,199	43,917,768	35,324,941
Financial assets available for sale	0	34,118,489	476,102,029	2,350,618,120	3,513,573,461
Investments held to maturity	0	0	0	0	121,830,140
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**4,009,341,962**	**1,664,027,403**	**1,267,549,354**	**3,723,204,752**	**9,484,162,383**

	31/12/15				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	4,558	n.a.	n.a.	800,680,893
Loans and advances to credit institutions	0	429,487	0	0	1,099,548,561
Loans and advances to customers	0	14,315,516	312,358	(296,856,689)	11,380,904,757
Financial assets held for trading	99,203	524,437	(1,499,098)	n.a.	88,239,176
Financial assets available for sale	38,165,766	62,983,219	194,238,578	(37,580,396)	6,632,219,266
Investments held to maturity	0	1,908,393	0	0	123,738,533
Derivatives	n.a.	13,740,106	274,024,170	n.a.	287,764,276
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	10,161,025	n.a.	10,161,025
TOTAL	**38,264,969**	**93,905,716**	**477,237,033**	**(334,437,085)**	**20,423,256,487**

[1] The management of financial establishment shares put in run-off was assigned to TFM.
[2] Residual maturity, excluding derivatives and off-balance sheet items.
[3] Sight deposits and savings accounts are included in this item even though the reimbursement date is undetermined.

A. ASSETS	31/12/16				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Cash and balances with central banks	1,694,649,643	0	0	0	0
Loans and advances to credit institutions	521,133,451	215,969,668	221,607,129	144,942,269	4,162,500
Loans and advances to customers	2,445,069,386	1,651,120,626	504,365,484	1,332,430,471	6,390,837,658
Financial assets held for trading	12,353	2,798,063	4,049,112	29,494,038	43,624,986
Financial assets available for sale	0	214,357,362	273,465,253	2,170,762,285	3,541,281,389
Investments held to maturity	0	0	0	17,455,025	515,686,550
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	**4,660,864,833**	**2,084,245,719**	**1,003,486,978**	**3,695,084,088**	**10,495,593,083**

	31/12/16				
	Breakdown of gross amount and premium/discount				
	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and balances with central banks	0	(729,647)	n.a.	n.a.	1,693,919,996
Loans and advances to credit institutions	0	1,584,565	0	0	1,109,399,582
Loans and advances to customers	0	15,041,433	(983,137)	(305,058,036)	12,032,823,885
Financial assets held for trading	156,542	350,430	(683,791)	n.a.	79,801,733
Financial assets available for sale	28,248	52,859,986	189,939,885	(37,815,783)	6,404,878,625
Investments held to maturity	0	2,871,813	0	0	536,013,388
Derivatives	n.a.	17,609,569	229,866,424	n.a.	247,475,993
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	6,523,489	n.a.	6,523,489
TOTAL	**184,790**	**89,588,149**	**424,662,870**	**(342,873,819)**	**22,110,836,691**

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

B. LIABILITIES	31/12/15				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	1,357,077,570	304,542,037	178,400,210	458,793,806	94,145,802
Amounts due to customers	12,508,887,744	595,693,135	657,720,154	419,516,481	9,754,494
Financial liabilities held for trading	0	0	0	0	0
Financial liabilities designated at fair value	0	46,626,698	167,876,262	396,065,254	222,605,723
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	16,250,654	96,096,963	153,055,028	820,490,672	49,929,712
Subordinated debt	0	0	206,188,367	90,583,982	149,572,084
TOTAL	**13,882,215,968**	**1,042,958,833**	**1,363,240,021**	**2,185,450,195**	**526,007,815**

	31/12/15			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	682,123	0	2,393,641,548
Amounts due to customers	0	2,819,337	0	14,194,391,345
Financial liabilities held for trading	0	0	0	0
Financial liabilities designated at fair value	0	2,739,272	4,537,690	840,450,899
Derivatives	n.a.	33,918,959	379,030,717	412,949,676
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	55,197,019	55,197,019
Debt securities	0	5,500,599	0	1,141,323,628
Subordinated debt	0	316,913	0	446,661,346
TOTAL	**0**	**45,977,203**	**438,765,426**	**19,484,615,461**

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

B. LIABILITIES	31/12/16				
	Breakdown of gross amount and premium/discount				
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Amounts due to credit institutions	608,368,070	868,323,579	166,177,294	804,010,193	83,323,110
Amounts due to customers	13,907,350,709	612,264,706	447,551,824	353,851,087	11,666,966
Financial liabilities held for trading	0	0	0	0	2,013,250
Financial liabilities designated at fair value	0	41,598,648	142,240,624	429,778,505	250,749,532
Derivatives	n.a.	n.a.	n.a.	n.a.	n.a.
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	n.a.	n.a.	n.a.
Debt securities	15,664,851	173,331,634	55,509,903	1,082,813,566	197,994,814
Subordinated debt	0	0	0	0	293,281,471
TOTAL	**14,531,383,630**	**1,695,518,567**	**811,479,645**	**2,670,453,351**	**839,029,143**

	31/12/16			
	Breakdown of gross amount and premium/discount			
	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Amounts due to credit institutions	0	553,136	0	2,530,755,382
Amounts due to customers	0	2,488,243	0	15,335,173,535
Financial liabilities held for trading	0	22	0	2,013,272
Financial liabilities designated at fair value	0	2,346,013	11,199,705	877,913,027
Derivatives	n.a.	40,396,853	392,215,261	432,612,114
Fair value revaluation of portfolios hedged against interest rate risk	n.a.	n.a.	48,683,055	48,683,055
Debt securities	0	4,573,529	0	1,529,888,297
Subordinated debt	0	654,897	0	293,936,368
TOTAL	**0**	**51,012,693**	**452,098,021**	**21,050,975,050**

C. NET POSITION	31/12/15					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,872,874,006)	621,068,570	(95,690,667)	1,537,754,557	8,958,154,568	38,264,969

	31/12/16					
	At sight or on demand [1]	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Undetermined maturity
Net liquidity gap	(9,870,518,797)	388,727,152	192,007,333	1,024,630,737	9,656,563,940	184,790

Asset liquidity and the refinancing of assets are not taken into account in this table; some long-term assets may be sold in the event that liquidity is required.

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

12.7 Currency risk

	31/12/15				
	EUR	Other EU currencies	USD	Other	Total
Assets	18,069,489,370	480,123,263	1,554,080,162	830,799,539	20,934,492,334
Liabilities	16,514,949,440	596,259,902	2,853,875,227	969,407,765	20,934,492,334
NET ON-BALANCE SHEET POSITION	**1,554,539,930**	**(116,136,639)**	**(1,299,795,065)**	**(138,608,226)**	**0**
Off-balance sheet – receivable	1,978,258,167	592,037,006	3,622,767,033	1,918,867,249	8,111,929,455
Off-balance sheet – payable	3,382,132,766	475,674,455	2,299,477,038	1,946,436,925	8,103,721,184
NET OFF-BALANCE SHEET POSITION	**(1,403,874,599)**	**116,362,551**	**1,323,289,995**	**(27,569,676)**	**8,208,271**

	31/12/16				
	EUR	Other EU currencies	USD	Other	Total
Assets	19,591,171,358	483,173,630	1,832,178,680	673,312,209	22,579,835,877
Liabilities	18,152,940,970	735,661,452	3,067,284,098	623,949,357	22,579,835,877
NET ON-BALANCE SHEET POSITION	**1,438,230,388**	**(252,487,822)**	**(1,235,105,418)**	**49,362,852**	**0**
Off-balance sheet – receivable	2,722,663,902	904,407,615	3,962,406,141	2,067,907,907	9,657,385,565
Off-balance sheet – payable	4,026,088,690	654,846,368	2,698,688,684	2,255,986,001	9,635,609,743
NET OFF-BALANCE SHEET POSITION	**(1,303,424,788)**	**249,561,247**	**1,263,717,457**	**(188,078,094)**	**21,775,822**

12.8 Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios

	31/12/15	31/12/16
TOTAL REGULATORY CAPITAL (CET1 + AT1 + T2)	**898,953,326**	**1,025,524,910**
COMMON EQUITY TIER 1 CAPITAL (CET1)	**729,368,530**	**730,895,149**
Capital, share premium and own shares	848,066,250	847,974,270
Reserves, retained earnings and eligible result	235,680,057	259,140,834
Regulatory and transitional adjustments[1]	(354,377,777)	(376,219,955)
ADDITIONAL TIER 1 CAPITAL (AT1)	**150,000,000**	**150,000,000**
Contingent convertible bond (issued on June 30, 2014)	150,000,000	150,000,000
TIER 2 CAPITAL (T2)	**19,584,796**	**144,629,761**
Subordinated liabilities	18,451,816	144,629,761
IRB excess	1,132,980	0
RISK WEIGHTED ASSETS	**5,689,440,538**	**5,893,930,647**
Credit risk	4,898,393,144	5,103,635,033
Market risk	98,684,138	62,224,640
Operational risk	666,477,064	705,097,245
Credit Value Adjustment	25,886,192	22,973,729
SOLVENCY RATIOS		
Common Equity Tier 1 Capital ratio	12.82%	12.40%
Tier 1 ratio	15.46%	14.95%
Capital Adequacy ratio	15.80%	17.40%

[1] **REGULATORY AND TRANSITIONAL ADJUSTMENTS - COMMON EQUITY TIER 1**	**31/12/15**	**31/12/16**
Goodwill and intangible assets	(39,815,468)	(64,027,302)
Deferred tax assets that rely on future probability	(174,309,849)	(149,549,917)
Fair value reserves related to gains or losses cash flow hedges	2,631,332	6,946,258
Gains or losses on liabilities at fair value resulting from own credit	(1,168,835)	(985,222)
Additional Value Adjustment	0	(1,639,816)
Defined benefit pension fund assets	(5,449,001)	(4,130,000)
AGDL reserves	(14,156,000)	(14,156,000)
Unrealised gains or losses measured at fair value	(122,109,956)	(148,677,956)
TOTAL REGULATORY AND TRANSITIONAL ADJUSTMENTS ON COMMON EQUITY TIER 1	**(354,377,777)**	**(376,219,955)**

The figures are computed according to Basel III rules (CRR 575/2013 and CSSF 14/01).

Proposed allocation of 2016 net income

The Board of Directors proposed to the General Meeting of Shareholders that the profit be used as follows:

EUR	
Net income for the year	129,855,518
Dividend of EUR 29.75 gross per share on 2,017,319 shares[1]	(60,015,240)
Allocation to "Legal reserve"[2]	0
Allocation to "Retained earnings"	(69,840,278)
TOTAL	**0**

[1] In line with the board decision dated March 17, 2017.
[2] No additional allocation is mandatory since the legal reserve already amounts to 10 % of the subscribed capital.