Semi-annual Report

as at June 30, 2015

BIL 1856

BANQUE INTERNATIONALE À LUXEMBOURG

Semi-annual Report

as at June 30, 2015

Consolidated management report

Corporate governance (as at June 30, 2015)

Board of Directors

Chairman

François Pauly

Vice Chairman

George Nasra	CEO, Precision Capital SA

Members

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

Strategy Committee

Chairman	*Members*
George Nasra	François Pauly
	Pascale Toussing

Audit and Compliance Committee

Chairman	*Members*
Robert Glaesener	Nicholas Harvey
	Christophe Zeeb-Ichter

Risk Committee

Chairman	*Vice Chairman*	*Members*
Frank Wagener	George Nasra	François Pauly
		Pascale Toussing
		Albert Wildgen

Remuneration and Nominations Committee

Chairman	*Members*
George Nasra	Nicholas Harvey
	Pascale Toussing

Management Board

Chairman

Hugues Delcourt

Vice Chairman

Pierre Malevez	Finance and Risks

Members

Yves Baguet	Chief Operations Officer
Adrian Leuenberger	Wealth and Investment Management
Marcel Leyers	Corporate and Institutional Banking
Bernard Mommens	Secretary General, Legal & Tax
Claude Schon	Treasury and Financial Markets
Christian Strasser	Retail Banking

Audit

Pia Haas

Business Review and Results

1. Highlights of first half 2015

The announcement of BIL's strong financial performance in 2014 confirmed the Bank's return to profitability. This trend has continued, becoming even stronger during the first half of this year. In parallel, a new strategy has been put in place in order to strengthen the Bank's positioning within the next five years and ensure its long-term sustainability.

TURNING TOWARDS THE FUTURE: A NEW STRATEGIC FRAMEWORK CALLED BIL2020

The Bank made public in April 2015 the "BIL2020" strategy programme launched in order to strengthen its position as a leading multi-business bank by placing greater focus on innovation and client satisfaction in Luxembourg and in a clearly defined number of international markets.

In Luxembourg, BIL aims to develop its multi-business line banking model and to deepen its ties with its clients, including companies and financial institutions, through a variety of initiatives in retail banking, wealth management [1], corporate & institutional banking and in financial market activities.

Internationally, through its wealth management activities, BIL will focus its growth efforts on a defined number of target markets in 13 countries and regions. Teams of professionals will be able to offer these clients an ever-more relevant service, based on unrivalled knowledge of these markets.

BIL will, as a committed, innovative and responsible bank, remain heavily involved in Luxembourg's cultural and social life and will strengthen its corporate and social responsibility approach by focussing on three well-defined areas: art & culture, education and innovation.

INTERNATIONAL DEVELOPMENTS

The BIL2020 review reinforced the importance of international wealth management for BIL and paved the way for the Bank's wealth management activities to concentrate on a number of key markets, notably in Europe and the Middle East. In January 2015, BIL took steps to strengthen its presence in Switzerland by acquiring the Swiss operations of KBL *epb*. At the same time, Puilaetco Dewaay, KBL *epb*'s Belgian affiliate, acquired BIL's Wealth Management business in Belgium. The Swiss transaction will strengthen BIL's existing Swiss operations and create a sizeable private bank operating from Geneva, Lugano and Zurich.

As part of this strategy, BIL also inaugurated a new branch – BIL Middle East – in Dubai, United Arab Emirates, in March 2015, in the presence of Luxembourg's Royal Family.

In May, and continuing to apply the newly defined geographic focus, the Bank announced the closure of its Singapore office.

INNOVATION TO PLAY A KEY ROLE IN THE BANK'S EFFORTS

Innovation is a key element of BIL's strategy for 2020 and will act as a common theme to the Bank's activities. One of the key signs of BIL's commitment to innovation during the first half of 2015 was the Bank's positioning regarding the Financial Technology companies (FinTech) trend, which offer innovative and low-cost alternatives to existing services offered by financial institutions such as banks. BIL was the official banking sponsor of ICT Spring Europe 2015, which focused on the links between FinTech companies, digital strategies and client experiences. BIL also took part in the PwC Banking Day which was held on the topic of "The age of technology and new business models". In addition, BIL co-organised a conference to discuss "What FinTech means for Luxembourg, What Luxembourg means to FinTech".

At all of these FinTech events, CEO Hugues Delcourt asserted BIL's intention to play an active role in the fundamental transformation of the banking sector and of the development of the FinTech sector in Luxembourg.

BIL has also retained innovation as a key principle in other areas, such as its BILjobdating recruitment event. This involved inviting potential recruits through social media to come to an event in which speed-recruitment strategies were used to structure three rounds of interviews. This gave the Bank's HR department access to recruits who might otherwise not apply and the ability to have a first meeting without the intermediary of paper documents.

BIL is making significant efforts in the area of technology. For example, the BILnet mobile platform is constantly being upgraded in order to bring improved functionality and features to clients. This has included the introduction of Apple's Touch ID functionality for users of Apple devices, along with a significant update to the BILnet user interface, which can now present similar functionalities regardless of screen size, thus reducing the configuration need from a computer.

[1] "Wealth management" was previously called "private banking".

Strength of commercial franchises

The "Retail, Corporate and Wealth Management" activities have once more turned in a robust performance during the first half of 2015.

- Customer deposits were up by 6.3% to reach 14.3 billion (versus 13.4 billion at year-end 2014) as this commercial franchise continues its development in Luxembourg and abroad.
- Customer funds (assets under management - AuM) increased by 6.7% to 32.8 billion, compared to 30.8 billion at the end of 2014. This change resulted from net new inflows amounting to 0.7 billion and a positive market effect of 1.3 billion.
- Customer loans saw an increase of 5.7% to 11.5 billion compared with 10.8 billion at year-end 2014. BIL has once again confirmed its support to the Luxembourg economy, particularly for corporate and individual customers.

Profitability confirmed

BIL reported a pre-tax income of 130 million in 2015, up 38% as compared to June 2014 (94 million), exceeding 2015 expectations. This result reveals a solid performance from commercial banking activities (+6 million compared with 2014) despite a substantial decrease in financial markets' contribution (4 million capital gains in 2015 versus 34 million last year). The high contribution of Group Center in 2015 for 58 million (+ 52 million) is mainly due to 66.6 million generated by the sale of Luxempart in January 2015.

Improvements highlighted by the rating agencies

After the rating agencies' annual reviews performed during the first half of 2015, BIL's rating situation remains robust as illustrated in the table hereunder. The major 2015 evolutions applied in the Fitch Ratings and Moody's Investors Services methodologies are related to the EU's Bank Recovery and Resolution Directive (BRRD) specifying that sovereign support can no longer be relied upon. On June 24, 2015, Moody's upgraded BIL's long-term deposit and senior unsecured debt ratings by one notch to "A3" from "Baa1" and also the stand-alone rating for the Bank (Baseline Credit Assessment) to "baa3" from "ba1" according to their new methodology applied since March 2015.

BIL	S&P		Fitch		Moody's *(un-sollicited contract)*	
last publication	**August 25, 2015**	**2015 Evolution**	**May 19, 2015**	**2015 Evolution**	**June 24, 2015**	**2015 Evolution**
Long Term Rating	**A-**	*Following the annual review on June 17, 2015, S&P confirmed all the ratings. A new rating action will be published when the EU's BRRD will be transcribed in the national law.*	**BBB+**	*to BBB+ from A- as government support is not generating a 1 notch upgrade anymore*	**A3**	*to A3 from Baa1 (+1 notch)*
Short Term Rating	**A-2**		**F2**	*to F2 from F1*	**P-2**	*confirmed*
Outlook	**Negative**		**Stable**	*to Stable from Negative*	**Positive**	*potential for an upgrade*
Rating stand-alone	**bbb+ (SACP)**		**bbb+ (VR)**	*confirmed*	**baa3 (BCA)**	*to baa3 from ba1 (+1 notch)*
Senior Unsecured Debt	**A-**		**BBB+**	*to BBB+ from A-*	**A3**	*+ 1 notch*
Senior Subordinated Debt	**BBB-**		**BBB**	*confirmed*	**Ba1**	*+ 1 notch*

2. Consolidated statement of income and consolidated balance sheet [1]

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of BIL group for the first half of 2015 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).

ANALYSIS OF THE CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME – GLOBAL VIEW

(in EUR million)	30/06/14	30/06/15	Change versus 2014	%
Income	281.0	317.6	36.5	13%
Expenses	(165.8)	(173.4)	(7.6)	5%
Gross operating income	**115.3**	**144.2**	**28.9**	**25%**
Cost of risk and provisions for legal litigation	(21.2)	(14.6)	6.6	(31,1)%
Net income before tax	**94.1**	**129.6**	**35.5**	**38%**
Tax expense	(26.3)	(21.2)	5.2	(19,7)%
Net income	**67.7**	**108.4**	**40.7**	**60%**

As at June 30, 2015, net income for BIL group totalled 108 million, a robust growth of 41 million (+60%) as compared to June 2014.

CONTRIBUTION TO THE CONSOLIDATED STATEMENT OF INCOME BY BUSINESS LINE

(in EUR million)	Retail, Corporate and Wealth Management		Treasury and Financial Markets		Group Center		TOTAL	
	30/06/14	30/06/15	30/06/14	30/06/15	30/06/14	30/06/15	30/06/14	30/06/15
Income	221	231	41	19	19	67	281	318
Expenses	(144)	(150)	(17)	(18)	(5)	(6)	(166)	(173)
Gross operating income	**77**	**82**	**25**	**2**	**14**	**61**	**115**	**144**
Cost of risk and provisions for legal litigation	(13)	(12)	0	0	(8)	(2)	(21)	(15)
Net income before tax	**64**	**70**	**24**	**2**	**6**	**58**	**94**	**130**
Tax expense							(26)	(21)
Net income							**68**	**108**

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

Income

Suitable income growth of 37 million (+13%) was supported by the commercial activities as well as by Group Center and confirms the performance already observed during the last two years.

Income from “Retail, Corporate and Wealth Management” activities reached 231 million, up 10 million compared to 2014 (+5%) despite a difficult macroeconomic environment. Assets under Management (AuM) have increased markedly by 6.7% during the first half of 2015, resulting in the correlated evolution of fee and commission income by 7 million. Outstanding loans to customers have increased by 5.7% (+0.6 billion) in the three business lines and accordingly permitted to maintain the level of interest income (128 million) despite a low interest rate environment.

“Treasury and Financial Markets” income decreased by 22 million compared to the first half of 2014, amounting 19 million. The outstanding amount in the bond portfolio stood at 5.8 billion, generating income of 29 million (-2 million compared with 2014). Treasury and Financial Markets desks also contributed 13 million to the income (+4 million compared with 2014) through their active management of the Bank's surplus liquidity, Forex and Correspondent Banking activities. Assets and Liabilities Management contribution regressed by 25 million due to lower capital gains as the Bank maintains a very prudent approach with regards to long term interest rate exposure in a historically low interest rate environment.

"Group Center" activities generated an income of 67 million in 2015, soaring by 48 million compared to 2014. The major element of 2015 income was the capital gains related to the sale of Luxempart announced in January 2015 (+66.6 million). This positive impact was slightly reduced by the provisioning of the first contribution to the “Fonds de garantie des dépôts Luxembourg” and to the “Fonds de resolution Luxembourg” (-3.8 million at the end of June 2015).

Expenses

General expenses totalled 173 million for the first half of 2015, up 5% compared with 2014, mainly explained by commercial activities (+6 million compared to 2014) especially in the Wealth Management segment (5 million). These evolutions are induced by the development of the commercial franchise (e.g BIL Manage Invest, Belair House, Dubai branch). Nevertheless, commercial activities’ cost-income ratio remained stable in 2015 at 65%.

Gross operating income

Gross operating income amounted to 144 million, up 29 million compared with 115 million in 2014, of which 82 million (+5 million versus 2014) from commercial activities, 2 million (-23 million) from financial market activities and 61 million (+47 million) from Group Center.

Cost of risk and impairments

BIL group recorded net provisions on loans and advances of 15 million compared with 21 million in 2014. In 2015, specific value adjustments on loans reached 12 million (7 million in 2014) in accordance with the Bank’s cautious provisioning policy. The Bank posted 3 additional million of collective impairments on its loan books. During the first half of 2014, the Bank added 15 million of collective impairments in anticipation of the Asset Quality Review (AQR) and Stress Test exercises. Impaired loans as a percentage of total loans outstanding amounted to 2.94% in June 2015 versus 2.91% in June 2014, proving the good quality of the Bank’s assets.

Net income before tax

Net income before tax stood at 130 million compared with 94 million in 2014 (+36 million, i.e. +38%).

Tax

The 2015 tax expenses of 21 million correspond to the breakdown of taxable income between the various BIL group entities in jurisdictions with different taxation rates. The level of tax expenses is below 2014, influenced by the non-taxable capital gain of the Luxempart sale.

Net income

At the end of the first half of the year, the Bank generated a good performance with a net profit of 108 million. The Bank reconfirmed its high profitability driven by strategic initiatives and a solid commercial franchise.

ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

(in EUR billion)	31/12/14 (after restatement)	30/06/15	Change
ASSETS	**20.3**	**20.9**	**2.9%**
Loans and advances to credit institutions	2.3	2.0	(15.5)%
Loans and advances to customers	10.8	11.5	5.7%
Loans and securities available for sale	5.7	6.1	8.0%
Positive fair value of derivative products	0.4	0.3	(29.5)%
Other assets	1.1	1.0	-7.8%
LIABILITIES	**20.3**	**20.9**	**2.9%**
Amounts due to credit institutions	2.0	2.0	1.8%
Amounts due to customers	13.4	14.3	6.3%
Negative fair value of derivative products	0.7	0.4	(41.0)%
Debt securities	2.0	2.1	2.2%
Subordinated debts	0.5	0.4	(1.2)%
Other liabilities	0.5	0.5	5.2%
Shareholders' equity	1.2	1.2	(4.7)%

Assets movements

"Loans and advances to credit institutions" slightly decreased by 0.3 billion (-15.5%). This is mainly due to the reduction of the balance to the Swiss Central Bank. The Bank remains highly liquid at the end of June 2015 ; in addition to the liquidity constituted by the investment portfolio, the Bank held 0.8 billion with the Swiss and Luxembourg Central Banks.

"Loans and advances to customers" increased by 0.7 billion (+5.7%). Outstanding mortgage loans grew by 124 million (+3.6%) and cash advances by 214 million (+11%). During the first half of 2015, outstanding loans increased in all of the business lines, primarily in Luxembourg.

"Loans and securities available for sale" reached 6.1 billion (+8%), an increase resulting from additional investments in high quality bond positions in 2015. The outstanding bond portfolio stood at 5.8 billion at the end of June 2015. It consists mainly of assets eligible for refinancing from the European Central Bank and qualifying as liquidity reserves under Basel III and the CRD IV Directive. These assets enable the Bank to fully comply with liquidity ratio requirements.

Liabilities movements

"Amounts due to customers" showed a robust increase of 0.9 billion (+6.3%) mainly represented by an increase of demand deposits along with a boost observed since May 2015 related to client divestments out of volatile equity markets.

Both "Debt securities" issued under the EMTN programme to Institutional, Retail and Wealth Management clients and "Subordinated debts" are stable compared to December 2014.

"Shareholders' equity" decreased by 4.7%. This decrease was mainly due to the 2014 profit allocation. The 107 million decrease of the Available For Sale (AFS) revaluation reserves (on bonds and equity portfolios) totally offsets the first half of 2015 net profit of 108 million.

3. Outlook

During the first half of 2015, the Bank initiated a new corporate strategy designed to take the Bank forward to 2020, while continuing to show strong financial results as the Bank leaves the financial crisis behind.

A key forward-looking focus of this strategy is innovation. The Bank is seeking ways to increase its involvement in this area. For example, the Bank was recently the first in Luxembourg to sign an agreement with the European Investment Fund (EIF) to increase lending to innovative Luxembourg-based businesses. The agreement is part of the European Fund for Strategic Investments, also known as the Juncker Plan. It makes provision for BIL to be in a position to lend up to 60 million in such companies, on preferential terms, over the next two years. These loans will be covered by an EIF guarantee for 50% of their amount.

Risk Management

1. Key events of 2015

Corporate structure and risk profile

Since end of 2014, important strategic initiatives have been undertaken at a group-wide level, thus naturally impacting BIL group's corporate structure and risk profile. All those initiatives have been carefully followed by the Bank's Risk Management department whose main objective is to guide their implementation by ensuring, on an on-going basis, that the related risks are under control and compatible with the institution's risk appetite.

Main events having impacted the Bank's risk profile evolution during the first half of 2015 are described in the management report in section "Business Review and Results".

Regulatory environment

The Risk Management department continues to implement the Basel III requirements, as transposed within the EU legislation through the CRD IV/CRR package as well as the Bank Recovery and Resolution Directive (BRRD). Those requirements have significant repercussions on the Bank's strategy and overall risk profile perception; their implementation thus needs to be carefully monitored internally.

The publication by the European Banking Authority (EBA), in June 2015, of Implementing Technical Standards (ITS) related to the supervisory reporting of the liquidity coverage ratio (LCR) as well as disclosure and supervisory reporting of the leverage ratio, submitted to the European Commission for approval, are part of the topics still to be achieved internally in the context of the CRR/CRD IV implementation.

Moreover, the BRRD is being further complemented by technical rules developed by the EBA on a number of subjects including, among other things, concrete information requirements for recovery and resolution plans and securing accurate valuations of assets and losses at the point of resolution. BIL will consequently amend its recovery plan in order to enhance its overall efficiency under adverse circumstances.

2. Credit risk

Credit risk exposure is measured using the internal Maximum Credit Risk Exposure (MCRE) metric, which comprises:

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

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

As at the end of June 2015, the Bank's total credit risk exposure amounted to 21.7 billion, compared to 20.2 billion at the end of 2014. This increase is explained by a larger exposure to financial institutions and by the positive evolution of recurring activities, especially in Luxembourg.

The tables below illustrate such evolution, broken down according to both geographic and counterparty type axes.

EXPOSURE BY GEOGRAPHIC REGION

(in EUR million)	30/06/14	31/12/14	30/06/15	Evolution between 31/12/14 and 30/06/15
Luxembourg	10,289	9,810	10,369	559
France	1,935	2,117	2,311	194
Belgium	1,323	1,396	1,332	(64)
Switzerland	2,204	1,217	1,291	74
Germany	1,248	1,179	1,175	(4)
Spain	596	472	549	77
Italy	685	598	541	(57)
Ireland	373	450	413	(37)
Portugal	5	5	6	1
Turkey	15	8	6	(2)
Greece	0	0	0	(0)
Rest of Europe	2,323	2,106	2,264	158
Japan	29	16	83	67
America	236	119	540	421
Southeast Asia	368	381	410	29
Others	377	379	438	59
TOTAL	**22,004**	**20,253**	**21,728**	**1,475**

The *Others* segment includes countries like Qatar, United Arab Emirates and other countries not part of the above mentioned list.

As at June 30, 2015 the Bank's total exposure remains concentrated in the European Union (84%) and particularly in Luxembourg (48%) and its neighboring countries (i.e. Belgium, France and Germany, 22%), in line with its business strategy.

EXPOSURE BY COUNTERPARTY TYPE

(in EUR million)	30/06/14	31/12/14	30/06/15	Evolution between 31/12/14 and 30/06/15
Central Governments	6,282	5,225	5,204	(21)
Public Sector Entities	1,059	1,372	1,696	324
Corporate	3,931	3,941	4,246	305
Securitisation	-	100	177	77
Project Finance	35	6	7	1
Individuals, SME & Self Employed	7,169	7,277	7,360	83
Financial Institutions	3,518	2,326	2,981	655
Others	12	6	57	51
TOTAL	**22,004**	**20,253**	**21,728**	**1,475**

The increase observed on financial institutions exposure is mainly explained by 338 million of short-term loans and 65 million of repo and reverse repo activities. New exposure to Public Sector Entities is mainly concentrated in Switzerland (+317 million). The increase of corporate exposure is mainly concentrated in Luxembourg (+263 million) within both the Financial & Insurance and the Construction & Real Estate sectors.

BREAKDOWN OF THE GOVERNMENT BOND PORTFOLIO FOR SENSITIVE EUROPEAN COUNTRIES BY MATURITY BUCKET FOR THE FIRST HALF OF 2015 (EXCLUDING TRADING)

	30/06/14	31/12/14	30/06/15									
(in EUR million)			2015	2016	2017	2018	2019	2022	2023	2024	2025	TOTAL
Ireland	227	290	0	73	116	0	0	25	0	41	108	363
Italy	573	505	0	212	134	11	0	0	0	0	0	358
Spain	266	257	22	102	34	0	22	0	50	76	32	339
TOTAL	**1,066**	**1,052**	**22**	**388**	**285**	**11**	**22**	**25**	**50**	**117**	**140**	**1,060**

The Bank's portfolio exposure on PIIGS [1] has slightly increased during the last semester and is explained by 192 million of new investments, as compared to sales or matured positions representing 184 million, of which 148 million on Italy.

As at mid-2015, the Bank has no investment in Portuguese or Greek government bonds.

Forbearance

According to EBA's definition, forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). Those measures include in particular the granting of extensions, postponements, renewals or changes in credit terms and conditions, including the repayment plan.

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

The granting of forbearance measures 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, the early termination fee is recognised directly in profit or loss (if restructuring terms are substantively different from the initial ones) or spread over the term of the new loan.

As at June 30, 2015, BIL group's forborne exposures amounted to 225 million compared to 185 million at year-end 2014. The increase of 40 million is mainly concentrated on individuals and SME counterparties reclassified into the forborne scope.

Credit quality of forborne financial assets

Information on forborne financial assets broken down by category (i.e. neither past due nor impaired, past due but not impaired and impaired) and counterparty type is disclosed in the following table, in line with IFRS 7 requirements.

(in EUR million)	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Impairment
Corporate	44	23	25	92	20
Financial Institutions	14	0	0	14	0
Individuals, SME & Self Employed	73	29	17	119	10
TOTAL	**131**	**52**	**42**	**225**	**30**

[1] Economies of Portugal, Italy, Ireland, Greece and Spain.

Forborne assets split by industry sector and geographical region

Breakdown of the forborne financial assets by industry sector and geographical region is disclosed hereafter:

(in EUR million)	Luxembourg	France	Germany	Belgium	Rest of Europe	America	Others	Total
Construction	30		1	0				30
Information and communication	3		0		1			4
Financial and insurance activities	57	0		0	3			60
Real estate activities	20	22	2	6	0			50
Agriculture, forestry and fishing	17							17
Electricity, gas, steam amd air conditioning supply	15							15
Wholesale and retail trade; repair of motor vehicles and motorcycles	10	1	2		0			12
Human health and social work activities	2		0					2
Accomodation and food service activities	4		1					5
Professional, scientific and technical activities	2	1	0					2
Transportation and storage	0		0					0
Other service activities	0							0
Administrative and support service activities	0		0					1
Public administration and defence; compulsory social security	0		0					0
Arts, entertainment and recreation	0		0					0
Water supply; sewerage, waste management and remediation activities	0							0
Manufacturing	0							0
Others	11	7	2	0	0	0	5	24
Total	**172**	**30**	**8**	**6**	**4**	**0**	**5**	**225**

3. Market risk

Treasury and Financial Markets

VaR (10 days, 99%) per activity (in EUR million)	**30/06/14**	**31/12/14**	**30/06/15**		
			IR & FX (trading and banking)	**EQT Trading**	**Total**
Average	3.73	2.40	1.12	0.01	1.12
End of period	2.34	0.45	1.07	0.00	1.07
Maximum	5.45	5.45	5.22	0.02	5.22
Limit	8.00			8.00	

Throughout last year, the average Value at Risk dropped continuously due to both a decrease of the interest rates levels and volatility, especially on the two and three years maturity buckets, and to a change in the Value at Risk calculation methodology. The modifications in the Value at Risk calculation methodology have been made for the treasury activity of BIL Luxembourg and BIL Switzerland. This decision was taken due to an increase in short term interest rate volatility for the Swiss currency following the action of the Swiss National Bank (SNB) to unpeg the CHF in January 2015. The corresponding methodological evolution concerns the use of an absolute return based model as compared to the previous relative return based model. The end of period Value at Risk of 2015 is on an upward trend due to an increase of EUR interest rates since the end of April 2015.

Investment Portfolio

BIL continued its investments in the portfolio during the first half of 2015.

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

The investment bond portfolios have a total nominal exposure of 5.5 billion as at June 30, 2015 (against 4.9 billion as at December 31, 2014).

The majority of the bonds are classified in the AFS portfolio: 5.4 billion as at June 30, 2015 (against 4.8 billion as at December 31, 2014). The remaining part of 120 million (158 million as at December 31, 2014) is classified in the Held To Maturity (HTM) portfolio.

As far as the AFS bond portfolio is concerned, the sensitivity of the fair value (and the AFS reserve) to a one basis point widening of the spread was -2.8 million as at June 30, 2015 (compared with –2.7 million per basis point as at December 31, 2014).

The following table discloses the sensitivity of the investment portfolio including the AFS and HTM books.

	Notional amount			Rate bpv			Spread bpv		
(in EUR million)	30/06/14	31/12/14	30/06/15	30/06/14	31/12/14	30/06/15	30/06/14	31/12/14	30/06/15
Treasury	2,613	2,323	2,488	(0.19)	(0.15)	(0.14)	(0.85)	(0.81)	(0.83)
ALM	2,167	2,588	3,007	(0.57)	(0.23)	(1.01)	(1.59)	(1.98)	(2.10)

4. Asset quality

Both the Bank's loan portfolio size (including impaired and non-impaired loans to customers) and the level of specific provisions have increased during the first half of 2015.

(in EUR million)	30/06/14	31/12/14	30/06/15
Gross amount of non-impaired loans to customers	10,054	10,807	11,415
Gross amount of impaired loans to customers	301	314	345
Specific provisions	235	256	276
Asset quality ratio	2.91%	2.83%	2.94%
Coverage ratio	77.93%	81.46%	79.97%

As at end of June 2015, the impaired loans and advances to customers amounted to 345 million, corresponding to a relative increase of 9.8% as compared with the previous period. Specific provisions increased only by 7.81%, which explains the slight decrease of the BIL's coverage ratio to a still sound level of 79.97%.

The asset quality ratio as at June 30, 2015 slightly increased compared to end of 2014.

5. Solvency monitoring

See Note 8 of the consolidated financial statements.

Consolidated financial statements (unaudited)

Consolidated balance sheet

ASSETS (in EUR)		30/06/14	31/12/14	30/06/15
I.	Cash and balances with central banks	2,276,562,727	1,189,683,299	845,797,608
II.	Loans and advances to credit institutions	1,756,712,487	1,159,872,903	1,139,459,668
III.	Loans and advances to customers	10,085,703,610	10,838,506,113	11,455,007,697
IV.	Financial assets measured at fair value through profit or loss	138,795,257	82,141,549	142,578,226
V.	Financial investments	5,817,912,449	5,831,561,284	6,246,324,913
VI.	Derivatives	692,446,612	425,057,766	299,485,220
VII.	Fair value revaluation of portfolios hedged against interest rate risk	15,259,133	13,878,066	11,712,350
VIII.	Investments in associates	20,349,510	22,660,198	21,489,350
IX.	Investment property	148,003,696	138,336,363	132,086,391
X.	Property, plant and equipment	111,756,713	109,788,220	108,932,387
XI.	Intangible fixed assets and goodwill	66,535,993	66,338,258	68,906,688
XII.	Current tax assets	6,019	7,891	124,501
XIII.	Deferred tax assets	322,262,719	303,498,936	299,998,633
XIV.	Other assets	89,078,244	103,451,646	109,672,309
TOTAL ASSETS		**21,541,385,169**	**20,284,782,492**	**20,881,575,941**

LIABILITIES (in EUR)		30/06/14	31/12/14	30/06/15
I.	Amounts due to credit institutions	2,271,546,676	2,009,224,539	2,045,939,267
II.	Amounts due to customers	13,833,176,255	13,444,133,543	14,288,565,734
III.	Financial liabilities measured at fair value through profit or loss	1,218,542,092	1,023,399,813	898,704,347
IV.	Derivatives	853,875,317	712,019,921	419,962,572
V.	Fair value revaluation of portfolios hedged against interest rate risk	70,026,716	70,790,659	58,808,211
VI.	Debt securities	1,106,122,426	1,014,828,413	1,184,995,596
VII.	Subordinated debts	529,919,861	451,200,114	445,568,856
VIII.	Provisions and other obligations	73,104,261	80,710,442	80,748,710
IX.	Current tax liabilities	1,159,788	1,445,632	3,801,778
X.	Deferred tax liabilities	27,941,971	584,624	971,481
XI.	Other liabilities	274,780,200	244,308,079	279,531,974
TOTAL LIABILITIES		**20,260,195,563**	**19,052,645,779**	**19,707,598,526**

SHAREHOLDERS' EQUITY (in EUR)		30/06/14	31/12/14	30/06/15
XII.	Subscribed capital	141,224,090	141,224,090	141,224,090
XIII.	Additional paid-in capital	708,297,160	708,297,160	708,297,160
XIV.	Treasury shares	(1,455,000)	(1,455,000)	(1,455,000)
XV.	Reserves and retained earnings	219,239,821	116,379,367	176,890,031
XVI.	Net income for the period	67,719,214	122,514,679	108,398,410
CORE SHAREHOLDERS' EQUITY		**1,135,025,285**	**1,086,960,296**	**1,133,354,691**
XVII.	Gains and losses not recognised in the consolidated statement of income	146,164,321	145,176,417	40,622,724
	a) AFS reserve	*184,151,410*	*189,687,997*	*82,027,847*
	b) Other reserves	*(37,987,089)*	*(44,511,580)*	*(41,405,123)*
GROUP EQUITY		**1,281,189,606**	**1,232,136,713**	**1,173,977,415**
XVIII.	Non-controlling interest	0	0	0
TOTAL SHAREHOLDERS' EQUITY		**1,281,189,606**	**1,232,136,713**	**1,173,977,415**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**21,541,385,169**	**20,284,782,492**	**20,881,575,941**

Consolidated statement of income

(in EUR)		30/06/14	31/12/14	30/06/15
I.	Interest and similar income	299,819,874	596,832,866	268,221,061
II.	Interest and similar expense	(165,621,768)	(330,160,933)	(126,849,785)
III.	Dividend income	4,831,557	4,831,633	168,039
IV.	Net income from associates	2,031,722	3,112,517	1,847,596
V.	Net trading income and net result of hedge accounting	7,290,336	20,489,183	4,407,984
VI.	Net income on investments (assets and liabilities not designated at fair falue through profit or loss)	46,890,454	76,970,315	83,023,710
VII.	Fee and commission income	93,431,075	200,388,822	104,906,357
VIII.	Fee and commission expense	(9,832,580)	(29,165,091)	(14,667,963)
IX.	Other net income	2,191,588	(14,016,073)	(3,478,960)
INCOME		**281,032,258**	**529,283,239**	**317,578,039**
X.	Staff expenses	(95,154,090)	(200,408,979)	(103,806,424)
XI.	General and administrative expenses	(55,234,327)	(110,912,009)	(57,912,862)
XII.	Amortisation of tangible and intangible fixed assets	(15,379,889)	(27,233,907)	(11,691,685)
EXPENSES		**(165,768,306)**	**(338,554,895)**	**(173,410,971)**
GROSS OPERATING INCOME		**115,263,952**	**190,728,344**	**144,167,068**
XIII.	Impairment on loans and provisions for credit commitments	(21,574,661)	(26,586,319)	(14,555,138)
XIV.	Impairment on tangible and intangible fixed assets	0	0	0
XV.	Provisions for legal litigation	376,816	299,998	(50,000)
NET INCOME BEFORE TAX		**94,066,107**	**164,442,023**	**129,561,930**
XVI.	Tax expenses	(26,346,893)	(41,927,344)	(21,163,520)
NET INCOME FOR THE PERIOD		**67,719,214**	**122,514,679**	**108,398,410**
	Net income - Group share	67,719,214	122,514,679	108,398,410
	Non-controlling interest	0	0	0

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

Consolidated
management report

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Consolidated statement of comprehensive income

(in EUR)	30/06/14	31/12/14	30/06/15
NET INCOME RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**67,719,214**	**122,514,679**	**108,398,410**
GAINS (LOSSES) NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME	**52,131,669**	**51,143,765**	**(104,553,694)**
Items that will not be reclassified to profit or loss	**(38,027)**	**(9,999,648)**	**(952,852)**
Actuarial gains (losses) on defined benefit pension plans - Gross	(50,703)	(13,995,045)	(1,278,193)
Actuarial gains (losses) on defined benefit pension plans - Tax	12,676	3,995,397	325,341
Items that may be reclassified to profit or loss	**52,169,696**	**61,143,413**	**(103,600,842)**
Gains (losses) on net investment hedge	(62,780)	(95,022)	(455,061)
Translation adjustments	636,889	1,019,468	(3,883,750)
Gains (losses) on cash flow hedge	399,288	3,009,873	13,977,555
Unrealised gains (losses) on available for sale financial investments	72,324,427	74,773,388	(124,129,869)
Share of other recognised income & expense of investments in subsidiaries, joint ventures & associates	0	1,229,893	(1,628,165)
Tax on items that may be reclassified to profit or loss	(21,128,128)	(18,794,187)	12,518,448
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**119,850,883**	**173,658,444**	**3,844,716**
Attributable to equity holders of the parent company	**119,850,883**	**173,658,444**	**3,844,716**
Attributable to non-controlling interests	0	0	0

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

Consolidated statement of changes in equity

CORE SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 01/01/14	**141,224,090**	**708,297,160**	**(1,455,000)**	**104,297,798**	**114,107,332**	**1,066,471,380**
Classification of income 2013				114,117,969	(114,117,969)	0
Classification of income to hybrid capital				(2,962,684)		(2,962,684)
Cancellation deferred tax iabilities on hybrid capital				875,375		875,375
Deferred tax assets on AGDL reserve				2,922,000		2,922,000
Changes in scope of consolidation				(10,637)	10,637	0
Net income for the period					67,719,214	67,719,214
AS AT 30/06/14	**141,224,090**	**708,297,160**	**(1,455,000)**	**219,239,821**	**67,719,214**	**1,135,025,285**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Associates	Other reserves	Translation adjustments[1]	Gains and losses not recognised in the consolidated statement of income
AS AT 01/01/14	**132,857,075**	**(14,830,178)**	**2,251,216**	**(14,111,683)**	**(12,133,778)**	**94,032,652**
Net change in fair value through equity - Available for sale investments	77,690,885					77,690,885
Net change in fair value through equity - Cash flow hedges		238,472				238,472
Net change in other reserves						0
Translation adjustments	22,118			(38,028)	636,890	620,980
Reimbursements for the period, disposals or maturities	1,736					1,736
Cancellation of fair value following AFS disposals	(26,420,404)					(26,420,404)
AS AT 30/06/14	**184,151,410**	**(14,591,706)**	**2,251,216**	**(14,149,711)**	**(11,496,888)**	**146,164,321**

NON-CONTROLLING INTERESTS (in EUR)	Core shareholders' equity	Gains and losses not recognised in the consolidated statement of income	Non-controlling interests
AS AT 01/01/14	**0**	**0**	**0**
Changes in scope of consolidation	0	0	0
AS AT 30/06/14	**0**	**0**	**0**

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

[1] As at June 30, 2014, translation adjustments comprise an amount of EUR -35,612,582 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

CORE SHAREHOLDERS' EQUITY, GROUP (in EUR)	Subscribed capital	Additional paid-in capital	Treasury shares	Reserves and retained earnings	Net income for the period	Core shareholders' equity
AS AT 01/01/15	**141,224,090**	**708,297,160**	**(1,455,000)**	**116,379,367**	**122,514,679**	**1,086,960,296**
Dividend paid [1]				(54,970,253)		(54,970,253)
Interest on contingent convertible bond (compound instrument) [2]				(7,033,762)		(7,033,762)
Classification of income 2014				122,514,679	(122,514,679)	0
Net income for the period					108,398,410	108,398,410
AS AT 30/06/15	**141,224,090**	**708,297,160**	**(1,455,000)**	**176,890,031**	**108,398,410**	**1,133,354,691**

GAINS AND LOSSES NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME (in EUR)	Securities (AFS)	Derivatives (CFH)	Associates	Other reserves	Translation adjustments [3]	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	(30,758,322)		(1,628,165)			(32,386,487)
Net change in fair value through equity - Cash flow hedges		(1,447,859)				(1,447,859)
Net change in other reserves				(97,152)		(97,152)
Translation adjustments	33,091			(855,700)	(3,883,750)	(4,706,359)
Reimbursements for the period, disposals or maturities	3,253					3,253
Cancellation of fair value following AFS disposals	(76,938,171)					(76,938,171)
Cash flow hedge - Break in hedging		11,019,081				11,019,081
AS AT 30/06/15	**82,027,848**	**(3,195,826)**	**1,852,944**	**(25,064,183)**	**(14,998,060)**	**40,622,723**

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			
AS AT 30/06/15	**0**	**0**	**0**

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

[1] Dividend paid of EUR 54,996,696 (following the General Meeting of Shareholders' decision) less dividend received on treasury shares of EUR 26,443.
[2] Amount net of tax.
[3] As at June 30, 2015, translation adjustments comprise an amount of EUR -58,788,092 relating to net investment hedges linked to foreign exchange differences in consolidated investments.

Consolidated cash flow statement

(in EUR)	30/06/14	31/12/14	30/06/15
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period	67,719,214	122,514,679	108,398,410
Adjustment for :			
- Depreciation and amortisation	21,645,093	39,775,357	17,733,920
- Impairment on bonds, equities and other assets	6,458,261	13,001,871	9,073,085
- Net gains / (losses) on investments	(3,312,446)	(13,121,518)	(64,867,197)
- Provisions (including collective impairment)	10,486,807	(3,284,163)	5,437,964
- Change in unrealised gains (losses)	(253,721)	(111,127)	11,174,247
- Income / (expense) from associates	(2,031,722)	(3,112,517)	(1,847,596)
- Dividends from associates	1,002,223	1,002,223	1,390,280
- Deferred taxes	24,844,925	40,165,633	19,783,826
- Other adjustments	0	0	(268,800)
Changes in operating assets and liabilities	1,435,319,475	52,120,514	(262,242,515)
NET CASH FLOW FROM OPERATING ACTIVITIES	**1,561,878,109**	**248,950,952**	**(156,234,376)**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(15,801,721)	(28,028,232)	(14,100,762)
Sale of fixed assets	79,579	6,733,316	(388,595)
Purchase of non-consolidated shares	(2,762,331)	(2,762,331)	(385,200)
Sales of non-consolidated shares	13,752,970	5,198,019	74,111,247
Sales of subsidiaries / branch closures	(1,042,059)	4,907,050	0
NET CASH FLOW FROM INVESTING ACTIVITIES	**(5,773,562)**	**(13,952,178)**	**59,236,690**
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of subordinated debts	150,000,000	150,000,000	0
Reimbursement of subordinated debts	(42,633,065)	(138,997,158)	(26,752,178)
Dividends paid	0	(99,986,656)	(54,970,253)
NET CASH FLOW FROM FINANCING ACTIVITIES	**107,366,935**	**(88,983,814)**	**(81,722,431)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,663,471,482**	**146,014,960**	**(178,720,117)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**1,991,259,730**	**1,991,259,729**	**2,150,617,305**
Net cash flow from operating activities	1,561,878,109	248,950,952	(156,234,376)
Net cash flow from investing activities	(5,773,562)	(13,952,178)	59,236,690
Net cash flow from financing activities	107,366,935	(88,983,814)	(81,722,431)
Effect of change in exchange rate and in scope of consolidation on cash and cash equivalents	3,441,987	13,342,616	38,942,580
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,658,173,199**	**2,150,617,305**	**2,010,839,768**
ADDITIONAL INFORMATION			
Taxes paid (-) / received (+)	(1,778,643)	(1,758,944)	675,568
Dividends received	4,831,557	4,831,633	168,039
Interest received	303,712,119	638,564,163	266,321,660
Interest paid	(174,722,146)	(364,527,630)	(146,303,560)

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 period under review as well as for the comparative period, 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 changes 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 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. 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 July 29, 2015, and signed by Hugues Delcourt, Chairman of the Management Board and Chief Executive Officer of the group.

These consolidated statements cover the period beginning July 1, 2014 and ending June 30, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. ACCOUNTING RULES AND METHODS

1.1 Basis accounting

1.1.1 Statement of compliance

BIL's consolidated financial statements are prepared in accordance with the IFRS, as adopted by the European Union (EU).

BIL's consolidated financial statements have therefore been prepared in accordance with all IFRS as adopted by the EU and endorsed by the European Commission (EC) up to June 30, 2015.

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

A summary of the main accounting policies is provided in the annual report as at December 31, 2014.

Since then, no changes in content were made in those accounting policies that had a material impact on the results.

1.1.2 Accounting estimates and judgements

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

Judgements are made principally in the following areas:
- Classification of financial instruments into the appropriate category ("loans and receivables", "held to maturity", "available for sale", "held for trading" and "fair value option") for measurement purposes based on the instrument's characteristics and BIL's intention;
- 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;
- Determination of fair value for financial instruments measured at fair value by means of valuation techniques;
- Determination on whether BIL controls the investee, including special purpose entities;
- The appropriateness of designating derivatives as hedging instruments;

- Existence of a present obligation with probable outflows in the context of litigation; and
- Identification of impairment triggers.

These judgements are entered into the corresponding sections of the accounting policies.

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

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 June 30, 2015.

1.2.1 IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2015

There were no standard, interpretation or amendment endorsed by the European Commission and applicable from January 1, 2015.

1.2.2 IASB and IFRIC texts endorsed by the European Commission during the current period but not yet applicable as from January 1, 2015

There were no standard, interpretation or amendment endorsed by the European Commission and not yet applicable as from January 1, 2015.

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

There were no standard, interpretation or amendment issued and not yet endorsed by the European Commission as from January 1, 2015.

Note 2: Material changes in scope of consolidation from July 1, 2014 to June 30, 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
BIL Reinsurance SA (sold)

Companies proportionally consolidated for the first time
N/A

Companies no longer proportionally consolidated
N/A

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

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

B. Main changes in the Group's interest percentage

	From	To
Société du 25 juillet 2013 SA	99.99	100.00

C. Changes in corporate names

N/A

Note 3: Business reporting

A segment is a distinguishable component of BIL that is engaged either in providing specific products or services (business segment) or in providing specific products or services within a particular economic environment (geographic segment), which is subject to risks and returns that differ from those of other segments. Segments for which a majority of the 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 2015, BIL maintains the 2014 segmentation as follows:

- "Retail, Corporate and Wealth Management" is organised around three business lines, Retail Banking, Corporate & Institutional Banking and Wealth Management, in order to improve synergies between the three pillars and to better address client needs.
- "Treasury and Financial Markets" is split into four desks: Treasury, Investment Portfolio, Assets and Liabilities Management (ALM) and Financial Markets.

INCOME (in EUR thousands)	**30/06/14**			
	Income	***of which net income from associates***	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	220,642	*0*	*129,311*	63,943
Treasury and Financial Markets	41,362	*0*	*2,379*	24,490
Group Center	19,028	*2,032*	*7,340*	5,633
TOTAL	**281,032**	***2,032***	***139,030***	**94,066**
Net income before tax				94,066
Tax expense				(26,347)
NET INCOME				**67,719**

	30/06/15			
	Income	***of which net income from associates***	***of which interest income and dividend income***	**Net income before tax**
Retail, Corporate and Wealth Management	231,449	*0*	*128,459*	69,769
Treasury and Financial Markets	19,183	*0*	*8,424*	1,631
Group Center	66,946	*1,848*	*4,656*	58,162
TOTAL	**317,578**	***1,848***	***141,539***	**129,562**
Net income before tax				129,562
Tax expense				(21,164)
NET INCOME				**108,398**

ASSETS AND LIABILITIES (in EUR thousands)	**31/12/14**		**30/06/15**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Retail, Corporate and Wealth Management	10,838,506	14,677,531	11,455,008	15,539,038
Treasury and Financial Markets	8,587,903	3,511,644	8,642,630	3,262,708
Group Center	858,373	863,470	783,938	905,853
TOTAL	**20,284,782**	**19,052,646**	**20,881,576**	**19,707,599**

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 if they are directly managed by a commercial or financial product line.

Note 4: Subordinated debts and debt securities

Subordinated debt [1]

ANALYSIS BY NATURE	30/06/14	31/12/14	30/06/15
Non-convertible subordinated debts	316,915,437	301,539,478	296,005,688
Hybrid capital and redeemable preferred shares [2]	63,004,424	0	0
Contingent convertible bond (compound instrument) [3]	150,000,000	149,660,636	149,563,168
TOTAL	**529,919,861**	**451,200,114**	**445,568,856**

Debt securities

ANALYSIS BY NATURE	30/06/14	31/12/14	30/06/15
Certificates of deposit	56,317,033	61,125,788	73,727,182
Non-convertible bonds	1,049,805,393	953,702,625	1,111,268,414
TOTAL	**1,106,122,426**	**1,014,828,413**	**1,184,995,596**

Note 5: Exchange rates

		30/06/14		31/12/14		30/06/15	
		Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
Australian dollar	AUD	1.4519	1.4994	1.4845	1.4719	1.4507	1.4335
Canadian dollar	CAD	1.4592	1.5027	1.4058	1.4628	1.3931	1.3855
Swiss franc	CHF	1.2149	1.2187	1.2028	1.2126	1.0406	1.0454
Danish krone	DKK	7.4553	7.4621	7.4460	7.4544	7.4605	7.4602
Pound sterling	GBP	0.8005	0.8180	0.7775	0.8026	0.7102	0.7268
Hong Kong dollar	HKD	10.5991	10.6343	9.4045	10.2485	8.6706	8.6044
Japanese yen	JPY	138.6217	139.9903	145.1121	140.5139	136.6975	133.6189
Norwegian krone	NOK	8.3934	8.3049	9.0523	8.3952	8.7612	8.6256
Polish zloty	PLN	4.1559	4.1812	4.3002	4.1963	4.1911	4.1289
Swedish krone	SEK	9.1492	8.9834	9.4314	9.1158	9.2507	9.3125
Singapore dollar	SGD	1.7060	1.7273	1.6057	1.6774	1.5057	1.4994
US dollar	USD	1.3677	1.3710	1.2126	1.3214	1.1185	1.1098

[1] List available upon request.
[2] On October 6, 2014, the Bank purchased back part of its hybrid debt, mainly through its Liability Management Exercise. BIL proceeded to an early repayment of the remaining outstanding in order to reimburse the Participation in whole.
[3] On June 30, 2014, the Bank issued a EUR 150 million contingent convertible bond eligible as additional Tier 1 capital.

Note 6: Material items in the statement of income

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

Note 7: Post-balance sheet events

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

Note 8: Solvency ratios

Regulatory capital, total amount of weighted risks and solvency ratios [1]

	30/06/14	31/12/14	30/06/15
TOTAL REGULATORY CAPITAL	**1,056,391,470**	**979,083,438**	**927,855,463**
Regulatory capital in the strict sense	**909,195,432**	**915,012,975**	**888,519,055**
Core shareholders' equity	1,067,306,071	1,064,432,273	1,049,956,281
Translation adjustments - Group	(11,496,886)	(11,114,307)	(14,998,057)
Deductions and prudential filters	(296,613,753)	(288,304,991)	(296,439,169)
Additional Tier 1 [2]	150,000,000	150,000,000	150,000,000
TIER 2 CAPITAL	**147,196,038**	**64,070,463**	**39,336,408**
Fixed-term subordinated loans	140,621,346	60,250,036	39,336,408
Deductions and prudential filters	6,574,692	3,820,427	0

	30/06/14	31/12/14	30/06/15
WEIGHTED RISKS	**5,173,438,094**	**5,006,413,548**	**5,634,254,939**
Credit risk	4,277,602,634	4,140,187,282	4,784,363,108
Market risk	128,180,473	136,407,162	123,846,809
Operational risk	696,538,493	691,762,971	691,762,971
Credit Valuation Adjustment	71,116,494	38,056,133	34,282,051
SOLVENCY RATIOS			
Common Equity Tier 1 ratio	14.67%	15.28%	13.11%
Tier 1 ratio	17.57%	18.28%	15.77%
Capital Adequacy Ratio	20.42%	19.56%	16.47%

[1] Figures are computed according to Basel III rules (CRR 575/2013 and CSSF 14-01).
[2] Contingent convertible bond issued on June 30, 2014.

Note 9: Litigation

9.1 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 June 30, 2015, 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.

9.2 Banque Internationale à Luxembourg Bank Danmark A/S

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

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

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

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

Note 10: Fair value

A. BREAKDOWN OF FAIR VALUE

A.1. Fair value of assets	31/12/14			30/06/15		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and balances with central banks	1,189,683,299	1,189,683,299	0	845,797,608	845,797,608	0
Loans and advances to credit institutions	1,159,872,903	1,160,026,352	153,449	1,139,459,668	1,139,830,860	371,192
Loans and advances to customers	10,838,506,113	10,993,819,295	155,313,182	11,455,007,697	11,601,681,983	146,674,286
Financial assets held for trading	82,141,549	82,141,549	0	142,578,226	142,578,226	0
Financial assets available for sale	5,667,750,747	5,667,750,747	0	6,123,673,811	6,123,673,811	0
Investments held to maturity	163,810,537	175,621,453	11,810,916	122,651,102	131,700,209	9,049,107
Derivatives	425,057,766	425,057,766	0	299,485,220	299,485,220	0
Fair value revaluation of portfolios hedged against interest-rate risk	13,878,066	13,878,066	0	11,712,350	11,712,350	0
Investments in associates	22,660,198	22,660,198	0	21,489,350	21,489,350	0
Other assets	721,421,314	721,421,314	0	719,720,909	719,720,909	0
TOTAL	**20,284,782,492**	**20,452,060,039**	**167,277,547**	**20,881,575,941**	**21,037,670,526**	**156,094,585**

A.2. Fair value of liabilities	31/12/14			30/06/15		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Amounts due to credit institutions	2,009,224,539	2,013,497,801	(4,273,262)	2,045,939,267	2,049,402,907	(3,463,640)
Amounts due to customers	13,444,133,543	13,454,786,632	(10,653,089)	14,288,565,734	14,297,727,745	(9,162,011)
Financial liabilities held for trading	126,377	126,377	0	1,942,054	1,942,054	0
Financial liabilities designated at fair value	1,023,273,436	1,023,273,436	0	896,762,293	896,762,293	0
Derivatives	712,019,921	712,019,921	0	419,962,572	419,962,572	0
Fair value revaluation of portfolios hedged against interest-rate risk	70,790,659	70,790,659	0	58,808,211	58,808,211	0
Debt securities	1,014,828,413	1,028,681,176	(13,852,763)	1,184,995,596	1,196,005,006	(11,009,410)
Subordinated debt	451,200,114	444,176,464	7,023,650	445,568,856	439,115,767	6,453,089
Other liabilities	327,048,777	327,048,777	0	365,053,943	365,053,943	0
TOTAL	**19,052,645,779**	**19,074,401,243**	**(21,755,464)**	**19,707,598,526**	**19,724,780,498**	**(17,181,972)**

In accordance with our valuation rules, the fair value of certain items is equal to their carrying value (see note 1.7 of the section "Accounting policies" of the 2014 annual report).

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).

Financial instruments which are not fairly valued according to their classification and nature are considered as Level 2.

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

	30/06/15			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	101,585,500	36,554,458	4,438,268	142,578,226
Financial assets available for sale - bonds	5,150,408,087	753,704,094	176,833,759	6,080,945,940
Financial assets available for sale - equities	3,152,908	6,740,820	32,834,143	42,727,871
Derivatives	0	287,546,967	11,938,253	299,485,220
TOTAL	**5,255,146,495**	**1,084,546,339**	**226,044,423**	**6,565,737,257**

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

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

	30/06/15			
	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	1,942,054	0	0	1,942,054
Financial liabilities designated at fair value	0	725,884,713	170,877,580	896,762,293
Derivatives	0	416,734,572	3,228,000	419,962,572
TOTAL	**1,942,054**	**1,142,619,285**	**174,105,580**	**1,318,666,919**

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

C. TRANSFER BETWEEN LEVEL 1 AND LEVEL 2

C.1. Assets	31/12/14		30/06/15	
	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	53,203,572	0	12,090,257	13,635,583
Financial assets available for sale - equities	5,700,811	0	0	0
TOTAL	**58,904,383**	**0**	**12,090,257**	**13,635,583**

C.2. Liabilities

No transfer was made between Level 1 and Level 2 on liabilities in 2014 and 2015.

D. LEVEL 3 RECONCILIATION

D.1. Assets

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

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

	30/06/15				
	Opening balance	Total gains and losses in the income statement	Total gains and losses in OCI	Purchase	Sale
Financial assets held for trading	3,756,453	627,170	0	1,853,224	(1,798,579)
Financial assets available for sale - bonds	266,138,286	0	(1,628,700)	126,976,956	0
Financial assets available for sale - equities	33,387,243	(6,775)	(908,266)	385,200	(23,259)
Derivatives	10,491,413	2,906,725	0	499,650	0
TOTAL	**313,773,395**	**3,527,120**	**(2,536,966)**	**129,715,030**	**(1,821,838)**

	30/06/15				
	Settlement	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial assets held for trading	0	0	0	0	4,438,268
Financial assets available for sale - bonds	(215,990,100)	0	0	1,337,317	176,833,759
Financial assets available for sale - equities	0	0	0	0	32,834,143
Derivatives	(1,959,535)	0	0	0	11,938,253
TOTAL	**(217,949,635)**	**0**	**0**	**1,337,317**	**226,044,423**

D.2. Liabilities

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

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

	31/06/15			
	Opening balance	Total gains and losses in the income statement	New issues	Settlement
Financial liabilities designated at fair value	225,234,038	127,701	48,247,218	(106,853,298)
Derivatives	1,895,150	2,006,178	0	(673,328)
TOTAL	**227,129,188**	**2,133,879**	**48,247,218**	**(107,526,626)**

	31/06/15			
	Transfer to Level 3	Transfer from Level 3	Conversion differences	Total
Financial liabilities designated at fair value	0	0	4,121,921	170,877,580
Derivatives	0	0	0	3,228,000
TOTAL	**0**	**0**	**4,121,921**	**174,105,580**

Changes in the amounts declared under Level 3 in 2014 and 2015 can be explained by the "Total gains and losses in the statement of income" column that cannot be analysed separately as such. Indeed, certain assets and liabilities at amortised cost or classified under Level 1 or 2 may be hedged by derivatives classified under Level 3.

In 2014, following the AQR, 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 obtains from Bloomberg the following information:

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

In addition, the Bank considers the following information:

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

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 slightly high and there are sometime limited contributors. This is particularly the case for emissions from Qatar, Abu Dhabi and Luxembourg.

Structured bonds

Since December 2014, 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.

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

E. SENSITIVITY OF LEVEL 3 VALUATION TO ALTERNATIVE SCENARIOS

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

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

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

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

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

The most significant stand-alone Level 3 instrument is BIL's participation in Luxair SA. The sensitivity test leads to a minor impact in the OCI reserve. Nevertheless, such a sensitivity analysis is not relevant as many factors (such as fuel market volatility and global economic context) may impact Luxair's valuation.