ANNUAL REPORT 2013

158th Financial Year

BANQUE ET CAISSE D'EPARGNE DE L'ETAT
LUXEMBOURG

Financial Highlights (in thousands of euros)

	2012	2013	% change 2013/2012
TOTAL BALANCE SHEET	40,493,378	40,714,104	+0.5%
Deposits at amortised cost - Credit institutions	3,786,194	5,381,167	+42.1%
Deposits at amortised cost - Private customers and public sector	24,473,545	25,073,955	+2.5%
Debt securities in issue	7,385,931	5,177,826	-29.9%
Loans and advances at amortised cost - Credit institutions	7,094,565	7,227,843	+1.9%
Loans and advances at amortised cost - Customers	16,716,490	17,003,930	+1.7%
Available-for-sale securities - Fixed-income securities	8,443,341	9,286,094	+10.0%
TOTAL EQUITY	3,399,635	3,719,666	+9.4%
BANKING INCOME (2)	561,989	609,633	+8.5%
Total general expenses (3)	278,996	284,162	+1.9%
NET INCOME FOR THE YEAR	228,901	238,964	+4.4%
NET INCOME FOR THE YEAR attributable to equity holders of the parent company	227,499	238,346	+4.8%
TOTAL CAPITAL RATIO (1)	23.0%	24.8%	
TIER 1 CAPITAL RATIO (1)	15.2%	16.6%	
AVERAGE WORKFORCE (in number of contracts)	1,804.0	1,803.0	-0.1%
AVERAGE WORKFORCE (in work units)	1,645.0	1,644.0	-0.1%

(1) Capital ratios were established according to circular CSSF 06/273 as amended. The ratios also include the provisional regulatory requirement.
(2) Interest income, dividend income, fee and commission income, income from financial instruments, and other operating income and expenses.
(3) General administrative expenses plus depreciation allowances in respect of intangible and tangible assets.

Main developments in 2013: Income growth in an environment of general economic slowdown

- Growth in income for the year (+4.4%).
- Steady growth in the home loan portfolio (+5.9%).
- Slight increase in private customer deposits (+0.7%) in a difficult tax environment marked by the announcement in April 2013 of the introduction of the automatic exchange of financial information for its customers residing in a EU country starting in 2015.
- Strong growth in public sector deposits (+13.6%).
- Good cost control resulting in limited increases (+1.9%) in general expenses and depreciation of tangible and intangible assets.
- Capital ratios maintained at very high levels: total capital ratio of 24.8% and "Tier 1" capital ratio of 16.6%.
- Confirmation of the financial soundness of BCEE Group's parent company during the 2013 transparency exercise initiated by European regulators to assess the level of own funds of participating banks.
- Strengthening of regulatory own funds by EUR 277.2 million during the year to reach EUR 3,075.7 million as at 31 December 2013.
- Excellent AA+ and Aa1 ratings confirmed by both Standard & Poor's and Moody's.
- Awarded "Best Bank Award – Luxembourg" with confirmation of BCEE's ranking among the world's 10 safest banks by Global Finance magazine and "Bank of the Year – Luxembourg" by the financial magazine "The Banker".
- "Prix du public" obtained for the Belle Etoile branch during the 2nd edition of the "Accenture Innovation Awards for Financial Services", which aim to promote innovative products and concepts related to the financial sector.
- Hiring of 64 new employees.

All BCEE business lines embrace the principal values that are the hallmarks of the Bank's identity: customer-focus, service quality, stability and support for the economy. These fundamental principles have guided the Bank since its creation in 1856 and continue to shape its future development. Our employees embody these same values in their daily tasks. The entire staff at BCEE is highly attentive and responsive as it strives to fulfil the Bank's primary objective: providing the highest possible level of customer satisfaction.

BCEE guides and supports its customers throughout the different stages of their lives, maintaining long-term relationships based on trust and respect: "*Spuerkeess - Äert Liewen. Är Bank.*"

BEST BANK AWARD • 2013
GLOBAL FINANCE

The Banker
Bank of the Year 2013
LUXEMBOURG

SAFEST BANK AWARD • 2013
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This document is a translation from the original Consolidated Annual Report in French. In case of differences between the French version and the translation, the French version is to be retained.

1 MESSAGE FROM THE PRESIDENT OF THE EXECUTIVE COMMITTEE AND THE CHAIRMAN OF THE BOARD OF DIRECTORS

"2013 was marked by a modest recovery in growth for the world's major economies. In an economic environment that still presents difficulties and a banking environment that is highly competitive, Banque et Caisse d'Epargne de l'Etat, Luxembourg (BCEE) remains solid and continues to play a key role in supporting the real economy. We are therefore proud to announce that, despite the challenges it had to face, the Bank posted banking income of EUR 609.6 million and net profit of EUR 238.9 million for the financial year 2013, up 4.4% on the previous financial year.

Furthermore, we must emphasise the Group's parent company's good performance in the transparency exercise conducted by the European Banking Authority; the results of the exercise were published in December 2013 and confirm BCEE's excellent Tier 1 capital ratio of 16.3% as at 30 June 2013. On the international front, the long-term credit ratings attributed by Moody's (Aa1) and Standard & Poor's (AA+) confirm the Group's parent company's sound financial position and corroborate the result obtained during this European transparency exercise.

However, the most rewarding element for the Group's parent company was the loyalty shown by its customers during the financial year just ended, as well as the number of new customers, attracted by the quality of the Group's parent company's products and services, who placed their trust in the Bank. This is reflected in the significant market share that the Group's parent company enjoys in the major customer segments in Luxembourg.

Despite all these encouraging factors, we believe that we should not lose sight of the challenges that the Group's parent company may encounter during 2014. Pressure on intermediation margins will certainly be the biggest issue facing all retail banks in an environment of unprecedentedly low interest rates. BCEE will take all the necessary steps to overcome these challenges, whether economic, technical, regulatory or prudential, in keeping with its social responsibility and its role in supporting the national economy.

The Group's parent company will stay in close touch with its customers, who are becoming increasingly mobile and dependent on remote banking services, so that it can continue to offer high quality products and services.

Finally, we would like to take this opportunity to thank all members of staff at the Group's parent company for their commitment throughout the financial year 2013. We firmly believe that together we can meet the challenges that the Group's parent company will have to face in 2014 and beyond."

For the parent company

Jean-Claude FINCK President of the Executive Committee	Victor ROD President of the Board of Directors

Global economic growth saw a modest recovery in 2013, particularly in the second half of the year. During 2013, rebalancing favouring developed countries took place. The United States and Japan benefited greatly from the highly accommodative monetary policy of their respective central banks. Despite an unclear budget situation that led to a three-week government shutdown and discussions about the debt ceiling, the US economy proved to be very resilient. The eurozone finally emerged from recession and recovered little by little. After a slowdown in 2012, many emerging countries encountered more difficulties to recover from recession, especially those with significant current deficits. They were heavily impacted by hesitations around the US Federal Reserve's asset buyback programme, which led to significant capital outflows.

Luxembourg followed a path of modest growth with a gross domestic product (GDP) that experienced a significant rebound in the second quarter. The annualised data show that exports remain one of the main drivers of Luxembourg's economic growth. Driven by a return of confidence in the financial markets and a rebound in market values, the financial sector saw a significant increase. However, it should be stressed that certain downside risks to current growth projections remain, such as structural problems in certain eurozone countries, slowing growth in emerging countries and the introduction of the automatic exchange of financial information for its customers residing in a EU country starting on 1 January 2015.

BCEE Group comprises Banque et Caisse d'Epargne de l'Etat, Luxembourg and its fully consolidated subsidiaries and associates consolidated using the equity method.

BCEE Group presents its business activities in four major segments: Retail, Professional, Corporate and Public Sector Banking; Financial Markets; Investment Funds and Others.

SUSTAINED MOMENTUM IN RETAIL, PROFESSIONAL, CORPORATE AND PUBLIC SECTOR BANKING

Retail and Professional

Growth has been particularly encouraging in this segment, which represents the BCEE Group's traditional customer base. Significant investments are made every year to constantly improve the quality of the business relationship with the customer base.

In 2013, the Bank inaugurated the new premises of its Mondercange branch. This new point of sale, resulting from the merger between the Foetz Branch and the former Mondercange Branch, now fits in perfectly with the quality standards that BCEE has set to meet all customer needs. This project is part of the branch network modernisation programme based on a marketing strategy of opening finance centres in locations across the country and giving customers access to specialist advisors in the different banking areas.

Many branches have undergone extensive interior and exterior development work to come into line with the new quality, comfort and security standards. This desire to always meet new quality standards was confirmed by the "Prix du public" awarded to the new Belle Etoile Branch during the 2nd edition of the "Accenture Innovation Awards for Financial Services", which aim to promote and reward innovative products and concepts in Luxembourg and Belgium related to the financial sector. In addition, the concept of this branch, with an infrastructure relying on new information and communication technologies, has been presented many times to other European credit institutions and will be incorporated into some of BCEE's future projects.

Lastly, in order to ensure maximum availability for its customers, the Bank has extended the opening hours of its Online Branch. The commercial results show that the efforts made to increase service quality have been largely successful. The employees of the branch network, through their commitment to customers, have managed to maintain the Bank's market shares. Housing loans outstanding thus increased by 5.9% compared with last year.

Savings deposits continued to increase as customers seek security amid financial market uncertainty. On the other hand, conventional time deposit exposure declined as a result of historical low interest rates, but the fall was partially offset by the launch of the euro-denominated gradual-rate deposit account, for terms of 18 months to five years, with or without exit option, offering an interest rate that increases every six months.

The Bank launched the new bond open-end investment fund LUXBOND EURO FIX TERM 2018 and continued its euro medium term notes (EMTN) issue programme with guaranteed capital to meet the demands of investors with a conservative risk profile.

Particular attention has been devoted to training Private Banking advisors and investment advisors assigned to the branch network. Through customised support, customer conferences and regular financial publications, BCEE has given its customers the opportunity to closely monitor the Bank's investment strategies and the possibility of taking them into account in their investment decisions.

In 2013, BCEE put in place infrastructures necessary to cope with new tax and reporting regulations, particularly in the context of the automatic exchange of financial information for its customers residing in a EU country.

In electronic banking services, S-net saw further increased use during 2013, especially through smartphones and tablets. BCEE's internet banking product continued to benefit from the latest technological advances in terms of features and platforms offered.

BCEE also managed to position itself in bank mobile payments by launching S-Digicash, an application that allows customers to make payments directly from a BCEE current account by smartphone. To do this, customers simply scan the Digicash QR Code appearing at the point of sale or printed on an invoice and confirm the payment by entering a PIN code.

Lastly, BCEE's websites have been visited by some 500,000 visitors per month.

Corporate and Public Sector

In an economic environment that provided no encouragement for business investment, caution remained a priority in incurring major expenses, and many companies limited themselves to investments essential for maintaining business. Lending activities were impacted by a lower level of investment as well as the fact that many companies are funding their investment projects with own funds rather than bank loans.

In the current economic environment, particular attention has returned to monitoring outstanding loans. Good knowledge of the customer through regular discussions as well as careful monitoring of the economy's various sectors have made it possible to anticipate potential problems and undertake corrective measures in close collaboration with the customer. More than ever, the long-term relationship, supported by trust and mutual understanding, is of paramount importance.

Regarding residential real estate loans, especially loans to developers, it should be noted that the regulator has issued a number of recommendations calling for a more restrictive approach in terms of guarantees and durations of financing, thus determining the conditions for granting financing.

BCEE continued to position itself as a leading banking partner in the professional world and the public sector in Luxembourg and thus contributed to sustainable economic development by providing the necessary financial resources.

The Bank has a team of advisors for small and medium-sized companies (SME) in each finance centre and held conferences for business customers on a wide range of topics as part of its corporate social responsibility (CSR) activities.

2013 saw a tightening in commercial margins on investment products for business customers. However, backed by the quality of its service and motivated staff, BCEE maintained a high level of outstanding amounts. The cost of risk also increased because of the continued difficult economic environment, which put a strain on business results.

FINANCIAL MARKETS AND INVESTMENT FUNDS REVENUES

Financial Markets

Treasury activity volume was steady in 2013. Notwithstanding the good performance of customer deposits and the increase in loan volume in the interbank market, the Bank decreased its international refinancing programmes because of the reduction of financing requirements and market opportunities.

In reinvestments, a significant share of the funds was directed to government securities and other securities eligible for refinancing with the European Central Bank (ECB), especially a low-risk, high-liquidity bond portfolio that reached EUR 9.3 billion. Loans and advances to credit institutions were up 1.9% at EUR 7.2 billion as at 31 December 2013.

In order to improve the performance of cash transactions and, at the same time, reduce their credit risk, BCEE made extensive use of derivatives. At the end of 2013, outstanding foreign exchange swaps and forward transactions amounted to more than EUR 6.9 billion. At the same date, outstanding interest rate swaps (IRS) and cross currency interest rate swaps (CIRS) totalled EUR 2.3 billion. Also note that under "Reverse repurchase agreements", EUR 3.1 billion were guaranteed by eurozone public debt securities as part of repurchase agreements.

After a downward trend at the beginning of the year, long term market rates started to increase in May as a consequence of the first announcements by the Federal Reserve Bank (Fed) about the slowdown of the public debt buyback programme. The increase was pronounced in the United States with 10-year rates finishing the year more than 100 basis points above the end-2012 level. The impact on European rates proved to be moderate, due to the cyclical shift and "Forward Guidance" put in place by the ECB. German and French 10-year rates ultimately increased by only 40/45 basis points over the year. The relaxation of rates of eurozone peripheral countries continued with a decrease of 115 basis points in Spain (to 4.13%) and 40 basis points in Italy (to 4.08%).

By lowering its key interest rates by 25 basis points in November 2013 and committing to provide unlimited amounts of liquid funds until mid-2015, the ECB has appeared particularly proactive. This announcement increased the credibility of its "Forward Guidance" a bit, thus eliminating the expectations of increased residual rates that still remained in the market. The focus for 2013 was the search for returns, with the outperformance of the lowest-rated segments, with High Yield in the lead, particularly in the eurozone, and the outperformance of peripheral countries over core countries.

In accordance with the prudent investment policy applied by BCEE and in line with its market approach since the beginning of the crisis, it once again maintained its selective investment criteria and did not follow market movements towards less economically defensible "risk/returns" balances. The Bank selectively invested in quality assets in order to ensure stabilisation of its investment portfolio, while ensuring satisfactory profitability of its asset portfolio.

In 2013, income from financial instruments was much higher due to the positive impact on IRS valuations related to the change in long-term market rates and the absence of adverse extraordinary items, as had been the case in 2012. The Bank also managed to limit the decrease in the interest margin, due to the historical positions of its bond portfolio and the Asset Liability Management (ALM) Committee's prudent policy of changing maturities. However, it proved increasingly difficult to find replacement conditions with attractive margins and a level of risk consistent with BCEE's investment policy for mature investments.

Investment Fund Administration and Management

At 31 December 2013, there were 13 open-end investment funds (SICAV) in the in-house range, composed of 34 sub-funds, representing EUR 2.8 billion in total assets, down 1.0% compared with 31 December 2012.

S-PENSION, BCEE's private pension scheme product, the underlyings of which are the sub-funds of the LUX-PENSION open-end investment fund, continued to find favour with customers eager to have additional income for retirement while currently enjoying tax benefits granted by the legislator.

Benefiting from BCEE's confirmed financial soundness and the excellent quality of services for Financial Sector Professionals (FSP), the custodian bank business was characterised by very dynamic growth.

With a total of some EUR 15.5 billion in assets under management, BCEE was again among the leading service providers for Luxembourg investment vehicles. The exposure of third-party promoter funds, for which BCEE ensures the administrative management and the role of custodian bank, amounted to some EUR 12.8 billion at the end 2013, an 11.5% increase compared with 2012.

The business line's consolidated income was down slightly compared with last year.

OTHER ACTIVITIES

Other activities include back office and support activities, which play an essential role in supporting the Bank's strategic and development goals. Back office activities make it possible to process the growing volumes of payment, credit and securities transactions of the commercial units and ensure control and security in processing these transactions in accordance with the laws in force. BCEE is continuing its efforts to improve productivity in order to adapt to changing markets.

Support activities cover a wide variety of areas, such as the Bank's finances, legal and regulatory matters, organisation, marketing, logistics and IT. 2013 was characterised by very strong activity on the various regulatory projects in progress (CRD IV/CRR, FATCA, EMIR, EBA STEP 2, AIFMD) and the transparency and recapitalisation exercises conducted under the auspices of the European Banking Authority (EBA) to ensure the sufficient financial strength of credit institutions.

Shareholdings

Fulfilling one of its statutory tasks, which involves contributing to the country's economic and social development in all areas through its financing activities, in addition to promoting savings, BCEE continues to hold equity interests directly or indirectly, particularly in key sectors of Luxembourg's economy. It also continues to support the start-up and development of businesses with a national interest.

Since 1989, BCEE has been a 40.0% shareholder of La Luxembourgeoise S.A d'Assurances and La Luxembourgeoise Vie S.A. d'Assurances. The two companies were incorporated on 25 July 1989 by La Luxembourgeoise S.A., created on 29 February 1920 as the first insurance company by Luxembourg families and BCEE. La Luxembourgeoise and BCEE are indirectly shareholders of PECOMA International S.A., which is active in the management of supplementary pension schemes.

Media and telecommunications are important sectors for Luxembourg's economy. The Bank is a founding shareholder of SES Global S.A., the world leader in global satellite communications. The Bank holds a 10.88% stake.

For several decades, in the air transport sector, BCEE has held equity interests in the capital of Luxair, Société Luxembourgeoise de Navigation Aérienne S.A., which is active in air navigation, tour operation, cargo handling, catering and airport shops and of Cargolux Airlines International S.A., which is one of the world's largest all-cargo airlines.

The Bank holds 22.7% of the capital of Société de la Bourse de Luxembourg S.A., of which it is also a founding member and the largest shareholder.

Through its stake in Paul Wurth S.A., the Bank continues to support design and industrial engineering businesses.

Its 11.0% stake in the capital of Société Nationale des Habitations à Bon Marché S.A. (S.N.H.B.M.), which specialises in the design and construction of single-family homes and apartment buildings at affordable prices and under long-term leases allows BCEE to fulfill its social mission of facilitating home ownership for personal needs.

In addition to these major shareholdings, BCEE has interests in other companies active in the development of economic life.

Human resources

The Bank's workforce remained stable thanks to the hiring of 64 new recruits in 2013.

BCEE continues to invest in young people and is intensifying its presence at major events, such as REEL, ANESEC's "Rencontre Entreprises-Etudiants" (business/student meeting) and the "Foire de l'étudiant" (student fair). Similarly, the Bank continues to organise its "Journée découverte des métiers commerciaux" (sales career discovery day), where it welcomes students to learn about the Bank's various businesses.

In 2013, the website www.mylittlebigstep.lu was a resounding success among young people, gradually becoming the natural landing place for applications. Thanks to a pathway to integration adapted to new recruits, BCEE offers a comprehensive training programme adapted to the various businesses.

In addition to the integration of young people, the Staff Management Unit relies on the continuous growth of each agent and offers extensive training. In 2013, BCEE organised nearly 7,125 training days and registered no fewer than 9,360 enrolments in courses, seminars or conferences. The Bank has therefore managed to take the professional needs of employees into account while respecting their personal skills.

Year after year, internal mobility remains an important factor in human resources management and offers employees a new turning point in their professional career. Here too, the Staff Management Unit plays an essential role in upgrading the skills necessary for new businesses.

Corporate governance and Corporate Social Responsibility (CSR)

Corporate governance is a priority, ensuring the balance of powers and the transparency of management.

The management, direction and control rules of the group's parent company are based on laws and regulations that grant comprehensive, high-quality corporate governance rules that constitute legal obligations for BCEE, its employees and its executive bodies.

CSR holds a specific place at BCEE, resulting from its status as a public law institution. CSR generates added value and is an integral part of the corporate culture. For more than 150 years, BCEE has developed its role as a socially and economically responsible company. The objective of social responsibility is enshrined in article 5 of the organic law of 24 March 1989 on BCEE: "As a State Bank, BCEE has the mission to contribute particularly to the economic and social development of the country in all areas through its financing activities and to promote savings in all forms."

In many activities, BCEE seeks to be the reference on Luxembourg's financial centre with regard to CSR, with particular emphasis on the local branch network, promotion of school savings, housing loans, eco-loans, alternative savings, granting of loans according to social and ecological criteria, shareholding in major Luxembourg companies, banking services for SMEs, and financing of equipment and public and affiliated authorities.

By signing the social responsibility charter in 2006, which can be consulted at www.bcee.lu, BCEE made the commitment to follow and promote a proactive approach by going beyond the prescribed standards.

With regard to the environmental dimension of CSR, BCEE supports the Luxembourg State's sustainable development policy and initiatives through the national sustainable development plan and has offered its own range of environmentally friendly products since 2008: Eco-Loans.

To establish its presence, BCEE participates or sponsors various organisations and events to promote awareness of sustainable development issues.

Cultural, sponsorship and patronage activities

BCEE supports actions promoting culture, sports, environment and social welfare. Together with its partners, the Bank makes a sustained commitment to actions and events in keeping with its ethical standards and the values of proximity and professionalism.

BCEE's contemporary art gallery "Am Tunnel & Espace Edward Steichen" reflects the cultural commitment of the country's oldest financial institution. In 2013, three major exhibitions were shown:

- "Konscht als Hobby", an exhibition of works by fifty active or retired BCEE employees;
- "World Press Photo 13", the result of an annual worldwide news photography competition;
- "Bernd Schuler, Portraits and Landscapes 1973-2013", a retrospective of the German photographer.

Over the past year, BCEE assisted in various key music and sports events and supported a large number of local cultural and sports initiatives across the country.

BCEE continued its commitment to young people through the Knax-Club (ages 6-11), the axxess (ages 12-26) and axxess UNIF (ages 18-28) programmes as well as the annual "Planspiel Börse" competition. The Bank also has an excellent relationship with the country's student community, notably through its partnership with "Association des cercles d'étudiants luxembourgeois" (ACEL - Luxembourg student clubs association) and sponsorships of various Luxembourg student clubs abroad.

RISK MANAGEMENT POLICY

Credit risk management remains one of the Bank's key priorities in the current economic climate. In 2013, BCEE continued the preparatory work necessary for the implementation of the new Basel III agreement, which will be transposed into European law by the CRD IV/CRR package, providing for substantially strengthening rules on capital requirements for credit institutions, compliance with new liquidity ratios and the introduction of a leverage ratio.

Risk management is described in detail in note 6 to the consolidated financial statements as at 31 December 2013. This chapter is subdivided into five major risk categories: credit risk, market risk, liquidity risk, operational risk and other risks.

Credit risk

Decisions on loans to the domestic economy are made in various credit committees, organised hierarchically according to the customer's overall credit outstanding.

The international customers' portfolio, mainly composed of banking and financial institutions, is managed and monitored by allocating an internal rating based on quantitative and qualitative analyses.

For the derivatives' portfolio, largely regulated by the use of "International Swaps and Derivatives Association Inc." (ISDA) contracts, the Bank has additional means for reducing risk by negotiating the "Credit Support Annex" (CSA) with major counterparties.

Market risk

Market risk is the risk of loss arising from unfavourable changes in various financial parameters, the main ones being interest rates, share prices and foreign exchange rates.

The Bank's market risk management policy distinguishes between mismatch risk, arising from structural mismatches between the maturities of resources and the use made of those resources in the Bank's balance sheet, and the risk associated with cash management and trading activities.

Mismatch risk is handled by the ALM (Asset Liability Management) Committee. The Committee ensures that the Bank's equity capital and invested funds are appropriately managed, and that its loan portfolios and proprietary bond and equity portfolios are refinanced in such a way as to minimise the negative impact of yield curve movements on the Bank's performance. The ALM Committee comprises the members of the Bank's Executive Committee and a number of department heads.

Liquidity risk and new LCR and NSFR ratios

Liquidity risk results from a mismatch between financial inflows and outflows on a specific date. The risk for a credit institution is that it may be unable to meet its payment obligations at a given point in time as a result of having insufficient liquid assets relative to its maturing liabilities. By virtue of its financial structure, the Bank is generally in a position of excess liquidity.

The Bank constantly monitors liquidity risk on the basis of maturities, including both very detailed reconciliation of cash inflows and outflows over a six-month horizon and a medium- and long-term assessment of structural funding requirements.

In preparation for EU regulation no. 575/2013 (CRD IV/CRR), which constitutes the transposition of the Basel III rules at the European level, BCEE continued its preparations for establishing two new liquidity ratios. The LCR (Liquidity Coverage Ratio), intended to ensure sufficient short-term liquidity (30 days), will be applicable starting in 2015, and the NSFR (Net Stable Funding Ratio), intended to ensure sufficient medium-term liquidity (1 year), will enter into force in 2018. BCEE has already incorporated the constraints of the two new ratios into its management.

Operational risk

Generally speaking, operational risk is the risk of losses arising from inadequate or faulty internal procedures, human or system errors or external events. The Bank controls operational risk through the application of detailed rules and procedures, as well as an internal control system implemented at all levels and monitored by the Bank's senior management.

To centralise management of operational risk, the Bank uses a computer application to manage internal incidents in accordance with Basel II methodologies. The Bank maintains a database of all incidents having an impact on its performance and relating to human or system failure. These incidents are also analysed on a recurring basis by a number of the Bank's committees.

The Bank aims to reduce operational risk by continuously improving its operating systems and organisational structures.

Management and monitoring of risks inherent in compiling financial information

The Bank has developed procedures and control systems to compile and monitor financial information. To provide an assurance of the quality and completeness of financial information, the Bank conducts daily checks on internal account movements, monitors the main headings of the income statement, including interest margin, fees and general and administrative expenses, and checks the completeness of the information gathered through different IT applications before being fed into the accounting information system. The Bank reconciles the balances of pending accounts, interest accrual accounts and other internal accounts on a monthly basis.

The Bank also draws up a daily balance sheet in order to allow each of its entities, including the trading room, to monitor the impact of their operations.

The accounting and risk management departments work in close cooperation to valuate portfolio positions or to calculate valuation allowances for assets showing evidence of impairment.

Besides accounting controls, the Bank regularly monitors its profitability by customer, product and business line and conducts a monthly analysis of the spending budget. The Executive Committee uses a Management information system to monitor the performance of the Bank's business lines. Similarly, it analyses and validates the Bank's financial position and monitoring of the spending budget on a monthly basis.

Sovereign risk

As the sovereign debt crisis continues – closely watched by the financial markets – the breakdown of the Bank's exposure to certain eurozone sovereign states as at 31 December 2013 is provided in note 6 of the consolidated financial statements.

INCOME GROWTH IN AN ENVIRONMENT MARKED BY MANY CHALLENGES

The consolidated financial statements of the BCEE Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and comprise the annual financial statements of the Bank, its subsidiaries and entities over which the Bank has direct or indirect effective control of management and financial and operating policies.

Subsidiaries are consolidated from their date of acquisition, when the Bank, as the parent company, has the power to direct their financial policies. They are deconsolidated on the date such control ceases.

The BCEE Group's income for the year as at 31 December 2013 increased by 4.8% compared with the 2012 financial year.

Banking income grew by 8.5% to EUR 609.6 million as at 31 December 2013.

Interest income was down 11.2% due to the widespread decline in short-term interest rates. This decline directly affected the investment and maturity switching opportunities.

Fee and commission income was up 6.5%, primarily because of the good development of banking activities in payments and securities transactions.

Income from variable-income securities rose 32.2%, as a result of dividends received from investments in strategic holdings.

Income from financial instruments increased from EUR -20.1 million at the end of 2012 to EUR 56.7 million as at 31 December 2013. More volatile by nature, this revenue item includes income from securities and derivatives trading, the disposal of available-for-sale financial assets, fair value hedging transactions and forex transactions. The increase in the fair value of IRS related to security or credit portfolios not eligible as hedging instruments and the absence of unfavourable extraordinary items, such as the IRS reclassification following the sale of Italian sovereign bonds in 2012, helped to generate very strong income growth.

The fair value measurement of fixed-income securities, which are classified as available-for-sale financial assets, is recognised in equity under the heading "revaluation reserve". The same is true for the fair value measurement of variable-income securities classified as available-for-sale financial assets. The increase in valuations of securities during the year had a very positive influence on the revaluation reserve, which amounted to EUR 752.9 million at the end of 2013, up EUR 143.0 million or 23.5% compared with 31 December 2012.

Other operating income and expenditure increased to EUR 8.4 million at year-end 2013 from EUR 5.8 million at the end of 2012.

The Bank's rigorous cost control policy enabled it to limit the increase in its total general expenses, including allowances for impairment of tangible and intangible non-current assets, to 1.9%. Productivity is constantly enhanced by major process engineering and automation projects. These factors were sufficient to offset the effect of structural increases in payroll expenses while preserving quality of service.

With the continued difficult general economic environment, the Bank made net allowances for impairment of individual and collective credit risks of EUR 38.1 million in 2013.

In view of the above, the Group recorded strong growth in income for the year of 4.8% (an increase of EUR 10.8 million) to EUR 238.3 million, up from EUR 227.5 million in the prior year.

Core capital of the parent company amounted to EUR 3,718.8 million as at 31 December 2013.

ANALYSIS OF MAIN BALANCE SHEET ITEMS

The BCEE Group's balance sheet totalled EUR 40,714.1 million as at 31 December 2013, an increase of EUR 220.7 million compared with the end of 2012. This increase came primarily from the increase in deposits from credit institutions and the public sector.

On the asset side of the balance sheet, "Cash and balances with central banks" decreased by EUR 706.7 million to EUR 585.0 million as at 31 December 2013, mainly because of the decline in assets deposited with Banque centrale du Luxembourg (BCL).

Outstanding fixed-income securities totalled EUR 9,286.1 million, an increase of EUR 842.8 million compared with the end of the 2012 financial year because of the decline in interest rates on the markets, which resulted in an increase in the fair value of fixed-income securities appearing in available-for-sale securities on the asset side of the balance sheet.

Outstanding fixed-income securities held to maturity decreased by EUR 530.3 million to EUR 4,785.6 million. This item changes on the basis of the Bank's investment strategy defined by the ALM committee.

Outstanding loans to customers increased by EUR 287.4 million to EUR 17,003.9 million. The increase was driven by the development of the housing loan and investment loan businesses. This illustrates the constant desire of BCEE to support the projects of businesses and individuals.

On the liabilities side of the balance sheet, issues of securities decreased by EUR 2,208.1 million to EUR 5,177.8 million. This decrease is explained by the reduction of the Bank's financing requirements and market opportunities.

Private customer deposits increased slightly by EUR 143.0 million to EUR 21,262.1 million in a difficult tax environment marked by the announcement in April 2013 of the introduction of the automatic exchange of financial information for its customers residing in a EU country starting in 2015.

Public sector deposits increased by EUR 457.4 million to EUR 3,811.9 million. This item is more volatile and changes according to the public sector's cash requirements.

CHANGE IN OWN FUNDS

The Group's parent company core equity capital amounted to EUR 3,718.8 million as at 31 December 2013 compared with EUR 3,397.9 million at the end of 2012.

The EUR 320.9 million increase is mainly explained by the carry-forward of the parent company's 2012 profit (EUR 198.3 million after allocation of a EUR 40 million dividend to the Luxembourg State), the net measurement results on available-for-sale financial instruments, on cash flow hedges as well as the actuarial gains or losses on pension funds.

2014 OUTLOOK

According to the European Central Bank, money market interest rates will remain very low for a longer period, and it cannot be ruled out that the rate of deposit with BCEE may become negative. The very prudent emergence by the United States from "quantitative easing" will only have a limited impact on the medium/long-term rates in Europe.

Consequently, the Bank expects continued pressure on its interest margin, which will not likely reach the 2013 level. However, unless an acute economic crisis returns in Europe, the cost of credit risk should not see any significant negative changes.

In the particular context described above, the Bank will closely monitor economic indicators and the financial markets and will continue to take the measures required to address negative developments, without endangering its growth and fully assuming its roles and responsibilities as a responsible bank serving its customers and the country's economy in general, in accordance with its missions under the law of 24 March 1989 on BCEE, and in line with the Bank's history.

As part of the single supervisory mechanism that will take effect in fall 2014, BCEE will be among the credit institutions subject to direct financial and prudential supervision by the ECB. The main objectives of the single supervisory mechanism are to safeguard and strengthen the European banking system and to reinforce integration and financial stability in Europe.

This presentation would not be complete without mentioning the significant impact on the Bank, and the entire sector, of the regulatory changes brought about by CRD IV/CRR, FATCA, the exchange of information, etc.

EVENTS AFTER THE REPORTING PERIOD

No significant events that could impact the normal course of the BCEE Group's business occurred after the close of financial year 2013.

Luxembourg, 26 March 2014

For the Executive Committee of the parent company

Michel Birel	Jean-Claude Finck
Deputy Chief Executive Officer	Chief Executive Officer

The organisation of Banque et Caisse d'Epargne de l'Etat, Luxembourg, the leading national financial institution, founded in 1856, is governed by the law of 24 March 1989, which defined the respective powers of the Board of Directors and the Executive Committee. Pursuant to Article 8 of this organic law, "the Board of Directors defines the Bank's general policy and is responsible for management control of the Executive Committee. All administrative acts and measures necessary or relevant to the Bank's purpose fall within the responsibility of the Executive Committee, subject to such approvals as are required by virtue of this law."

Board of Directors

Chairman	Victor ROD	Directeur du Commissariat aux Assurances
Vice-Chairman	Patrick GILLEN	Directeur du Contrôle Financier, Ministère des Finances
Members	Georges DENNEWALD	Représentant du Personnel
	Paul ENSCH	Directeur, Chambre des Métiers
	Elisabeth MANNES-KIEFFER	Premier Conseiller de Gouvernement, Ministère de l'Economie
	Manuel NICOLAS	Conseiller de Direction 1re classe, Ministère de l'Economie
	Nico RAMPONI	Représentant du Personnel
	Betty SANDT	Conseiller de Direction, Ministère des Finances
	Fernand SPELTZ	Conseiller de Direction à la Chambre des Salariés e.r.

Supervisory Commissioner

Georges HEINRICH — Directeur du Trésor, Ministère des Finances

Board of Directors

1st row from left to right:
Georges Heinrich, Elisabeth Mannes-Kieffer, Victor Rod, Betty Sandt, Patrick Gillen

2nd row from left to right:
Fernand Speltz, Paul Ensch, Manuel Nicolas,

3rd row from left to right:
Nico Ramponi, Georges Dennewald

	Executive Committee	
President	Jean-Claude FINCK	Chief Executive Officer
Members	Michel BIREL	Deputy Chief Executive Officer
	Gilbert ERNST	Executive Vice President
	Guy ROSSELJONG	Executive Vice President
	Françoise THOMA	Executive Vice President

Statutory Auditor: PricewaterhouseCoopers Société coopérative, Luxembourg

Executive Committee

1st row from left to right:
Gilbert Ernst, Jean-Claude Finck, Michel Birel

2nd row from left to right:
Françoise Thoma, Guy Rosseljong

Luxembourg, 26 March 2014

Statement on the compliance of the financial statements and the management report in accordance with the provisions of article 3 of the Luxembourg transparency law ("Loi Transparence")

We hereby declare that, to the best of our knowledge, the consolidated financial statements as at 31 December 2013 of Banque et Caisse d'Epargne de l'Etat, Luxembourg have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities as well as the financial position and results. We also hereby declare that the management report presents an accurate description of the development, results and situation of Banque et Caisse d'Epargne de l'Etat, Luxembourg and of the group of companies included in the consolidated financial statements, taken as a whole, as well as the main risks and uncertainties facing the Bank and BCEE Group.

For the Executive Committee

Michel Birel
Deputy Chief Executive Officer

Jean-Claude Finck
Chief Executive Officer

A. Statutory auditor's report

REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

In accordance with our engagement by the Government of the Grand Duchy of Luxembourg, on the proposal of the Board of Directors of Banque et Caisse d'Epargne de l'Etat, Luxembourg, we have audited the accompanying consolidated annual financial statements of Banque et Caisse d'Epargne de l'Etat, Luxembourg, and of its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on this date, as well as a summary of the main accounting policies and other explanatory notes.

Executive Committee's and Board of Directors' responsibility for the consolidated annual financial statements

The Executive Committee is responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, which are submitted for approval to the Board of Directors, pursuant to the organic law of 24 March 1989. The Executive Committee is also responsible for implementing the internal control procedures deemed necessary to ensure the preparation and fair presentation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

Statutory Auditor's responsibility

Our responsibility is to express an opinion on these consolidated annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by Luxembourg's prudential supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 statutory auditor's judgement, including the assessment of the risks that the consolidated annual financial statements contain material misstatements, whether due to fraud or error. In making this assessment, the statutory auditor considers the internal control procedures relevant to the entity's preparation and fair presentation of the consolidated annual financial statements to determine audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, under the responsibility of the Executive Committee and approved by the Board of Directors, as well as 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 consolidated annual financial statements give a true and fair view of the Group's financial position and cash flows as at 31 December 2013, 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 Executive Committee and submitted for the approval of the Board of Directors, is in line with the consolidated annual financial statements.

PricewaterhouseCoopers Luxembourg, 26 March 2014
Société coopérative
Represented by

Pierre Krier

Only the French version of the present report has been reviewed by the auditors. In case of differences between the French version and the translation, the French version should be retained.

B. Consolidated balance sheet as at 31 December 2013

ASSETS in euros	**Notes**	**31/12/2012**	**31/12/2013**
Cash and balances with central banks	4.1.	1,291,679,360	585,014,333
Loans and advances at amortised cost – Credit institutions	4.8.	7,094,564,634	7,227,843,403
Loans and advances at amortised cost – Customers	4.9.	16,716,489,554	17,003,930,051
Financial instruments held for trading	4.2. 4.7.	85,646,698	79,976,733
Hedging derivatives	4.7.	67,139,194	132,425,965
Available-for-sale securities – Fixed-income securities	4.2.	8,443,341,261	9,286,093,904
Available-for-sale securities – Variable-income securities	4.2.	910,278,050	1,002,400,913
Held-to-maturity securities	4.4.	5,315,888,143	4,785,557,990
Investments in associates accounted for using the equity method	4.3.	280,246,062	277,133,236
Property, plant and equipment for own use	4.10.	177,471,636	175,009,307
Investment property	4.12.	17,356,074	16,699,095
Intangible assets	4.11.	12,244,231	12,259,092
Other assets	4.13.	81,032,735	129,760,273
TOTAL ASSETS		**40,493,377,632**	**40,714,104,295**

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

LIABILITIES in euros	**Notes**	**31/12/2012**	**31/12/2013**
Deposits at amortised cost – Credit institutions	4.16.	3,786,193,933	5,381,166,797
Deposits at amortised cost – Private customers and public sector	4.17.	24,473,545,033	25,073,954,961
Financial instruments held for trading	4.2. 4.7.	324,581,083	230,835,090
Hedging derivatives	4.7.	822,908,804	798,822,107
Debt securities in issue	4.15.	7,385,930,607	5,177,826,072
Change in fair value of a portfolio of financial instruments hedged against interest rate risk		-	4,621,034
Provisions	4.19.	4,200,369	5,945,558
Other liabilities	4.20.	60,508,671	69,524,913
Current tax liabilities	4.14.	84,227,576	53,322,986
Deferred tax liabilities	4.14.	63,431,254	106,870,508
Pension fund	4.18.	88,214,816	91,548,527
Sub-total of LIABILITIES (before equity capital) to be carried forward		**37,093,742,146**	**36,994,438,553**

EQUITY in euros	**31/12/2012**	**31/12/2013**
Sub-total of LIABILITIES (before equity capital) carried forward	**37,093,742,146**	**36,994,438,553**
Share capital	173,525,467	173,525,467
Revaluation reserve	609,867,885	752,895,901
- Available-for-sale assets	*603,667,755*	*748,680,299*
Consolidated reserves	2,386,960,748	2,554,079,320
- Equity method adjustment	*215,006,563*	*202,089,328*
Income for the year	227,499,362	238,346,448
Sub-total of equity attributable to equity holders of the parent company	3,397,853,462	3,718,847,135
Minority interests	1,782,024	818,607
Total equity	**3,399,635,486**	**3,719,665,742**
TOTAL LIABILITIES, including EQUITY	**40,493,377,632**	**40,714,104,295**

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

C. Consolidated income statement as at 31 December 2013

in euros	Notes	31/12/2012	31/12/2013
Interest income	5.1.	439,338,533	390,251,701
Income from variable-income securities	5.2.	32,597,456	43,079,434
Fee and commission income	5.3.	104,379,435	111,193,764
INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSION		**576,315,424**	**544,524,899**
Income from financial instruments not recognised at fair value through profit or loss	5.4.	7,734,488	1,187,586
Income from financial instruments held for trading	5.5.	-31,108,752	49,941,333
Income from hedging transactions	5.6.	-5,237,733	-1,860,601
Exchange gains or losses		8,463,744	7,408,495
Other operating income	5.7.	6,420,002	11,855,311
Other operating expenditure	5.7.	-598,161	-3,423,535
BANKING INCOME		**561,989,012**	**609,633,488**
Personnel expenses	5.8.	-181,000,767	-186,077,425
Other general and administrative expenses	5.9.	-70,698,548	-72,716,255
Depreciation allowances for tangible and intangible assets	5.10. 5.11. 5.12.	-27,296,554	-25,368,103
INCOME AFTER GENERAL EXPENSES		**282,993,143**	**325,471,705**
Net allowances for impairment of individual and collective credit risks	5.13.	-23,678,683	-38,065,643
Provisions	5.14.	609,195	-1,060,679
Share in the profit of equity-accounted associates		11,606,390	21,442,893
INCOME BEFORE TAXES AND NON-CURRENT ASSETS		**271,530,045**	**307,788,276**
Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations		1,069,205	-
Tax on income from continuing operations	5.15.	-27,786,720	-61,502,501
Deferred taxes	5.15.	-15,911,611	-7,322,019
INCOME FOR THE YEAR		**228,900,919**	**238,963,756**
of which:			
Income for the year attributable to minority interests		*1,401,557*	*617,308*
Income for the year attributable to equity holders of the parent		*227,499,362*	*238,346,448*

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

D. Consolidated statement of comprehensive income as at 31 December 2013

in euros	31/12/2012	31/12/2013
INCOME FOR THE YEAR	**228,900,919**	**238,963,755**
Items not reclassified in net income subsequently	**-50,690,083**	**-5,928,452**
Actuarial gains/(losses) on the defined-benefit pension scheme	-72,005,524	-8,375,886
Impact of deferred taxes	21,315,441	2,447,434
Items to be reclassified in net income subsequently	**550,607,240**	**143,028,019**
Available-for-sale assets	651,113,979	184,396,482
- Variation in measurement results	*658,670,629*	*185,348,272*
- Net reclassification to the income statement of realised net gains	*-7,556,650*	*-951,790*
Cash flow hedges	2,606,046	-2,803,795
Impact of deferred taxes	-103,112,785	-38,564,668
Total items of comprehensive income for the year - net of tax	**499,917,157**	**137,099,567**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**728,818,076**	**376,063,322**
share attributable to		
- minority interests:	*-41,193*	*-963,417*
- owners of the parent company:	*728,859,269*	*377,026,739*

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

E. Consolidated statement of changes in equity as at 31 December 2013

The Bank has appropriated the sum of EUR 40,000,000 (EUR 30,000,000 in 2012) from its net income for financial year 2013 for allocation to the State.

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity-equity holders of the parent	Minority interests	Total equity
As at 1 January 2013	**173,525,467**	**2,386,960,748**	**609,867,885**	**227,499,362**	**3,397,853,462**	**1,782,024**	**3,399,635,486**
Appropriation of 2012 income	-	227,499,362	-	-227,499,362	-	-	-
2013 net income	-	-	-	238,346,447	238,346,447	617,308	238,963,755
Allocation for FY 2012	-	-40,000,000	-	-	-40,000,000	-	-40,000,000
Actuarial gains / (losses) on pension fund	-	-5,928,452	-	-	-5,928,452	-	-5,928,452
Net measurement results of available-for-sale financial instruments	-	-	145,012,545	-	145,012,545	-	145,012,545
Net measurement results of cash flow hedges	-	-	-1,984,527	-	-1,984,527	-	-1,984,527
Other	-	-14,452,338	-	-	-14,452,338	-1,580,725	-16,033,063
As at 31 December 2013	**173,525,467**	**2,554,079,320**	**752,895,903**	**238,346,447**	**3,718,847,135**	**818,607**	**3,719,665,742**

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity-equity holders of the parent	Minority interests	Total equity
As at 1 January 2012	**173,525,467**	**2,335,655,411**	**221,836,111**	**125,972,275**	**2,856,989,264**	**1,823,217**	**2,858,812,481**
Appropriation of 2011 income	-	125,972,275	-	-125,972,275	-	-	-
2012 net income	-	-	-	227,499,362	227,499,362	1,399,962	228,899,324
Allocation for FY 2011	-	-30,000,000	-	-	-30,000,000	-	-30,000,000
Actuarial gains / (losses) on pension fund	-	-50,690,083	-	-	-50,690,083	-	-50,690,083
Net measurement results of available-for-sale financial instruments	-	-	386,213,060	-	386,213,060	-	386,213,060
Net measurement results of cash flow hedges	-	-	1,818,714	-	1,818,714	-	1,818,714
Other	-	6,023,145	-	-	6,023,145	-1,441,155	4,581,990
As at 31 December 2012	**173,525,467**	**2,386,960,748**	**609,867,885**	**227,499,362**	**3,397,853,462**	**1,782,024**	**3,399,635,486**

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

F. Consolidated statement of cash flow as at 31 December 2013

in euros	31/12/2012	31/12/2013
Cash and cash equivalents		
Cash and balances with central banks	1,291,651,378	585,014,208
Loans and advances at amortised cost – Credit institutions	2,408,068,039	4,364,471,697
Loans and advances at amortised cost – Customers	1,468,792,970	1,340,924,347
Financial instruments held for trading	72,838	-
Available-for-sale securities – Fixed-income securities	50,868,083	-
Held-to-maturity securities	58,148,032	-
Total	**5,277,601,340**	**6,290,410,253**

The statement of cash flows represents the inflow and outflow of cash. Cash and cash equivalents include cash on hand, deposits with central banks, and assets with an original maturity of 90 days or less.

In 2013, the Group applied the recommendations of the International Financial Reporting Interpretations Committee (IFRIC) regarding assets with an original maturity of 90 days or less. 2012 has been restated accordingly.

The cash flow statement classifies the cash flows of the period into operating activities, investment activities and financing activities.

Cash flow from operating activities

- Cash flow from operating activities before changes in operating assets and liabilities:

in euros	31/12/2012	31/12/2013
Interest received	1,086,409,357	945,306,463
Interest paid	-639,899,836	-543,948,608
Income from variable-income securities	32,597,456	43,079,434
Fees and commission received	132,161,015	140,383,255
Fees and commission paid	-27,781,580	-29,189,491
Other operating income	6,420,002	11,855,311
Current taxes	-27,786,720	-61,502,501
Other general and administrative expenses	-244,135,837	-250,191,047
Other operating expenditure	-598,161	-2,995,810
Sub-total	**317,385,697**	**252,797,006**

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

- Cash flow from changes in operating assets:

Net changes in euros	31/12/2012	31/12/2013
Financial instruments held for trading	1,745,755	-9,663,768
Available-for-sale securities – Fixed-income securities	-159,921,940	-796,225,103
Available-for-sale securities – Variable-income securities	-6,880,675	-13,789,400
Loans and advances at amortised cost – Credit institutions	-1,986,711,375	1,830,209,005
Loans and advances at amortised cost – Customers	-403,200,012	-495,865,188
Hedging derivatives	667,497	-694,174
Other assets	-39,973,089	-52,439,717
Sub-total	**-2,594,273,838**	**461,531,655**

- Cash flow from changes in operating liabilities:

Net changes in euros	31/12/2012	31/12/2013
Securities held for trading – Short sales	-1,073,385	11,818,283
Deposits at amortised cost – Credit institutions	241,233,756	1,594,462,664
Deposits at amortised cost – Customers	-469,396,324	587,777,145
Hedging derivatives	154,157,085	41,048,528
Other liabilities	16,486,199	15,219,658
Debt securities in issue	-4,130,170	-2,177,351,345
Sub-total	**-62,722,839**	**72,974,933**
Cash flow from operating activities	**-2,339,610,980**	**787,303,594**

Cash flow from investment activities

in euros	31/12/2012	31/12/2013
Acquisition of available-for-sale securities – Variable-income securities	-313,671	-
Disposals of available-for-sale securities – Variable-income securities	6,902,907	1,174,209
Acquisition of held-to-maturity securities	-3,306,400,646	-1,721,885,368
Redemption of held-to-maturity securities	1,995,436,849	2,175,160,318
Acquisitions/disposals of intangible and tangible assets	-6,259,041	713,611
Cash flow from investment activities	**-1,310,633,602**	**455,162,770**

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

Cash flow from financing activities

in euros	31/12/2012	31/12/2013
Proceeds from subordinated liabilities	-45,761,486	-43,974,595
Income distribution	-30,000,000	-40,000,000
Cash flow from financing activities	**-75,761,486**	**-83,974,595**
Net change	**-3,726,006,068**	**1,158,491,769**

Change in cash and cash equivalents

in euros	2012	2013
Position as at 1 January	**8,863,448,518**	**5,277,601,341**
Net change in cash	-3,276,006,068	1,158,491,769
Effect of exchange rates on cash and cash equivalents	140,158,891	-145,682,857
Position as at 31 December	**5,277,601,341**	**6,290,410,253**

The notes on pages 23 to 106 are an integral part of these consolidated financial statements.

G. Notes to the consolidated financial statements

1. General information

Banque et Caisse d'Epargne de l'Etat, Luxembourg (hereinafter the "Bank"), established by the law of 21 February 1856 and governed by the law of 24 March 1989, is a self-governing public law institution endowed with legal personality. Ultimate responsibility for the institution lies with the Government Minister with responsibility for the Treasury.

The Bank's registered office is located at 1, place de Metz, L-2954 Luxembourg.

Within the limits set by the laws and regulations applicable to credit institutions, the objective of the Bank is to perform all financial and banking activities, as well as all similar, related or ancillary operations.

The consolidated financial statements concern the Group, of which Banque et Caisse d'Epargne de l'Etat is the parent company. The bank had an average headcount in 2013 of 1,803 (1,804 for 2012), including staff on skills-acquisition contracts.

The financial year coincides with the calendar year.

The consolidated financial statements were approved by the Board of Directors meeting on 26 March 2014.

2. Basis of preparation of the consolidated financial statements

2.1 COMPLIANCE WITH GENERAL ACCOUNTING PRINCIPLES

The Group's consolidated financial statements for the 2013 financial year have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

a) New or revised standards adopted by the Group

The following standards, whose application is compulsory in financial years beginning on or after 1 January 2013, were adopted by the Group and have had no material impact on the consolidated financial statements:

- Amendment to IFRS 7: Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,
- IFRS 13: Fair Value Measurement,
- IAS 19 revised: Employee Benefits,
- Amendment to IAS 1: Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, improvements to the content of the Statement of Changes in Equity,
- Amendment to IAS 12: Income Taxes – Deferred Tax: Recovery of Underlying Assets,
- Improvements to IFRS, 2009-2011 cycle, which are a series of amendments to the existing standards.

b) The following standards, whose application is compulsory in financial years beginning on or after 1 January 2014, have not yet been adopted by the Group and have had no material impact on the consolidated financial statements:

- IFRS 10: Consolidated Financial Statements,
- IFRS 11: Joint Arrangements,
- IFRS 12: Disclosure of Interests in Other Entities,
- IAS 27 revised: Consolidated Financial Statements,
- IAS 28 revised: Investments in Associates and Joint Ventures,
- Amendment to IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities,
- Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets,
- Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting.

c) New and revised standards and interpretations relevant for the Group, which are not yet compulsory and which have not been adopted by the European Union:

- Interpretation IFRIC 21: Taxes levied by a public authority,
- Amendment to IAS 19: Employee Contributions to Defined Benefit Plans,
- Improvements to IFRS, 2010-2012 cycle, which are a series of amendments to the existing standards,
- Improvements to IFRS, 2011-2013 cycle, which are a series of amendments to the existing standards.

The consolidated financial statements are stated in euros, the functional currency of the parent company and its subsidiaries. They have been prepared on the basis of historical cost or amortised cost, adjusted to fair value for available-for-sale financial assets, financial assets held for trading, derivatives and pension fund assets.

2.2 CONSOLIDATION

2.2.1 Scope of consolidation

The consolidated financial statements comprise the parent, its subsidiaries and ad hoc entities over which the Group directly or indirectly exercises effective control of management and financial and operational policies. Subsidiaries are consolidated from their date of acquisition, when the Bank, as the parent company, has the power to direct their financial policies. They are deconsolidated on the date such control ceases.

Consolidation has not generated any goodwill as the Group has owned all its subsidiaries since their creation.

Acquisitions are recognised at cost, i.e. the amount of cash or cash equivalents paid representing the fair value, plus all costs directly attributable to the acquisition. All intra-group transactions and unrealised gains on transactions between Group companies are eliminated. Unrealised losses on intra-group transactions are also eliminated unless the cost cannot be recovered.

If any member of the Group applies accounting standards different from those applied to the preparation of consolidated financial statements, appropriate restatements are made to ensure consistency with the Group's accounting policies.

If the reporting date for a company within the consolidated group is different from the Group's reporting date, adjustments are made to take into account transactions made and any other significant events that occurred between the company's year-end and that of the parent.

The portion of equity attributable to minority interests is given on a separate line. Similarly, the portion of earnings attributable to minority interests is also shown on a separate line.

2.2.1.1 Fully consolidated subsidiaries

The consolidated financial statements record the assets, liabilities, income and expenditure of the Group and its subsidiaries. A subsidiary is a company in which the Group holds at least 50% of the voting rights, as well as companies in which the Group directly or indirectly exercises control with the power to direct the company's financial and operating policies.

Subsidiaries included in the scope of consolidation:

Name	% of voting rights
Luxbond Advisory S.A.	86.93
BCEE Asset Management S.A.	90.00
Bourbon Immobilière S.A.	99.90
Luxembourg State and Savings Bank Trust Company S.A.	100.00
Spuerkeess Ré S.A.	100.00

In December 2013, the Group decided to merge Lux-Index US Advisory S.A., Lux-Pension Advisory S.A., Lux-Croissance Advisory S.A., Luxcash Advisory S.A., Lux-World Fund Advisory S.A. and Lux-Protect Fund Advisory S.A. into Luxbond Advisory S.A., which is now the only Advisory company still in the Group's portfolio and thus belonging to the scope of full consolidation.

Note that the name Luxbond Advisory S.A. was changed to Lux-Fund Advisory S.A. effective 1 January 2014.

2.2.1.2 Investments in associates

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method. Significant influence means the Group has the power to direct a company's financial and operating policies in order to obtain a substantial share of the economic benefits. Significant influence is presumed when the Group holds, directly or indirectly through its subsidiaries, 20% or more of the voting rights.

Investments in associates are recognised at cost, and the book value is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate after the acquisition date.

The Group's share of the associate's profit or loss is recognised in the income statement.

Equity-method consolidation ceases when the Group's interest is reduced to zero, unless the Group has incurred legal or constructive obligations to assume or guarantee commitments on behalf of the associate.

The Group's investments in associates:

Associates	% of capital held
Direct interests	
Société Nationale de Circulation Automobile S.à r.l.	20.00
Luxair S.A.	21.81
Société de la Bourse de Luxembourg S.A.	22.74
Europay Luxembourg S.C.	25.40
Visalux S.C.	36.26
La Luxembourgeoise S.A.	40.00
La Luxembourgeoise-Vie S.A.	40.00
BioTechCube (BTC) Luxembourg S.A.	50.00
Indirect interests	
Pecoma International S.A.	33.33
EFA Partners S.A.	29.05

Note that the Bank intends to transfer the acquiring and issuing activities of VISALUX S.C. and EUROPAY Luxembourg S.C. to CETREL S.A., respectively, to the local banks, which will result in the dissolution of the two companies in the medium term.

2.3 FOREIGN CURRENCY TRANSACTION

The impact of exchange rate fluctuations on income statement items is detailed below. The Group's functional currency is the euro (EUR).

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the date of the transactions.

Monetary items denominated in foreign currency are converted at the closing rate on each balance sheet date.

Non-monetary items recognised at historical cost denominated in a foreign currency are converted using the exchange rate on the transaction date, while non-monetary items recognised at fair value in a foreign currency are converted at the exchange rates prevailing on the date of fair value measurement.

Foreign exchange gains and losses resulting from monetary assets and liabilities are recognised in the income statement, except where the transaction is classified as a cash flow hedge.

For monetary assets classified as "available-for-sale assets", conversion differences relating to the difference between their fair value on the balance sheet date and their acquisition cost are recognised in the revaluation reserve, whereas conversion differences relating to the adjustment of the amortised cost relative to the acquisition value are recognised through profit or loss.

Conversion differences relating to adjustments in the fair value of non-monetary items are recognised in the same way as the recognition of these changes in fair value.

The following exchange rates were used for conversion of the main currencies in the annual financial statements, where one euro is equal to:

	31/12/2012	31/12/2013
CHF	1.2076	1.2269
GBP	0.8161	0.8331
JPY	113.6200	144.5600
SEK	8.5895	8.8311
USD	1.3195	1.3764

2.4 BANKING TRANSACTIONS

2.4.1 Initial recognition and measurement

Purchases and sales of financial assets and liabilities whose delivery or settlement are made after the transaction date are recognised on the balance sheet on the delivery or settlement date.

All financial instruments are recognised at fair value when initially recognised, increased by directly attributable costs when the financial instruments are not entered at fair value through profit or loss.

Derivatives are recognised on the balance sheet at fair value on the transaction date. The classification of derivatives on initial recognition depends on their characteristics and purpose. Therefore, they may be classified as "financial instruments held for trading" or as "hedging instruments".

Derivatives are recognised in assets when the fair value is positive, and in liabilities when it is negative. By fair value here is meant the "dirty price" of the instruments, i.e., including the accrued interest.

Embedded derivatives according to the definition of IAS 39 are separated from the host contract and accounted for at fair value if the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract, and the entire instrument is not classified as held for trading, or has not been designated as measured at fair value in the income statement. Embedded derivatives that have been separated from their host contract are recognised at fair value in the trading portfolio and changes in fair value are recognised in the income statement.

Gains or losses on the sale of financial assets that are not subject to revaluation through the income statement are calculated as the difference between the amount received net of transaction costs and the acquisition cost or amortised cost of the financial asset.

2.4.2 Subsequent measurement

Subsequent to initial recognition, financial instruments are measured according to their characteristics and the valuation categories to which they belong. The valuation categories used are: financial instruments held for trading or hedging, financial assets held to maturity, available-for-sale assets, and loans and advances.

2.4.2.1 Historical cost

Financial assets and liabilities recognised at historical cost are valued at the initial recognition amount.

2.4.2.2 Amortised cost

The amortised cost corresponds to the amount initially recognised, less repayments of capital, adjusted for premiums and discounts, calculated as the difference between the initial amount and the repayment amount on maturity, over the life of the asset, less impairment recognised whenever there is objective evidence of impairment of the asset in question.

2.4.2.3 Fair value

The fair value of the counterpart received or tendered can usually be determined by reference to an active market or by using valuation techniques based chiefly on observable market inputs.

To determine a consistent value for the financial instruments measured at fair value, the Group uses the following methods:

- derivative financial instruments held for trading or hedging: the Bank uses the discounted cash flow (DCF) method for plain vanilla contracts and the Black-Karasinski model for structured contracts.
- financial assets:

<u>fixed-income securities:</u>

- for assets quoted on an active market, the bid price published by an official quotation agent is used,
- for assets quoted on a market considered inactive, the valuation price is calculated by the Bank's internal valuation model.

<u>variable-income securities:</u>

- for assets quoted on an active market, the bid price published by an official quotation agent is used,
- for assets quoted on a market considered inactive or for unquoted assets, the Bank determines the value by analysing the last available annual financial statements, as well as recent transaction prices.

- financial liabilities:

EMTNs issued by the BCEE Group are initially recognised at amortised cost. These transactions are subsequently designated as fair value hedges to avoid an accounting impact on the income statement due to hedging these issues with derivatives. Thus the fair value measurement method applied to the issue and to the hedge are identical, namely the discounted cash flow or "Black-Karasinski" method.

2.4.3 Accounting judgements and estimates

The preparation of the consolidated financial statements under IFRS requires the Group to make a number of accounting estimates and judgements in order to determine the reported amounts of certain items.

The most significant of these are:

2.4.3.1 Fair value of financial instruments

When the fair value of a financial instrument recognised in the balance sheet cannot be determined based on an active market, it is calculated using valuation techniques mostly based on mathematical models. Insofar as possible, the inputs to mathematical models come from market observations.

The Group determines if the markets for fixed-income securities are active or inactive, based on criteria such as the weighting of the Group's position in the total bond issue, the number of price contributors, the average bid size and the spread between bid and ask prices.

When the market is considered active, the Group uses the prices provided by an official quotation source. For issues for which the Group estimates that the market is inactive based on its criteria, it first calculates a price using the DCF based on the yield curves and spreads, determined according to the issuer's rating. The price thus calculated is then weighted with a price indication provided by a quotation source, even if the price indication originates from a market which the Bank considered inactive based on its active / inactive market analysis.

2.4.3.2 Impairment of financial assets measured at amortised cost

In accordance with IAS 39, the Bank recognises an impairment whenever there is objective indication of impairment of the asset.

For retail banking, the non-recoverable amount for specific cases is estimated based on observations of historical loss data, while case-by-case assessments are used to estimate the non-recoverable amount for professional customers (wholesale portfolio), and a specific value adjustment is recognised as a result.

The Group assimilates the concept of default with objective indications of impairment as determined by IFRS, by applying the internal credit risk management regulations defined for the calculation of the capital adequacy ratio according to Basel II.

It also recognises "collective impairment" of loans and advances not identified individually as being in default in order to take account of the progressive credit risk after the date on which the loan was granted.

The Group bases its calculation of this collective value adjustment on historic loss data on its loan portfolio, determining the probability of default for different loan types according to the time elapsed from granting the loan up to the time of the default event.

The collective value adjustment, also known as IBNR (Incurred But Not Yet Reported) impairment, is calculated on all individually performing loans and advances belonging to the "Loans and advances at amortised cost - customers" portfolio.

Collective impairment is calculated based on the concept of expected loss and is defined as the product of exposure at default (EaD), probability of default estimated on historical data (PD) and the Basel II loss given default (LGD).

Pursuant to IFRS, the Group considers the impact of economic developments by using best-estimate LGD's, i.e. by over-weighting recent LGD historical data relative to older ones.

2.4.3.3 Impairment of available-for-sale assets

The Group considers securities in the "available-for-sale financial assets" (AFS) portfolio to be impaired when it expects a permanent reduction in future contractual cash flows because of "objective impairment evidence".

The following are some of the objective indications of impairment used by the Bank:
- cash problems due to one or more late payments or reimbursement,
- downgrade of ratings below a critical threshold (B+),
- deterioration of solvency.

Accordingly, a fall in price of more than 20% triggers an impairment test, irrespective of the existence of objective evidence of impairment.

When the Group recognises impairment on fixed-income securities, the difference between the fair value and amortised cost will be entered on the income statement and therefore will no longer be recognised in equity under "Revaluation reserve".

Similarly, when the Group recognises impairment on variable-income securities, the difference between the fair value and acquisition cost will be entered on the income statement and therefore will no longer be recognised in equity under "Revaluation reserve".

Regarding the objective criteria for impairment of variable-income securities, the Group recognises impairment only if the fair value is permanently lower than the historical cost. The monitoring and valuation of these positions and the decision to apply impairment are the responsibility of a group of appraisers on the basis of the following criteria:
- changes in market value for listed assets, or recent transaction prices,
- changes in net assets on the basis of published results for unlisted securities,
- projected changes in the counterparty in terms of business model or turnover and by appraiser assessments.

2.4.3.4 Impairment of held-to-maturity assets

For held-to-maturity assets, the Group applies the same principle regarding impairment as for fixed-income securities in the available-for-sale assets category.

2.5 CASH FLOW STATEMENT

The statement of cash flows represents the inflow and outflow of cash. Cash and cash equivalents include cash on hand, deposits with central banks, and assets with an original maturity of less than 90 days.

The cash flow statement classifies the cash flows of the period into operating activities, investment activities and financing activities.

The Group uses the indirect method to determine the cash flows. To do this, it eliminates from the net result all pure accounting flows that do not translate into an inflow or outflow of liquid funds and directly presents the items of the net result arising from operating activities before changes in operating assets and liabilities.

Operating activities

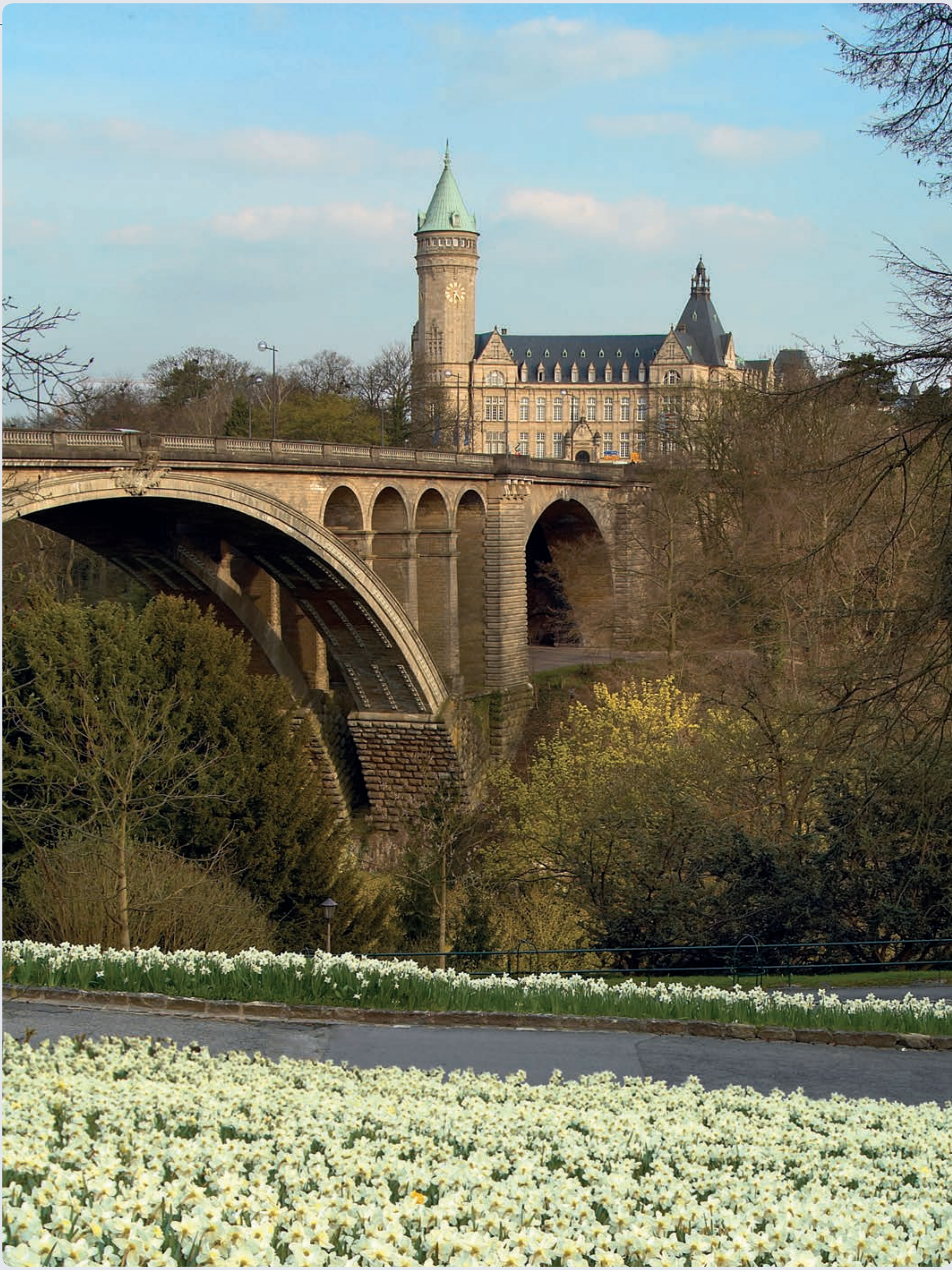
Operating activities are the main revenue generating activities. They comprise all activities other than investment or financing. They consist of the operating income and expenses, cash flows relating to financial and other income and expenses, as well as the different categories of taxes paid during the year.

Investing activities

Investing activities comprise the acquisition and disposal of assets in the long term and all other investments not included in cash equivalents.

Financing activities

Financing activities comprise activities leading to changes in the breadth and composition of equity, and subordinated capital issued by the Bank.



3. Information on accounting policies applied to balance sheet categories

3.1 CASH AND BALANCES WITH CENTRAL BANKS

Cash consists essentially of "Cash" and the minimum mandatory reserve with the Banque centrale du Luxembourg (BCL).

The minimum mandatory reserve is funded to satisfy the reserve requirement imposed by the BCL.

These funds are not available to finance the Group's ordinary operations. The reserve basis is calculated on a monthly basis and is defined according to liability items on the balance sheet, according to Luxembourg accounting principles. The calculation of the basis that determines the reserve requirements is made by the Banque centrale de Luxembourg.

3.2 FINANCIAL INSTRUMENTS

3.2.1 Assets and liabilities held for trading

Financial instruments held to make a profit from short-term price fluctuations are classified as assets or liabilities held for trading. This category includes fixed-income securities, variable-income securities, short sales on these same financial instruments, as well as derivatives used for trading.

Since the concept of short-term is not defined by IAS 39, the Group considers six months as the average duration for non-derivative financial instruments.

Financial instruments held for trading are initially designated at fair value, with any subsequent gains and losses arising from changes in fair value recognised in the income statement under "Income from financial instruments held for trading". Accrued interest incurred and received is recognised in the income statement under "Interest income", and dividends are recognised under "Income from variable-income securities" from the time the right to payment becomes established.

3.2.2 Fixed-income securities held to maturity

Listed securities with a fixed maturity that the Group expressly intends and has the means to hold to maturity are recognised at amortised under "Held-to-maturity securities", using the effective interest rate method integrating premiums and discounts spread over the life of the asset, after deduction of impairment, if any. The spread of discounts and premiums is entered under "Interest income" in the income statement.

The conditions for classification as held-to-maturity assets and the strict portfolio requirements in terms of limited conditions for transfer and sale have led the Group to limit the use of this portfolio. Assets held to maturity (and therefore not measured at fair value) are not exposed to the risk of interest rate fluctuation, as a result, it is not possible to hedge this risk. However, foreign currency risk and credit risk may be hedged. The Group primarily invests in securities issued or guaranteed by first-class bank or sovereign issuers under its ALM policy.

The Group has adopted a procedure in compliance with IAS 39 AG 22 (a) detailing the conditions of sales before maturity in order to respect the conditions set out in paragraph 9 of this standard and consequently not raise doubts as to the entity's intention to hold its other investments to maturity.

3.2.3 Available-for-sale assets

Available-for-sale assets correspond to positions initially designated as such, or they are positions that were not classified in one of the other three assets categories (assets held for trading, held-to-maturity assets or receivables at amortised cost) at the time of initial recognition.

Available-for-sale financial assets include fixed-income securities, loans quoted in an active market, and variable-income securities, notably investments in shares and in open-end investment funds (SICAV). The Group has opted for fair value measurement of equity interests in companies of which it holds at least 20%, according to IAS 39, by classifying these investments as available-for-sale financial assets for the purposes of the separate consolidated financial statements. Available-for-sale financial assets are initially recognised at fair value, including transaction costs. Interest is recognised in interest income using the effective interest rate method, while dividends are recognised in the income statement under "Income from variable-income securities" from the time the right to payment becomes established.

Available-for-sale financial assets are measured at fair value, based on the bid price for securities listed in an active market or based on observable market data or internal estimations. Unrealised gains or losses resulting from changes in fair value of these assets are recognised in equity under "Revaluation reserve". Impairment is recognised in the income statement and is therefore no longer recorded in equity under "Revaluation reserve".

When available-for-sale assets are sold, the gain or loss is recognised through profit or loss under "Income from financial instruments not recognised at fair value through profit or loss". If the Group has several investments in the same security, the sale is recorded using the first in - first out (FIFO) method.

Unrealised and realised gains or losses from fixed-income securities are determined by comparing the fair value of the bond with its amortised cost. Gains or losses on variable-income securities are measured by comparing the acquisition cost, including transaction costs, with the fair value.

The following paragraph explains the specific accounting treatment for bonds included in the available-for-sale portfolio, which are hedged against interest rate risk.

3.2.4 Derivatives used for hedging purposes

The Group uses derivatives to hedge interest rate, foreign exchange, credit and price risk such as stock market indices or share prices. The derivatives commonly used are interest rate swaps (IRS) and cross currency interest rate swaps (CIRS) in standard plain vanilla hedging transactions. In addition to these standardised contracts, the Group uses swaps with structured components to specifically hedge structured Euro Medium Term Notes (EMTN) issues and acquisitions of structured bonds included in its portfolio of available-for-sale assets and containing embedded derivatives.

Derivatives are considered as being held for trading except where they are designated as hedging instruments. When entering into a contract, the Group may designate financial instruments as hedging instruments in assets or liabilities on the balance sheet, if the transactions meet the criteria set out in IAS 39.

The Group classifies hedging instruments in the following categories:
- fair value hedge of an asset, a liability or a firm commitment,
- fair value hedge of a portfolio or a sub-portfolio of assets,
- cash flow hedge of future cash flows attributable to a specific asset or liability or future transaction.

The Group primarily uses fair value hedges.

Hedge accounting must comply with the following restrictive conditions set out in IAS 39:
- prior to being set up, the hedging relationship is formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness,
- the hedging starts with the designation of the derivative financial instrument used for hedging and ends either at the derecognition of the hedged instrument or if the effectiveness of the hedge is no longer given,
- prospective effectiveness: as soon as the transaction is set up, it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the hedging period. Prospective effectiveness is established when the main characteristics between hedged items and hedging items are substantially identical (par value, interest rate, maturity and currency) within the hedging period designated by the Group for the transaction,
- retrospective effectiveness: effectiveness is assessed retrospectively (results within a range of 80 to 125%) at each reporting date.

Changes in the fair value of derivatives designated as fair value hedges which meet the criteria for hedge accounting and have demonstrated their effectiveness relative to the hedged instrument are recognised in profit or loss under "Income from hedging transactions". At the same time, corresponding changes in the fair value of the hedged item are also recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting at a given time, the fair value adjustment to the interest-bearing hedged item must be amortised to profit or loss over the remaining period to maturity as an adjustment to the return on the hedged item.

Changes in the fair value of derivatives designated as cash flow hedges, which meet the criteria for hedge accounting and have proven their effectiveness relative to the underlying instrument to be hedged, are recognised in equity under "Revaluation reserve – cash flow hedges".

If a hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the hedge accounting criteria, the Group ceases to apply hedge accounting. Any adjustment in the book value of an interest-bearing hedged instrument is amortised through profit or loss, and must be totally amortised at maturity. If the item is derecognised, i.e. removed from the balance sheet, the change in fair value is recognised immediately in profit or loss.

Since 1 July 2013, the Bank has applied fair value macro-hedging on fixed-rate loans in accordance with the principles of IAS 39 in its "carve-out" version for the European Union. The decrease in the interest-rate curve favoured the marketing of fixed-rate loans, primarily in the area of mortgage loans. Hedging is done exclusively using IRS derivatives.

3.2.5 Securities transactions: Repurchase and reverse repurchase agreements - Lending and borrowing of securities

3.2.5.1 Repurchases and reverse repurchases

Securities covered by repurchase agreements (repo transactions) concerning the same or a substantially identical asset remain on the balance sheet and are considered as financial assets held for trading, available-for-sale financial assets or held-to-maturity financial assets. The amount due to the counterparty is entered in liabilities under "Deposits at amortised cost".

The Group mainly enters into repurchase agreements relating to the same or identical assets.

By analogy, securities purchased subject to resale agreements (reverse repo) relating to the same or substantially identical asset are not recorded in the balance sheet. The consideration for securities purchased under reverse repo agreements is entered under "Loans and advances at amortised cost".

The Group carries out tri-party repo and tri-party reverse repo transactions with counterparties rated "A" or higher. The structure involves a third-party intermediary throughout the life of the tri-party repo to manage delivery versus payment, control the eligibility criteria of securities, calculate and manage margin calls and manage substitutions of securities. Maturity varies from overnight to 12 months.

Income from repurchase and reverse repurchase agreements is entered under "Interest income" in the income statement.

3.2.5.2 Lending and borrowing of securities

Securities lent remain on the balance sheet, while securities borrowed are not entered on the balance sheet.

3.2.6 Loans and advances at amortised cost

Loans and advances at amortised cost are financial assets issued by the Group with fixed or adjustable payments and which are not listed on an active market.

Loans and advances with fixed maturity issued by the Group are recorded at amortised cost using the effective interest rate method. They are tested for impairment at each balance sheet date and an allowance for impairment is recorded if necessary.

IAS 18 requires loan administration expenses to be recorded as origination fees, which means they must be included in the calculation of the effective interest rate. According to the actuarial method, the material expenses and commissions linked to fixed-rate loans are spread over the life of the asset and recognised as an adjustment to the asset's effective rate of return. If the amounts are not significant, they are recognised directly in profit or loss.

In the case of variable- or adjustable-rate loans, the straight-line method is used and not the actuarial method.

Since the Group opted to measure loans and advances not evidenced by a security at amortised cost, measurement based on the yield curve is only used if the loan is hedged by a derivative instrument and when the Group has formally designated the transaction as a hedging transaction in accordance with IFRS.

3.2.7 Interbank market

3.2.7.1 Borrowings

Borrowings are initially recognised at fair value net of transaction costs. Subsequently, borrowings are recognised at amortised cost and any difference between the net amount received and the amount repaid is recorded in the income statement over the duration of the loan, using the effective interest rate method.

3.2.7.2 Debt securities in issue

Initially, debt issued by the Group is measured at amortised cost. However, as part of its EMTN programmes, the Group issues a large number of structured bonds containing embedded derivatives whose price fluctuations are hedged by swaps with a structure identical to that of the swap contained in the bond.

The Group has designated these operations as fair value hedges, which allows it to offset the market effect in the income statement.

3.2.8 Impairment of financial assets

In accordance with IAS 39, the Bank recognises an impairment whenever there is objective indication of impairment of the asset.

With regard to assets at amortised cost, the recoverable amount is net of pledges and guarantees and corresponds to estimated future cash flows discounted at the initial effective interest rate or, in the case of variable-income instruments, at the last effective interest rate. The impairment amount recognised is the difference between the book value and the recoverable value.

The recoverable amount for instruments measured at fair value is either the fair value or the estimated future cash flows discounted at the market rate applicable to similar financial instruments.

Allowances for impairment of the available-for-sale portfolio and loans and advances reduce the book value of the asset concerned.

The Bank distinguishes between two classes of impairment:

Impairment recognised by individual value adjustments: the amount of the impairment loss is the difference between the book value of the asset and its recoverable amount. Financial assets are valued contract by contract. However, in principle, financial assets of small amounts, such as retail loans, presenting similar risk characteristics, are grouped together for the purposes of an overall assessment of the impairment rate.

Impairments recognised by collective value adjustments: in the absence of individual value adjustments, IFRS provide for collective impairment to cover the risk of potential loss, if there are one or more objective indications of probable loss in certain portfolio segments or in other loan commitments granted but not drawn on the reporting date. As things currently stand, the Group only applies this principle to retail customers in the "Loans and advances at amortised cost" portfolio.

The Group bases its calculation of collective impairments on experience and historical data for realised losses. The default probability for the different types of loans is calculated based on the length of time between granting of the loan and the default.

If the Group's management considers a financial asset as being totally unrecoverable, according to objective indications, it is written off in full. In the event any inflows or funds are recognised subsequently on this asset, they are recognised in the income statement under "Other operating income".

3.2.9 Other financial assets and liabilities

Other assets comprise short-term receivables. Other liabilities mainly consist of short-term payables, coupons due and other amounts payable on behalf of third parties, debts to preferential and sundry creditors as well as the share of profit payable to the Luxembourg State.

3.2.10 Income and expenses relative to financial assets and liabilities

Interest income and expenses are recognised in profit or loss for all financial instruments measured at amortised cost, according to the effective interest rate method.

The effective interest rate is the rate that exactly discounts future cash disbursements or receipts over the expected life of the financial instrument in order to obtain the net book value of the financial asset or liability. The calculation includes transaction costs and income, premiums and discounts. Transaction costs and income that are an integral part of the contract's effective rate, such as loan administration fees for instance, can be treated as additional interest.

Financial instruments held for trading are recorded at their fair value. Changes in their fair value are recognised in the income statement under the caption "Income from financial instruments held for trading". Dividends are entered under "Income from variable-income securities", while interest is entered under "Interest income".

The Group recognises fees in the income statement according to the type of services rendered and to the accounting method of the financial instruments to which the service relates:

- fees paid for continuing services are spread out as income over the duration of the rendered service (loan administration costs, transaction costs, etc.),
- fees paid for one-off services are fully recognised as income when the service has been delivered,
- fees paid for the execution of an important transaction are fully recognised in the income statement at the time the transaction is executed.

For certain operations relating to wholesale international customers, commitment and utilisation fees are determined based on a percentage of the credit line. These fees are integrated on a "prorata temporis" base over the life of the credit line, except if the fees should be integrated in the acquisition cost of the balance sheet exposure which may result from the credit line.

3.3 TANGIBLE ASSETS

Tangible assets for own use as well as investment property are recorded at acquisition cost. Costs related directly to the acquisition are capitalised as an integral part of the acquisition cost.

Tangible assets for own use consist of land and buildings, facilities and installations, computer hardware and other equipment. The heading "Investment property" in IAS 40 includes the Group's rented property.

Tangible assets are recognised at historical cost less accumulated amortisation and possible impairment. Costs related directly to the acquisition are capitalised and amortised as an integral part of the acquisition cost at the same pace as for the principal asset. The amortisable amount of these assets is calculated after deduction of their residual value. The Group applies the component approach to depreciation according IAS 16 on tangible construction assets. Components related to tangible assets are amortised over their estimated useful life using the straight-line method. Land is recognised at cost.

Useful life for the main types of tangible assets:

- constructions:	
• Structural works components	30 – 50 years
• Finishing component 1	30 years
• Finishing component 2	10 years
• Other components	20 years
- computer hardware:	4 years
- office fixtures, furniture and other equipment:	2 to 10 years
- vehicles:	4 years

Finishing component 1 includes, among others, lightweight partitions, screeds, tiles and joinery, whereas finishing component 2 includes resilient floor coverings and paint.

Investments on leased buildings are amortised over the remaining term of the lease. If the term is not fixed, amortisation takes place over 10 years.

Maintenance and repairs that do not increase the economic benefits of the tangible asset are accounted for in the income statement when incurred.

If the recoverable amount of an asset falls below its book value, an impairment must be recognised to adjust the book value on the balance sheet to the estimated recoverable amount.

Expenses incurred for the purpose of increasing the economic benefits generated by a tangible asset or real estate asset, or which extend its useful life, are recognised in assets on the balance sheet and amortised over the underlying asset's estimated useful life.

Gains or losses arising from the removal from active use or disposal of tangible assets are determined by the difference between the proceeds of the disposal and the residual value of the assets, and are recognised in profit or loss under "Other operating income or expense" as at the date of disposal or removal from active use.

The acquisition cost of equipment and furniture whose normal useful life is less than one year is recognised directly in profit or loss for the period under "Other general and administrative expenses".

3.4 INTANGIBLE ASSETS

The Group considers software, whether acquired or internally developped, as well as the related development and set-up expenses, as intangible assets. Software is amortised over a 3-year period using the straight-line method.

3.5 LEASE AGREEMENTS

A lease agreement which transfers substantially all the risks and advantages incidental to ownership of an asset is a finance lease, otherwise it is an operating lease.

3.5.1 A Group entity is a lessee

The Group has essentially entered into operating lease agreements for the rental of its offices or equipment. Lease payments are recognised in the income statement and when a lease contract is terminated in advance, the penalties to be paid are recognised as an expense in the reporting period during which the termination occurred.

3.5.2 A Group entity is a lessor

When the Group leases an asset within the framework of a finance lease, the net present value of the lease payments is recognised as a receivable under "Loans and advances at amortised cost" for customers or credit institutions. The difference between the payments due and their present value is recognised as unrealised financial income under "Interest income" in the income statement. The lease payments and the arrangement costs for the lease are spread over the term of the agreement so that the income generates a constant effective interest rate.

3.6 EMPLOYEE BENEFITS

Employee benefits are measured in accordance with IAS 19 (revised). The benefits granted to employees by the Group are divided into the three categories described hereafter.

3.6.1 Short-term benefits

Short-term benefits mainly comprise wages, annual holidays and bonuses paid within twelve months of the end of the financial year in respect of that financial year. They are recognised in the income statement under "Personnel expenses", including amounts remaining due on the reporting date.

3.6.2 Long-term benefits

Long-term benefits are benefits generally related to seniority, paid to active employees more than twelve months after the closing of the financial year. These commitments are provisioned based on the value on the reporting date. They are measured using the same actuarial method as that applied to post-employment benefits.

3.6.3 Post-employment benefits

In accordance with the organic law of 24 March 1989 on the Banque et Caisse d'Epargne de l'Etat, Luxembourg, employees not considered as civil servants ("agents employés") receive a pension supplement, paid by the Bank, if they are eligible for the Luxembourg civil service pension scheme. Pension supplements concern the following benefits:

- old age pension;
- disability pension;
- surviving spouse/partner pension;
- surviving orphan pension;
- three-month additional pension.

Pensions for employees who are classified as civil servants are also paid for by the Bank.

A civil servant's pension entitlement is determined according to the civil service pension scheme. However, the pension supplement for an "agent employé" is based on the difference between the amount of the said benefit as provided by the civil service pension scheme and the amount of the benefit under the pension scheme for private sector employees.

Thus, this scheme is inherently a defined-benefit plan which finances commitments relating to the first pillar.

On 1 December 2009, the pension fund was outsourced to the BCEE sub-fund of the "Compagnie Luxembourgeoise de Pension (CLP)", established as a retirement saving association (association d'épargne-pension - ASSEP). Therefore, the amount entered in the balance sheet is the present value of the defined benefit obligation as at the reporting date, net of plan assets and of adjustments related to unrecognised actuarial gains and losses and past services costs.

The defined benefit obligation is calculated each year by independent actuaries according to the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future cash disbursements based on the interest rate of high-quality corporate bonds, denominated in the currency of the payment of the benefit, the term of which is close to the estimated average term of the post-employment benefit obligation.

The total sum of the following amounts represents the annual pension expenses of the Group's parent:
- the current service cost;
- interest cost resulting from the application of the discount rate;
- all actuarial gains and losses;
these amounts are net of the expected return on plan assets.

Actuarial gains and losses are systematically recognised under "Reserves" in equity.

The calculation of the defined benefit obligation is based on the IGSS (General Inspectorate of Social Security) mortality tables with an allowance made for a five-year improvement to take into account a longer life expectancy of the beneficiaries.

3.6.4 Investment policy of the Compagnie Luxembourgeoise de Pension (CLP)

The management objective of the "CLP-BCEE" sub-fund is three-fold: to coordinate the various cash flows, to minimise the portfolio's volatility and the probability of an extraordinary contribution request, and to coincide the actual yield with the induced yield. To achieve these objectives, the "CLP-BCEE" sub-fund is authorised to invest in the following instruments:

- Conventional financial instruments:
  - Securities negotiable on the capital market:
    - Shares in companies or other equivalent securities,
    - Bonds and other debt securities,
  - Money market instruments such as treasury bills, certificates of deposit, commercial paper and treasury notes,
  - Shares and units in undertakings for collective investment, including Exchange Traded Funds.
- Derivatives: options, futures, swaps, rate agreements and all other derivatives related to securities, money market instruments, undertakings for collective investment, currencies, interest rates, exchange rates, commodities, yields, other derivatives, financial indices or financial measures.
- Liquidity:
  - All forms of conventional deposit at sight and at term.

The "CLP-BCEE" sub-fund invests more than 50% of its assets in bonds, debt securities and money market financial instruments. "CLP-BCEE" can also invest up to 20% of its assets in shares and equivalent securities. For the purpose of diversification, investments made with the same issuer or counterparty may not exceed 25% of assets. The use of derivatives is permitted by the investment policy for the purpose of hedging and/or efficient management of the portfolio.

Eligible bonds and money market financial instruments will have a minimum rating of A- (Standard & Poor's); similarly, the issuer must be from a member country of the European Union or the OECD.

Any change to the investment policy is subject to the prior approval of the Board of Directors of the CLP and the Supervisory Authority.

3.7 PROVISIONS

According to IAS 37, a provision is a liability of uncertain timing or amount, but which represents an obligation towards a third party arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

The Bank recognises a provision at the present value when a reliable estimate can be made of the amount of the obligation.

3.8 DEFERRED TAXES

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax base of assets and liabilities and their book values. Deferred tax assets and liabilities are calculated using the comprehensive calculation method, which takes into account all temporary differences, regardless of the date on which the tax will become payable or recoverable.

The rates used and tax laws applied to calculate deferred taxes are those that will apply when the tax becomes payable or recoverable.

Deferred tax assets are recognised to the extent that it is probable that the entity will recover the asset within a given time frame. Deferred taxes on unrealised gains or losses on available-for-sale assets and on changes in the value of derivatives designated as cash flow hedges are recognised in equity under "Revaluation reserve". Deferred taxes on actuarial gains and losses related to pension plan commitments are recognised in equity under "Reserves".

Banking centre Rousegaertchen

4. Notes to the balance sheet [1] (in euros)

4.1 CASH AND BALANCES WITH CENTRAL BANKS

Cash consists of cash and cash balances with central banks. The minimum reserve requirement with the Banque centrale du Luxembourg is entered under this heading. This is the minimum mandatory reserve to satisfy the reserve requirement imposed by the Luxembourg central bank. Hence, these funds are not available to finance the Bank's ordinary operations. The compulsory reserve rate decreased from 2% to 1% of liabilities falling within the base of the reserve as from the reference period beginning 18 January 2012.

Headings [2]	31/12/2012	31/12/2013
Cash	57,784,211	73,276,359
Reserve requirement	838,050,362	511,524,874
Deposits with central banks	395,844,787	213,101
Total	**1,291,679,360**	**585,014,333**

[1] Minor differences between the figures in the notes to the consolidated financial statements and the figures in the different consolidated statements are rounding differences only.
[2] term of less than one year

4.2 FINANCIAL INSTRUMENTS

Financial instruments are analysed by counterparty and type, differentiating between the instruments with a maturity up to one year and those with a maturity of more than one year.

4.2.1 Assets and liabilities held for trading

Assets	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Non-derivative financial instruments	2,394,891	410,064	2,804,955	266,384	374,324	640,708
Derivative instruments (note 4.7.)	33,363,847	49,477,893	82,841,740	46,721,092	32,614,934	79,336,025
Total	**35,758,738**	**49,887,957**	**85,646,695**	**46,987,476**	**32,989,258**	**79,976,733**

Liabilities	31/12/2012			31/12/2013		
Non-derivative financial instruments	-	5,212	5,212	-	13,304	13,304
Derivative instruments (note 4.7.)	144,131,428	180,444,443	324,575,871	137,991,541	92,830,245	230,821,786
Total	**144,131,428**	**180,449,655**	**324,581,083**	**137,991,541**	**92,843,549**	**230,835,090**

Assets - Non-derivative financial instruments	31/12/2012			31/12/2013		
Debt instruments	**2,208,173**	**410,064**	**2,618,237**	**249,889**	**374,324**	**624,213**
Public sector	*1,750,546*	*1,346*	*1,751,892*	*-*	*1,347*	*1,347*
Credit institutions	*279,352*	*178,320*	*457,672*	*132,682*	*312,467*	*445,149*
Corporate customers	*178,275*	*230,398*	*408,673*	*117,207*	*60,510*	*177,717*
Equity instruments	**186,718**	**-**	**186,718**	**16,495**	**-**	**16,495**
Total	**2,394,891**	**410,064**	**2,804,954**	**266,384**	**374,324**	**640,708**
Unrealised profit/loss at the reporting date	98,487	14,899	113,386	10,727	6,862	17,589

Liabilities - Non-derivative financial instruments	31/12/2012			31/12/2013		
Short sales						
Bonds	-	*5,212*	*5,212*	-	*13,304*	*13,304*
Shares	-	-	-	-	-	-
Total	**-**	**5,212**	**5,212**	**-**	**13,304**	**13,304**

4.2.2 Available-for-sale financial assets

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Debt instruments	**2,127,483,261**	**6,315,857,997**	**8,443,341,257**	**2,229,281,466**	**7,056,812,438**	**9,286,093,904**
Public sector	*140,452,457*	*1,894,604,660*	*2,035,057,117*	*311,636,579*	*2,102,565,299*	*2,414,201,878*
Credit institutions	*1,511,410,805*	*2,788,002,891*	*4,299,413,696*	*1,266,858,127*	*3,103,059,661*	*4,369,917,788*
Corporate customers	*475,619,999*	*1,633,250,445*	*2,108,870,444*	*650,786,760*	*1,851,187,478*	*2,501,974,238*
Equity instruments	**910,278,050**	**-**	**910,278,050**	**1,002,400,913**	**-**	**1,002,400,913**
Credit institutions	*2,529,749*	-	*2,529,749*	*2,760,600*	-	*2,760,600*
Corporate customers	*907,433,442*	-	*907,433,442*	*999,296,902*	-	*999,296,902*
Other	*314,859*	-	*314,859*	*343,412*	-	*343,412*
Total	**3,037,761,311**	**6,315,857,997**	**9,353,619,307**	**3,231,682,379**	**7,056,812,438**	**10,288,494,817**
Impairment of financial assets	-15,076,212	-52,146,015	-67,222,228	-12,482,716	-59,672,939	-72,155,654
Unrealised profit/loss at the reporting date	704,197,077	188,788,631	892,985,708	849,684,467	250,515,977	1,100,200,444

Impairment of available-for-sale financial assets:

	Corporate customers		Credit institutions	Public sector	Total
	ABS/MBS	Other			
Position as at 1 January 2012	41,570,952	11,024,737	15,933,850	99,388,984	167,918,523
Additions	17,973,817	240,415	750,000	-	18,964,232
Reversals	-8,455,600	-1,090,311	-5,483,850	-	-15,029,761
Write-off of receivables	-5,000,000	-	-	-99,388,984	-104,388,984
Exchange gain or loss	-143,155	-98,629	-	-	-241,784
Position as at 31 December 2012	**45,946,014**	**10,076,212**	**11,200,000**	**-**	**67,222,228**
Position as at 1 January 2013	45,946,014	10,076,212	11,200,000	-	67,222,228
Additions	11,290,229	-	2,499,884	-	13,790,113
Reversals	-7,378,993	-154,744	-	-	-7,533,737
Write-off of receivables	-571,090	-	-	-	-571,090
Exchange gain or loss	-548,216	-203,642	-	-	-751,858
Position as at 31 December 2013	**48,737,944**	**9,717,826**	**13,699,884**	**-**	**72,155,656**

Unrealised profit/loss on available-for-sale financial assets:

The unrealised profit/loss as at the reporting date breaks down as follows:

Debt instruments

Debt instruments include variable-rate bonds, fixed-rate bonds and structured bonds. Fixed-rate and structured bonds are converted into variable-rate bonds using derivatives (asset-swaps). The Group applies fair value hedge accounting to these transactions. The prospective and retrospective efficiencies are close to 100%.

31/12/2013	Fair value adjustment of debt instruments		Fair value adjustments of the swap leg hedging the asset	
	Changes in unhedged risk ("credit and liquidity spread")	Changes in hedged risk (interest rate and price)	Changes in hedge risk	Retrospective efficiency rate
Fixed-rate bonds and structured bonds	-955,773	-332,899,089	332,906,377	100.00%
Variable-rate bonds	4,191,215			

31/12/2012	Fair value adjustment of debt instruments		Fair value adjustments of the swap leg hedging the asset	
	Changes in unhedged risk ("credit and liquidity spread")	Changes in hedged risk (interest rate and price)	Changes in hedge risk	Retrospective efficiency rate
Fixed-rate bonds and structured bonds	88,168,133	-310,080,833	311,816,112	100.56%
Variable-rate bonds	20,774,938			

Breakdown of changes in carrying amount:

Debt instruments	2012	2013
Position as at 1 January	**8,438,492,520**	**8,443,341,257**
Acquisitions	1,828,523,178	2,965,995,365
Sales	-430,696,671	-39,401,364
Repayments	-1,871,924,735	-2,212,094,116
Realised profit/(loss)	1,160,646	491,030
Pro-rata interest	-7,490,998	-27,659,926
Unrealised valuations	431,557,816	128,525,885
Impairment	99,747,770	-5,291,814
Exchange gain or loss	-46,028,269	32,187,588
Position as at 31 December	**8,443,341,257**	**9,286,093,904**

Equity instruments

Headings	31/12/2012	31/12/2013
Equity instruments	910,278,050	1,002,400,913
Total	**910,278,050**	**1,002,400,913**
Impairment of financial assets	-10,076,212	-9,717,824
Unrealised profit/loss at the reporting date	691,847,947	770,536,798

4.3 INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	31/12/2012	31/12/2013
Acquisition value as at 1 January	50,125,523	50,116,790
Establishment	-	18,849
Disposals	-8,733	-33,004
Total (at acquisition value)	**50,116,790**	**50,102,635**

List of associates:

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 2013
Société Nationale de Circulation Automobile S.à r.l.	20.00	24,789	5,015,012
Luxair S.A.	21.81	14,830,609	81,505,441
Société de la Bourse de Luxembourg S.A.	22.74	112,166	19,780,899
Europay Luxembourg S.C.	25.40	96,279	463,569
Visalux S.C.	36.26	412,506	864,627
La Luxembourgeoise S.A.	40.00	16,856,760	91,631,425
La Luxembourgeoise-Vie S.A.	40.00	12,047,625	70,620,149
BioTechCube (BTC) Luxembourg S.A.	50.00	5,000,000	779,011
Sub-total direct holdings in associates		**49,380,735**	**270,660,134**
Pecoma International S.A.	33.33	170,000	207,801
EFA Partners S.A.	29.05	551,900	687,175
Sub-total indirect holdings in associates		**721,900**	**894,976**
Difference due to equity-accounted partial disposals		-	5,578,126
Total		**50,102,635**	**277,133,236**

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 2012
Société Nationale de Circulation Automobile S.à r.l.	20.00	24,789	2,053,654
Luxair S.A.	21.81	14,830,609	86,817,465
Société de la Bourse de Luxembourg S.A.	22.74	112,166	19,308,685
Europay Luxembourg S.C.	27.90	129,283	498,270
Visalux S.C.	35.46	393,657	771,209
La Luxembourgeoise S.A.	40.00	16,856,760	90,634,854
La Luxembourgeoise-Vie S.A.	40.00	12,047,625	72,701,762
BioTechCube (BTC) Luxembourg S.A.	50.00	5,000,000	790,121
Sub-total direct holdings in associates		**49,394,890**	**273,576,022**
Pecoma International S.A.	33.33	170,000	245,189
EFA Partners S.A.	29.05	551,900	846,725
Sub-total indirect holdings in associates		**721,900**	**1,091,914**
Difference due to equity-accounted partial disposals		-	5,578,126
Total		**50,116,790**	**280,246,062**

4.4 SECURITIES HELD TO MATURITY

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Debt instruments						
Public sector	*107,988,824*	*302,365,996*	*410,354,820*	*67,595,632*	*264,848,059*	*332,443,691*
Credit institutions	*1,749,261,184*	*2,169,831,550*	*3,919,092,734*	*1,103,351,013*	*2,285,708,489*	*3,389,059,502*
Corporate customers	*322,747,694*	*663,692,897*	*986,440,591*	*351,160,975*	*712,893,820*	*1,064,054,796*
Total	**2,179,997,702**	**3,135,890,443**	**5,315,888,145**	**1,522,107,621**	**3,263,450,369**	**4,785,557,990**

No impairment loss on held-to-maturity securities has been recognised by the Group. The decrease in assets under this heading is explained by the non-replacement of assets that reached maturity in the context of reinvestments of liabilities with maturities of less than two years in bonds of the same duration.

Breakdown of changes in carrying amount:

Held-to-maturity securities	2012	2013
Position as at 1 January	**4,644,327,498**	**5,315,888,145**
Acquisitions	2,656,021,459	1,663,737,336
Repayments	-1,994,116,121	-2,183,196,794
Pro-rata interest	9,786,223	-10,838,806
Exchange gain or loss	-130,914	-31,891
Position as at 31 December	**5,315,888,145**	**4,785,557,990**

4.5 SECURITIES COLLATERALISED IN THE FRAMEWORK OF REPURCHASE AGREEMENTS

Headings	31/12/2012	31/12/2013
Debt instruments issued by the public sector	115,874,315	453,801,650
Debt instruments issued - others	9,226,714	18,558,725
Equity instruments	16,953,638	359,590
Total	**142,054,667**	**472,719,965**

Debt instruments issued are primarily available-for-sale and held-to-maturity assets.
The increase observed in debt instruments stems from the growing number of collateral security agreements entered into against the backdrop of the financial crisis and related uncertainty.

4.6 CONVERTIBLE BONDS INCLUDED IN THE DIFFERENT PORTFOLIOS

Headings	31/12/2012	31/12/2013
Convertible bonds	22,578,628	12,766,188

The convertible bonds in which the Group has invested are available-for-sale assets; a new acquisition of convertible bonds was completed in 2013.

4.7 DERIVATIVE INSTRUMENTS

Balances as at 31/12/2013	Assets	Liabilities	Notional
Derivative instruments held for trading	**79,336,025**	**230,821,786**	**10,308,275,825**
Operations linked to exchange rates	45,100,967	136,485,735	7,515,895,311
- Foreign exchange swaps and forward exchange contracts	*20,911,432*	*113,172,177*	*6,922,654,560*
- others	*24,189,536*	*23,313,559*	*593,240,751*
Operations linked to interest rates	33,909,647	93,879,164	2,520,754,511
- IRS	*31,539,553*	*91,460,439*	*2,296,410,919*
- others	*2,370,094*	*2,418,725*	*224,343,592*
Operations linked to equity	325,411	325,411	253,462,679
- Equity and index options	*325,411*	*325,411*	*253,462,679*
Operations linked to credit risk	-	131,475	18,163,325
- Credit derivatives (CDS)	*-*	*131,475*	*18,163,325*
Fair value hedges (micro)	**117,170,097**	**765,035,975**	**9,066,922,654**
Operations linked to exchange rates	82,689,239	46,856,628	1,277,075,141
- CCIS	*82,689,239*	*46,856,628*	*1,277,075,141*
Operations linked to interest rates	18,461,830	563,858,117	6,255,974,495
- IRS (interest rate)	*18,461,830*	*563,858,117*	*6,255,974,495*
Operations linked to other indices	16,019,028	154,321,229	1,533,873,019
- IRS (other indices)	*16,019,028*	*154,321,229*	*1,533,873,019*
Fair value hedges (macro)	**9,295,310**	**33,786,132**	**666,870,537**
Operations linked to interest rates	9,295,310	33,786,132	666,870,537
- IRS	*9,295,310*	*33,786,132*	*666,870,537*
Cash flow hedges	**5,960,559**	**-**	**56,000,000**
Operations linked to interest rates	5,960,559	-	56,000,000
- IRS	*5,960,559*	*-*	*56,000,000*

Balances as at 31/12/2012	Assets	Liabilities	Notional
Derivative instruments held for trading	**82,841,740**	**324,575,871**	**13,930,434,808**
Operations linked to exchange rates	30,493,827	142,168,577	11,095,599,545
- Foreign exchange swaps and forward exchange contracts	*29,674,078*	*141,114,261*	*10,692,682,823*
- others	*819,749*	*1,054,316*	*402,916,722*
Operations linked to interest rates	52,347,913	182,107,684	2,815,888,693
- IRS	*50,461,248*	*180,219,746*	*2,641,602,613*
- others	*1,886,665*	*1,887,938*	*174,286,080*
Operations linked to credit risk	-	299,610	18,946,571
- Credit derivatives (CDS)	-	*299,610*	*18,946,571*
Fair value hedges	**58,373,667**	**822,908,804**	**8,701,728,618**
Operations linked to exchange rates	40,565,494	55,163,442	1,375,455,512
- CCIS	*40,565,494*	*55,163,442*	*1,375,455,512*
Operations linked to interest rates	3,556,976	711,124,064	5,842,960,024
- IRS (interest rate)	*3,556,976*	*711,124,064*	*5,842,960,024*
Operations linked to other indices	14,251,197	56,621,298	1,483,313,082
- IRS (other indices)	*14,251,197*	*56,621,298*	*1,483,313,082*
Cash flow hedges	**8,765,526**	**-**	**61,800,000**
Operations linked to interest rates	8,765,526	-	61,800,000
- IRS	*8,765,526*	-	*61,800,000*

4.8 LOANS AND ADVANCES AT AMORTISED COST - CREDIT INSTITUTIONS

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Interbank loans	4,900,344,969	20,513,612	4,920,858,581	4,158,977,702	297,595	4,159,275,297
Reverse repos	2,170,274,245	-	2,170,274,245	3,065,875,571	36,931	3,065,912,502
Roll-over loans	3,037,902	-	3,037,902	2,183,559	-	2,183,559
Finance leases	33,595	360,310	393,905	69,473	402,572	472,045
Sub-total	**7,073,690,710**	**20,873,922**	**7,094,564,632**	**7,227,106,304**	**737,098**	**7,227,843,403**
Undrawn confirmed loans			304,737,504			1,253,043,680
Impairment of financial assets			-516,190			-514,429

In the case of reverse repurchase transactions, the Group becomes the legal owner of the securities received as collateral and has the right to sell or collateralise these securities. No security was sold or collateralised as at 31 December 2013.

Impairment of loans and advances – Credit institutions

	Credit institutions
Position as at 1 January 2012	**-**
Transfer from Corporate customers	466,381
Allowances	49,809
Reversals	-
Write-off of receivables	-
Exchange gain or loss	-
Position as at 31 December 2012	**516,190**
Position as at 1 January 2013	**516,190**
Allowances	-
Reversals	-1,761
Write-off of receivables	-
Exchange gain or loss	-
Position as at 31 December 2013	**514,429**

Outstanding amounts of impaired loans: EUR 562,477 as at 31 December 2013, compared with EUR 565,999 a year earlier.

4.9 LOANS AND ADVANCES AT AMORTISED COST – CUSTOMERS

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Retail customers	298,791,175	9,745,007,797	10,043,798,972	302,281,196	10,268,884,365	10,571,165,561
Corporate customers	2,279,369,068	2,404,496,685	4,683,865,753	1,691,386,086	2,696,767,663	4,388,153,750
Public sector	278,632,511	1,710,192,317	1,988,824,828	276,862,753	1,767,747,987	2,044,610,741
Sub-total	**2,856,792,754**	**13,859,696,799**	**16,716,489,553**	**2,270,530,036**	**14,733,400,016**	**17,003,930,052**
Undrawn confirmed loans			3,185,933,416			3,272,394,874
Impairment of financial assets			-78,998,816			-106,432,537

Of which finance leases:

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Finance leases	4,342,978	92,623,312	96,966,290	8,346,298	84,995,883	93,342,181
Sub-total	**4,342,978**	**92,623,312**	**96,966,290**	**8,346,298**	**84,995,883**	**93,342,181**

Impairment of loans and advances - Customers

	Retail customers	Corporate	Public sector	Total
Position as at 1 January 2012	**18,941,859**	**40,760,561**	**-**	**59,702,421**
Transfer to credit institutions	-	-466,381	-	-466,381
Additions	8,882,970	21,225,925	1,317,399	31,426,294
Reversals	-1,752,248	-7,685,834	-	-9,438,082
Write-off of receivables (*)	-644,521	-1,492,739	-	-2,137,260
Exchange gain or loss	-	-88,176	-	-88,176
Position as at 31 December 2012	**25,428,061**	**52,253,356**	**1,317,399**	**78,998,816**
Impairment of assets - individual risk	15,659,136	52,253,356	1,317,399	69,229,891
Impairment of assets - collective risk	9,768,925	-	-	9,768,925
Total	**25,428,061**	**52,253,356**	**1,317,399**	**78,998,816**
Position as at 1 January 2013	**25,428,061**	**52,253,356**	**1,317,399**	**78,998,816**
Reclassification	1,314,519	-	-1,314,519	-
Additions	7,452,884	40,169,742	-	47,622,626
Reversals	-7,650,761	-8,157,956	-2,880	-15,811,598
Write-off of receivables (*)	-1,609,516	-2,573,054	-	-4,182,571
Exchange gain or loss	-	-194,738	-	-194,738
Position as at 31 December 2013	**24,935,186**	**81,497,349**	**-**	**106,432,536**
Impairment of assets - individual risk	13,209,372	81,497,349	-	94,706,722
Impairment of assets - collective risk	11,725,814	-	-	11,725,814
Total	**24,935,186**	**81,497,349**	**-**	**106,432,536**

(*) Write-off of receivables represents the amounts considered as permanently lost on impaired assets.

Outstanding amounts of impaired loans: EUR 367,229,536 as at 31 December 2013, compared with EUR 218,138,126 a year earlier.

Value adjustments cover the principal and interest. The impairment amounting to EUR 106.4 million as at 31 December 2013 does not take into account a specific impairment of EUR 28.4 million related to the integration into the consolidated financial statements of a loss on three Icelandic banks compensated via the Luxembourg Deposit Guarantee Scheme (Association pour la Garantie des Dépôts à Luxembourg - AGDL) in 2008/2009. As at 31 December 2012, this provision amounted to EUR 29.2 million.

4.10 TANGIBLE ASSETS FOR OWN USE

	Land and constructions	Other equipment and furniture	Total
Position as at 1 January 2013	**242,996,078**	**53,608,850**	**296,604,928**
Increase	3,064,149	9,270,117	12,334,266
Decrease	-	-8,059,618	-8,059,618
Position as at 31 December 2013	**246,060,227**	**54,819,349**	**300,879,576**
Accumulated depreciation			
Position as at 1 January 2013	**89,495,152**	**29,638,140**	**119,133,292**
Adjustment	-	-169,214	-169,214
Reversals	-	-8,059,618	-8,059,618
Additions	7,701,079	7,264,730	14,965,809
Position as at 31 December 2013	**97,196,231**	**28,674,038**	**125,870,269**
Net book value			
Position as at 1 January 2013	**153,500,926**	**23,970,710**	**177,471,637**
Position as at 31 December 2013	**148,863,996**	**26,145,311**	**175,009,307**

	Land and constructions	Other equipment and furniture	Total
Position as at 1 January 2012	**238,358,405**	**55,419,302**	**293,777,707**
Increase	5,203,748	10,681,099	15,884,847
Decrease	-566,075	-12,491,551	-13,057,626
Position as at 31 December 2012	**242,996,078**	**53,608,850**	**296,604,928**
Accumulated depreciation			
Position as at 1 January 2012	**84,818,003**	**33,311,354**	**118,129,357**
Reversals	-759,975	-11,927,415	-12,687,390
Additions	5,437,124	8,254,201	13,691,325
Position as at 31 December 2012	**89,495,152**	**29,638,140**	**119,133,292**
Net book value			
Position as at 1 January 2012	**153,540,402**	**22,107,948**	**175,648,351**
Position as at 31 December 2012	**153,500,926**	**23,970,710**	**177,471,637**

4.11 INTANGIBLE ASSETS

Position as at 1 January 2013	**39,226,622**
Increase	9,402,191
Decrease	-14,748,435
Position as at 31 December 2013	**33,880,378**

Accumulated depreciation

Position as at 1 January 2013	**26,982,391**
Reversals	-14,748,435
Additions	9,387,330
Position as at 31 December 2013	**21,621,286**

Net book value

Position as at 1 January 2013	**12,244,231**
Position as at 31 December 2013	**12,259,092**

Position as at 1 January 2012	**36,360,225**
Increase	13,426,760
Decrease	-10,560,363
Position as at 31 December 2012	**39,226,622**

Accumulated depreciation

Position as at 1 January 2012	**23,868,032**
Reversals	-9,961,181
Additions	13,075,540
Position as at 31 December 2012	**26,982,391**

Net book value

Position as at 1 January 2012	**12,492,193**
Position as at 31 December 2012	**12,244,231**

The depreciation expense related to intangible assets is recognised under "Depreciation allowances for tangible and intangible assets" in the income statement.

4.12 INVESTMENT PROPERTY

Position as at 1 January 2013	**29,646,909**
Increase (acquisitions)	-
Increase (investment expenditure)	357,984
Decrease	-
Position as at 31 December 2013	**30,004,894**
Accumulated depreciation	
Position as at 1 January 2013	**12,290,836**
Reversals	-
Additions	1,014,963
Position as at 31 December 2013	**13,305,799**
Net book value	
Position as at 1 January 2013	**17,356,074**
Position as at 31 December 2013	**16,699,095**

Position as at 1 January 2012	**29,841,278**
Increase (acquisitions)	-
Increase (investment expenditure)	485,138
Decrease	-679,507
Position as at 31 December 2012	**29,646,909**
Accumulated depreciation	
Position as at 1 January 2012	**11,898,744**
Reversals	-154,189
Additions	546,281
Position as at 31 December 2012	**12,290,836**
Net book value	
Position as at 1 January 2012	**17,942,535**
Position as at 31 December 2012	**17,356,074**

Rental income from rented investment property amounted to EUR 2,553,221 for the 2013 financial year, versus EUR 2,525,444 in the prior year. Maintenance costs related to investment property were EUR 724,365 in 2013, up from EUR 926,514 one year earlier.

The fair value of investment property stood at EUR 61,052,728 at year-end 2013, compared with EUR 60,064,309 at end-2012.

This fair value is estimated by an appraiser according to the following criteria:
- Geographical location of the buildings,
- General condition of the building,
- Use for residential or commercial purposes,
- Surface area of the object.

4.13 OTHER ASSETS

Headings	31/12/2012	31/12/2013
Miscellaneous debtors (1)	14,413,746	78,925,173
Other short-term receivables (2)	25,858,636	27,229,024
Other	40,760,353	23,606,076
Total	**81,032,735**	**129,760,273**

(1) Primarily operations on securities and coupons

(2) Primarily operations on credit cards and cheques

4.14 TAXES: TAX ASSETS AND LIABILITIES

Whereas current tax is a current liability, deferred taxes are the amounts of income taxes that may be payable in the future in respect of taxable temporary differences.

The Group posted a current tax liability of EUR 53,322,986 as at 31 December 2013.

As no new tax law incorporating IFRS standards has been passed in Luxembourg, the Group calculates the tax liability payable based on the increase in net assets of the balance sheet items valued through the income statement.

As at 31 December 2013, the Group posted a deferred tax asset of EUR 59,832,877, and a deferred tax liability of EUR 166,703,384.

4.14.1 Tax assets

Headings	31/12/2012	31/12/2013
Deferred tax assets	78,162,674	59,832,877
Tax assets	**78,162,674**	**59,832,877**

Breakdown of deferred tax assets according to origin:

Headings	31/12/2012	31/12/2013
Debt instruments - application of fair value	35,251,672	16,854,780
Equity instruments - application of fair value	2,709,176	328,837
Pension funds - actuarial gain or loss	40,201,826	42,649,260
Deferred tax assets	**78,162,674**	**59,832,877**

4.14.2 Tax liabilities

Headings	31/12/2012	31/12/2013
Current tax liabilities	84,227,576	53,322,986
Income tax	*65,000,773*	*34,247,001*
Municipal business tax	*19,226,803*	*19,075,985*
Deferred taxes	141,593,928	166,703,384
Tax liabilities	**225,821,504**	**220,026,370**

Breakdown of deferred tax liabilities according to origin:

Headings	31/12/2012	31/12/2013
Derivative instruments - application of fair value	2,559,590	1,740,321
Debt instruments - application of fair value	3,418,507	15,909,383
Equity instruments - application of fair value	13,779,460	19,895,290
Regulatory and other provisions	121,836,371	129,158,390
Deferred tax liabilities	**141,593,928**	**166,703,384**

The table below gives a breakdown of the changes to deferred tax assets and liabilities, depending on whether the changes relate to items that are charged or credited to equity, or relate to items that are charged or credited to the income statement.

Headings	31/12/2012	Movements in equity	Movements in income statement	31/12/2013
Deferred tax assets	78,162,674	-18,329,797	-	59,832,877
Deferred tax liabilities	-141,593,928	-17,787,438	-7,322,019	-166,703,385
Net deferred tax assets / liabilities	**-63,431,254**	**-36,117,235**	**-7,322,019**	**-106,870,508**

Headings	31/12/2011	Movements in equity	Movements in income statement	31/12/2012
Deferred tax assets	164,912,281	-86,749,607	-	78,162,674
Deferred tax liabilities	-121,576,650	-4,105,667	-15,911,611	-141,593,928
Net deferred tax assets / liabilities	**43,335,632**	**-90,855,274**	**-15,911,611**	**-63,431,254**

4.15 DEBT SECURITIES IN ISSUE

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Cash certificates	562,136,380	398,492,299	960,628,679	384,279,286	355,133,869	739,413,154
Commercial paper	5,016,952,833	-	5,016,952,833	3,424,562,206	-	3,424,562,206
Medium Term Notes and other issues	645,272,501	763,076,593	1,408,349,094	404,303,269	609,547,443	1,013,850,711
Total	**6,224,361,714**	**1,161,568,892**	**7,385,930,606**	**4,213,144,761**	**964,681,311**	**5,177,826,072**
of which:						
-Subordinated notes	*44,072,054*	*176,481,514*	*220,553,568*	*20,014,845*	*155,250,955*	*175,265,801*

The Group issued EMTNs for a nominal amount of EUR 451,349,585 in 2013, as against EUR 563,777,153 the previous year.

New issues	2012	2013
maturing in < 2 years	499,136,013	259,067,219
maturing in 2 - 5 years	56,720,000	173,605,000
maturing in > 5 years	7,921,141	18,677,366
Total	**563,777,153**	**451,349,585**
of which:		
- Structured notes (at issue value)	*563,777,153*	*451,349,585*

The main structured notes issued in 2013 were in the interest-linked notes category.

Securities issued which have either come to maturity or have been reimbursed prior to maturity during 2013 or 2012:

	2012	2013
Maturities/repayments	689,760,039	785,997,788
Total	**689,760,039**	**785,997,788**
of which:		
- Subordinated notes (at issue value)	*22,675,878*	*40,134,853*
- Structured notes (at issue value)	*633,084,161*	*715,862,934*

The Group bought back its own issues in the amount of EUR 4,200,000 during 2013 (vs. EUR 40,728,936 in 2012).

Breakdown of subordinated loans as at 31 December 2013

Description	Rate	Issue currency	Nominal amount issued - EUR	Assimilated portion EUR	Non assimilated portion - EUR
Loan 1999-2014	0.557	EUR	20,000,000	4,000,000	16,000,000
Loan 2000-2015	0.597	EUR	23,800,000	9,520,000	14,280,000
Loan 2001-2016	2.700	EUR	25,000,000	15,000,000	10,000,000
Loan 2000-2020	0.587	EUR	8,600,000	8,600,000	-
Loan 2001-2021	0.690	EUR	11,000,000	11,000,000	-
Loan 2001-2021	0.690	EUR	30,000,000	30,000,000	-
Loan 2002-2022	0.718	EUR	50,000,000	50,000,000	-
Total			**168,400,000**	**128,120,000**	**40,280,000**

The interest expense on subordinated notes stood at EUR 2,933,795 as at 31 December 2013, compared with EUR 6,389,168 as at 31 December 2012.

4.16 DEPOSITS AT AMORTISED COST - CREDIT INSTITUTIONS

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Inter-bank deposits	3,641,689,626	-	3,641,689,626	4,516,937,079	111,504,395	4,628,441,475
Repurchase agreements	144,504,308	-	144,504,308	735,650,617	17,074,705	752,725,322
Total	**3,786,193,934**	**-**	**3,786,193,934**	**5,252,587,697**	**128,579,100**	**5,381,166,797**

4.17 DEPOSITS AT AMORTISED COST – PRIVATE CUSTOMERS AND PUBLIC SECTOR

Headings	31/12/2012			31/12/2013		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Private customers	20,287,380,102	831,729,260	21,119,109,362	20,524,827,544	737,260,913	21,262,088,457
- *Demand deposit and notice accounts*	*5,336,188,072*	-	*5,336,188,072*	*5,716,437,442*	-	*5,716,437,442*
- *Time deposit accounts*	*4,764,704,768*	*831,729,260*	*5,596,434,028*	*4,095,344,657*	*735,514,603*	*4,830,859,260*
- *Savings*	*10,186,160,658*	-	*10,186,160,658*	*10,479,413,186*	-	*10,479,413,186*
- *Repurchase agreements*	*326,604*	-	*326,604*	*233,632,259*	*1,746,310*	*235,378,569*
Public sector	3,354,262,671	172,999	3,354,435,671	3,811,722,273	144,232	3,811,866,505
Total	**23,641,642,773**	**831,902,259**	**24,473,545,033**	**24,336,549,817**	**737,405,145**	**25,073,954,962**

4.18 PENSION FUNDS - DEFINED-BENEFIT PENSION PLAN

Main estimates used to determine pension commitments:

Variables	31/12/2012	31/12/2013
Discount rate for active employees	3.30%	3.20%
Discount rate for beneficiaries	2.60%	2.80%
Salary increases (including indexation)	3.50%	3.50%
Pension increases (including indexation)	2.50%	2.50%
Induced yield	3.00%	2.86%

The induced yield of 2.86% in 2013 corresponds to the weighted average of the discount rates for working people and for annuitants as fixed at the end of the 2012 financial year.

Net pension fund allowance entered under "Personnel expenses" in the income statement:

Components	31/12/2012	31/12/2013
Current service cost	4,037,204	6,077,693
Interest cost	12,681,920	11,809,214
Induced yield	-9,155,646	-9,284,271
Total	**7,563,478**	**8,602,636**

Pension commitments:

	2012	2013
Commitments as at 1 January	**322,387,504**	**412,582,715**
Current service cost	4,037,204	6,077,693
Interest cost	12,681,920	11,809,214
Benefits paid	-10,985,642	-11,378,391
Actuarial gains or losses	84,461,729	1,032,428
Commitments as at 31 December	**412,582,715**	**420,123,658**

Civil servants' pension payments are initially made directly by the State to civil servants. The Bank only recognises the payments when the amounts are repaid to the State. Hence, "Benefits paid" amounting to EUR 11,378,391 include the repayments to the Luxembourg State of civil servants' pensions in respect of the 2012 financial year.

Sensitivity analysis of pension commitments:

Impact of changes in actuarial assumptions on the pension commitment as at 31/12/2013	decrease	increase
Change in average actuarial rate (-/+ 50 bps)	39,565,325	-34,554,007
Change in wage increase rate (-/+ 50 bps)	-38,450,058	52,015,885
Change in pension increase rate (-/+ 50 bps)	-27,879,271	30,979,911
Change in mortality tables (-/+ 5 years)	64,324,753	-61,856,144
Cumulative effect:	**37,560,749**	**-13,414,355**

Pension plan assets:

	2012	2013
Assets as at 1 January	**305,188,189**	**324,367,897**
Pension payments	-10,985,642	-11,378,391
Contribution	8,553,500	13,644,811
Induced yield	9,155,646	9,284,271
Fair value gain / loss	12,456,205	-7,343,458
Assets as at 31 December	**324,367,897**	**328,575,131**

In 2013, in addition to the annual contribution of EUR 9,244,811, the Bank made a special contribution of EUR 4,400,000 corresponding to the difference between the fund's net assets at 31 December 2012 and the pension fund commitments discounted at a rate of 4.50%.

Pension plan investments:

2013	Credit institutions	Public sector	Corporate	Total
Fixed-income securities	162,281,736	57,109,407	69,497,692	288,888,834
Variable-income securities	-	-	24,205,040	24,205,040
Other assets (mainly deposits)	15,481,257	-	-	15,481,257
Total	**177,762,992**	**57,109,407**	**93,702,732**	**328,575,132**

2012	Credit institutions	Public sector	Corporate	Total
Fixed-income securities	180,013,984	33,796,330	73,091,215	286,901,529
Variable-income securities	-	-	17,523,991	17,523,991
Other assets (mainly deposits)	19,942,380	-	-	19,942,380
Total	**199,956,364**	**33,796,330**	**90,615,206**	**324,367,900**

Net pension commitments:

	2011	2012	2013
Pension commitments	322,387,504	412,582,715	420,123,658
Plan assets measured at fair value	-305,188,190	-324,367,897	-328,575,131
Unfinanced commitments	**17,199,314**	**88,214,818**	**91,548,527**

Stock of actuarial gains and losses:

Stock as at 1 January 2012	**1,354,438**
2012 net change	72,005,524
Stock as at 31 December 2012	**73,359,962**

Stock as at 1 January 2013	**73,359,962**
2013 net change	8,375,886
Stock as at 31 December 2013	**81,735,848**

The Bank's estimated annual contribution to the pension fund for 2014 is EUR 9,646,755.

4.19 PROVISIONS

Changes during the financial year:

	31/12/2012	31/12/2013
Position as at 1 January	**4,813,364**	**4,200,369**
Additions	2,763,151	3,089,419
Reversals	-3,372,346	-1,229,036
Application	-3,800	-115,194
Position as at 31 December	**4,200,369**	**5,945,558**

4.20 OTHER LIABILITIES

Headings	31/12/2012	31/12/2013
Short-term payables (1)	23,538,582	38,688,690
Preferential or secured creditors	36,970,089	30,836,222
Total	**60,508,671**	**69,524,912**

(1) Short-term payables are mainly amounts to be paid by the Group acting as service provider in relation to cheques, coupons, securities, bank transfers, etc.

4.21 RELATED-PARTY TRANSACTIONS

The related parties of Banque et Caisse d'Epargne de l'Etat, Luxembourg are the governmental institutions and the Group's key management personnel.

All transactions with related parties are completed under market conditions.

4.21.1 Government institutions

The Bank, established by the law of 21 February 1856 and governed by the organic law of 24 March 1989, is a self-governing public law institution endowed with legal personality. Ultimate responsibility for the institution lies with the Government Minister with responsibility for the Treasury.

Therefore, the Luxembourg Government controls the Group and as a result, must comply with the requirements of IAS 24.

The Group makes the following disclosures concerning its commercial relationship with the Luxembourg State and other governmental institutions.

in euros	31/12/2012	31/12/2013
ASSETS (mainly loans at amortised cost)	**2,923,758,176**	**3,226,805,251**

in euros	31/12/2012	31/12/2013
LIABILITIES (deposits at amortised cost)	**2,553,816,816**	**3,132,054,651**

4.21.2 Compensation paid to the members of the management and administrative bodies

Compensation paid to the members of the governing bodies of the Group's parent company breaks down as follows:

	31/12/2012	31/12/2013
Board of Directors (nine members)	108,100	119,150
Executive Board (five members)	948,705	973,170
Total	**1,056,805**	**1,092,320**

Members of the management body are eligible for benefits associated with the defined-benefit pension plan just like the employees of the Group's parent company.

4.21.3 Loans and advances granted to members of the Bank's management and administrative bodies

Loans and advances granted to members of the management and administrative bodies of the Group's parent company are as follows:

	31/12/2012	31/12/2013
Board of Directors (nine members)	3,663,189	3,548,233
Executive Board (five members)	1,404,837	1,410,427
Total	**5,068,026**	**4,958,660**

4.22 STATUTORY AUDITOR'S FEES

	2012	2013
Statutory audit of the annual financial statements	480,000	492,950
Other audit services	70,925	128,450
Tax services	-	4,000
Other	57,787	328,716
Total	**608,712**	**954,116**

4.23 OFF-BALANCE SHEET ITEMS

Type of guarantees issued

Headings	2012	2013
Completion bonds	329,532,103	297,549,929
Letter of credit	45,471,770	43,591,979
Counter-guarantees	367,457,509	362,810,650
Documentary credits	21,133,731	17,301,900
Other	20,073,373	6,968,486
Total	**783,668,485**	**728,222,944**

Commitments

Headings	31/12/2012	31/12/2013
Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies	3,083,482	2,833,482
Undrawn confirmed loans	3,490,670,921	4,525,438,555
Other	14,591,815	21,369,615
Total	**3,508,346,218**	**4,549,641,652**

Management of third-party assets

The Group provides management and representation services to third parties, particularly wealth management services, custody and administration of securities, hire of safe deposit boxes, fiduciary representation and agent functions.

5. Notes to the income statement [1] (in euros)

5.1 INTEREST INCOME

Interest received and similar income	2012	2013
Assets repayable on demand	3,002,957	1,703,877
Financial assets held for trading	51,671,125	39,003,947
Available-for-sale financial assets	267,896,775	242,355,750
Receivables at amortised cost - Debt instruments	38,520,108	19,914,378
Receivables at amortised cost - Loans and advances	419,974,472	379,818,489
Investments held to maturity at amortised cost	134,696,748	113,914,479
Derivatives - Hedge accounting, interest rate risk	183,482,727	128,305,817
Other assets	854,215	909,771
Total	**1,100,099,126**	**925,926,508**

Interest paid and similar expenses	2012	2013
Financial liabilities held for trading	-19,107,711	-18,699,342
Liabilities at amortised cost - Deposits	-179,913,833	-105,060,450
Liabilities at amortised cost - Debt certificates	-28,304,407	-28,653,859
Liabilities at amortised cost - Subordinated loans	-4,362,000	-1,824,739
Derivatives - Hedge accounting, interest rate risk	-428,047,193	-380,205,362
Other liabilities	-1,025,450	-1,231,053
Total	**-660,760,594**	**-535,674,805**

Interest income	439,338,533	390,251,703
Total interest received and similar income not recognised at fair value through the income statement	1,048,428,002	886,922,561
Total interest paid and similar expenses not recognised at fair value through the income statement	-641,652,883	-516,975,463

5.2 INCOME FROM VARIABLE-INCOME SECURITIES

Headings	2012	2013
Financial assets held for trading	20	-
Available-for-sale financial assets	32,597,436	43,079,434
Income from variable-income securities	**32,597,456**	**43,079,434**

[1] Minor differences between the figures in the notes to the consolidated financial statements and the figures in the different consolidated statements are rounding differences only.

5.3 FEE AND COMMISSION INCOME

Headings	2012	2013
Loan activities	29,011,053	30,053,733
Asset management	18,275,058	21,648,133
Investment fund activities	27,196,067	27,282,945
Demand deposit accounts and related activities	19,206,586	20,367,692
Insurance premiums	3,830,491	3,833,936
Other	6,860,182	8,007,325
Commissions received and paid	**104,379,435**	**111,193,764**

5.4 INCOME FROM FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

Headings	2012	2013
Available-for-sale financial instruments	7,399,982	951,790
Loans and advances at amortised cost	265,344	161,175
Financial liabilities at amortised cost	69,162	74,620
Total	**7,734,488**	**1,187,585**

Amounts in this category for 2013 do not pertain to particular events, unlike the 2012 financial year when the changes came especially from available-for-sale financial instruments following various partial sales of fixed-income securities.

5.5 INCOME FROM FINANCIAL INSTRUMENTS HELD FOR TRADING

Headings	2012	2013
Equity instruments and related derivatives	3,182,935	2,392,476
Foreign exchange instruments and related derivatives	-3,527,571	-1,335,906
Interest rate instruments and related derivatives	-33,063,022	47,211,413
Credit derivatives	1,083,025	168,149
Commodities and related derivatives	1,215,883	1,505,201
Total	**-31,108,750**	**49,941,333**

The source of the significant change in this income category was mainly the designation, in early July 2013, of fair value macro-hedging of fixed-rate loans by interest rate swaps as well as the fluctuation of interest rate curves used to calculate fair value.

5.6 NET INCOME FROM HEDGING TRANSACTIONS

Headings	2012	2013
Fair value hedge		
Debt instruments (assets) hedged by derivatives	-2,294,413	1,176,165
Debt issues hedged by derivatives	222,453	143,913
Loans hedged by derivatives	-2,310,232	-3,180,680
Deposits hedged by derivatives	-855,539	-
Total	**-5,237,731**	**-1,860,601**
Value adjustment on hedged instruments	208,955,069	-64,772,546
Value adjustment on hedging instruments	-214,192,800	62,911,945
Total	**-5,237,731**	**-1,860,601**

Market risk hedging operations are highly efficient. Loans are hedged by derivatives in the form of micro-hedging or macro-hedging transactions, in accordance with IAS 39.

5.7 OTHER NET OPERATING INCOME

Headings	2012	2013
Other operating income	6,420,002	11,855,311
Other operating expenses	-598,161	-3,423,535
Other net operating income	**5,821,841**	**8,431,776**

"Other operating income and expenditure" mainly include:

- the rent from property rented and miscellaneous advances from tenants,
- VAT repayments relating to previous financial years,
- income on amortised loans.

5.8 PERSONNEL EXPENSES

Headings	2012	2013
Compensation	148,553,634	152,233,580
Social security charges	9,162,579	8,849,938
Pensions and similar expenses	11,721,857	12,061,893
Pension fund expense	7,563,478	8,602,636
Other personnel expenses	3,999,219	4,329,380
Total	**181,000,767**	**186,077,427**

5.9 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Headings	2012	2013
Expenses related to property and furniture	18,406,843	19,800,354
Rents and maintenance of software	16,105,856	17,388,751
Operating expenditure related to the banking business	22,649,514	22,079,734
Other	13,536,335	13,447,417
Total	**70,698,548**	**72,716,256**

5.10 DEPRECIATION ALLOWANCES FOR TANGIBLE ASSETS

Depreciation

Headings	2012	2013
Depreciation - buildings	5,437,126	7,701,079
Depreciation - equipment and furniture	8,237,605	7,264,730
Depreciation of tangible assets	**13,674,731**	**14,965,809**

Impairment

No impairment of tangible assets according to IAS 36 was recognised by the Group in 2012 or 2013.

5.11 DEPRECIATION ALLOWANCES FOR INTANGIBLE ASSETS

Depreciation

Headings	2012	2013
Depreciation	13,075,541	9,387,330
Depreciation of intangible assets	**13,075,541**	**9,387,330**

Impairment

No impairment of intangible assets according to IAS 36 was recognised by the Group in 2012 or 2013.

5.12 DEPRECIATION ALLOWANCES FOR INVESTMENT PROPERTIES

Depreciation

Headings	2012	2013
Depreciation	546,282	1,014,963
Depreciation of tangible assets - investment	**546,282**	**1,014,963**

Impairment

No impairment of investment properties according to IAS 36 was recognised by the Group in 2012 or 2013.

5.13 NET ALLOWANCES FOR IMPAIRMENT OF INDIVIDUAL AND COLLECTIVE CREDIT RISKS

Collective impairment

			2012			2013
Collective impairment	**Additions**	**Reversals**	**Total**	**Additions**	**Reversals**	**Total**
Loans and advances	-2,531,788	43,428	-2,488,360	-2,088,940	132,051	-1,956,889
	-2,531,788	**43,428**	**-2,488,360**	**-2,088,940**	**132,051**	**-1,956,889**

Individual impairment

			2012			2013
Individual impairment	**Additions**	**Reversals**	**Total**	**Additions**	**Reversals**	**Total**
Available-for-sale financial assets	-18,964,232	15,029,761	-3,934,471	-13,790,113	7,533,737	-6,256,376
Loans and advances	-28,944,315	11,688,465	-17,255,850	-45,533,686	15,681,308	-29,852,379
	-47,908,547	**26,718,226**	**-21,190,321**	**-59,323,799**	**23,215,045**	**-36,108,755**

	2012	2013
Interest on impaired available-for-sale financial assets	6,987,336	617,284
Interest on impaired loans and advances	1,052,795	9,925,897
Total	**8,040,131**	**10,543,181**

5.14 PROVISIONS AND REVERSAL OF PROVISIONS

Headings	2012	2013
Provisions	-2,763,151	-3,089,419
Reversal of provisions	3,372,346	2,028,741
Net allowances for provisions	**609,195**	**-1,060,678**

5.15 TAX EXPENSE

Headings	2012	2013
Tax on income from continuing operations	27,786,720	61,502,501
Deferred taxes	15,911,611	7,322,019
Tax on profit/(loss) for the period	**43,698,331**	**68,824,520**

The standard tax rate applicable in Luxembourg was 29.22% as at 31 December 2013 and 28.80% as at 31 December 2012. The Group's effective tax rate was 22.36% and 16.03% in 2013 and 2012 respectively, given the differences between the Luxembourg tax base and the accounting principles for consolidated financial statements under IFRS.

The difference between these two rates may be analysed as follows:

	2012	2013
Net income before tax	272,599,250	307,788,275
Tax rate	28.80%	29.22%
Theoretical tax at the standard rate	78,508,584	89,935,734
Tax impact of non-deductible expenses	1,801,467	760,669
Tax impact of non-taxable income	-11,445,449	-12,241,299
Share in the income of equity-accounted associates	-3,342,640	-6,265,613
Tax rebates and reductions	-18,976,628	-5,982,626
Tax refund/payment from previous financial years	-3,748,948	157,775
Other	901,946	2,459,879
Tax on profit/(loss) for the period	**43,698,331**	**68,824,520**

As in 2012, the Group had the benefit of an investment tax allowance in respect of 2013, deducted at the line "Tax rebate and reductions".

Grevenmacher Finance Centre

6. Financial risk management [1]

6.1 GENERAL RULES FOR MANAGING FINANCIAL RISK

Traditionally, the Group has adopted a prudent and conservative risk management policy. The Group has stepped up its efforts in recent years to further harmonise control procedures and to move towards maximum transparency in management methodology.

6.1.1 Role of the Board of Directors

The Group's parent company established the Internal Capital Adequacy Assessment Process (ICAAP) to make a comprehensive assessment of all risks the Bank could be exposed to. For each risk identified, the parent company estimates the materiality and probability of occurrence, and assesses its resources for the management of the risk identified.
It prepares an annual ICAAP report, which is submitted for the approval of the Board of Directors of the Group's parent company and then submitted to the CSSF.

6.1.2 Role of the Executive Committee

The parent company's senior management sets the objectives for the commercial entities, the type of transactions to perform and the limits applicable to such transactions, as well as the organisation and internal control rules.

6.1.3 Responsibilities of the Risk Management Department

From an organisational point of view, risk management and control are delegated to the Risk Management Department (risk analysis), a unit which operates independently from all commercial activities. It is responsible for:

- establishing a consistent framework to analyse financial risks, comprising the analysis itself and continuous monitoring of these risks,
- approving or rejecting applications from commercial entities, and escalating cases to the Executive Committee that involve transactions above a limit set by the Executive Committee,
- monitoring compliance with limits (credit, market and trading) within which the commercial entities must operate.

[1] Minor differences between the figures in the notes to the consolidated financial statements and the figures in the different consolidated statements are rounding differences only.

There are two units in the Department:

- Risk Analysis and Monitoring (ASR): the unit is tasked with analysing and monitoring credit risk at individual and Group-wide portfolio exposure level.
- Risk Control: the unit is tasked with the oversight of all trading room activities. The Risk Control unit's responsibilities include the administration and configuration of the systems used, risk modelling and assessment, monitoring of limits defined, and internal reporting of profits or losses. Risk Control reports to the parent company's Executive Committee via the Risk Management Department.

6.1.4 Compliance

Compliance risk - also called non-conformity risk - generally refers to the risk of loss stemming from activities not carried out in accordance with current standards.

Compliance risk is the responsibility of the Compliance unit, which ensures in particular:

- compliance with anti-money laundering requirements through the use of a tool designed to detect suspect transactions,
- in general, compliance with the Bank's regulatory environment, delegating a number of elements to other departments, including Internal Audit,
- monitoring of customer complaints.

6.1.5 Internal Audit

Internal Audit performs regular and repeated audits of the Risk Management environment. During these audit missions, Internal Audit checks the appropriateness of procedures and their application by the Risk Management Department.

6.1.6 Systems for measuring and tracking limits

6.1.6.1 Market risk

Market risk is the risk of the Group suffering financial loss on the instruments it holds as a result of unfavourable developments in market parameters.

The Bank applies a set of methods to assess and monitor market risk:

- permanent calculation of the Basis Point Value (BPV) indicators for trading room positions exposed to interest rate risk. BPV is a simple and effective method of quantifying the market risk generated by small interest rate fluctuations for the positions held. Traders are required to always operate within the BPVs set by the Executive Committee of the parent and monitored by Risk Control.
- Value-at-risk (VaR) for trading book and banking book positions to determine the amounts at risk with respect to the positions held by the Bank. Risk amounts are subject to limits set by the parent company's Executive Committee and supervised by the Risk Control unit. VaR is a more sophisticated measurement tool than simpler indicators such as BPV, since it:
  - integrates correlations of changes in risk factors between positions held,
  - expresses the potential loss as a single amount that can be compared with the Bank's equity,
  - quantifies the probability of the occurrence of the loss.

6.1.6.2 Credit risk

The Risk Management Department continuously monitors the quality of all debtors.
The credit quality of retail commitments is monitored on the basis of internal ratings that include a behavioural analysis. Wholesale records also have internal ratings, derived from appraiser models. Very often, these commitments also have external ratings. The analysis of the difference between the internal and external ratings is part of the monitoring.

The Risk Management Department reports to the parent company's Executive Committee on a continuous basis on changes in the quality of debtors. In addition, the department conducts a quarterly analysis of the changes in credit quality with regard to the Bank's portfolios and submits the results to the parent company's Executive Committee.

The positions held by the trading room are continuously monitored in real time to ensure compliance with the credit limits set by the parent's Executive Committee.

In addition to counterparty limits, the Bank has set up a system of limits by sector and region to monitor concentration risk.

6.1.6.3 Counterparty risk stemming from derivatives transactions

The Bank has negotiated International Swaps and Derivatives Association Inc. (ISDA) framework agreements including Credit Support Annexes (CSA) designed to limit counterparty risk on derivatives trades with a positive mark-to-market valuation. At end-2013, the majority of derivatives transactions were covered by such agreements.

6.1.6.4 Liquidity risk

Liquidity risk results from a mismatch between financial inflows and outflows on a specific date. The risk for a financial institution is that it may be unable to meet its payment obligations at a given point in time as a result of having insufficient liquid assets relative to its maturing liabilities. By virtue of its financial structure, the Bank is generally in a position of excess liquidity.

The Bank constantly monitors liquidity risk on the basis of maturities, including both very detailed reconciliation of cash inflows and outflows over a six-month horizon and a medium- and long-term assessment of structural funding requirements. Short-time financing needs in the main currencies are subject to specific limits.

The Bank conducted the stress tests required by circular CSSF 09/403 in 2013 on a quarterly basis. The results of the exercise confirmed that the Bank would have sufficient liquid assets to cope with unexpected large-scale withdrawals over an extended period.

In addition, BCEE has stable and diversified liabilities, notably in the form of a very solid customer deposit base and Euro Commercial Paper (ECP), US Commercial Paper (USCP) and Euro Medium Term Note (EMTN) refinancing programmes, which ensure a comfortable liquidity position. Furthermore, due to its high-quality fixed-income securities portfolio, the Bank can obtain refinancing from the European Central Bank and in the repo market.

In the event of an urgent need for large amounts of liquidity, the Bank has an intraday and overnight credit line with the Luxembourg Central Bank (BCL) secured by pledges of public sector bonds or other fixed-income securities. To this end, the Bank aims to continually have a portfolio of a minimum of EUR 3 to 4 billion in fixed-income securities that can serve as a guarantee to the BCL. As at 31 December 2013, this portfolio amounted to EUR 4.003 billion. At year-end 2013, the volume of the portfolio of assets eligible for refinancing with the BCL or usable on the interbank market exceeded EUR 10 billion.

§ II.1 of CSSF Circular 07/301 "Risk identification" explicitly mentions the securitisation risk of which the credit institution is the originator or sponsor. Securitisation is a technique used to manage liquidity, since it allows a bank to remove assets from the balance sheet to raise funds. BCEE has not participated in such an operation as either an initiator or a sponsor and it is not likely to do so in the future.

BCEE has been an indirect member of the CLS (Continuous-Linked Settlement) foreign exchange transaction settlement system since 2009. Transaction date flows of overnight transactions are not processed through CLS. For these transactions, the settlement of initial flows, i.e. those that took place on the transaction date, is done in the conventional manner through correspondent banks. Maturity date flows for these transactions are in principle settled through CLS.
Membership in the CLS system virtually eliminates counterparty risk (settlement risk) arising from foreign-exchange transactions through the "payment-versus-payment" principle and reduces the Bank's liquidity risk by netting transactions, which considerably reduces settlement volumes.

6.2 EXPOSURE TO CREDIT RISK

6.2.1 Objectives and management of credit risk

Each Bank commitment giving rise to a credit risk is subject to prior analysis by the Risk Analysis and Monitoring unit.

For loans granted to the domestic economy recognised in the balance sheet under "Loans and advances at amortised cost - Customers", the decision-making structure is hierarchically organised into a number of credit committees, depending on the customer's overall outstanding amount. From a specified threshold, cases must be ratified by the parent company's Executive Committee. The portfolio structure breaks down into residential mortgage loans for over half of the outstanding amount. Credit risk relating to residential mortgage loans is covered by the process of assessing customers' ability to repay loans and the existence of actual guarantees. The Bank follows rigorous procedures for analysing loan applications and obtaining the related collateral for corporate loans and advances, paying particular attention to compliance with sector and counterparty commitment limits. The Bank uses Basel II methodology to continuously monitor risk trends across all portfolios.

The Bank did not change its risk management policy in the 2013 financial year.

For interbank markets and international loans, contracts are recognised in the balance sheet under "Loans and advances at amortised cost - Credit institutions", "Loans and advances at amortised cost - Customers" and "Available-for-sale financial assets - Fixed-income securities", where a large majority of counterparties consist of banking and financial institutions. A set of quantitative and qualitative analyses is used to allocate an internal rating to a counterparty. The quantitative component is based on ratios that best describe the counterparty's profitability, capital strength, liquidity and the quality of its assets, while the qualitative component is based on the analyst's own assessment of non-financial factors such as market share, quality of management and external ratings. The Bank pursued its prudent investment policy in 2013, resulting in:

- a large proportion of investments in covered bonds, which offer more security than senior unsecured bonds,
- a concentration in investments in debt guaranteed by the European Union or some of its member States.

With regard to international loans to non-financial entities recognised in the balance sheet under "Loans and advances at amortised cost - Customers" and "Available-for-sale financial assets - Fixed-income securities", priority is given to commitments in OECD countries classified as at least Investment Grade. Like all the Bank's other counterparties, these are assigned an internal rating based on rules similar to those applied to banks and financial institutions.

Outstanding amounts are subject to counterparty risk monitoring and to regular checks based on updated financial analyses and proposed adjustments to limits per counterparty. The Bank also applies a country limit system for all countries in which it is present. These limits are periodically reviewed.

Investments in derivatives are heavily regulated through the use of industry standard ISDA agreements that include compensation clauses in the event of default by either party. The Bank has also adopted an additional risk mitigation mechanism by negotiating the CSA to ISDA agreements with the largest counterparties in respect of off-balance sheet transactions.

The CSA specifies the type of collateral permitted, in the form of cash or first-class securities, on the basis of periodic reassessments of bilateral positions when the net value of outstanding agreements exceeds a certain threshold.

6.2.2 Credit and concentration risk

Concentration risk is the risk resulting from an excessive exposure with regard to one single debtor, a group of debtors, an economic sector or a country. To avoid this risk, the Bank has implemented a set of procedures to efficiently manage the limits set. Concentration risk can be measured either from the commitment point of view or from the point of view of the Bank's resources. In the latter case, the risk is correlated with liquidity risk.

The Bank reviews the limits that impact on the components of concentration risk at least once every six months.

It has therefore invested in appropriate risk management tools in line with the range of risk profiles and different financing techniques.

In addition to counterparty limits, the Bank has set up a system of limits by sector and region to monitor concentration risk.

Generally speaking, commitments are concentrated in high credit ratings (AAA, AA and A) to limit risk exposure and volatility, systematically avoiding riskier segments of the market.

Maximum exposure to credit risk	31/12/2012	31/12/2013
Cash and cash balances with central banks	1,291,679,360	585,014,333
Loans and advances at amortised cost – Credit institutions	7,094,564,634	7,227,843,403
Loans and advances at amortised cost – Customers	16,716,489,554	17,003,930,051
Financial instruments held for trading	85,646,698	79,976,734
Hedging derivatives	67,139,194	132,425,965
Available-for-sale securities – Fixed-income securities	8,443,341,261	9,286,093,904
Held-to-maturity securities	5,315,888,143	4,785,557,990
Exposure of balance sheet commitments	**39,014,748,844**	**39,100,842,380**
Completion bonds	329,532,103	297,549,929
Letters of credit	45,471,770	43,591,979
Counter-guarantees	367,457,509	362,810,650
Documentary credits	21,133,731	17,301,900
Other	20,073,373	6,968,486
Undrawn confirmed credits	3,490,670,921	4,525,438,555
Exposure of off-balance sheet commitments	**4,274,339,406**	**5,253,661,498**
Total exposure	**43,289,088,250**	**44,354,503,878**

The Bank uses the following standard techniques to mitigate credit risk:

- collateral

Breakdown by type of collateral	2012	2013
Mortgages	10,112,632,300	10,769,404,737
Reverse repurchase agreements	3,510,732,430	3,809,158,458
Pledge through cash or securities deposits	574,591,963	109,528,136

- personal guarantees: these stood at EUR 59,106,802 at year-end 2013, compared with EUR 140,544,946 one year earlier,
- ISDA – CSA contracts,
- Global Master Repurchase Agreements (GMRA).

Financial assets that are subject to a legally enforceable netting framework agreement or a similar agreement:

	Financial assets that are the subject of netting			Potential netting not recognised on the balance sheet		
31/12/2013	**Financial assets before balance sheet netting**	**Balance sheet netting with financial liabilities**	**Financial assets recorded on the balance sheet**	**Financial liabilities**	**Collateral received**	**Financial assets after taking potential netting into account**
Reverse repos	-745,585,203	-	-745,585,203	1,848,482	742,484,103	-1,252,618
Derivative instruments	-980,504,262	-	-980,504,262	114,131,615	792,813,016	-73,559,631
Total assets	**-1,726,089,466**	**-**	**-1,726,089,466**	**115,980,097**	**1,535,297,120**	**-74,812,249**

	Financial assets that are the subject of netting			Potential netting not recognised on the balance sheet		
31/12/2012	**Financial assets before balance sheet netting**	**Balance sheet netting with financial liabilities**	**Financial assets recorded on the balance sheet**	**Financial liabilities**	**Collateral received**	**Financial assets after taking potential netting into account**
Reverse repos	-1,739,366,399	-	-1,739,366,399	135,174,027	1,587,874,072	-16,318,301
Derivative instruments	-1,114,293,278	-	-1,114,293,278	100,515,636	688,945,805	-324,831,837
Total assets	**-2,853,659,677**	**-**	**-2,853,659,677**	**235,689,663**	**2,276,819,877**	**-341,150,138**

Financial liabilities that are subject to a legally enforceable netting framework agreement or a similar agreement:

	Financial liabilities that are the subject of netting			Potential netting not recognised on the balance sheet		
31/12/2013	**Financial liabilities before balance sheet netting**	**Balance sheet netting with financial assets**	**Financial liabilities recorded on the balance sheet**	**Financial assets**	**Collateral given**	**Financial liabilities after taking potential netting into account**
Repurchase agreements	486,247,770	-	486,247,770	-	-473,935,845	12,311,925
Derivative instruments	77,397,377	-	77,397,377	-31,673,473	-17,719,657	28,004,246
Total liabilities	**563,645,147**	**-**	**563,645,147**	**-31,673,473**	**-491,655,502**	**40,316,171**

	Financial liabilities that are the subject of netting			Potential netting not recognised on the balance sheet		
31/12/2012	**Financial liabilities before balance sheet netting**	**Balance sheet netting with financial assets**	**Financial liabilities recorded on the balance sheet**	**Financial assets**	**Collateral given**	**Financial liabilities after taking potential netting into account**
Repurchase agreements	9,656,886	-	9,656,886	-	-9,508,278	148,608
Derivative instruments	45,215,505	-	45,215,505	-12,003,619	24,415,000	57,626,886
Total liabilities	**54,872,391**	**-**	**54,872,391**	**-12,003,619**	**14,906,722**	**57,775,494**

6.2.3 Sovereign risk included in the different portfolios

The continuing sovereign debt crisis is being closely watched by the financial markets. The breakdown of the Bank's exposure to euro-zone sovereign states as at 31 December 2013 is as follows:

Nominal amount by country and year of maturity:

Country	2014	2015	2016	2017	2018	2019	2042	Total
Spain	-	-	-	-	-	65,000,000	-	65,000,000
Greece	-	-	-	-	-	-	409,500	409,500
Italy	154,150,526	131,878,805	305,000,000	250,000,000	90,000,000	25,000,000	-	956,029,330
Portugal	65,000,000	100,000,000	-	-	-	25,000,000	-	190,000,000
Total	**219,150,526**	**231,878,805**	**305,000,000**	**250,000,000**	**90,000,000**	**115,000,000**	**409,500**	**1,211,438,830**

Book value by asset class:

	31/12/2012			31/12/2013		
Country	Available-for-sale assets	Securities held to maturity	Total	Available-for-sale assets	Securities held to maturity	Total
Spain	164,714,148	5,006,276	169,720,424	64,224,247	5,010,701	69,234,947
Greece	10,773	-	10,773	24,150	-	24,150
Italy	993,242,824	-	993,242,824	1,048,251,786	-	1,048,251,786
Portugal	174,049,966	15,110,850	189,160,816	178,128,716	15,113,392	193,242,107
Total	**1,332,017,711**	**20,117,126**	**1,352,134,837**	**1,290,628,898**	**20,124,092**	**1,310,752,991**

Fair value by asset class:

	31/12/2012			31/12/2013		
Country	Available-for-sale assets	Securities held to maturity	Total	Available-for-sale assets	Securities held to maturity	Total
Spain	164,714,148	4,908,500	169,622,648	64,224,247	5,365,746	69,589,992
Greece	10,773	-	10,773	24,150	-	24,150
Italy	993,242,824	-	993,242,824	1,048,251,786	-	1,048,251,786
Portugal	174,049,966	15,097,275	189,147,241	178,128,716	15,302,222	193,430,938
Total	**1,332,017,711**	**20,005,775**	**1,352,023,486**	**1,290,628,898**	**20,667,968**	**1,311,296,866**

The Bank has no exposure to Irish or Cypriot sovereign debt.

6.2.4 Analysis of credit risk relating to financial assets

Pursuant to IFRS, the Group assesses its exposure to financial asset credit risk as the book value.

To meet the requirements of IFRS 7 "Financial instruments: Disclosures", exposure to credit risk as at 31 December 2013 is presented according to internal ratings.

In the "Quantitative tables of exposures and concentrations" section, exposure to credit risk is indicated at book value before collateralisation. The application of a collateralisation ratio is a technique for reducing the risk of the underlying asset.

Credit risk is shown according to the following exposures:

- geography,
- counterparty category,
- risk class (internal ratings).

Mondercange Branch

Exposure by geographical area:

Geographical area as at 31/12/2013 (in thousands of euros)	European Union and Switzerland	Other European countries	North America	Asia and Australasia	Supra-national	Other	Total
Cash and cash balances with central banks	579,961	987	3,410	575	-	82	585,014
Loans and advances at amortised cost	23,755,140	36,771	391,044	43,889	21	4,908	24,231,773
Financial instruments held for trading and hedging derivative instruments	200,033	129	923	11,147	-	171	212,403
Available-for-sale securities	8,075,916	149,661	918,264	723,007	666,367	32,413	10,565,628
Held-to-maturity securities	4,117,296	121,707	262,415	36,918	247,222	-	4,785,558
Other	333,677	-	51	-	-	-	333,728
Total	**37,062,023**	**309,255**	**1,576,107**	**815,536**	**913,610**	**37,574**	**40,714,104**

Geographical area as at 31/12/2012 (in thousands of euros)	European Union and Switzerland	Other European countries	North America	Asia and Australasia	Supra-national	Other	Total
Cash and cash balances with central banks	1,289,280	24	2,066	278	-	31	1,291,679
Loans and advances at amortised cost	23,488,074	108,469	36,955	172,522	6	5,029	23,811,054
Financial instruments held for trading and hedging derivative instruments	144,214	40	4,855	3,580	-	97	152,786
Available-for-sale securities	7,880,405	57,031	697,020	657,037	341,805	569	9,633,865
Held-to-maturity securities	4,793,431	2,105	262,543	98,330	159,480	-	5,315,888
Other	288,038	-	67	-	-	-	288,105
Total	**37,883,442**	**167,668**	**1,003,504**	**931,746**	**501,291**	**5,726**	**40,493,378**

Exposure by counterparty category and risk class:

	2012			2013		
	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio
Cash and cash balances with central banks						
High grade	896,441,592	896,441,592	-	585,014,333	585,014,333	-
Standard grade	395,237,768	395,237,768	99.73%	-	-	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Total of categories		**1,291,679,360**			**585,014,333**	
Loans and advances at amortised cost						
Banks						
High grade	5,399,689,250	5,399,689,250	23.40%	5,079,609,324	5,079,609,324	38.72%
Standard grade	1,658,242,897	1,658,242,897	54.59%	2,112,676,173	2,112,676,173	51.92%
Sub-standard grade	3,751,697	3,751,697	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	566,107	49,917	-	562,477	48,048	-
Not rated	224,295	224,295	-	729,554	729,554	-
Corporates						
High grade	1,720,765,795	1,720,765,795	54.77%	1,886,468,899	1,886,468,899	29.03%
Standard grade	1,729,494,656	1,729,494,656	71.11%	1,630,618,941	1,630,618,941	60.88%
Sub-standard grade	750,383,373	750,383,373	40.11%	625,489,298	625,489,298	42.69%
Past due but not impaired	4,247,821	4,247,821	-	12,969,907	12,969,907	-
Impaired	96,569,317	44,315,959	55.92%	254,053,101	172,555,749	91.32%
Not rated	279,450,405	279,450,405	50.97%	60,433,003	60,433,003	70.71%
Sovereigns						
High grade	2,171,461,815	2,171,461,815	0.03%	2,040,554,268	2,040,554,268	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	4,420,549	4,420,549	-	4,167,453	4,167,453	-
Impaired	2,065,640	748,241	-	-	-	-
Not rated	8,544	8,544	-	7,254	7,254	-
Retail						
High grade	4,736,494,221	4,736,494,221	88.29%	7,244,469,526	7,244,469,526	91.42%
Standard grade	4,561,110,371	4,561,110,371	93.95%	1,765,814,068	1,765,814,068	91.75%
Sub-standard grade	610,302,883	610,302,883	91.77%	1,473,441,959	1,473,441,959	91.31%
Past due but not impaired	4,426,694	4,426,694	-	8,608,889	8,608,889	-
Impaired	138,631,135	122,972,000	86.05%	113,240,983	100,031,612	84.48%
Not rated	8,492,803	8,492,803	15.95%	13,079,529	13,079,529	21.02%
Total of categories		**23,811,054,185**			**24,231,773,454**	

	2012			2013		
	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio
Financial instruments held for trading and hedging derivatives						
Banks						
High grade	85,942,824	85,942,824	-	103,321,850	103,321,850	0.42%
Standard grade	37,927,179	37,927,179	39.88%	46,703,468	46,703,468	54.18%
Sub-standard grade	-	-	-	200,439	200,439	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	26,363	26,363	-
Corporates						
High grade	265,450	265,450	-	396,709	396,709	-
Standard grade	22,285,066	22,285,066	-	49,316,691	49,316,691	-
Sub-standard grade	2,089,349	2,089,349	-	593,861	593,861	-
Past due but not impaired	-	-	-	-	-	-
Impaired	348,661	348,661	-	-	-	-
Not rated	2,027,161	2,027,161	-	11,326,674	11,326,674	-
Sovereigns						
High grade	1,750,547	1,750,547	-	3,311	3,311	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	1,347	1,347	-	1,347	1,347	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Retail						
High grade	132,914	132,914	-	115,461	115,461	-
Standard grade	15,390	15,390	-	26,770	26,770	-
Sub-standard grade	-	-	-	296,054	296,054	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	73,701	73,701	-
Total of categories		**152,785,888**			**212,402,699**	

	2012			2013		
	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio
Available-for-sale securities						
Banks						
High grade	3,466,841,875	3,466,841,875	-	3,547,538,878	3,547,538,878	-
Standard grade	801,395,634	801,395,634	-	770,481,808	770,481,808	-
Sub-standard grade	32,392,240	32,392,240	-	45,526,650	45,526,650	-
Past due but not impaired	-	-	-	-	-	-
Impaired	12,513,695	1,313,695	-	17,515,964	3,816,080	-
Not rated	-	-	-	5,314,973	5,314,973	-
Corporates						
High grade	679,224,024	679,224,024	-	1,239,021,746	1,239,021,746	-
Standard grade	2,030,600,544	2,030,600,544	-	1,993,016,177	1,993,016,177	-
Sub-standard grade	26,909,536	26,909,536	-	63,967,243	63,967,243	-
Past due but not impaired	-	-	-	-	-	-
Impaired	12,048,222	200,534	-	12,994,650	1,161,890	-
Not rated	134,419,846	134,419,846	-	146,217,961	146,217,961	-
Sovereigns						
High grade	621,155,310	621,155,310	-	1,044,962,899	1,044,962,899	-
Standard grade	1,221,442,256	1,221,442,256	-	1,176,497,443	1,176,497,443	-
Sub-standard grade	192,459,551	192,459,551	-	192,741,537	192,741,537	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Securitisation						
High grade	255,267,996	255,267,996	-	179,262,752	179,262,752	-
Standard grade	133,759,649	133,759,649	-	104,633,009	104,633,009	-
Sub-standard grade	65,502,957	65,502,957	-	3,645,534	3,645,534	-
Past due but not impaired	-	-	-	-	-	-
Impaired	9,838,599	-34,335,941	-	94,101,073	47,478,062	-
Not rated	5,000,803	5,000,803	-	-	-	-
Other						
High grade	314,859	314,859	-	343,412	343,412	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Total of categories		**9,633,865,370**			**10,565,628,053**	

	2012			2013		
	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio	Outstanding excluding impairment	Outstanding with impairment	Average collateralisation ratio
Held-to-maturity securities						
Banks						
High grade	2,833,671,371	2,833,671,371	-	2,501,975,695	2,501,975,695	-
Standard grade	1,044,284,308	1,044,284,308	-	799,259,673	799,259,673	-
Sub-standard grade	41,137,055	41,137,055	-	87,824,134	87,824,134	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Corporates						
High grade	665,757,835	665,757,835	-	781,763,635	781,763,635	-
Standard grade	320,682,756	320,682,756	-	282,291,161	282,291,161	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Sovereigns						
High grade	390,237,695	390,237,695	-	312,319,599	312,319,599	-
Standard grade	5,006,276	5,006,276	-	5,010,701	5,010,701	-
Sub-standard grade	15,110,850	15,110,850	-	15,113,392	15,113,392	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Total of categories		**5,315,888,145**			**4,785,557,990**	
Non-financial assets (*)	**288,104,677**	**288,104,677**	**-**	**333,727,765**	**333,727,765**	**-**
Total of categories		**288,104,677**			**333,727,765**	
Total		**40,493,377,632**			**40,714,104,295**	

(*) The category "Non-financial assets" includes "Tangible assets for own use", "Investment property", "Intangible assets" and "Other assets".

The Group enters the amortised cost items where the contractual payment maturity is past due by 1 to 90 days on the line "Past due but not impaired" under "Loans and advances at amortised cost" for Retail and Corporate customers. Beyond this limit, an impairment is recognised if the Bank considers that it is in line with its accounting policy as described in part 3. In "Available-for-sale securities", the Group does not record any items in the line "Past due but not impaired", but uses the "Objective impairment evidence" to determine individual impairments.

The average collateralisation ratio gives the average hedging ratio of outstanding amounts by collateral held.

An indication by category of impairment is provided in the columns "Outstanding amount excluding impairment" and "Outstanding amount including impairment".

Banks, Corporates and Sovereigns:

The grouping according to internal risk category corresponds, for example with the following "S&P" equivalents:
High grade: from AAA to A^+
Standard grade: from A to BBB^-
Sub-standard grade: from BB^+ to BB^-

Outstanding amounts described as "Impaired" relate to outstanding amounts showing objective impairment evidence and whose internal risk category (internal rating) is equal to or lower than a B+ rating.

Securitisation:

The grouping according to internal risk category corresponds, for example with the following "S&P" equivalents:
High grade: from AAA to A+
Standard grade: from A to BBB-

Outstanding amounts described as "Impaired" relate to outstanding amounts showing objective impairment evidence and whose internal risk category (internal rating) is equal to or lower than a BB+ rating.

6.3 MARKET RISK

6.3.1 Determination of risk exposure

Market risk is the risk of loss arising from unfavourable changes in various financial parameters, the main ones being interest rates, share prices and foreign exchange rates.

6.3.2 Objectives and management of risk

"Short-term" liquidity, up to six months, and interest rate risk, up to two years, are managed by the Money Market desk (treasury) of the FIM unit ("Financial Markets").

Mismatch and long-term liquidity risks are handled by the ALM Committee. The Committee ensures that the Bank's equity capital and invested funds are appropriately managed, and that its national and international loan portfolios and proprietary bond and equity portfolios are refinanced in such a way as to minimise the negative impact of yield curve movements on the Bank's performance. The ALM committee comprises the members of the Bank's Executive Committee and a number of department heads.

All components of market risk, such as interest rate risk, foreign exchange risk and share price risk affecting the positions of the ALM and the treasury in on- and off-balance sheet instruments, are centralised in real time in the trading room's front-office system and are managed within the limits set by the Bank's Executive Committee. The Risk Control unit, which operates independently of the trading room, is responsible for regular reporting on compliance with the limits and the levels of risk incurred to the Executive Committee.

The Bank did not change its market risk management policy in the 2013 financial year.

Risk levels are primarily monitored using a VaR (Value at Risk) model. Trading and cash management activities are each subject to their own VaR limits. The following table sets out the key parameters in millions of euros:

Scope	Average daily VaR in 2013	Maximum daily VaR in 2013	VaR limit for the scope in question in 2013
ALM	5.97	8.27	12.50
Treasury	0.31	0.72	2.50
Trading	0.08	0.33	No limit

Scope	Average daily VaR in 2012	Maximum daily VaR in 2012	VaR limit for the scope in question in 2012
ALM	6.26	7.40	12.50
Treasury	0.53	0.88	3.00
Trading	0.10	0.50	No limit

In addition to VaR, which is used for the aggregate management of the different types of market risk, the Bank uses other risk management tools depending on the characteristics of the financial instruments concerned. Accordingly, interest rate risk is managed by simulating the impact of a parallel one basis point (0.01%) change in the yield curve on the net present value (NPV) of each position. Daily reports show the change arising from a parallel one basis point shift in all yield curves, also known as basis point value (BPV), which must stay within pre-set limits. Likewise, foreign exchange risk and equity risk are managed by placing limits on individual positions and stop-loss orders.

Weiswampach/Wemperhardt Finance Centre

6.3.3 Analysis of the value of financial instruments

The table below presents the comparison by category of the book values and fair values of the Group's financial instruments recognised in the consolidated financial statements.

Categories as at 31/12/2013	Carrying amount	Fair value	Unrealised valuation
Financial assets			
Cash and cash balances with central banks	585,014,333	585,014,333	-
Loans and advances at amortised cost - Credit institutions	7,227,843,403	7,227,843,403	-
Loans and advances at amortised cost - Customers	17,003,930,051	18,362,410,568	1,358,480,517
Financial instruments held for trading	79,976,734	79,976,734	-
Hedging derivatives	132,425,965	132,425,965	-
Available-for-sale securities – Fixed-income securities	9,286,093,904	9,286,093,904	-
Available-for-sale securities – Variable-income securities	1,002,400,913	1,002,400,913	-
Held-to-maturity securities	4,785,557,990	4,875,647,226	90,089,236
TOTAL	**40,103,243,293**	**41,551,813,046**	**1,448,569,753**
Financial liabilities			
Deposits at amortised cost - Credit institutions	5,381,166,797	5,381,166,797	-
Deposits at amortised cost - Private customers and public sector	25,073,954,961	25,111,880,533	37,925,572
Financial instruments held for trading	230,835,090	230,835,090	-
Hedging derivatives	798,822,107	798,822,107	-
Debt securities in issue	5,177,826,072	5,177,826,072	-
TOTAL	**36,662,605,027**	**36,700,530,599**	**37,925,572**

Categories as at 31/12/2012	Carrying amount	Fair value	Unrealised valuation
Financial assets			
Cash and cash balances with central banks	1,291,679,360	1,291,679,360	-
Loans and advances at amortised cost - Credit institutions	7,094,564,634	7,094,564,634	-
Loans and advances at amortised cost - Customers	16,716,489,554	18,158,090,651	1,441,601,097
Financial instruments held for trading	85,646,698	85,646,698	-
Hedging derivatives	67,139,194	67,139,194	-
Available-for-sale securities - Fixed-income securities	8,443,341,261	8,443,341,261	-
Available-for-sale securities - Variable-income securities	910,278,050	910,278,050	-
Held-to-maturity securities	5,315,888,143	5,432,318,760	116,430,617
TOTAL	**39,925,026,894**	**41,483,058,608**	**1,558,031,714**
Financial liabilities			
Deposits at amortised cost - Credit institutions	3,786,193,933	3,786,193,933	-
Deposits at amortised cost - Private customers and public sector	24,473,545,033	24,324,629,518	-148,915,515
Financial instruments held for trading	324,581,083	324,581,083	-
Hedging derivatives	822,908,804	822,908,804	-
Debt securities in issue	7,385,930,607	7,385,930,607	-
TOTAL	**36,793,159,460**	**36,644,243,945**	**-148,915,515**

The fair value of financial instruments not recognised at fair value in the consolidated financial statements is determined according to the methods and estimates described below.

Assets and liabilities at amortised cost in the balance sheet with a fair value close to the book value

In respect of financial assets and liabilities with a maturity date of 6 months or less, the Group estimates their fair value as very close to their carrying amount. The credit risk is considered to be immaterial due to the Group's prudent policy and the imminent maturity. The low residual duration also means that the rate risk is immaterial.

Similarly, the fair value of assets systematically collateralised is very close to their book value, since the credit risk is hedged. These are essentially repo agreements, secured loans and equipment loans.

Financial assets at amortised cost in the balance sheet with a fair value different from the carrying amount

Financial assets and liabilities towards customers, as well as fixed income securities held to maturity are recognised at amortised cost in the balance sheet.

For the purpose of fair value calculation, the Group distinguishes between instruments quoted on a market and over-the-counter instruments.

The fixed-income securities included in the held-to-maturity portfolio are sovereign bonds or supranational bonds quoted on an active market.

The Group calculates the fair value of financial assets and liabilities towards customers using the discounted cash flow method based on:
a. credit risk data such as the customer's risk classification, probability of default and loss given default. These criteria were established based on historical observations of defaults and are used to determine credit risk premiums (credit spreads) by risk class, duration and type of financial instrument,
b. a reference yield curve.

Hierarchy of assets and liabilities at fair value

The Group uses valuation techniques based on observable and non-observable market data to determine fair value:
- observable data reflect market variations collected from independent sources and reflecting real transactions (e.g. a three-year swap rate);
- non-observable data reflect estimates and internal assumptions adopted by the Bank relating to market variations (e.g. an estimation of the payment plan of an MBS).

A fair value hierarchy was established according to the type of observable and non-observable data:
- <u>Level 1 fair value:</u> Level 1 inputs are essentially quoted prices in active markets for identical financial instruments. This level includes equity securities and debt instruments listed on stock exchanges, as well as derivatives traded on a regulated market.
- <u>Level 2 fair value:</u> Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the financial instruments, either directly or indirectly, i.e. derived from observable prices, such as implied volatilities of a share derived from observable prices of option contracts on this share This level includes the majority of over-the-counter derivatives and structured debt securities issued. These inputs, such as "EURIBOR" yield curves or credit spreads, are initially provided by specialised financial data providers.
- <u>Level 3 fair value:</u> Level 3 inputs are mainly unobservable inputs for the asset or liability on a market. This level includes equity instruments or debt securities for which significant parameters used in the valuation models are based on internal estimations and assumptions.

To determine the fair value hierarchy, the Group reviewed all financial instruments measured at fair value to assess the importance of observable data directly or indirectly on the markets.

Observable market data include:
- credit spread curves based on CDS prices,
- interbank interest rates or swap rate,
- foreign exchange rates,
- stock indices,
- counterparty credit spreads.

In accordance with chapter 3.2.3. on available-for-sale assets, 2012 has been adjusted accordingly.

Assets and liabilities at fair value:

Categories as at 31 December 2013	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading				
- Debt instruments	624,213	-	-	624,213
- Equity instruments	16,495	-	-	16,495
- Derivative instruments	-	79,336,025	-	79,336,025
Loans and advances designated at fair value	-	1,777,080,241	-	1,777,080,241
Available-for-sale financial assets				
- Debt instruments	6,411,828,242	2,758,830,179	115,435,483	9,286,093,904
- Equity instruments	865,955,813	-	136,445,100	1,002,400,913
Hedging derivatives	-	132,425,780	185	132,425,965
TOTAL	**7,278,424,763**	**4,747,672,226**	**251,880,768**	**12,277,977,757**
Financial liabilities				
Financial instruments held for trading	13,304	-	-	13,304
Derivative financial instruments held for trading	-	230,821,786	-	230,821,786
Debt securities in issue	-	860,166,276	6,750,642	866,916,918
Hedging derivatives	-	798,822,107	-	798,822,107
TOTAL	**13,304**	**1,889,810,169**	**6,750,642**	**1,896,574,115**

Categories as at 31 December 2012	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading				
- Debt instruments	2,618,237	-	-	2,618,237
- Equity instruments	186,718	-	-	186,718
- Derivative instruments	-	82,841,740	-	82,841,740
Loans and advances designated at fair value	-	1,728,866,691	-	1,728,866,691
Available-for-sale financial assets				
- Debt instruments	6,221,483,900	2,047,752,419	174,104,938	8,443,341,257
- Equity instruments	775,270,236	-	135,007,815	910,278,051
Hedging derivatives	195,007	66,944,187	-	67,139,194
TOTAL	**6,999,754,098**	**3,926,405,037**	**309,112,753**	**11,235,271,887**
Financial liabilities				
Financial instruments held for trading	5,212	-	-	5,212
Derivative financial instruments held for trading	-	324,575,871	-	324,575,871
Debt securities in issue	-	1,212,810,645	-	1,212,810,645
Hedging derivatives	413,391,215	409,517,590	-	822,908,805
TOTAL	**413,396,427**	**1,946,904,105**	**-**	**2,360,300,532**

The changes between the levels of financial assets in the table above primarily come from an increase in book value following the continued recovery for the financial markets during 2013. A comparison of the breakdown of financial assets across the various levels between end-2013 and end-2012 reveals no significant change: 59.3% of financial assets are classed as Level 1 (versus 62.3% in 2012), 38.7% as Level 2 (vs. 34.9% in 2012) and 2.1% as Level 3 (vs. 2.8% in 2012).

The Bank used measurement models based on market data to calculate the fair value of Level 2 positions and measurement models based on estimates and market data to calculate the value of Level 3 positions. The most significant derecognitions from Levels 2 and 3 were recorded on debt instruments such as asset backed securities (ABS) and mortgage backed securities (MBS) following their repayment and markets becoming active once again. For equity instruments, Level 3 changes are mainly caused by the change in fair value of these financial instruments.

Level 3 breakdown:

	Available-for-sale financial assets			Total financial assets	Financial liabilities		Total financial liabilities
	Debt instruments	Equity instruments	Hedging derivatives		Debt securities in issue	Hedging derivates	
Total as at 1 January 2013	**174,104,938**	**135,007,815**	**-**	**309,112,753**	**-**	**-**	**-**
Total gains / losses	2,714,181	-278,350	185	**2,436,016**	642	-	**642**
- Income statement	*-5,977,381*	-	*185*	***-5,977,196***	*642*	-	***642***
- Revaluation reserve	*8,691,562*	*-278,350*	-	***8,413,212***	-	-	**-**
Purchases	-	250,000	-	**250,000**	-	-	**-**
Issues	-	-	-	**-**	6,750,000	-	**6,750,000**
Reimbursements/sales	-92,556,047	-903,779	-	**-93,459,825**	-	-	**-**
Transfers from or to Level 3	31,172,411	2,369,414	-	**33,541,825**	-	-	**-**
Total as at 31 December 2013	**115,435,483**	**136,445,100**	**185**	**251,880,768**	**6,750,642**	**-**	**6,750,642**
Total gains / losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2013	-5,977,381	-	185	**-5,977,196**	642	-	**642**

	Available-for-sale financial assets			Total financial assets	Financial liabilities		Total financial liabilities
	Debt instruments	Equity instruments	Hedging derivatives		Debt securities in issue	Hedging derivates	
Total as at 1 January 2012	**294,316,893**	**38,819,667**	**2,102,553**	**335,239,113**	**77,406,051**	**234,702**	**77,640,753**
Total gains / losses	37,032,270	53,608,040	-2,102,553	**88,537,757**	16,053	-234,702	**-218,649**
- Income statement	*-7,638,186*	*948,525*	*-2,102,553*	***-8,792,214***	*16,053*	*-234,702*	***-218,649***
- Revaluation reserve	*44,670,456*	*52,659,515*	-	***97,329,971***	-	-	**-**
Purchases	20,632,844	-	-	**20,632,844**	-	-	**-**
Issues	-	-	-	**-**	-	-	**-**
Reimbursements/sales	-62,646,946	-1,122,694	-	**-63,769,640**	-65,438,880	-	**-65,438,880**
Transfers from or to Level 3	-115,230,123	43,702,801	-	**-71,527,322**	-11,983,223	-	**-11,983,223**
Total as at 31 December 2012	**174,104,938**	**135,007,815**	**-**	**309,112,752**	**-**	**-**	**-**
Total gains / losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2012	-7,638,186	948,525	-2,102,553	**-8,792,214**	16,053	-234,702	**-218,649**

The Bank performs stress tests for the different categories of financial instruments, although without specifically focusing on Level 3 instruments. The results of these stress tests are reported monthly to the Bank's senior management. A sensitivity analysis of the assumptions used for the measurement of financial instruments classed in Level 3 would have a significant impact on the fair value of these Level 3 financial instruments; however they only represent 2.1% of the total volume of financial assets. Note that the total volume of Level 3 financial liabilities measured at fair value was 0.4% in 2013 compared to 0% in 2012.

In view of this low percentage of the total volume of financial assets and considering that it does not make sense to effect a change in the straight-line assumptions for instruments with heterogeneous characteristics, the Bank did not conduct such a specific sensitivity analysis for Level 3 instruments.

6.3.4 Analysis of foreign exchange risk: Net currency positions

As at 31/12/2013	Net balance sheet position
USD	36,428,996
GBP	-10,636,396
ZAR	-10,439,952
SEK	-2,328,879
Other	1,517,972
Total	**14,541,741**

As at 31/12/2012	Net balance sheet position
USD	36,122,114
GBP	-13,350,051
ZAR	-13,734,815
CAD	3,664,439
AUD	2,921,923
NZD	-2,797,758
Other	-3,190,859
Total	**9,634,993**

Only currencies with a net currency position exceeding EUR 2 million are recorded on a separate line.

6.4 LIQUIDITY RISK

6.4.1 Schedule of liabilities

Tables showing the balance sheet liabilities over the remaining residual life until repayment according to contractual data:

Current accounts and savings accounts are considered as repayable on demand.

Headings	On demand - 3 months	3 months - 1 year	Sub-total < 1 year	1 - 5 years	> 5 years	Sub-total > 1 year	Total 2013
Debt securities in issue	3,031,279,288	1,195,483,703	**4,226,762,992**	748,551,984	233,538,912	**982,090,897**	**5,208,853,888**
Deposits at amortised cost -							
Credit institutions	5,201,416,857	76,048,548	**5,277,465,405**	55,385,920	72,023,258	**127,409,178**	**5,404,874,583**
Customers and Public Sector	22,418,145,697	1,969,579,951	**24,387,725,647**	717,146,991	872,722	**718,019,713**	**25,105,745,361**
Total	**30,650,841,842**	**3,241,112,201**	**33,891,954,044**	**1,521,084,895**	**306,434,893**	**1,827,519,788**	**35,719,473,832**

Headings	On demand - 3 months	3 months - 1 year	Sub-total < 1 year	1 - 5 years	> 5 years	Sub-total > 1 year	Total 2012
Debt securities in issue	4,010,418,881	2,251,333,274	**6,261,752,155**	859,099,606	360,396,092	**1,219,495,698**	**7,481,247,853**
Deposits at amortised cost -							
Credit institutions	3,763,329,291	23,200,678	**3,786,529,969**	-	-	**-**	**3,786,529,969**
Customers and Public Sector	21,737,506,049	1,917,085,900	**23,654,591,948**	858,941,612	717,457	**859,659,069**	**24,514,251,017**
Total	**29,511,254,221**	**4,191,619,852**	**33,702,874,072**	**1,718,041,218**	**361,113,549**	**2,079,154,767**	**35,782,028,839**

Table showing deposits from customers and the public sector according to 'expected' maturity dates determined in accordance with the ALM policy:

Headings	On demand - 3 months	3 months - 1 year	Sub-total < 1 year	1 - 5 years	> 5 years	Sub-total > 1 year	Total 2013
Deposits at amortised cost - Customers and Public Sector	9,144,660,305	4,266,856,336	**13,411,516,641**	6,590,740,429	5,124,207,215	**11,714,947,643**	**25,126,464,284**

Headings	On demand - 3 months	3 months - 1 year	Sub-total < 1 year	1 - 5 years	> 5 years	Sub-total > 1 year	Total 2012
Deposits at amortised cost - Customers and Public Sector	9,461,470,342	4,540,094,176	**14,001,564,518**	6,430,534,885	4,152,547,746	**10,583,082,630**	**24,584,647,148**

6.4.2 Schedule of derivative instruments

Table showing derivative instruments settled in gross cash flows:

In view of the fact that residual life is calculated on the basis of contractual data, the optional feature of some contracts has not been taken into account.

Amounts are shown in euros at the exchange rates on 31 December 2013 and 31 December 2012.

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2013
Derivatives held for trading					
Foreign exchange swaps and forward exchange contracts					
Inflows	5,594,959,613	1,113,136,115	122,878,547	-	**6,830,974,275**
Outflows	-5,665,208,705	-1,134,104,712	-123,341,143	-	**-6,922,654,560**
Derivatives used for hedging purposes					
CCIS					
Inflows	45,261,583	435,373,125	783,988,277	94,837,923	**1,359,460,908**
Outflows	-45,024,931	-431,318,767	-777,590,158	-97,897,131	**-1,351,830,987**
Total inflows	**5,640,221,196**	**1,548,509,240**	**906,866,824**	**94,837,923**	**8,190,435,183**
Total outflows	**-5,710,233,636**	**-1,565,423,479**	**-900,931,300**	**-97,897,131**	**-8,274,485,546**

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2012
Derivatives held for trading					
Foreign exchange swaps and forward exchange contracts					
Inflows	6,439,938,815	1,944,941,900	1,305,236	-	**8,386,185,951**
Outflows	-6,509,563,406	-1,949,846,077	-1,300,000	-	**-8,460,709,483**
Derivatives used for hedging purposes					
CCIS					
Inflows	32,744,769	818,225,163	440,621,914	116,639,867	**1,408,231,713**
Outflows	-36,606,395	-828,116,030	-468,659,016	-97,118,000	**-1,430,499,442**
Total inflows	**6,472,683,584**	**2,763,167,063**	**441,927,150**	**116,639,867**	**9,794,417,665**
Total outflows	**-6,546,169,801**	**-2,777,962,107**	**-469,959,016**	**-97,118,000**	**-9,891,208,925**

Table showing derivative instruments settled in net cash flows:

Net cash flow liabilities from derivative instruments settled net are as follows:

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2013
Derivatives held for trading					
IRS	9,718,766	13,316,932	38,799,124	2,190,813	**64,025,635**
Derivatives used for hedging purposes					
IRS	72,497,681	131,312,154	490,873,730	290,057,141	**984,740,705**
Total outflows	**82,216,447**	**144,629,086**	**529,672,853**	**292,247,954**	**1,048,766,340**

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2012
Derivatives held for trading					
IRS	11,264,938	20,793,048	100,351,847	102,294,303	**234,704,136**
Derivatives used for hedging purposes					
IRS	77,811,804	120,927,321	501,593,006	180,418,238	**880,750,369**
Total outflows	**89,076,742**	**141,720,369**	**601,944,853**	**282,712,542**	**1,115,454,504**

6.5 ECONOMIC CAPITAL

The Group has embarked on a process of measuring economic risk and planning the assignment of its equity resources to the various business lines.

This process and associated work is formally drawn up and reported to the CSSF in the Bank's ICAAP report. CSSF Circular 07/301 (as amended), "Implementation of the Internal Capital Adequacy Assessment Process (ICAAP)" provides for "a system of sound, effective and complete strategies and processes allowing credit institutions 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 risks to which they are or might be exposed".

The ICAAP document describes the identification of and framework for managing the risks to which the Group is exposed, either under Basel II Pillar 1 or other risks, such as liquidity, profitability, etc.

The methods used for the economic quantification of the risks are based on adjustments and supplements to regulatory methods, as well as on measuring non-Pillar 1 risks.

The Group's capital management policy meets the objectives of the mission defined in the Bank's Articles of Association, namely "to contribute to the development of the Luxembourg economy". Accordingly, the Group aims to retain moderate leverage, which is reflected in a high target capitalisation ratio. Moreover, business within the domestic market is given priority in the allocation of capital resources.

6.5.1 Capital management policy

6.5.1.1 Determining equity capital

The Group's objective is to contribute to the development of Luxembourg's economy and to generate enough profit to strengthen its financial position.

In the framework of its economic capital model, the Group determines capital according to an economic capital approach, as opposed to its regulatory capital requirement. The Bank's basic principle for economic capital is based on a very prudent approach which consists of considering only the funds immediately available to the Group without restriction as economic capital to cover potential losses or to grow its business.

6.5.1.2 Implementation of internal capital adequacy policy

The Group has adopted the following methodology to implement its internal capital adequacy policy:

- Development of an internal risk assessment model (Basel II Pillar 1 risks plus non-Pillar 1 risks);
- Determination of a substantial safety margin between available capital and risk hedging, reflected in a high target capitalisation ratio. Note that throughout 2013, the Bank complied with the regulatory capital requirements of Basel II Pillar 1;
- Distribution of capital according to the internal organisation of the Group's business lines and its projected results;
- Risk exposure forecasts by business;
- Calculation of the projected capital requirements to cover the Bank's risks;
- When the minimum ratio requirements are fulfilled, allocation of the surplus capital according to the Group's strategic guidelines.

In terms of internal governance, the 2013 ICAAP report was submitted to the Group's Board of Directors, which approved the proposed guidelines. In accordance with the ICAAP circular, authorised management will report to the Board of Directors at least annually, and more frequently as needed or in the case of a major change in methodology.

Equity, Regulatory Own Funds and Capital Ratio (in euros)	**31/12/2012**	**31/12/2013**
Total equity	**3,399,635,486**	**3,719,665,742**
./. consolidation impact	-398,106,709	-413,467,157
./. unrealised capital gains on variable-income securities (net of taxes)	-843,353,127	-912,718,994
./. reserves - undistributed results	-198,151,065	-208,397,055
./. cash flow hedges	-6,200,130	-4,215,603
other	-	2,290,046
Tier 1 Regulatory Own Funds before prudential adjustments	**1,953,824,455**	**2,183,156,979**
Prudential deductions	**-108,426,724**	**-116,159,959**
on financial and insurance holdings	-77,109,122	-78,193,279
on securitisations	-17,029,597	-23,491,726
other	-14,288,005	-14,474,955
Tier 1 Regulatory Own Funds	**1,845,397,731**	**2,066,997,020**
Tier 2 Regulatory Own Funds before prudential adjustments	**1,049,295,017**	**1,112,618,583**
unrealised capital gains on fixed-income securities (net of taxes)	-	21,023,153
unrealised capital gains on variable-income securities (net of taxes)	843,353,127	912,718,994
eligible subordinated loans	150,681,267	128,120,000
excess provisions according to the internal ratings approach	55,260,622	50,756,436
Prudential deductions	**-96,182,493**	**-103,900,867**
on financial and insurance holdings	-77,109,122	-78,193,279
on securitisations	-17,029,597	-23,491,726
other	-2,043,774	-2,215,863
Tier 2 Regulatory Own Funds	**953,112,524**	**1,008,717,716**
Total regulatory Own Funds	**2,798,510,254**	**3,075,714,735**
Total capital requirement	**971,348,098**	**993,471,796**
Solvency ratios		
Tier 1 capital ratio	15.2%	16.6%
Total capital ratio	23.0%	24.8%

The regulatory own funds and the capital ratios apply to the Group's parent company.

7. Segment reporting

In accordance with IFRS 8, segment reporting is presented in line with the Group's internal organisation and its internal reporting system (management approach).

7.1 BUSINESS SEGMENTS

The Group's operations are organised into significant segments with similar profitability and risk characteristics, representing coherent product groups aimed at the same type of customers and counterparties. The businesses defined in this way are managed separately and are grouped into specific business lines in the Group's organisational chart. The segments are:

- Retail, Professional, Corporate and Public Sector Banking: business line including deposits, loans, advisory and transactions activities for this customer base, excluding activities directly handled by the trading room. From an organisational point of view, these activities fall within the remit of the Retail and Private Banking and Corporate Banking departments.
- Financial Markets and Investment Funds: activities relating to Treasury, Trading, Asset and Liability Management, Customer Desk, mutual fund administration and management. From an organisational point of view, these activities fall within the remit of the Financial Markets and Investment Funds departments.
- Other: includes all back-office and support activities, revenues from investments and costs not allocated to a specific business on a reasonable basis.

The results of these businesses include inter-entity transactions, which are valued by reference to a market price for transactions relating to financing and lending between businesses. Back-office services are also valued according to a market price, where available.

The difference between the sum of the figures for the segments and the Group's overall consolidated financial statements stems from the following items:

- Interest margin: the difference between the interest margin allocated to businesses and the total margin results from differences in valuation methods for internal transactions between the Financial Markets department and the other segments.

  Similarly, the commercial interest margin includes income valued using a method favouring commercial momentum.

  Another difference is due to a standard mechanism for the valuation of the margin on loans at social rates. This method is part of the management approach and is intended to avoid penalising branches selling these products.

  In 2013, the margin difference was below the Group's materiality limit.

- Commissions: the reconciliation difference consists of the sum of commissions not directly attributable to a business. It is the Group's view that the development cost for allocating these flows to a business would exceed the benefit obtained from this information.
- Assets and liabilities are valued according to IFRS rules which are valid for global reporting.

Gross receivables and deposits of the Retail and Private Banking and Corporate Banking businesses are recognised at their annual average amount and not their year-end amount, in line with the management approach.

The reconciliation difference for assets and liabilities stems from taking into account average outstanding amounts compared with end-of-period outstanding amounts, assets for customers not attributable to a business and from assets not spread out over businesses (suspense accounts, tax assets and liabilities and internal accounts).

7.2 GEOGRAPHICAL SEGMENTS

All BCEE Group operations are carried out from within the Grand Duchy of Luxembourg.

7.3 INFORMATION ON PRODUCTS AND SERVICES

The Group's Net Banking Income (NBI) can be broken down into the following main products:

- deposits from private customers, business customers, corporates and the public sector;
- loans and advances to private customers, business customers, corporates and the public sector;
- other products for private customers, business customers, corporates and the public sector;
- other products.

Net Banking Income is measured taking into account the interest, fees and commissions re-invoiced between businesses.

Cactus Belle Etoile Branch

7.4 INFORMATION ON MAJOR CUSTOMERS

Neither one individual customer nor any consolidated group of customers generates more than 10% of the Group's NBI.

31/12/2013 Thousands of euros	**Retail, Professional, Corporate and Public Sector Banking**	**Financial Markets and Investment Funds**	**Other**	**Reconciliation**	**Total**
Net interest margin	233,841	119,919	38,857	-2,366	390,252
Income from securities	-	20,773	22,306	-	43,079
Fee and commission income	38,980	17,183	55,031	-	111,194
External commissions	*70,791*	*35,169*	*5,234*	-	*111,194*
Internal commissions	*-31,811*	*-17,986*	*49,797*	-	-
Income from financial instruments and foreign exchange	3,534	52,841	302	-	56,677
Net Banking Income	**276,356**	**210,716**	**116,496**	**-2,366**	**601,202**
Other operating income and expenses	-	-313	8,745	-	8,432
Banking income	**276,356**	**210,403**	**125,241**	**-2,366**	**609,633**
General administrative expenses plus valuation allowances in respect of intangible and tangible assets	-159,830	-27,514	-96,818	-	-284,162
Net allowances for valuation and impairment	-31,397	-6,323	-1,407	-	-39,126
Other	-	-	-	-	-
Income before tax	**85,129**	**176,566**	**27,016**	**-2,366**	**286,345**
Tax on income for the period and deferred taxes	-	-	-68,825	-	-68,825
Minority interests / income from associates	-	-556	21,382	-	20,826
Income/(loss)	**85,129**	**176,010**	**-20,427**	**-2,366**	**238,346**
Assets	**14,670,406**	**24,617,569**	**1,426,129**	**-**	**40,714,104**
Liabilities	**20,873,703**	**16,909,644**	**2,933,123**	**-2,366**	**40,714,104**

31/12/2012 Thousands of euros	**Retail, Professional, Corporate and Public Sector Banking**	**Financial Markets and Investment Funds**	**Other**	**Reconciliation**	**Total**
Net interest margin	225,910	183,167	32,077	-1,815	439,339
Income from securities	-	12,503	20,094	-	32,597
Fee and commission income	30,760	18,813	54,807	-	104,380
External commissions	*65,243*	*34,946*	*4,191*	-	*104,380*
Internal commissions	*-34,483*	*-16,133*	*50,616*	-	-
Income on financial instruments and foreign exchange	3,362	-24,585	1,074	-	-20,150
Net Banking Income	**260,033**	**189,897**	**108,053**	**-1,816**	**556,167**
Other operating income and expenses	-	437	5,384	-	5,822
Banking income	**260,033**	**190,335**	**113,437**	**-1,816**	**561,989**
General administrative expenses plus valuation allowances in respect of intangible and tangible assets	-158,108	-27,791	-93,096	-	-278,996
Net allowances for valuation and impairment	-20,952	-5,591	3,474	-	-23,069
Other	-	-	1,069	-	1,069
Income before tax	**80,973**	**156,952**	**24,884**	**-1,816**	**260,993**
Tax on income for the period and deferred taxes	-	-	-43,698	-	-43,698
Minority interests / income from associates	-	-1,161	11,366	-	10,205
Income/(loss)	**80,973**	**155,791**	**-7,447**	**-1,816**	**227,499**
Assets	**14,107,857**	**25,110,954**	**1,274,567**	**-**	**40,493,378**
Liabilities	**20,460,205**	**16,853,948**	**3,179,225**	**-**	**40,493,378**

NBI	**thousands of euros 31/12/2012**	**thousands of euros 31/12/2013**
Deposits from private customers, business customers, corporates and the public sector	54,231	57,392
Loans and advances to private customers, business customers, corporates and the public sector	151,462	158,849
Other income from private customers, business customers, corporates and the public sector	54,340	60,115
Other income	296,134	327,212

6 ORGANISATION CHART OF THE BANK (as at March 26, 2014)

EXECUTIVE COMMITTEE (MANAGEMENT BOARD)

Jean-Claude FINCK	President and Chief Executive Officer
Michel BIREL	Deputy Chief Executive Officer
Gilbert ERNST	Executive Vice President and Member of the Executive Committee
Guy ROSSELJONG	Executive Vice President and Member of the Executive Committee
Françoise THOMA	Executive Vice President and Member of the Executive Committee

Internal Audit
Jean-Nico SCHAMBOURG

Compliance
Frank MOSAR

DEPARTMENTS	UNITS				
Private Banking **Paul WARINGO**	Banque Privée Paul WARINGO	Coordination du Réseau des Agences Gaston MOLLING	Electronic Banking and Business Lysiane BACK		
Corporate Banking **Romain WEHLES**	Crédits aux entreprises Romain WEHLES				
Financial Markets **Aly KOHLL**	Financial Markets Aly KOHLL	Financial Institutions Luc HIERONIMY	Institutional Clients Alain UHRES		
Legal **Joseph DELHAYE**	Juridique et Contentieux Joseph DELHAYE				
Risk Management **Christian SCHOTT**	Analyse et Suivi Risque Christian SCHOTT	Risk Control Jean-Claude WILMES			
Financial Reporting **Doris ENGEL**	Compt. Centrale et Budgétisation Doris ENGEL	Administration des Marchés Financiers Jean LAUX	Securities Carlo MATAGNE		
Investment Funds **Paolo VINCIARELLI**	Investment Funds Paolo VINCIARELLI				
Operations **Marc ANDRE**	Organisation Marc ANDRE	Back-Office Crédits Jean THEIN	Back-Office des Produits Financiers Alain HAMMANG	Paiements Serge WAGENER	Valeurs Georges DENNEWALD
Secretary General **Rodolphe BELLI**	Secrétariat Général Rodolphe BELLI	Gestion du Personnel Michèle FOHL	Immeubles et Support Logistique Jean-Louis SALES	Marketing Gérard TANSON	
Information Technologies **Jean HILGER**	Développements Informatiques Jean HILGER	Production Informatique Michel MERGEN			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