ANNUAL REPORT 2014

159th Financial Year

BANQUE ET CAISSE D'EPARGNE DE L'ETAT
LUXEMBOURG

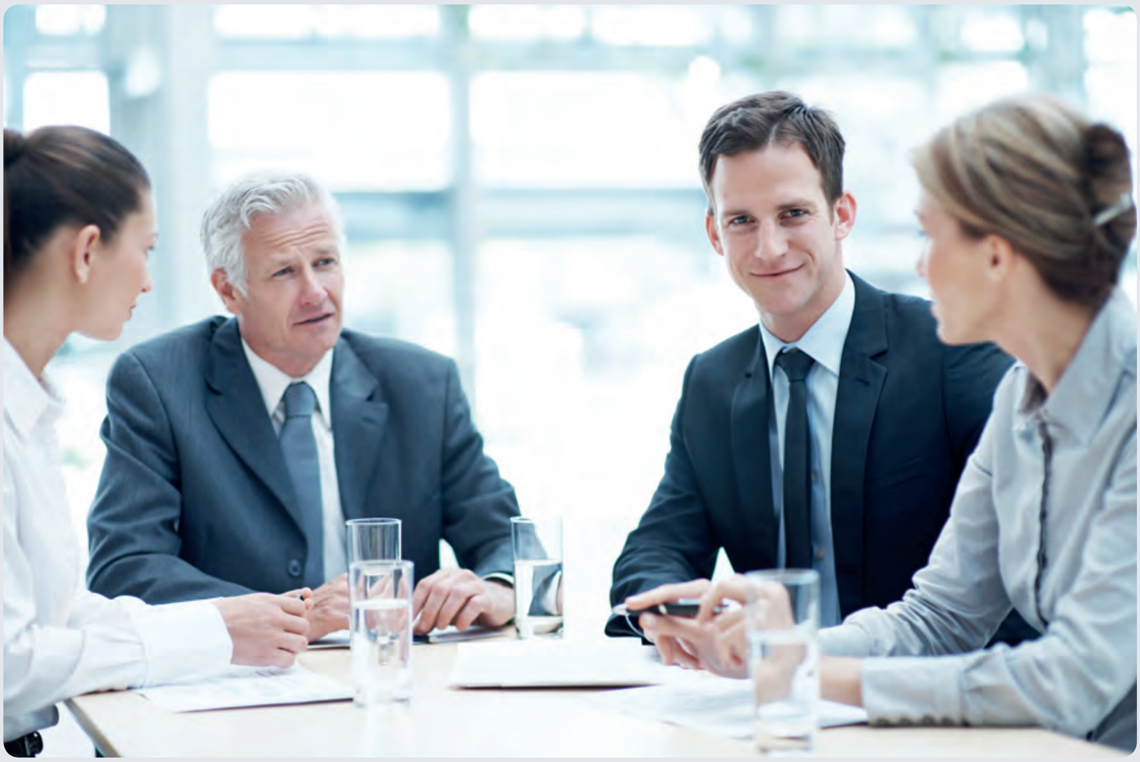
Financial Highlights (in thousands of euros)

	2013	2014	% change 2014/2013
TOTAL BALANCE SHEET	40,714,104	41,211,045	+1.2%
Deposits at amortised cost – Credit institutions	5,381,167	4,144,696	-23.0%
Deposits at amortised cost – Private customers and public sector	25,073,955	25,068,145	-0.0%
Debt securities in issue	5,177,826	6,276,226	+21.2%
Loans and advances at amortised cost – Credit institutions	7,227,843	5,377,819	-25.6%
Loans and advances at amortised cost – Customers	17,003,930	18,311,255	+7.7%
Available-for-sale securities – Fixed-income securities	9,286,094	9,750,181	+5.0%
TOTAL EQUITY	3,718,847	4,162,456	+11.9%
BANKING INCOME (2)	609,633	609,896	+0.0%
Total general expenses (3)	284,162	289,126	+1.7%
NET INCOME	238,346	273,749	+14.9%
COMMON EQUITY TIER 1 (CET1) RATIO (1)	16.6%	18.3%	
AVERAGE WORKFORCE (in number of contracts)	1,803.0	1,800.0	-0.2%
AVERAGE WORKFORCE (in work units)	1,644.0	1,642.5	-0.1%

(1) Common Equity Tier 1 (CET1) and solvency ratios were established according to the CRR in 2014 and under the Basel II/CRD IV regulations in 2013. The ratios also include the provisional regulatory requirement.
(2) Interest income, dividend income, fee and commission income, income from financial instruments, other operating income and expenses.
(3) General administrative expenses and depreciation allowances in respect of intangible and tangible assets.

Main developments in 2014: strong financial performance in a fast-changing regulatory environment

- Growth in net income (+14.9%).
- Steady growth in the home loan portfolio (+7.0%).
- Stable customer deposit volumes, which should be seen in the unique tax context introducing the automatic exchange of financial information starting 2015 for EU customers, and near-zero interest rates.
- Sharp 21.2% rise in securities issued, subscribed by institutional customers.
- Strong interest among private customers for investment funds.
- Good cost control resulting in limited increases (+1.7%) in general expenses and depreciation allowances for tangible and intangible assets.
- Strengthening of equity and CET1 ratio at 18.3% as at 31 December 2014 under the CRR, compared with 16.6% as at 31 December 2013 under Basel II/CRD IV regulations.
- Marketing of the “Fit4Future” savings account, used to build a future capital sum for today's minors by offering a higher return than a traditional savings account. The new “axxess 30” account intended exclusively for customers aged 18 to 30 was also launched.
- Expansion of the product line targeting legal entities with a 35-day notice account.
- Development of the “Personal Reserve” concept, which combines credit and savings in a single account to give customers permanent access to the resources they need to meet an unexpected expense.
- Excellent AA+ (outlook stable) and Aa1 (outlook negative) ratings confirmed by both Standard and Poor’s and Moody’s.
- Awarded the “Best Bank 2014 - Luxembourg” and “Safest Bank 2014 - Luxembourg” prizes with confirmation of BCEE’s ranking among the world’s 10 safest banks by Global Finance magazine and recognised with the “Bank of the Year 2014 - Luxembourg” award by the financial magazine “The Banker”.
- Won the “Green Finance Award” in recognition of the Bank's efforts to shift its policy and business towards a more ethical, green economy.
- Banque et Caisse d'Epargne de L'Etat, Luxembourg (BCEE) supervised by the European Central Bank (ECB) since 4 November 2014 following the start of the single supervisory mechanism (SSM) after the asset quality review (AQR) and a stress test which confirmed the Bank's financial strength.
- Hiring of 52 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 • 2014
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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

"Economic growth in 2014 remained rather modest, not only in Europe but virtually worldwide. The United States was the only country where the economy started to regain momentum at the end of the year. The economic climate continues to pose a major challenge for credit institutions. However, we are pleased to announce that Banque et Caisse d'Epargne de l'Etat, Luxembourg (BCEE) ended the year with a net income of EUR 273.7 million, up 14.9% from 2013.

BCEE continued to play its role in supporting the national economy over the past year, and was also able to confirm its excellent financial strength. Since November 2014, BCEE has been under the supervision of the ECB due to the start of the single supervisory mechanism. This followed the asset quality review and stress test, which verified BCEE's financial soundness. Standard & Poor's and Moody's also reconfirmed BCEE's top AA+ (outlook stable) and Aa1 (outlook negative) ratings. Further highlighting the pertinence of these ratings, BCEE won the "Best Bank in 2014 – Luxembourg" award and is ranked among the world's 10 safest banks by internationally renowned financial magazines. Based on the above, the Board of Directors and the Executive Committee remain convinced that the prudent strategy implemented since the Bank's beginnings is the right one.

The loyalty of the existing customer base and the continual addition of new banking customers are proof of the quality of the products and services offered by BCEE. This is reflected in the significant market share that the Bank enjoys in the major customer segments in Luxembourg.

BCEE seeks to use its strengths, including its historical roots in the Luxembourg economy, its experienced and dedicated sales teams, its country-wide branch network and its capacity for innovation, to partner not only with private customers but also with commercial, artisanal and industrial companies. Regular discussions, transparency, responsiveness, understanding and trust remain the key components of a successful long-term partnership between the customer and his banker. The Bank listens closely to its customers' needs so as to continue to offer high-quality products and services, particularly in electronic and remote banking.

Despite all the encouraging factors, we believe that we should not lose sight of the challenges that the Bank may encounter during 2015. 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.

Corporate social responsibility holds a specific place at BCEE, deriving from its status as a public law institution. It is a factor that generates added value and is an integral part of the corporate culture. For nearly 160 years, BCEE has played its role as a socially and economically responsible company. The objective of social responsibility is also 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."

Finally, we would like to take this opportunity to thank all members of staff at the Bank for their commitment throughout the 2014 financial year. We firmly believe that together we can meet the challenges that the Bank will no doubt face during 2015 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 remained weak in 2014 and the recovery has been slow and uneven from country to country. The sluggish global economy can be attributed to the lack of strong momentum in developed countries and certain major emerging markets. The contrast between the buoyant US economy and the softness in the economy in the rest of the world was particularly evident as 2014 drew to a close. The geopolitical tensions that emerged in 2014, combined with very modest eurozone growth, are likely to limit the current growth outlook.

Eurozone growth remained moderate and was driven mainly by consumption, while investment levels remain low. European consumers benefited from low oil prices, just like their US counterparts. The lack of investment in the eurozone could be partially reversed with the 2015 launch of the so-called Juncker Plan, the European Commission's new EUR 315 billion investment plan.

Within the eurozone, Luxembourg continues to grow at a moderate pace. Its economy remains highly dependent on the European economy, with 80% of goods and services produced in Luxembourg intended for export and nearly 70% of these exports directed to the eurozone. Locally, the change in the tax regime applicable to e-commerce, the 2% hike in the VAT from 1 January 2015, and the savings the government would like to institute as part of the future "Zukunftspak" package are all likely to play a role. Also worth mentioning is the increased pressure on EU member states to harmonise the tax treatment of corporate earnings, which could eventually translate into binding measures.

In 2014, BCEE was one of some 130 banking groups selected by European regulators for the Comprehensive Assessment. This exercise took place in advance of the start of the single supervisory mechanism (SSM), whereby the European Central Bank (ECB) took over direct supervision of systemically important European banks as from 4 November 2014.

The Comprehensive Assessment, conducted jointly by the ECB, the Commission de surveillance du secteur financier (CSSF, Luxembourg's prudential supervisory authority) and the European Banking Authority (EBA), comprised an asset quality review and a stress test to assess the banks' capital adequacy.

The exercise reconfirmed BCEE's asset quality and financial strength and found no need for additional asset provisioning[1].

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

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

CONTINUED SALES 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.

The Bank continued to invest in its branch network in 2014. A number of BCEE sites therefore underwent development and capital work to come into line with the highest standards of quality, comfort and security.

BCEE continued its commitment to young people through the KNAX-Club (ages 6-12), the axxess START (ages 12-22), axxess UNIF and axxess JOB (ages 18-30) programmes as well as the annual "Planspiel Börse" competition.

During the year, BCEE launched a new solution for young people that offers a variety of banking and other benefits for student customers and those entering the workforce. New products such as the "Personal Reserve" and the new "ZEBRA" mobile application are two other examples of how BCEE is innovating for its customers.

The excellent business performance shows that the branch network continues to improve customer loyalty, strengthen the

1 The results of the bank assessment exercise for BCEE are available at https://www.bankingsupervision.europa.eu/banking/comprehensive/htmlindex.en.html.

long-term relationship of trust and offer banking solutions to meet every need. Extensive training provides the sales team with upgraded knowledge. Particular attention has also been devoted to training Private Banking Advisors, Investment Advisors and Youth Advisors.

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.

Despite rising housing prices, BCEE has grown its home loan business. It even reported a more than 16% increase in the amount of loans liquidated compared with 2013.

Savings deposits continued to increase as customers seek security amid financial market uncertainty. In contrast, conventional time deposit exposure declined as a result of historical low interest rates.

In 2014, the Bank launched a new bond sub-fund, LUXBOND EURO FIX TERM 2019. This sub-fund is invested chiefly in corporate bonds and gives investors the opportunity to take advantage of relatively high interest rates for this type of issuer. Despite declining returns on money-market investments, BCEE has successfully offered its customers attractive investment alternatives within its range of funds, and through more complex products such as reverse convertible bonds and dedicated discretionary portfolio management solutions.

In 2014, 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 foreign customers residing in a country of the European Union. Over the course of the year, the branch network and, in particular, the investment advisors devoted a great deal of time to preparing for this change. All the customers affected by these regulations were highly appreciative of the Bank's efforts and assistance in creating full transparency and ensuring the necessary regulatory reporting.

In electronic banking services, S-net saw further increased use during 2014, especially through smartphones and tablets. BCEE's internet banking solution continued to benefit from the latest technological advances in terms of features and platforms offered.

In mobile banking payments, S-Digicash, an application that allows customers to make payments directly from a BCEE current account by smartphone, found favour among a growing number of customers. To make a bank mobile payment, customers simply scan the specific QR Code appearing at the point of sale or printed on an invoice or a letter and confirm the payment by entering a PIN code.

Lastly, traffic to BCEE's websites rose sharply with more than 1,000,000 monthly visits in 2014.

Corporate and Public Sector

Growth remained modest in Luxembourg, as was the case in other eurozone countries. Business spending has been stuck at a low level and the investment climate remains poor in 2015.

Nevertheless, applications for funding from professional customers rose in 2014, driven by a particularly buoyant fourth quarter. Throughout the year, experts advised professional customers and structured large-scale financings that attest to the Bank's know-how in this area. Although the qualitative component of a financing application continues to gain in importance and requires more thorough documentation, the approval rate for these applications was very high and stood well above 90%. This demonstrates BCEE's strong commitment to supporting Luxembourg entrepreneurs in need of financing.

The construction and real estate development sector was particularly robust due to VAT hike applicable as from 2015. Demand picked up sharply starting in October and remained strong until end-December 2014.

While financing requested by the public sector was down, the grant rate remained quite high in 2014, confirming BCEE's leadership position in this highly sought-after sector.

As part of its ongoing efforts to offer its customers innovative services also in 2014, BCEE launched a new investment solution for professional customers, the 35-day notice business savings account. With market interest rates at an all-time low, this new savings product, which offers a higher return than a standard business savings account, was a resounding success and raised significant sums.

The Bank offers its customers a broad range of cash management solutions whether national or international.

One key event in 2014 was the bank asset review conducted as part of the ECB's comprehensive assessment. Significant resources were devoted to this exercise, which entailed a review of thousands of credit files. The quality of BCEE's bank assets was confirmed, thereby demonstrating the effectiveness of its prudent risk management policy.

While commercial margins on investment products for professional customers fell in 2014, BCEE, backed by the quality of its service and motivated staff, maintained a high level of credit exposures.

FINANCIAL MARKETS AND INVESTMENT FUNDS REVENUES

Financial markets

Treasury activity volume was steady in 2014. Customer deposits performed well and the Bank increased the volume of its international refinancing programmes due to the confidence and interest of institutional clients.

In reinvestments, a significant share of the funds was directed to government securities and other securities eligible for refinancing with the ECB, especially a low-risk, high-liquidity bond portfolio that reached EUR 9.8 billion. Loans and advances to credit institutions were down 25.6% to EUR 5.4 billion as at 31 December 2014.

In order to improve the performance of cash transactions and reduce their credit risk, BCEE made extensive use of derivatives. At the end of 2014, outstanding foreign exchange swaps and forward transactions amounted to more than EUR 10.3 billion. At the same date, outstanding interest rate swaps (IRS) and cross currency interest rate swaps (CCIS) totalled EUR 13.0 billion. Note that EUR 2.0 billion in loans was guaranteed by eurozone public debt securities as part of repurchase agreements.

Monetary policies remained highly stimulative in 2014 in developed countries. Central banks kept interest rates at zero and pursued unconventional policies. As a result of the increase in the monetary base, particularly in the United States and Japan, global liquidity continued to grow at a fast pace. The third round of quantitative easing (QE3), launched at end-2012 in the USA, continued through October 2014. The Federal Reserve has nevertheless gradually reduced the amount of its purchases from month to month.

The ECB was particularly active in 2014. Faced with a mounting deflation risk in the eurozone, the ECB initially sought to avoid implementing a quantitative easing (QE) policy but ultimately announced targeted purchases of private-sector assets. It also maintained expectations for purchases of sovereign securities in early 2015.

On 5 June 2014, the ECB finally took action and announced a series of measures at the meeting of its Governing Council. The measures aimed to make monetary conditions more accommodative and to mitigate the risk of deflation. Consequently, the ECB lowered its key interest rates by 10 basis points: the refinancing rate was cut to 0.15% and the deposit facility rate was pushed into negative territory at -0.10%. It also established a series of targeted longer-term refinancing operations (TLTRO) to enable banks to seek liquidity on longer maturities.

In September 2014, in response to lower inflation expectations, the ECB cut its key interest rates by another 10 basis points (refinancing rate to 0.05% and deposit facility rate to -0.20%) and announced a programme to purchase private-sector asset-backed securities (ABS) and covered bonds starting in October. The yield on the 10-year Bund began 2014 slightly below 2% and ended the year at an all-time low of 0.6%, following an almost linear decline. Weak economic conditions, the behaviour of the ECB and, at the very end of the period, concerns about Greece and the collapse of the markets and the Russian currency were other significant supports to the Bund in 2014.

The year 2014 was a comeback year for the capital markets in Portugal, Greece, Cyprus and Ireland. These countries had all previously received international bailout funds during the sovereign debt crisis.

Note also that a number of regulatory measures, including the new Liquidity Coverage Ratio (LCR), led to greater demand from financial investors for high-quality bonds (sovereign debt, mortgage bonds, supranationals, etc.). Consequently, bond yields across all sectors tightened significantly.

In a market characterised by historically low interest rates, sharply declining credit margins and abundant liquidity, it stands to reason that many investors went looking for riskier assets to temporarily boost the performance of their investment portfolio.

In accordance with BCEE's prudent investment policy, in line with its market approach since the beginning of the crisis, it maintained its investment criteria and did not follow market movements towards less economically defensible "risk/return" 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 2014, income from financial instruments decreased compared with the figure reported at end-2013, a year that included a number of extraordinary items. The Bank limited the decrease in the interest margin, through 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 reinvestment opportunities with attractive credit spreads and a level of risk consistent with BCEE's investment policy for mature investments.

Investment funds

At 31 December 2014, there were 13 open-end investment funds (SICAV) in the in-house range, composed of 36 sub-funds, representing EUR 3.0 billion in total assets, up 9.8% compared with 31 December 2013. 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 legislature.

Benefiting from BCEE's confirmed financial soundness and the excellent quality of services for Financial Sector Professionals (FSP), the custodian bank business grew very dynamically. With a total of some EUR 18.8 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 function of custodian bank, amounted to some EUR 15.8 billion at the end of 2014, a 23.7% increase compared with 2013.

The business line's income rose slightly compared with the prior year due mainly to strong growth in the third-party investment fund management and administration activities.

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 from 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 Bank finances, legal and regulatory matters, organisation, marketing, logistics and IT. The year 2014 was characterised by the significant efforts required for the bank assessment exercise conducted before the start of the SSM and by the various regulatory projects underway, including CRD IV/CRR, FATCA, the exchange and reporting of tax information and the recovery plan under the BRRD directive.

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, 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, the BCEE group has included 40% of La Luxembourgeoise S.A. d'Assurances and La Luxembourgeoise Vie S.A. d'Assurances insurance companies. La Compagnie Financière La Luxembourgeoise S.A. and BCEE, indirectly, are 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 and holds a 10.88% stake.

For several years, the group's scope of consolidation has included Luxair, Société Luxembourgeoise de Navigation Aérienne S.A., which is active in air navigation, tour operation, cargo handling, catering and airport shops. BCEE also holds shares in Cargolux Airlines International S.A., which is one of the world's largest all-cargo airlines.

The BCEE group holds 22.7% 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.

Through its 11% 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, BCEE is fulfilling its social mission of facilitating home ownership for personal needs.

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

Human resources

BCEE hired 52 new employees in 2014.

To draw promising candidates and appear as an attractive employer, BCEE has stepped up its involvement in the major career fairs, such as REEL, ANESEC's "Rencontre Entreprises-Etudiants" (business/student meeting) and the "Foire de l'étudiant" (student fair). 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 support for various Luxembourg student clubs abroad. Similarly, the Bank continues to organise its "Journée découverte des métiers commerciaux" (sales career discovery day) and to host students to allow them to learn about the Bank's various businesses. BCEE's innovation in 2014 was to hold a "Mylittlebigstep" afternoon gathering for future graduates in an informal yet informational environment. The www.mylittlebigstep.lu site remains the natural landing place for applications.

Thanks to individual pathways to integration adapted to new recruits' diverse profiles, BCEE offers a comprehensive training program that takes the Bank's various business lines and needs into account. In addition to the integration of new hires, the Staff Management Unit relies on the professional development of each employee and offers extensive training. The Bank has therefore managed to take the professional needs of employees into account while nurturing their personal skills.

Year after year, internal mobility remains an important factor in human resources management. Here too, the Staff Management Unit plays an essential role in upgrading the skills necessary for new businesses and actively advises employees on their career plans.

Corporate governance and Corporate Social Responsibility (CSR)

Good corporate governance principles were discussed and implemented by BCEE's executive bodies well before the relevant regulations were published.

The Bank weathered the recent financial crisis without any major incidents thanks to the management and control culture it has instilled.

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, 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.

BCEE received the "Green Finance Award" at the "Green Business Summit 2014" in recognition of its special efforts to shift its policy and business towards a green, ethical economy. Its cooperation with ETIKA is consistent with this approach. In 2013, BCEE was recognised at this prestigious competition with the "Green Facility Management Award" for its efforts to reduce its buildings' energy use.

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

Cultural, sponsorship and patronage activities

BCEE supports actions promoting culture, sports, the 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 the past year, the Bank Museum, located at BCEE's iconic headquarters at 1, Place de Metz, was visited by a large number of Luxembourg and foreign elementary and high school groups.

As it does every year, BCEE assisted in various key music and sport events and supported a large number of local cultural and sports initiatives across the country.

RISK MANAGEMENT POLICY

Credit risk management remains one of the Bank's key priorities in the current economic climate. In 2014, BCEE continued the preparatory work necessary for the implementation of the new Basel III agreement, which was transposed into European law by the CRD IV/CRR regulations, providing for compliance with new liquidity ratios and the introduction of a leverage ratio, in addition to substantial capital requirements.

Risk management is described in detail in note 6 to the financial statements as at 31 December 2014. This chapter is subdivided into several major risk categories.

Credit risk

Credit risk is the risk of financial loss on the Bank's receivables due to a deterioration in the credit quality of debtors, which could even result in the default of a debtor or the inability to recover assets deposited with third parties. Credit risk concerns both actual and potential receivables.

Each Bank commitment giving rise to a credit risk is subject to prior analysis of the debtor's credit quality by the Risk Analysis and Monitoring unit. The debtor's credit quality is thus assigned a rating. The Bank's internal ratings are a direct component of the credit risk management system insofar as they are one of the key parameters used to set limits.

Decisions on credit files and/or limits are made based on a prior analysis by credit analysts in the Risk Analysis and Monitoring unit and on the amounts involved.

Decisions on loans to the domestic economy are made by the various credit committees, organised hierarchically according to the customer's overall credit outstanding. Residential mortgage loans account for more than half of the portfolio and credit risk is covered, apart from customers' general creditworthiness, by the process of assessing their ability to repay loans or the existence of collateral.

The Bank follows appropriate procedures for analysing applications and obtaining the related collateral for corporate and public-sector loans. The Bank has specific rating models to analyse project financing that take into account the unique attributes of each project.

A majority of counterparties in the international portfolio are banks and financial institutions. Internal ratings are applied to banking counterparties using a combination of quantitative and qualitative analyses. The quantitative component is based on financial 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, governance and any support the counterparty may receive. An initial investment is made only with counterparties classified as investment grade or higher.

For international commitments to non-financial entities, priority is also given to counterparties classified as investment grade or higher in OECD countries, mainly Europe and North America. 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 and sector 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 operates. These limits are periodically reviewed.

The European Market Infrastructure Regulation (EMIR) aims to reduce bilateral counterparty risk by requiring the use of central counterparty (CCP) clearing for derivative transactions. To comply with this obligation, the Bank has opted to work not through direct access to a central counterparty but rather through direct members, known as clearing brokers.

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, which arises 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 the new Basel III regulation, transposed at the European level by EU regulation no. 575/2013 (CRR), and for the European Commission delegated act of 10 October 2014, BCEE continued its efforts in 2014 to implement the two new liquidity ratios. The LCR (Liquidity Coverage Ratio), intended to ensure sufficient 30-day liquidity, will be applicable starting in 2015, and the NSFR (Net Stable Funding Ratio), intended to ensure sufficient one-year liquidity, will enter into force in 2018.

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 III 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 reporting

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 verifies 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 trial balance so that each of its entities, including the trading room, can monitor the impact of their operations.

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

Besides purely 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 (MIS) 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.

SOUND FINANCIAL PERFORMANCE IN A FAST-CHANGING REGULATORY ENVIRONMENT

The consolidated financial statements of the BCEE Group have been prepared in accordance with 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 net income as at 31 December 2014 increased by 14.9% compared with the 2013 financial year.

Banking income was virtually the same as last year and stood at EUR 609.9 million as at 31 December 2014.

The net interest margin was down 2.8% due to the widespread decline in interest rates. This decline directly affected the investment and maturity switching opportunities.

Fee income was up 8.7%, driven primarily by the strong growth in traditional loans and payment banking activities with non-bank customers and in investment fund administration and management activities.

Income from variable-income securities fell by 14.0% due to the disposal of positions in the available-for-sale portfolio before the dividend for financial year 2014 was received.

Income from financial instruments increased from EUR 56.7 million at the end of 2013 to EUR 65.7 million as at 31 December 2014. 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. Growth in revenue from this category was due primarily to income from the sale of securities and from hedging transactions, which is closely tied to interest rate fluctuations.

The 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 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 963.4 million at the end of 2014, up EUR 210.5 million, or 28.0% compared with 31 December 2013.

Other operating income and expenditure fell to EUR 7.1 million at year-end 2014 from EUR 8.4 million at the end of 2013.

The BCEE Group'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 1.7%. 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.

The Bank made net allowances for impairment of individual and collective credit risks of EUR 2.6 million in 2014.

In view of the above, the BCEE Group recorded strong growth in net profit of 14.9% (an increase of EUR 35.4 million) to EUR 273.7 million in financial year 2014, up from EUR 238.3 million in the prior year.

ANALYSIS OF MAIN BALANCE SHEET ITEMS

The BCEE Group’s balance sheet totalled EUR 41,211.0 million as at 31 December 2014, an increase of EUR 496.9 million compared with the end of 2013. This increase came primarily from the increase in debt securities in issue and deposits from the public sector.

On the asset side of the balance sheet, “Cash and balances with central banks” rose by EUR 316.4 million to EUR 901.4 million as at 31 December 2014, mainly because of the increase in assets deposited with Banque Centrale du Luxembourg (BCL).

Outstanding fixed-income securities totalled EUR 9,750.2 million, an increase of EUR 464.1 million compared with the end of the 2013 financial year because of the decline in interest rates which continued on the markets in 2014 and 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 loans to credit institutions decreased by EUR 1,850.0 million to €EUR 5,377.8 million. This item also includes the Bank's deposits with other banks, collateralised or not by securities.

Outstanding loans to customers increased by EUR 1,307.3 million to EUR 18,311.3 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 individuals and businesses.

On the liabilities side of the balance sheet, issues of securities rose by EUR 1,098.4 million to EUR 6,276.2 million. This growth was primarily due to opportunities available on the markets to refinance on favourable terms.

Deposits from credit institutions decreased by EUR 1,236.5 million to EUR 4,144.7 million. This item also includes the Bank's loans from other banks, collateralised or not by securities. Similar to the debt securities in issue item, market opportunities had some bearing on the change in this item.

Private customer deposits decreased by EUR 474.0 million to EUR 20,788.1 million in a tax environment marked by the introduction of the automatic exchange of information starting in 2015.

Public sector deposits increased by EUR 468.1 million to EUR 4,280.0 million. This item is more volatile and changes according to the public sector’s cash requirements.

CHANGE IN OWN FUNDS

The BCEE Group's total equity was EUR 4,162.5 million as at 31 December 2014, compared with EUR 3,718.8 million at the end of 2013, i.e. an 11.9% increase demonstrating the group's growing financial strength.

This €443.6 million increase is mainly explained by the transfer to reserves of the BCEE Group’s 2013 profit, i.e., EUR 198.3 million after distribution of EUR 40 million to the Luxembourg State, by the net measurement results of operations on available-for-sale financial instruments, by the net measurement results of cash flow hedges as well as by the actuarial gains or losses on pension funds.

2015 OUTLOOK

After exhausting its key interest rate cut potential, the ECB will purchase eurozone sovereign bonds on a massive scale throughout 2015 and 2016.

While the effects of these measures on an economic recovery and on inflation are still unclear, capital market rates have fallen to levels that are having a significant adverse impact on investment income.

BCEE therefore expects ongoing pressure on its interest margin as assets mature and are replaced at less favourable conditions. However, unless an acute economic crisis returns in Europe, the cost of credit risk should not see any significant negative changes. In the medium term, a prolonged policy of extremely low rates could create bubbles in certain asset classes.

The Bank will monitor these developments extremely closely and will assume its roles and responsibilities as a responsible bank serving its customers and the country's economy in general, in accordance with its mission statement defined by the law of 24 March 1989 on BCEE, and in line with the Bank's history.

The start of the SSM as from 4 November 2014 will improve harmonisation in key areas of bank supervision and regulation across the eurozone to ensure greater financial stability throughout Europe. As a systemically important bank, BCEE is now subject to the ECB's direct prudential oversight.

As in previous years, financial year 2015 will be characterised by a host of regulatory changes brought about by the CRR, CRD IV, the 4th AML directive, the mortgage credit directive, the bank recovery and resolution directive, the deposit guarantee directive, MiFID II and MiFIR and other projects that will have to be incorporated into BCEE's internal operations in 2015 and beyond.

EVENTS AFTER THE REPORTING PERIOD

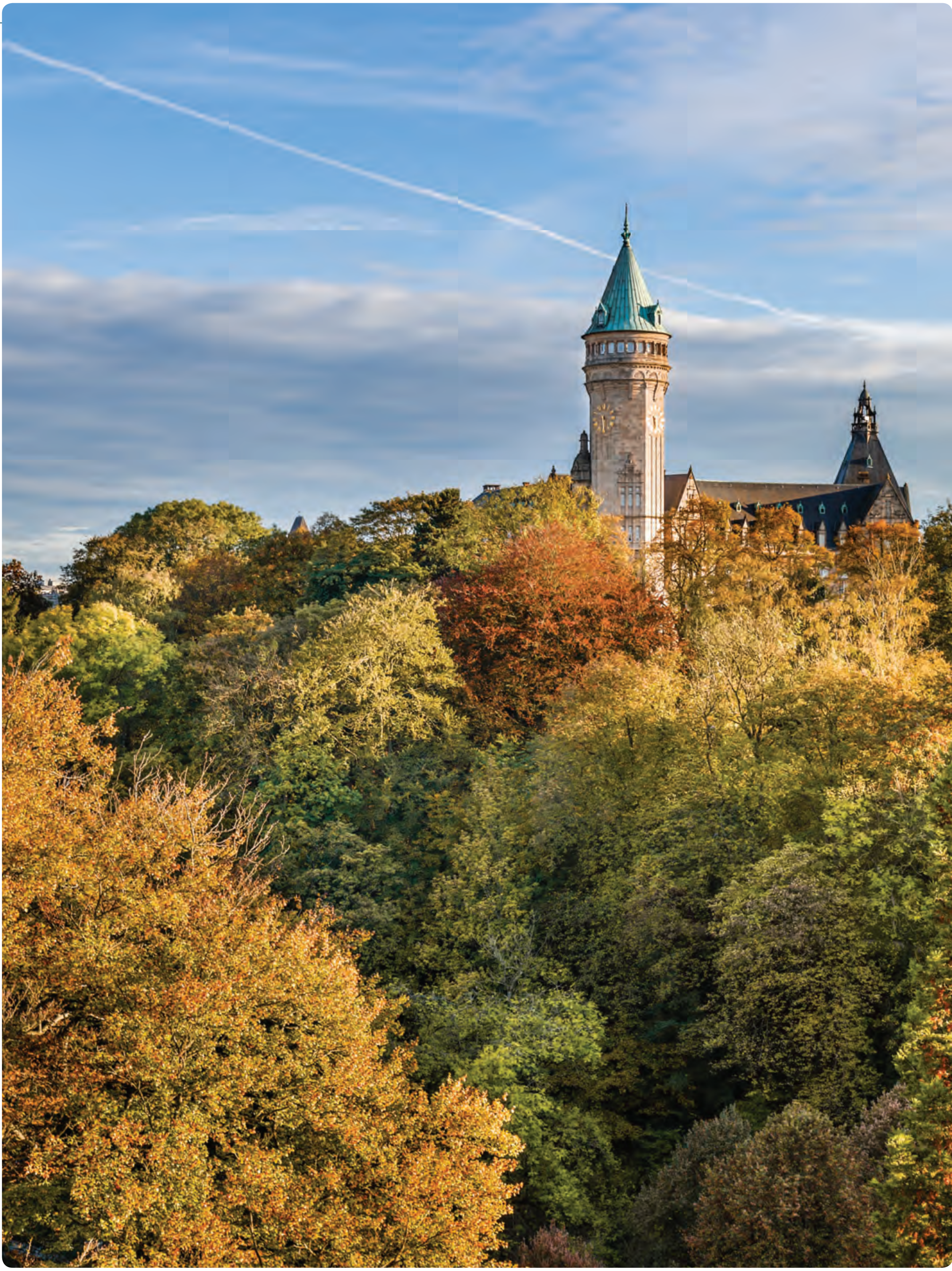
In January 2015, the Bank expanded its property portfolio with the acquisition of the former headquarters of ArcelorMittal S.A. at 19, avenue de la Liberté. The Bank will use the additional office space to relocate some business lines in the interest of optimising the work flow.

No significant events that could impact the normal course of the BCEE Group's business occurred after the close of financial year 2014.

Luxembourg, 25 March 2015

For the Executive Committee

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



The organisation of the 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	M. Victor ROD	Directeur honoraire du Commissariat aux Assurances
Vice-Chairman	M. Patrick GILLEN	Directeur du Contrôle Financier, Ministère des Finances
Members	M. Georges DENNEWALD	Représentant du Personnel
	M. Paul ENSCH	Directeur honoraire de la Chambre des Métiers
	Mme Elisabeth MANNES-KIEFFER	Premier Conseiller de Gouvernement, Ministère de l'Economie
	M. Manuel NICOLAS	Conseiller de Direction 1ère classe, Ministère de l'Economie
	M. Nico RAMPONI	Représentant du Personnel
	M. Jean-Claude REDING	Président de la Chambre des Salariés (from 01.04.2014)
	Mme Betty SANDT	Conseiller de Direction, Ministère des Finances
	M. Fernand SPELTZ	Conseiller de Direction à la Chambre des Salariés e.r. (until 31.03.2014)

Supervisory Commissioner

M. Georges HEINRICH	Directeur du Trésor, Ministère des Finances (until 30.06.2014)
M. Raoul WIRTZ	Conseiller de direction, Ministère des Finances (from 01.10.2014)

Board of Directors

*1st row from left to right:
Raoul Wirtz, Elisabeth Mannes-Kieffer, Victor Rod, Betty Sandt, Patrick Gillen*

*2nd row from left to right:
Jean-Claude Reding, 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

4 STATEMENT ON THE COMPLIANCE OF THE FINANCIAL STATEMENTS

Luxembourg, 25 March 2015

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 2014 of the 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 the 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 the 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 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 2014, 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 and a summary of significant accounting policies and other explanatory information.

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

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

Responsibility of the "Réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2014, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report, which is the responsibility of the Executive Committee and submitted for the approval of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers Luxembourg, 25 March 2015
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 2014

ASSETS in euros	**Notes**	**31/12/2013**	**31/12/2014**
Cash and cash balances with central banks	4.1.	585,014,333	901,368,001
Loans and advances at amortised cost - Credit institutions	4.9.	7,227,843,403	5,377,819,431
Loans and advances at amortised cost - Customers	4.10.	17,003,930,051	18,311,255,394
Financial instruments held for trading	4.2. 4.7.	79,976,733	322,571,774
Hedging derivatives	4.7.	132,425,965	99,240,017
Available-for-sale securities - Fixed-income securities	4.2.	9,286,093,904	9,750,181,015
Available-for-sale securities - Variable-income securities	4.2.	1,002,400,913	1,153,020,266
Held-to-maturity securities	4.4.	4,785,557,990	4,699,397,776
Investments in associates accounted for using the equity method	4.3.	277,133,236	309,971,611
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	4.8.	-	76,670,572
Tangible assets for own use	4.11.	175,009,307	175,226,447
Investment property	4.13.	16,699,095	16,114,382
Intangible assets	4.12.	12,259,092	12,744,140
Other assets	4.14.	129,760,273	5,464,146
TOTAL ASSETS		**40,714,104,295**	**41,211,044,972**

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

LIABILITIES in euros	**Notes**	**31/12/2013**	**31/12/2014**
Deposits at amortised cost - Credit institutions	4.17.	5,381,166,797	4,144,695,863
Deposits at amortised cost - Private customers and public sector	4.18.	25,073,954,961	25,068,145,379
Financial instruments held for trading	4.2. 4.7.	230,835,090	199,899,794
Hedging derivatives	4.7.	798,822,107	991,242,634
Debt securities in issue	4.16.	5,177,826,072	6,276,226,429
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	4.8.	4,621,034	-
Provisions	4.20.	5,945,558	4,899,784
Other liabilities	4.21.	69,524,913	40,713,785
Current taxes	4.15.	53,322,986	64,023,799
Deferred taxes	4.15.	106,870,508	117,747,479
Pension fund	4.19.	91,548,527	139,320,951
Sub-total of LIABILITIES (before equity capital) to be carried forward		**36,994,438,553**	**37,046,915,897**

EQUITY in euros	**31/12/2013**	**31/12/2014**
Sub-total of LIABILITIES (before equity capital) carried forward	**36,994,438,553**	**37,046,915,897**
Share capital	173,525,467	173,525,467
Revaluation reserve	752,895,901	963,351,024
Available-for-sale assets	*748,680,299*	*957,700,507*
Consolidated reserves	2,554,079,320	2,751,830,181
Equity method adjustment	*202,089,328*	*246,813,280*
Income for the year	238,346,448	273,748,936
Sub-total of equity attributable to equity holders of the parent company	**3,718,847,135**	**4,162,455,608**
Minority interests	818,607	1,673,467
Total equity	**3,719,665,742**	**4,164,129,075**
TOTAL LIABILITIES, including EQUITY	**40,714,104,295**	**41,211,044,972**

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

C. Consolidated income statement as at 31 December 2014

in euros	Notes	31/12/2013	31/12/2014
Interest income	5.1.	390,251,701	379,182,451
Income from variable-income securities	5.2.	43,079,434	37,068,331
Fee and commission income	5.3.	111,193,764	120,866,551
INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS		**544,524,899**	**537,117,333**
Income from financial instruments not recognised at fair value through profit or loss	5.4.	1,187,586	27,541,412
Income from financial instruments held for trading	5.5.	49,941,333	23,814,198
Income from hedging transactions	5.6.	-1,860,601	4,485,051
Exchange gains or losses		7,408,495	9,881,141
Other operating income	5.7.	11,855,311	8,710,809
Other operating expenditure	5.7.	-3,423,535	-1,654,096
BANKING INCOME		**609,633,488**	**609,895,848**
Personnel expenses	5.8.	-186,077,425	-189,805,892
Other general and administrative expenses	5.9.	-72,716,255	-74,523,970
Depreciation allowances for tangible and intangible assets	5.10. 5.11. 5.12.	-25,368,103	-24,796,312
INCOME AFTER GENERAL EXPENSES		**325,471,705**	**320,769,674**
Net allowances for impairment of individual and collective credit risks	5.13.	-38,065,643	2,578,203
Provisions	5.14.	-1,060,679	849,295
Share in the profit of equity-accounted associates		21,442,893	7,586,075
INCOME BEFORE TAXES AND NON-CURRENT ASSETS		**307,788,276**	**331,783,247**
Tax on income from continuing operations	5.15.	-61,502,501	-40,148,492
Deferred taxes	5.15.	-7,322,019	-16,546,942
INCOME FOR THE YEAR		**238,963,756**	**275,087,813**
of which:			
Income for the year attributable to minority interests		617,308	1,338,877
Income for the year attributable to equity holders of the parent		238,346,448	273,748,936

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

D. Consolidated statement of comprehensive income as at 31 December 2014

in euros	31/12/2013	31/12/2014
INCOME FOR THE YEAR	**238,963,755**	**275,087,813**
Items not reclassified in net income subsequently	**-5,928,452**	**-34,199,552**
Actuarial gains/(losses) on the defined-benefit pension scheme	-8,375,886	-48,318,101
Impact of deferred taxes	2,447,434	14,118,549
Items to be reclassified in net income subsequently	**143,028,019**	**210,455,121**
Available-for-sale assets	184,396,482	216,876,413
- Variation in measurement results	*185,348,272*	*244,190,992*
- Net reclassification to the income statement of realised net gains	*-951,790*	*-27,314,579*
Cash flow hedges	-2,803,795	2,027,288
Impact of deferred taxes	-38,564,668	-8,448,580
Total items of comprehensive income for the year - net of tax	**137,099,567**	**176,255,569**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**376,063,322**	**451,343,382**
share attributable to		
- minority interests:	*-963,417*	*1,338,877*
- equity holders of the parent company:	*377,026,739*	*450,004,505*

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

E. Consolidated statement of changes in equity as at 31 December 2014

The Bank has appropriated the sum of EUR 40,000,000 (€EUR 40,000,000 in 2013) from its net income for financial year 2014 for distribution to the State.

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity holders of the parent	Minority interests	Total equity
As at 1 January 2014	**173,525,467**	**2,554,079,320**	**752,895,903**	**238,346,447**	**3,718,847,135**	**818,607**	**3,719,665,742**
Appropriation of 2013 income	-	238,346,447	-	-238,346,447	-	-	-
2014 net income	-	-	-	273,748,936	273,748,936	1,338,877	275,087,813
Distribution for FY 2013	-	-40,000,000	-	-	-40,000,000	-	-40,000,000
Actuarial gains/(losses) on pension fund	-	-34,199,552	-	-	-34,199,552	-	-34,199,552
Net measurement results of available-for-sale financial instruments	-	-	209,020,207	-	209,020,207	-	209,020,207
Net measurement results of cash flow hedges	-	-	1,434,914	-	1,434,914	-	1,434,914
Other	-	33,603,966	-	-	33,603,966	-484,017	33,119,949
As at 31 December 2014	**173,525,467**	**2,751,830,181**	**963,351,024**	**273,748,936**	**4,162,455,608**	**1,673,467**	**4,164,129,075**

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total 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
Distribution 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**

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

F. Consolidated statement of cash flow as at 31 December 2014

in euros	31/12/2013	31/12/2014
Cash and cash equivalents		
Cash and balances with central banks	585,014,208	901,367,877
Loans and advances at amortised cost – Credit institutions	4,364,471,697	2,382,677,272
Loans and advances at amortised cost – Customers	1,340,924,347	1,527,016,608
Held-to-maturity securities	-	5,137,757
Total	**6,290,410,253**	**4,816,199,514**

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.

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	31/12/2013	31/12/2014
Interest received	945,306,463	958,113,034
Interest paid	-543,948,608	-554,192,645
Income from variable-income securities	43,079,434	37,068,331
Fees and commissions received	140,383,255	158,716,987
Fees and commissions paid	-29,189,491	-37,850,436
Other operating income	11,855,311	8,710,809
Current taxes	-61,502,501	-40,182,767
Other general and administrative expenses	-250,191,047	-255,228,784
Other operating expenditure	-2,995,810	-1,530,201
Sub-total	**252,797,006**	**273,624,328**

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

- Cash flow from changes in operating assets:

Net changes in euros	31/12/2013	31/12/2014
Financial instruments held for trading	-9,663,768	5,500,239
Available-for-sale securities - Fixed-income securities	-796,225,103	-308,652,793
Available-for-sale securities - Variable-income securities	-13,789,400	12,285,722
Loans and advances at amortised cost - Credit institutions	1,830,209,005	-129,393,390
Loans and advances at amortised cost - Customers	-495,865,188	-1,073,645,837
Hedging derivatives	-694,174	1,078,046
Other assets	-52,439,717	126,199,864
Sub-total	**461,531,655**	**-1,366,628,149**

- Cash flow from changes in operating liabilities:

Net changes in euros	31/12/2013	31/12/2014
Securities held for trading - Short sales	11,818,283	-12,057,564
Deposits at amortised cost - Credit institutions	1,594,462,664	-1,236,771,046
Deposits at amortised cost - Customers	587,777,145	-5,926,427
Hedging derivatives	41,048,528	-8,903,269
Other liabilities	15,219,658	-23,964,139
Debt securities in issue	-2,177,351,345	1,119,987,930
Sub-total	**72,974,933**	**-167,634,515**
Cash flow from operating activities	**787,303,594**	**-1,260,638,336**

Cash flow from investment activities

in euros	31/12/2013	31/12/2014
Acquisition of available-for-sale securities - Variable-income securities	-	-25,387,663
Disposals of available-for-sale securities - Variable-income securities	1,174,209	27,837,104
Acquisition of variable-income securities - Equity-accounted associates	-	-4,125,000
Acquisition of held-to-maturity securities	-1,721,885,368	-1,461,994,814
Redemption of held-to-maturity securities	2,175,160,318	1,530,194,650
Acquisitions/disposals of intangible and tangible assets	713,611	-7,124,907
Cash flow from investment activities	**455,162,770**	**59,399,370**

The notes on pages 25 to 112 are an integral part of these consolidated financial statements.

Cash flow from financing activities

in euros	31/12/2013	31/12/2014
Proceeds from subordinated liabilities	-43,974,595	-19,892,000
Income distribution	-40,000,000	-40,000,000
Cash flow from financing activities	**-83,974,595**	**-59,892,000**
Net change	**1,158,491,769**	**-1,261,130,966**

Change in cash and cash equivalents

in euros	2013	2014
Position as at 1 January	**5,277,601,341**	**6,290,410,253**
Net change in cash	1,158,491,769	-1,261,130,966
Effect of exchange rates on cash and cash equivalents	-145,682,857	-213,079,773
Position as at 31 December	**6,290,410,253**	**4,816,199,514**

The notes on pages 25 to 112 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 Group had an average headcount in 2014 of 1,800 (1,803 for 2013), 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 25 March 2015.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 COMPLIANCE WITH GENERAL ACCOUNTING PRINCIPLES

The Group's consolidated financial statements for the 2014 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 2014, were 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: Separate Financial Statements,
- IAS 28: 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.

b) The following standards, whose application is not compulsory in financial years beginning on or after 1 January 2014, have not yet been adopted the Group:

- IFRIC Interpretation 21: Levies,
- Improvements to IFRS, 2011-2013 cycle, which are a series of amendments to the existing standards.

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:

- IFRS 9: Financial Instruments,
- IFRS 14: Regulatory Deferral Accounts,
- IFRS 15: Revenue from Contracts with Customers,
- Amendments to IFRS 10, IFRS 12, IAS 28: Investment Entities: Applying the Consolidation Exception,
- Amendment to IAS 1: Disclosure Initiative,
- Improvements to IFRS, 2012-2014 cycle, which are a series of amendments to the existing standards,
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,
- Amendment to IAS 27: Equity Method in Separate Financial Statements,
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation,
- Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations,
- 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.

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 over 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 parent company and its subsidiaries. A subsidiary is an entity over which the parent company exercises control. The parent company controls an entity if it is exposed or has the right to variable income from its interest in the entity and if it has the power to influence the amount of this variable income.

Subsidiaries are fully consolidated as of the date on which the Group took control; they are deconsolidated on the date such control ceases.

Subsidiaries included in the scope of consolidation:

Name	% of voting rights
Lux-Fund Advisory S.A.	89.73
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

On 1 January 2014, the name Luxbond Advisory S.A. was changed to Lux-Fund Advisory S.A.

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.	22.75
Europay Luxembourg S.C.	25.40
FS-B S.à.r.l	28.70
FS-T S.à.r.l	28.70
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

FS-B S.à.r.l. and FS-T S.à.r.l. have been consolidated using the equity method since 28 March 2014, following the deconsolidation of Cetrel S.A.

2.3 FOREIGN CURRENCY TRANSACTIONS

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 translated into the functional currency using the exchange rates prevailing at the date of the transactions.

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

Non-monetary items recognised at historical cost denominated in a foreign currency are translated using the exchange rate on the transaction date, while non-monetary items recognised at fair value in a foreign currency are translated 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", translation differences resulting from the variance between their fair value on the balance sheet date and their acquisition cost are recognised in the revaluation reserve, whereas translation differences relating to the adjustment of the amortised cost relative to the acquisition value are recognised through profit or loss.

Translation 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 translation of the main currencies in the annual financial statements, where one euro is equal to:

	31/12/2013	31/12/2014
CHF	1.2269	1.2025
GBP	0.8331	0.7796
JPY	144.5600	145.1200
SEK	8.8311	9.3747
USD	1.3764	1.2156

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. Fair value means the "dirty price" of the instruments, i.e., including the accrued interest.

Embedded instruments 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 classed as held for trading, or has not been designated as measured at fair value through profit or loss. 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 & Scholes model for structured contracts. In addition to these fair value measurements, the Group calculates, after application of ISDA-CSA agreements, an adjustment for counterparty risk, or a "Credit Value Adjustment" (CVA), to account for the counterparty's credit quality for derivative financial instruments recognised on the assets side of the balance sheet. The valuation model is based on exposures derived from regulatory calculations while using the same concepts:
  - Exposure at Default (EaD),
  - Loss Given Default (LGD),
  - Probability of Default (PD).
- financial assets:
  - fixed-income securities:
    - 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.

- variable-income securities:
  - 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 & Scholes 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.

Active and inactive market

The Group uses the following five criteria to determine whether or not a fixed-income securities market is active:
- percentage holding of less than 10% of the issue volume;
- quotation provided by at least two market participants;
- overall observable minimum bid size greater than or equal to EUR 2 million;
- observable spread between observable bid and ask prices less than 200 basis points;
- spread between bid and ask prices for the representative price (e.g., Bloomberg Generic Price) less than 250 basis points.

When a market is considered active, i.e., at least four of the five criteria have been met, the Group uses the prices published by an official quotation agent. For issues for which the Group estimates that the market is inactive based on its criteria (when at least three criteria are not met), it first calculates a price using the DCF (discounted cash flow method) 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.

Fair value hierarchy

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 Group 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:
- Level 1 fair value: 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.
- Level 2 fair value: 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.

- Level 3 fair value: 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 rates,
- foreign exchange rates,
- stock indices,
- counterparty credit spreads.

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 III.

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 of 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 III 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 reimbursements,
- 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 within 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 cash flows statement represents cash in- and outflow. 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.

To determine the cash flows, the Group uses the indirect method, by eliminating from the net result all pure accounting flows that do not translate into an in- 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 on balance sheet liability items, following Luxembourg accounting principles. Calculation of the basis determining the reserve requirements is made by the Banque centrale du 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 cost 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, this risk cannot be hedged. 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 Asset Liability Management 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 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 at least 20% held, according to IAS 39, by classing 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, 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 (CCIS) 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 available-for-sale portfolio 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 meeting the criteria for hedge accounting and having 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, at a given time, the hedge no longer meets the hedge accounting criteria, 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 Group's parent company 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".

In the main, the Group 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.

These financial instruments are tested for impairment at each balance sheet date, i.e., on a quarterly basis, using a variety of indicators:

- Default: this concept was transposed in accordance with the CRR (Capital Requirements Regulation) definition and has been used for years;
- Non-performing: this new concept was transposed in accordance with the European Banking Association definition published in 2014;
- Forbearance (Restructuring): this concept was transposed in early 2014 in accordance with the European Banking Association definition;
- Group contagion: in the event of default, the need to expand the default to any other group entities is systematically assessed;
- Triggers based on the balance sheet of professional customers, for example:
  - Insufficient capital;
  - Significant decline in turnover;
  - Negative cash flow.

At the end of the process and based on this information, the Group's parent company makes an individual impairment decision or, conversely, decides not to record an impairment. The level of impairment depends primarily on the respective collateral and moral guarantees, valued by applying prudent haircuts, and the relevant customer's estimated ability to repay loans.

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 instead of 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. Actually, 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.

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 to 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 other things, 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 generated, 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 classed 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 sum total 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 sight and term deposits.

The "CLP-BCEE" sub-fund invests more than 50% of its assets in bonds, debt securities and money market financial instruments. Secondarily, "CLP-BCEE" can 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.

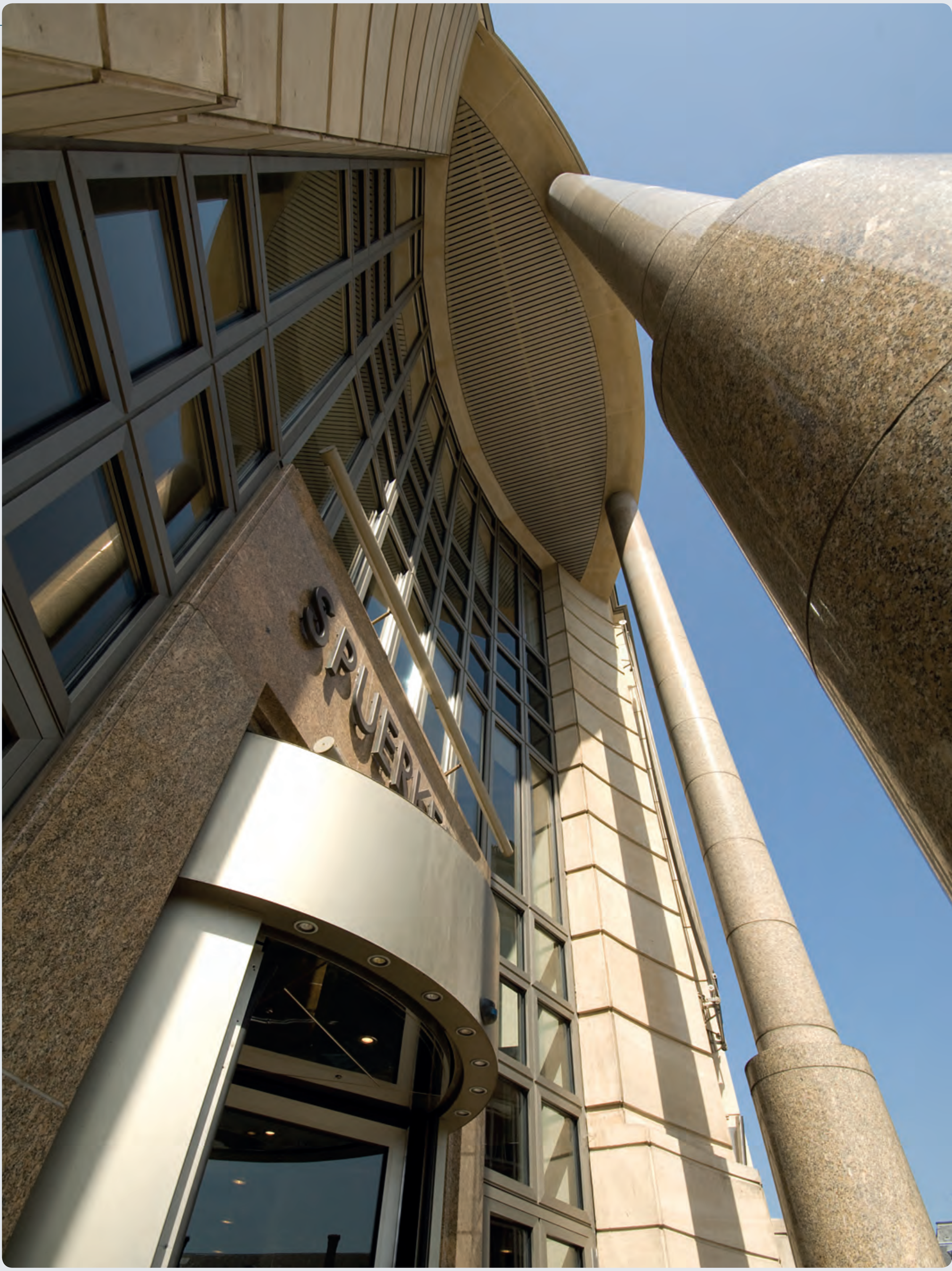
The Bank recognises a provision at the present value when a reliable estimate can be made of the amount of the obligation.

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".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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 minimum mandatory reserve is to satisfy the reserve requirement imposed by the Luxembourg central bank. Hence, these funds are not available to finance the Group's ordinary operations.

Headings [2]	31/12/2013	31/12/2014
Cash	73,276,359	65,189,494
Reserve requirement	511,524,874	825,527,835
Deposits with central banks	213,101	10,650,672
Total	**585,014,333**	**901,368,001**

[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	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Non-derivative financial instruments	266,384	374,324	640,708	427,936	452,667	880,603
Derivative instruments (note 4.7.)	46,721,092	32,614,934	79,336,025	256,598,462	65,092,708	321,691,170
Total	**46,987,476**	**32,989,258**	**79,976,733**	**257,026,399**	**65,545,375**	**322,571,774**

Liabilities	31/12/2013			31/12/2014		
Non-derivative financial instruments	_	13,304	13,304	-	123,249	123,249
Derivative instruments (note 4.7.)	137,991,541	92,830,245	230,821,786	104,566,100	95,210,445	199,776,545
Total	**137,991,541**	**92,843,549**	**230,835,090**	**104,566,100**	**95,333,694**	**199,899,794**

Assets - Non-derivative financial instruments	31/12/2013			31/12/2014		
Debt instruments	**249,889**	**374,324**	**624,213**	**161,368**	**452,667**	**614,035**
Public sector	*-*	*1,347*	*1,347*	*94,238*	*1,493*	*95,731*
Credit institutions	*132,682*	*312,467*	*445,149*	*67,130*	*205,672*	*272,803*
Corporate customers	*117,207*	*60,510*	*177,717*	*-*	*245,501*	*245,501*
Equity instruments	**16,495**	**-**	**16,495**	**266,568**	**-**	**266,568**
Total	**266,384**	**374,324**	**640,708**	**427,936**	**452,667**	**880,603**
Unrealised profit/loss at the reporting date	10,727	6,862	17,589	-	6,264	6,264

Liabilities - Non-derivative financial instruments	31/12/2013			31/12/2014		
Short sales						
Bonds	*-*	*13,304*	*13,304*	*-*	*123,249*	*123,249*
Shares	*-*	*-*	*-*	*-*	*-*	*-*
Total	**-**	**13,304**	**13,304**	**-**	**123,249**	**123,249**

4.2.2 Available-for-sale financial assets

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Debt instruments	**2,229,281,466**	**7,056,812,438**	**9,286,093,904**	**1,839,892,884**	**7,910,288,131**	**9,750,181,015**
Public sector	*311,636,579*	*2,102,565,299*	*2,414,201,878*	*286,736,627*	*2,406,242,581*	*2,692,979,208*
Credit institutions	*1,266,858,127*	*3,103,059,661*	*4,369.917,788*	*1,164,775,869*	*3,866,456,121*	*5,031,231,989*
Corporate customers	*650,786,760*	*1,851,187,478*	*2,501,974,238*	*388,380,388*	*1,637,589,430*	*2,025,969,818*
Equity instruments	**1,002,400,913**	**-**	**1,002,400,913**	**1,153,020,266**	**-**	**1,153,020,266**
Credit institutions	*2,760,600*	-	*2,760,600*	*4,261,295*	-	*4,261,295*
Corporate customers	*999,296,902*	-	*999,296,902*	*1,148,415,559*	-	*1,148,415,559*
Other	*343,412*	-	*343,412*	*343,412*	-	*343,412*
Total	**3,231,682,379**	**7,056,812,438**	**10,288,494,817**	**2,992,913,150**	**7,910,288,131**	**10,903,201,281**
Impairment of financial assets	-12,482,716	-59,672,939	-72,155,654	-15,673,808	-47,200,815	-62,874,623
Unrealised profit/loss at the reporting date	849,684,467	250,515,977	1,100,200,444	925,243,757	466,915,646	1,392,159,403

Impairment of available-for-sale financial assets:

	Corporate customers		Credit institutions	Total
	ABS/MBS	Other		
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**
Position as at 1 January 2014	**48,737,944**	**9,717,826**	**13,699,884**	**72,155,656**
Additions	-	-	1,749,978	1,749,978
Reversals	-10,550,194	-	-2,499,884	-13,050,078
Write-off of receivables	-	-	-	-
Exchange gain or loss	1,394,380	624,689	-	2,019,069
Position as at 31 December 2014	**39,582,130**	**10,342,515**	**12,949,978**	**62,874,623**

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%.

31/12/2014	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	58,164,031	414,328,634	-416,144,603	100.44%
Variable-rate bonds	10,239,788			

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			

Breakdown of changes in carrying amount:

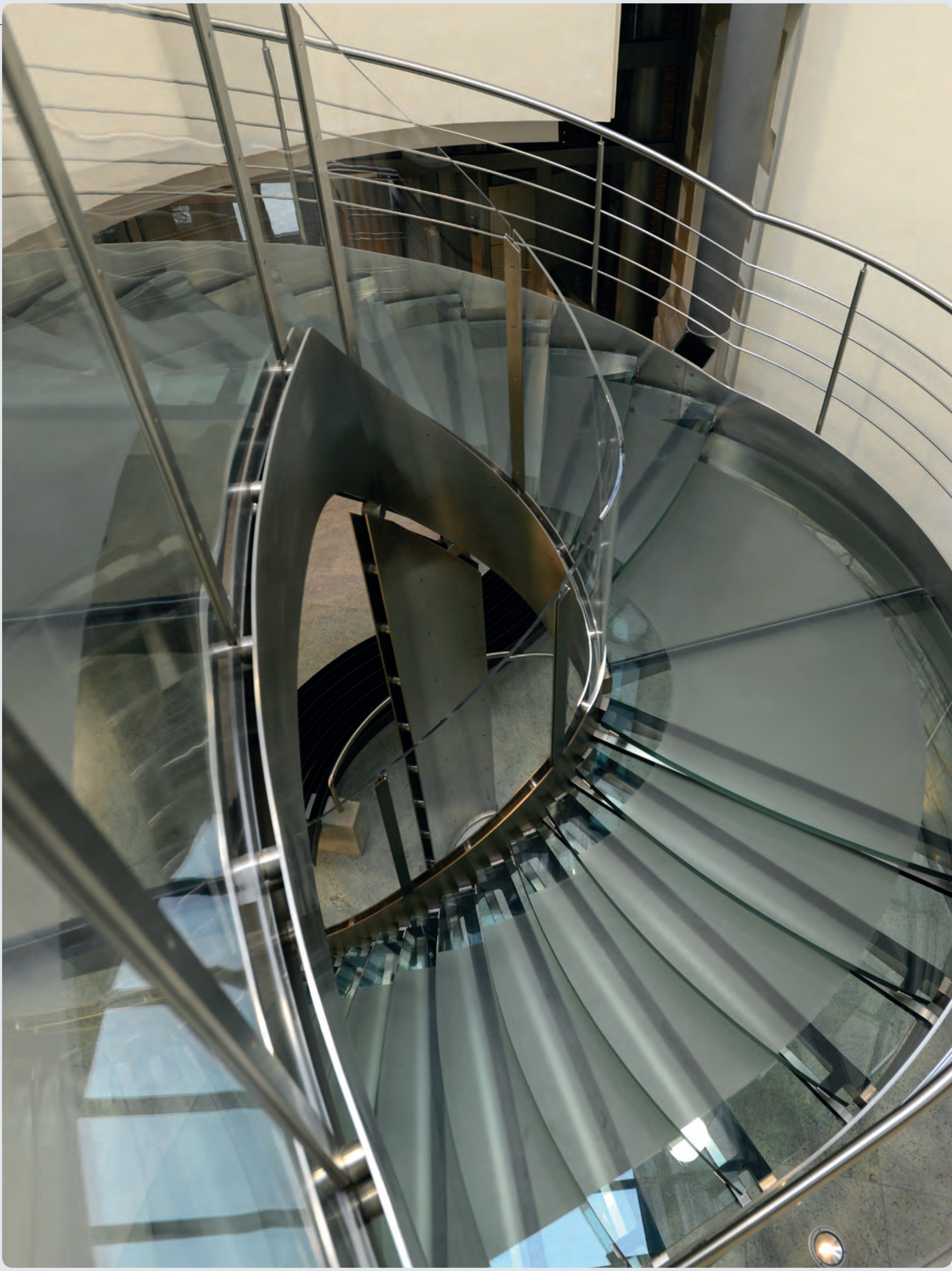
Debt instruments	2013	2014
Position as at 1 January	**8,443,341,257**	**9,286,093,904**
Acquisitions	2,965,995,365	2,544,188,484
Sales	-39,401,364	-72,816,080
Repayments	-2,212,094,116	-2,214,283,751
Realised profit/(loss)	491,030	236,042
Pro-rata interest	-27,659,926	-8,959,581
Unrealised valuations	128,525,885	153,068,806
Impairment	-5,291,814	9,905,720
Exchange gain or loss	32,187,588	52,747,470
Position as at 31 December	**9,286,093,904**	**9,750,181,015**

Equity instruments

Headings	31/12/2013	31/12/2014
Equity instruments	1,002,400,913	1,153,020,266
Total	**1,002,400,913**	**1,153,020,266**
Impairment of financial assets	-9,717,824	-10,342,514
Unrealised profit/loss at the reporting date	770,536,798	909,426,950

4.3 INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	31/12/2013	31/12/2014
Acquisition value as at 1 January	**50,116,790**	**50,102,635**
Establishment	18,849	4,125,000
Disposals	-33,004	-
Total (as acquisition value)	**50,102,635**	**54,227,635**



List of associates:

Associates	(%) of capital held	Acquisition value	Equity-accounted value 2014
Société Nationale de Circulation Automobile S.à r.l.	20.00	24,789	5,397,760
Luxair S.A.	21.81	14,830,609	84,772,995
Société de la Bourse de Luxembourg S.A.	22.75	128,678	22,803,518
Europay Luxembourg S.C.	25.40	96,279	505,076
FS-B S.à.r.l.	28.70	3,003,694	3,550,915
FS-T S.à.r.l.	28.70	1,104,793	1,046,077
Visalux S.C.	36.26	412,506	877,787
La Luxembourgeoise S.A.	40.00	16,856,760	103,395,081
La Luxembourgeoise-Vie S.A.	40.00	12,047,625	85,997,493
BioTechCube (BTC) Luxembourg S.A.	50.00	5,000,000	762,861
Sub-total direct holdings in associates		**53,505,735**	**309,109,564**
Pecoma International S.A.	33.33	170,000	255,906
EFA Partners S.A.	29.05	551,900	606,141
Sub-total indirect holdings in associates		**721,900**	**862,047**
Total		**54,227,635**	**309,971,611**

Associates	(%) 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.	27.90	96,279	463,569
Visalux S.C.	35.46	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**

Pursuant to the new provisions of IFRS 12 Disclosure of Interests in Other Entities, the Group considers all interests in other companies to be immaterial and therefore provides the following information:

Associates	Share			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
Direct interests				
Société Nationale de Circulation Automobile S.à r.l.	0.1%	0.0%	0.0%	0.1%
Luxair S.A.	-0.2%	0.0%	0.0%	-0.1%
Société de la Bourse de Luxembourg S.A.	1.1%	0.0%	0.0%	0.7%
Europay Luxembourg S.C.	0.0%	0.0%	0.0%	0.0%
FS-B S.à.r.l.	0.0%	0.0%	0.0%	0.0%
FS-T S.à.r.l.	0.0%	0.0%	0.0%	0.0%
Visalux S.C.	0.0%	0.0%	0.0%	0.0%
La Luxembourgeoise S.A.	3.1%	0.0%	0.0%	1.9%
La Luxembourgeoise-Vie S.A.	0.6%	0.0%	0.0%	0.4%
BioTechCube (BTC) Luxembourg S.A.	-1.4%	0.0%	0.0%	-0.9%
Indirect interests				
Pecoma International S.A.	0.0%	0.0%	0.0%	0.0%
EFA Partners S.A.	0.0%	0.0%	0.0%	0.0%

The Group has no structured investment vehicles and has not issued any securitisations.

4.4 HELD-TO-MATURITY SECURITIES

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Debt instruments						
Public sector	*67,595,632*	*264,848,059*	*332,443,691*	*45,272,433*	*680,696,311*	*725,968,744*
Credit institutions	*1,103,351,013*	*2,285,708,489*	*3,389,059,502*	*1,275,551,495*	*2,000,035,246*	*3,275,586,741*
Corporate customers	*351,160,975*	*712,893,820*	*1,064,054,796*	*200,176,977*	*497,665,314*	*697,842,291*
Total	**1,522,107,621**	**3,263,450,369**	**4,785,557,990**	**1,521,000,905**	**3,178,396,870**	**4,699,397,776**

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 maturity of less than two years in bonds of the same duration.

Breakdown of changes in carrying amount:

Held-to-maturity securities	2013	2014
Position as at 1 January	**5,315,888,145**	**4,785,557,990**
Acquisitions	*1,663,737,336*	*1,465,789,580*
Repayments	*-2,183,196,794*	*-1,527,240,017*
Pro-rata interest	*-10,838,806*	*-24,709,777*
Exchange gain or loss	*-31,891*	*-*
Position as at 31 December	**4,785,557,990**	**4,699,397,776**

4.5 SECURITIES COLLATERALISED

- Securities collateralised in the framework of repurchase agreements

Headings	31/12/2013	31/12/2014
Debt instruments issued by the public sector	453,801,650	331,666,372
Debt instruments issued by credit institutions	9,786,005	576,288,531
Debt instruments issued by others	8,772,720	-
Equity instruments	359,590	100,719
Total	**472,719,965**	**908,055,622**

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.

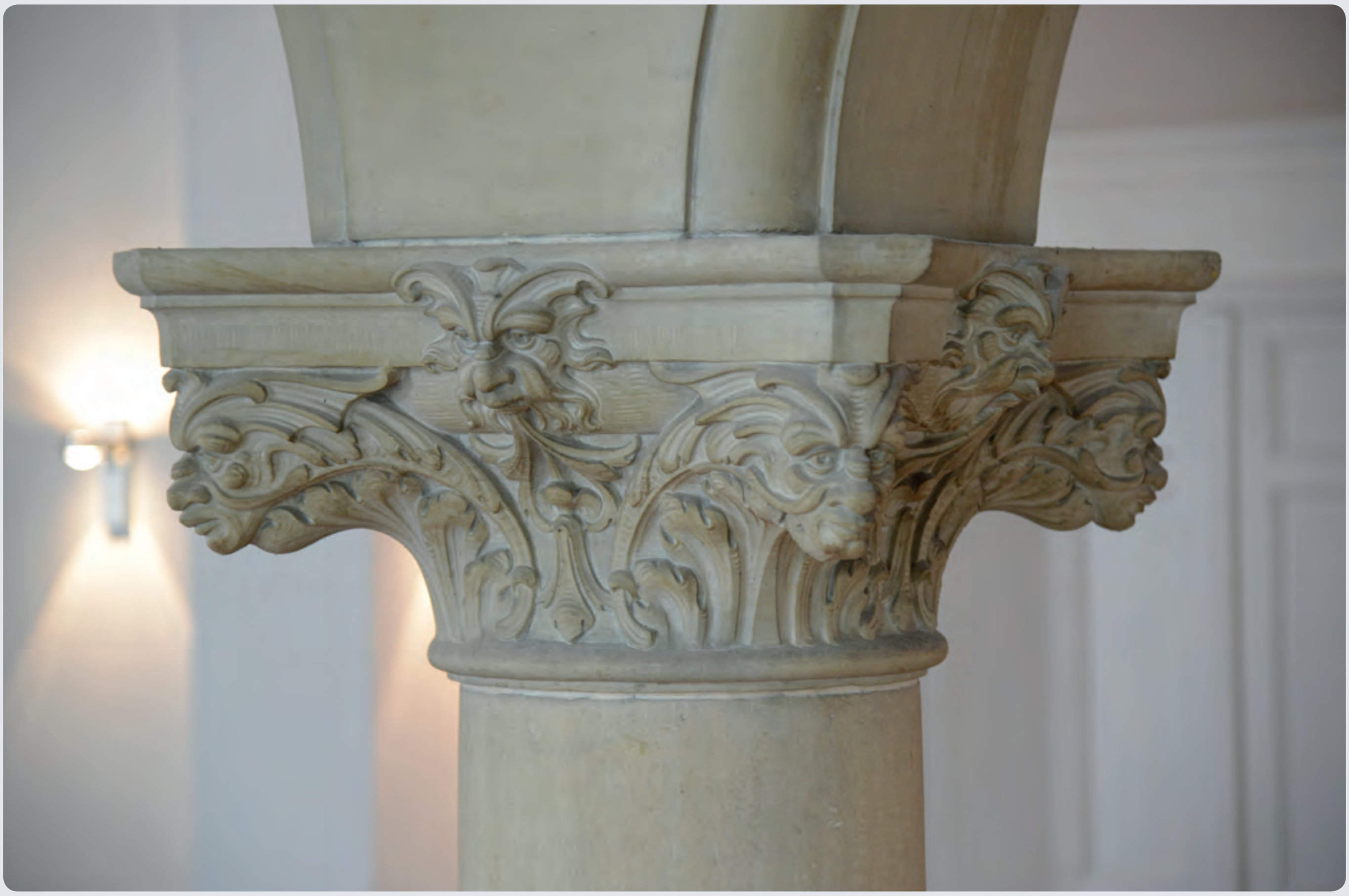
- Securities lent and other collateral

Headings	31/12/2013	31/12/2014
Securities lending		
Debt instruments issued by the public sector	3,014,869	2,923,374
Debt instruments issued by credit institutions	267,070,404	248,225,491
Debt instruments issued by others	-	3,989,417
Other collateral		
Debt instruments issued by the public sector	114,178,317	37,794,400
Total	**384,263,590**	**292,932,682**

4.6 CONVERTIBLE BONDS INCLUDED IN THE DIFFERENT PORTFOLIOS

Headings	31/12/2013	31/12/2014
Convertible bonds	12,766,188	9,007,436

The convertible bonds in which the Group has invested are available-for-sale assets. The decrease in the outstanding amount is due to the partial sale of a position.



4.7 DERIVATIVE INSTRUMENTS

Balances as at 31/12/2014	Assets	Liabilities	Notional
Derivative financial instruments held for trading	**321,691,170**	**199,776,545**	**15,009,874,345**
Operations linked to exchange rates	252,004,034	92,124,749	10,464,420,562
- Foreign exchange swaps and forward exchange contracts	*251,929.937*	*92,033,363*	*10,282,689,960*
- other	*74,097*	*91,386*	*181,730,602*
Operations linked to interest rates	68,472,178	106,404,602	2,702,241,929
- IRS	*65,909,902*	*103,646,776*	*2,484,960,501*
- other	*2,562,276*	*2,757,826*	*217,281,429*
Operations linked to equity	1,214,959	1,214,914	1,822,645,879
- Equity and index options	*1,214,959*	*1,214,914*	*1,822,645,879*
Operations linked to credit risk	-	32,280	20,565,976
- Credit derivatives (CDS)	-	*32,280*	*20,565,976*
Fair value hedges (micro)	**91,252,055**	**888,634,467**	**9,918,815,985**
Operations linked to exchange rates	77,368,171	127,481,920	2,411,331,779
- CCIS	*77,368,171*	*127,481,920*	*2,411,331,779*
Operations linked to interest rates	5,440,495	660,662,438	6,165,325,833
- IRS (interest rate)	*5,440,495*	*660,662,438*	*6,165,325,833*
Operations linked to other indices	8,443,388	100,490,108	1,342,158,374
- IRS (other indices)	*8,443,388*	*100,490,108*	*1,342,158,374*
Fair value hedges (macro)	**-**	**102,608,167**	**567,821,796**
Operations linked to interest rates	-	102,608,167	567,821,796
- IRS (interest rate)	-	*102,608,167*	*567,821,796*
Cash flow hedges	**7,987,964**	**-**	**50,200,000**
Operations linked to interest rates	7,987,964	-	50,200,000
- IRS	*7,987,964*	-	*50,200,000*

Balances as at 31/12/2013	Assets	Liabilities	Notional
Derivative financial 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*
- other	*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*
- other	*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 (interest rate)	*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*

4.8 CHANGE IN FAIR VALUE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS HEDGED AGAINST INTEREST RATE RISK

Headings	31/12/2013	31/12/2014
Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk	-	76,670,572
Liabilities: Change in fair value of a portfolio of financial instruments hedged against interest rate risk	4,621,034	-
Total	**4,621,034**	**76,670,572**

This item includes the fair value of the "Loans and advances at amortised cost - Customers" portfolios hedged against interest rate risk using a fair value macro-hedging strategy. The hedging relates solely to a portfolio of fixed-rate loans hedged by IRS derivatives.

The significant change in this item between 2013 and 2014 is due primarily to a volume effect and to the change in the interest-rate curves used to determine fair value.

4.9 LOANS AND ADVANCES AT AMORTISED COST - CREDIT INSTITUTIONS

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Interbank loans	4,158,977,702	297,595	4,159,275,297	3,296,979,731	3,767,754	3,300,747,485
Reverse repos	3,065,875,571	36,931	3,065,912,502	2,016,751,155	195,332	2,016,946,487
Roll-over loans	2,183,559	-	2,183,559	1,646,396	-	1,646,396
Finance leases	69,473	402,572	472,045	21,284	296,442	317,725
Other	-	-	-	58,161,338	-	58,161,338
Sub-total	**7,227,106,304**	**737,098**	**7,227,843,403**	**5,373,559,903**	**4,259,528**	**5,377,819,431**
Undrawn confirmed loans			1,253,043,680			1,319,002,095
Impairment of financial assets			-514,429			-48,631

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 received as collateral was sold or collateralised as at 31 December 2014.

The Group does not include in this category of loans and advances outstanding loans that come under the European Banking Authority's (EBA) definition of restructured loans.

Impairment of loans and advances – Credit institutions

	Credit institutions
Position as at 1 January 2013	**516,190**
Additions	-
Reversals	-1,761
Write-off of receivables	-
Exchange gain or loss	-
Position as at 31 December 2013	**514,429**
Position as at 1 January 2014	**514,429**
Additions	583
Reversals	-
Write-off of receivables	-466,381
Exchange gain or loss	-
Position as at 31 December 2014	**48,631**

Outstanding amounts of impaired loans: €EUR 97,261 as at 31 December 2014, compared with EUR 562,477 a year earlier.

4.10 LOANS AND ADVANCES AT AMORTISED COST – CUSTOMERS

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Retail customers	302,281,196	10,268,884,365	10,571,165,561	358,843,068	10,963,152,638	11,321,995,706
Corporate customers	1,691,386,086	2,696,767,663	4,388,153,750	1,762,991,159	2,873,247,526	4,636,238,684
Public sector	276,862,753	1,767,747,987	2,044,610,741	360,370,965	1,992,650,036	2,353,021,001
Sub-total	**2,270,530,036**	**14,733,400,016**	**17,003,930,052**	**2,482,205,193**	**15,829,050,199**	**18,311,255,392**
Undrawn confirmed loans			3,272,394,874			3,670,251,784
Impairment of financial assets			-106,432,537			-112,977,594

Of which finance leases:

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Finance leases	8,346,298	84,995,883	93,342,181	9,724,090	85,156,837	94,880,927
Sub-total	**8,346,298**	**84,995,883**	**93,342,181**	**9,724,090**	**85,156,837**	**94,880,927**

Impairment of loans and advances - Customers

	Retail customers	Corporate	Public sector	Total
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**
Position as at 1 January 2014	**24,935,186**	**81,497,349**	**-**	**106,432,536**
Additions	10,448,164	19,610,743	-	30,058,907
Reversals	-2,976,296	-18,361,295	-	-21,337,591
Write-off of receivables (*)	-516,982	-2,208,288	-	-2,725,270
Exchange gain or loss	-	549,012	-	549,012
Position as at 31 December 2014	**31,890,072**	**81,087,522**	**-**	**112,977,594**
Impairment of assets - individual risk	18,340,135	81,087,522	-	99,427,656
Impairment of assets - collective risk	13,549,937	-	-	13,549,937
Total	**31,890,072**	**81,087,522**	**-**	**112,977,594**

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

Outstanding amounts of impaired loans: EUR 335,238,871 as at 31 December 2014, compared with EUR 367,229,536 a year earlier.

Value adjustments cover the principal and interest.

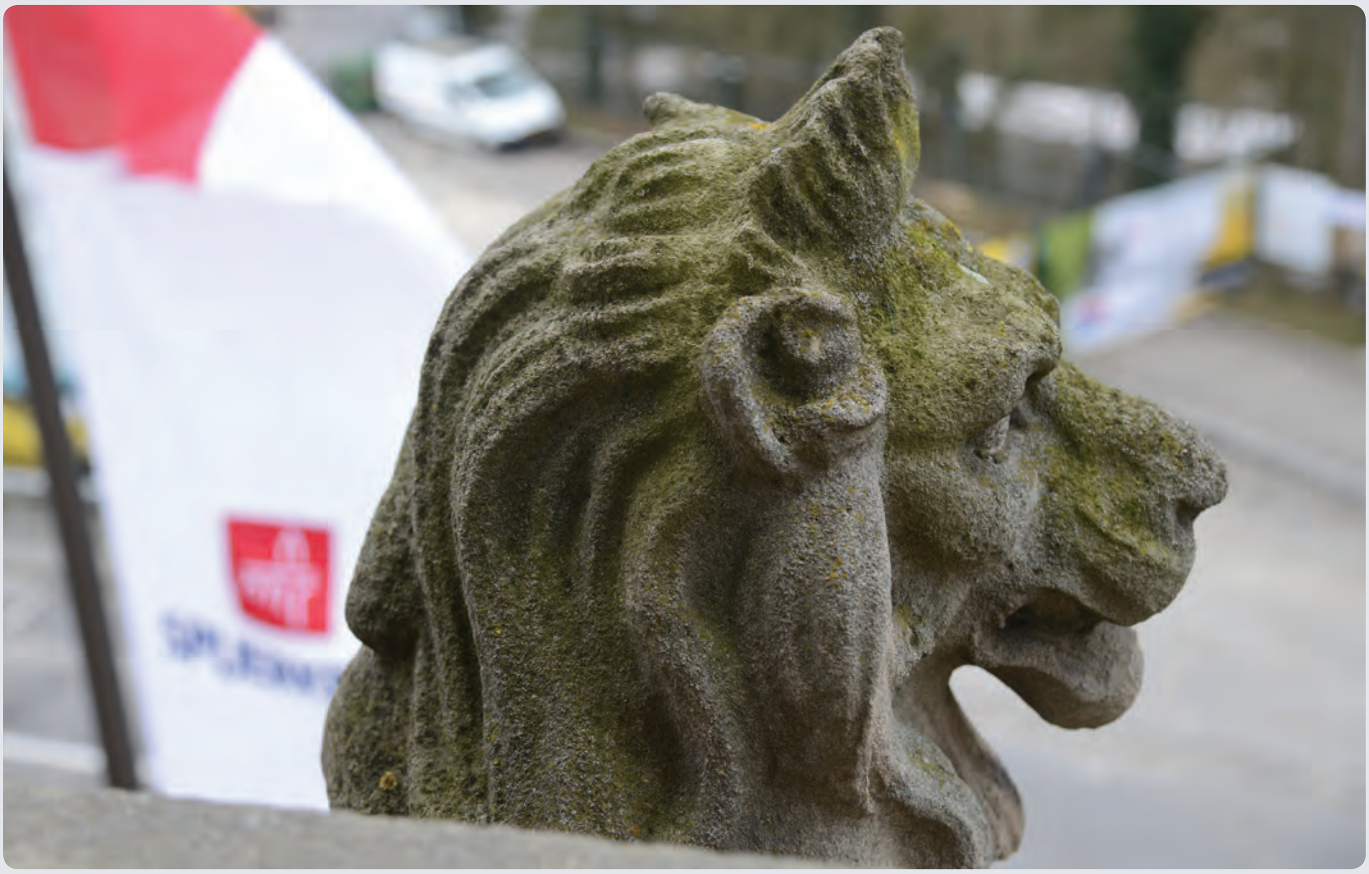
The impairment amounting to EUR 106.4 million as at 31 December 2013 does not take into account a specific impairment of EUR 28.4 million related to the integration into the consolidated financial statements of a loss on three Icelandic banks compensated via the Luxembourg Deposit Guarantee Scheme (Association pour la Garantie des Dépôts à Luxembourg - AGDL) in 2008/2009. In 2014, the Group decided to write off this amount, given the low likelihood of recovery.

In addition to information on impairments of loans and advances at amortised cost for customers, the Group reports restructured loans by type of customer. Financial restructurings follow the European Banking Authority's (EBA) definition and are characterised by a deterioration in financial position due to the customer's financial difficulties and the fact that new financing conditions are granted to the customer, including in the form of an extension of the final maturity by more than six months or the partial or total deferment of payment beyond the concessions the Group would have been willing to accept for a customer under normal circumstances.

as at 31/12/2014	Unimpaired restructured loans	Impaired restructured loans			Total restructured loans
		Outstanding	Impairment	Total	
Retail customers	35,223,993	4,451,912	585,638	3,866,274	39,090,267
Corporate customers	147,563,298	115,924,333	36,539,768	79,384,565	226,947,863
Total	**182,787,291**	**120,376,246**	**37,125,406**	**83,250,839**	**266,038,131**

as at 31/12/2013	Unimpaired restructured loans	Impaired restructured loans			Total restructured loans
		Outstanding	Impairment	Total	
Retail customers	50,801,116	-	-	-	50,801,116
Corporate customers	214,577,891	173,613,221	38,422,848	135,190,373	349,768,264
Total	**265,379,007**	**173,613,221**	**38,422,848**	**135,190,373**	**400,569,380**

The significant reduction in restructured loans from EUR 400.6 million to EUR 266.0 million is due primarily to repayments made in 2014.



4.11 TANGIBLE ASSETS FOR OWN USE

	Land and buildings	Other equipment and furniture	Total
Position as at 1 January 2014	**246,060,227**	**54,819,349**	**300,879,577**
Increase	3,604,290	12,302,233	15,906,523
Decrease	-816,346	-4,748,855	-5,565,201
Position as at 31 December 2014	**248,848,171**	**62,372,727**	**311,220,899**
Accumulated depreciation			
Position as at 1 January 2014	**97,196,231**	**28,674,039**	**125,870,270**
Adjustment	-	-	-
Reversals	-816,346	-4,748,855	-5,565,201
Additions	7,748,283	7,941,099	15,689,382
Position as at 31 December 2014	**104,128,168**	**31,866,283**	**135,994,451**
Net book value			
Position as at 1 January 2014	**148,863,996**	**26,145,311**	**175,009,307**
Position as at 31 December 2014	**144,720,003**	**30,506,445**	**175,226,448**

	Land and buildings	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**	**300,879,577**
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**	**28,674,039**	**125,870,270**
Net book value			
Position as at 1 January 2013	**153,500,926**	**23,970,710**	**177,471,636**
Position as at 31 December 2013	**148,863,996**	**26,145,311**	**175,009,307**

On 31 December 2014, the Group recorded a EUR 110 million off-balance sheet item in advance of the acquisition of an administrative building.

4.12 INTANGIBLE ASSETS

Position as at 1 January 2014	**33,880,378**
Increase	8,574,070
Decrease	-12,223,680
Position as at 31 December 2014	**30,230,768**

Accumulated depreciation

Position as at 1 January 2014	**21,621,286**
Reversals	-12,223,680
Additions	8,089,021
Position as at 31 December 2014	**17,486,627**

Net book value

Position as at 1 January 2014	**12,259,091**
Position as at 31 December 2014	**12,744,140**

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	**12,259,091**

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

4.13 INVESTMENT PROPERTY

Position as at 1 January 2014	**30,004,894**
Increase (acquisitions)	-
Increase (investment expenditure)	433,195
Decrease	-
Position as at 31 December 2014	**30,438,089**
Accumulated depreciation	
Position as at 1 January 2014	**13,305,799**
Reversals	-
Additions	1,017,908
Position as at 31 December 2014	**14,323,707**
Net book value	
Position as at 1 January 2014	**16,699,095**
Position as at 31 December 2014	**16,114,382**

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**

Rental income from rented investment property amounted to EUR 2,485,310 for the 2014 financial year, versus EUR 2,553,221 in the prior year. Maintenance costs related to investment property were EUR 507,344 in 2014, down from EUR 724,365 one year earlier.

The fair value of investment property stood at EUR 61,456,644 at year-end 2014, compared with EUR 61,052,728 at end-2013. This fair value measurement is categorised as Level 2 in the fair value hierarchy.

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.

4.14 OTHER ASSETS

Headings	31/12/2013	31/12/2014
Miscellaneous debtors [(1)]	78,925,173	-
Other short-term receivables [(2)]	27,229,024	-
Other	23,606,076	5,464,146
Total	**129,760,273**	**5,464,146**

(1) Primarily operations on securities and coupons.

(2) Primarily operations on credit cards and cheques.

The significant change in these three sub-headings stems from the reclassification of financial assets in "Loans and advances at amortised cost" for the purposes of the new reports to be filed with the supervisory authorities.

4.15 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 64,023,799 as at 31 December 2014.

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 2014, the Group posted a deferred tax asset of EUR 67,991,244, and a deferred tax liability of EUR 185,738,723.

4.15.1 Tax assets

Headings	31/12/2013	31/12/2014
Deferred taxes	59,832,877	67,991,244
Tax assets	**59,832,877**	**67,991,244**

Breakdown of deferred tax assets according to origin:

Headings	31/12/2013	31/12/2014
Debt instruments - application of fair value	16,854,780	4,481,462
Equity instruments - application of fair value	328,837	849,735
Pension funds - actuarial gain or loss	42,649,260	62,660,047
Deferred tax assets	**59,832,877**	**67,991,244**

4.15.2 Tax liabilities

Headings	31/12/2013	31/12/2014
Current tax liabilities	53,322,986	64,023,799
Income tax	34,247,001	36,417,515
Municipal business tax	19,075,985	27,606,284
Deferred taxes	166,703,384	185,738,723
Tax liabilities	**220,026,370**	**249,762,522**

Breakdown of deferred tax liabilities according to origin:

Headings	31/12/2013	31/12/2014
Derivative instruments - application of fair value	1,740,321	2,332,695
Debt instruments - application of fair value	15,909,383	24,469,057
Equity instruments - application of fair value	19,895,290	5,519,083
Regulatory and other provisions	129,158,390	147,525,651
Pension funds - actuarial gain or loss	-	5,892,237
Deferred tax liabilities	**166,703,384**	**185,738,723**

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 to the income statement.

Headings	31/12/2013	Movements in equity	Movements in income statement	31/12/2014
Deferred tax assets	59,832,877	8,158,367	-	67,991,244
Deferred tax liabilities	-166,703,385	-2,488,396	-16,546,942	-185,738,723
Net deferred tax assets/liabilities	**-106,870,508**	**5,669,971**	**-16,546,942**	**-117,747,479**

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**

4.16 DEBT SECURITIES IN ISSUE

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Cash certificates	384,279,286	355,133,869	739,413,154	256,646,804	311,026,466	567,673,270
Commercial paper	3,424,562,206	-	3,424,562,206	3,995,528,887	-	3,995,528,887
Medium Term Notes and other securities issued	404,303,269	609,547,443	1,013,850,711	1,282,503,215	430,521,056	1,713,024,272
Total	**4,213,144,761**	**964,681,311**	**5,177,826,072**	**5,534,678,906**	**741,547,522**	**6,276,226,429**
of which:						
- subordinated notes	*20,014,845*	*155,250,955*	*175,265,801*	*23,820,069*	*128,762,299*	*152,582,368*

The Group issued EMTNs for a nominal amount of EUR 1,468,212,722 in 2014, as against EUR 451,349,585 the previous year.

New issues	2013	2014
maturing in < 2 years	259,067,219	1,180,352,481
maturing in 2 - 5 years	173,605,000	57,500,000
maturing in > 5 years	18,677,366	230,360,242
Total	**451,349,585**	**1,468,212,722**
of which:		
- Structured notes (at issue value)	*451,349,585*	*1,468,212,722*

The main structured notes issued in 2014 were in the interest-linked notes category.

Securities issued which have either come to maturity or have been reimbursed prior to maturity during 2014 or 2013:

	2013	2014
Maturities/repayments	785,997,788	802,474,288
Total	**785,997,788**	**802,474,288**
of which:		
- Subordinated notes (at issue value)	*40,134,853*	*20,000,000*
- Structured notes (at issue value)	*715,862,934*	*763,474,288*

The Group bought back its own issues in the amount of EUR 1,455,000 during 2014 (vs. EUR 4,200,000 in 2013).

Breakdown of subordinated loans as at 31 December 2014

Description	Rate	Issue currency	Nominal amount issued - EUR	Assimilated portion EUR	Non assimilated portion - EUR
Loan 2000-2015	0,458	EUR	23,800,000	4,760,000	19,040,000
Loan 2001-2016	2,700	EUR	25,000,000	10,000,000	15,000,000
Loan 2000-2020	0,448	EUR	8,600,000	8,600,000	-
Loan 2001-2021	0,658	EUR	11,000,000	11,000,000	-
Loan 2001-2021	0,658	EUR	30,000,000	30,000,000	-
Loan 2002-2022	0,582	EUR	50,000,000	50,000,000	-
Total			**148,400,000**	**114,360,000**	**34,040,000**

The interest expense on subordinated notes stood at €EUR 2,539,462 as at 31 December 2014, compared with EUR 2,933,795 as at 31 December 2013.

4.17 DEPOSITS AT AMORTISED COST - CREDIT INSTITUTIONS

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Inter-bank deposits	4,516,937,079	111,504,395	4,628,441,475	3,137,822,721	128,535,262	3,266,357,983
Repurchase agreements	735,650,617	17,074,705	752,725,322	878,142,548	195,332	878,337,880
Total	**5,252,587,697**	**128,579,100**	**5,381,166,797**	**4,015,965,269**	**128,730,594**	**4,144,695,863**

4.18 DEPOSITS AT AMORTISED COST – PRIVATE CUSTOMERS AND PUBLIC SECTOR

Headings	31/12/2013			31/12/2014		
	=<1 year	> 1 year	total	=<1 year	> 1 year	total
Private customers	20,524,827,544	737,260,913	21,262,088,457	20,079,349,911	708,788,158	20,788,138,069
- Demand deposit and notice accounts	*5,716,437,442*	*-*	*5,716,437,442*	*5,860,371,077*	*-*	*5,860,371,077*
- Time deposit accounts	*4,095,344,657*	*735,514,603*	*4,830,859,260*	*4,092,688,780*	*708,788,158*	*4,801,476,938*
- Savings	*10,479,413,186*	*-*	*10,479,413,186*	*10,126,185,613*	*-*	*10,126,185,613*
- Repurchase agreements	*233,632,259*	*1,746,310*	*235,378,569*	*104,441*	*-*	*104,441*
Public sector	3,811,722,273	144,232	3,811,866,505	4,279,892,133	115,177	4,280,007,310
Total	**24,336,549,817**	**737,405,145**	**25,073,954,962**	**24,359,242,044**	**708,903,335**	**25,068,145,379**

4.19 PENSION FUNDS - DEFINED-BENEFIT PENSION PLAN

Main estimates used to determine pension commitments:

Variables	31/12/2013	31/12/2014
Discount rate for active employees	3.20%	2.00%
Discount rate for beneficiaries	2.80%	1.60%
Salary increases (including indexation)	3.50%	3.50%
Pension increases (including indexation)	2.50%	2.50%
Induced yield	2.86%	1.75%

The induced yield of 1.75% in 2014 corresponds to the weighted average of the discount rates for working people and for annuitants as fixed at the end of the 2013 financial year.

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

Components	31/12/2013	31/12/2014
Current service cost	6,077,693	6,393,635
Interest cost	11,809,214	12,424,677
Induced yield	-9,284,271	-9,717,234
Total	**8,602,636**	**9,101,078**

Pension commitments:

	2013	2014
Commitments as at 1 January	**412,582,715**	**420,123,658**
Current service cost	6,077,693	6,393,635
Interest cost	11,809,214	12,424,677
Benefits paid	-11,378,391	-11,733,292
Actuarial gains or losses	1,032,428	68,544,130
Commitments as at 31 December	**420,123,658**	**495,752,808**

Civil servants' pension payments are initially made directly by the State to civil servants. The Group only recognises the payments when the amounts are repaid to the State. Hence, "Benefits paid" amounting to EUR 11,733,292 include the repayments to the Luxembourg State of civil servants' pensions in respect of the 2013 financial year.

Breakdown of actuarial gains and losses:

	2013	2014
Actuarial gains and losses arising from changes in actuarial assumptions	-3,082,375	97,411,333
- *financial assumptions*	*-3,082,375*	*97,411,333*
- *demographic assumptions*	-	-
Actuarial gains and losses arising from experience adjustments	4,114,803	-28,867,203
Total actuarial gains and losses:	**1,032,428**	**68,544,130**

Sensitivity analysis of pension commitments:

Impact of changes in actuarial assumptions on the pension commitment as at 31/12/2014	**decrease**	**increase**
Change in average actuarial rate (-/+ 50 bps)	51,551,101	-44,588,557
Change in wage increase rate (-/+ 50 bps)	-46,521,717	65,786,533
Change in pension increase rate (-/+ 50 bps)	-36,395,187	40,707,112
Change in mortality tables (-/+ 5 years)	90,927,444	-83,581,645
Cumulative effect:	**59,561,641**	**-21,676,557**

Maturity analysis of pension commitments:

	31/12/2014
Average duration of pension commitments	**19.58 years**
Analysis of maturities of commitments to be paid	**495,752,808**
2014 pensions outstanding	6,703,374
commitments to be paid within 12 months	12,527,944
commitments to be paid in 1-3 years	26,263,622
commitments to be paid in 3-6 years	41,401,113
commitments to be paid in 6-11 years	71,786,740
commitments to be paid in 11-16 years	71,993,271
commitments to be paid after 16 years	265,076,744

Pension plan assets:

	2013	2014
Assets as at 1 January	**324,367,897**	**328,575,131**
Pension payments	-11,378,391	-11,733,292
Contribution	13,644,811	9,646,755
Induced yield	9,284,271	9,717,234
Fair value gain / loss	-7,343,458	20,226,030
Assets as at 31 December	**328,575,131**	**356,431,857**

In 2014, the Group made an annual contribution of EUR 9,646,755 compared with EUR 13,644,811 in the previous year, which included an extraordinary contribution of EUR 4,400,000.

Pension plan investments:

2014	Credit institutions	Public sector	Corporate	Total
Fixed-income securities	157,645,849	84,760,890	50,118,155	292,524,894
Variable-income securities	-	-	27,660,750	27,660,750
Other assets (primarily deposits)	36,246,213	-	-	36,246,213
Total	**193,892,062**	**84,760,890**	**77,778,905**	**356,431,857**

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 (primarily deposits)	15,481,257	-	-	15,481,257
Total	**177,762,992**	**57,109,407**	**93,702,732**	**328,575,132**

Net pension commitments:

	2012	2013	2014
Pension commitments	412,582,715	420,123,658	495,752,808
Plan assets measured at fair value	-324,367,897	-328,575,131	-356,431,857
Unfinanced commitments	**88,214,818**	**91,548,527**	**139,320,951**

Stock of actuarial gains and losses:

Stock as at 1 January 2013	**73,359,962**
2013 net change	8,375,886
Stock as at 31 December 2013	**81,735,848**
Stock as at 1 January 2014	**81,735,848**
2014 net change	48,318,101
Stock as at 31 December 2014	**130,053,949**

The Group's estimated annual contribution to the pension fund for 2015 amounts to EUR 7,718,541.

4.20 PROVISIONS

Changes during the financial year:

	31/12/2013	31/12/2014
Position as at 1 January	**4,200,369**	**5,945,558**
Additions	3,089,419	2,483,920
Reversals	-1,229,036	-1,724,510
Application	-115,194	-1,805,183
Position as at 31 December	**5,945,558**	**4,899,785**

4.21 OTHER LIABILITIES

Headings	31/12/2013	31/12/2014
Short-term payables(1)	38,688,690	13,054,322
Preferential or secured creditors	30,836,222	27,659,464
Total	**69,524,912**	**40,713,786**

(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.

4.22 RELATED-PARTY TRANSACTIONS

The related parties of the parent company are the governmental institutions and the Group’s key management personnel.

All transactions with related parties are completed under market conditions.

4.22.1 Government institutions

The Group's parent company, 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 following disclosures are provided by the Group concerning its commercial relationship with the Luxembourg State and other governmental institutions.

in euros	31/12/2013	31/12/2014
ASSETS (mainly loans at amortised cost)	**3,226,805,251**	**3,558,439,790**

in euros	31/12/2013	31/12/2014
LIABILITIES (deposits at amortised cost)	**3,132,054,651**	**3,276,311,324**

4.22.2 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:

	31/12/2013	31/12/2014
Board of Directors (nine members)	119,150	118,700
Executive Board (five members)	973,170	987,379
Total	**1,092,320**	**1,106,079**

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

4.22.3 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:

	31/12/2013	31/12/2014
Board of Directors (nine members)	3,548,233	2,614,118
Executive Board (five members)	1,410,427	1,236,653
Total	**4,958,660**	**3,850,771**

4.23 STATUTORY AUDITOR'S FEES

	2013	2014
Statutory audit of the annual financial statements	480,000	542,250
Other audit services	128,450	114,750
Tax services	4,000	-
Other	310,466	268,715
Total	**922,916**	**925,715**

4.24 OFF-BALANCE SHEET ITEMS

Type of guarantees issued

Headings	31/12/2013	31/12/2014
Completion bonds	297,549,929	300,138,107
Letter of credit	43,591,979	45,245,146
Counter-guarantees	362,810,650	412,772,996
Documentary credits	17,301,900	19,329,722
Other	6,968,486	10,280,916
Total	**728,222,944**	**787,766,889**

Commitments

Headings	31/12/2013	31/12/2014
Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies	2,833,482	10,503,882
Undrawn confirmed loans	4,525,438,555	4,989,253,879
Other	21,369,615	33,745,926
Total	**4,549,641,652**	**5,033,503,687**

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	2013	2014
Assets repayable on demand	1,703,877	499,387
Financial assets held for trading	39,003,947	19,700,815
Available-for-sale financial assets	242,355,750	285,012,452
Receivables at amortised cost - Loans and advances	399,732,867	404,075,168
Investments held to maturity at amortised cost	113,914,479	93,792,709
Derivatives - Hedge accounting, interest rate risk	128,305,817	147,836,902
Other assets	909,771	154,433
Total	**925,926,508**	**951,071,866**
Interest paid and similar expenses	**2013**	**2014**
Financial liabilities held for trading	-18,699,342	-9,395,404
Liabilities at amortised cost - Deposits	-105,060,450	-89,311,113
Liabilities at amortised cost - Debt certificates	-28,653,859	-28,725,656
Liabilities at amortised cost - Subordinated loans	-1,824,739	-1,804,983
Derivatives - Hedge accounting, interest rate risk	-380,205,362	-441,998,156
Other liabilities	-1,231,053	-654,103
Total	**-535,674,805**	**-571,889,415**
Interest income	**390,251,703**	**379,182,451**
Total interest received and similar income not recognised at fair value through profit or loss	886,922,561	931,371,051
Total interest paid and similar expenses not recognised at fair value through profit or loss	-516,975,463	-562,494,011

5.2 INCOME FROM VARIABLE-INCOME SECURITIES

Headings	2013	2014
Financial assets held for trading	-	-
Available-for-sale financial assets	43,079,434	37,068,331
Income from variable-income securities	**43,079,434**	**37,068,331**

[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	2013	2014
Loan activities	30,053,733	34,020,432
Asset management	21,648,133	21,831,124
Investment fund activities	27,282,945	31,826,055
Demand deposit accounts and related activities	20,367,692	22,046,696
Insurance premiums	3,833,936	3,839,706
Other	8,007,325	7,302,538
Commissions received and paid	**111,193,764**	**120,866,551**

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

Headings	2013	2014
Available-for-sale financial instruments	951,790	27,314,579
Loans and advances at amortised cost	161,175	165,683
Financial liabilities at amortised cost	74,620	61,150
Total	**1,187,585**	**27,541,412**

The increase in the amounts in “Available-for-sale financial instruments” stems from the partial sale of the Group's position in RTL Group S.A.

5.5 INCOME FROM FINANCIAL INSTRUMENTS HELD FOR TRADING

Headings	2013	2014
Equity instruments and related derivatives	2,392,476	2,216,820
Foreign exchange instruments and related derivatives	-1,335,906	1,332,520
Interest rate instruments and related derivatives	47,211,413	18,873,089
Credit derivatives	168,149	99,215
Commodities and related derivatives	1,505,201	1,292,554
Total	**49,941,333**	**23,814,198**

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. The EUR 23.8 million includes a CVA adjustment in the amount of EUR 417,204.

5.6 NET INCOME FROM HEDGING TRANSACTIONS

Headings	2013	2014
Fair value hedge		
Debt instruments (assets) hedged by derivatives	1,176,165	-1,427,621
Debt issues hedged by derivatives	143,913	-68,100
Loans hedged by derivatives	-3,180,680	5,980,772
Total	**-1,860,601**	**4,485,051**
Value adjustment on hedged instruments	-64,772,546	187,564,586
Value adjustment on hedging instruments	62,911,945	-183,079,535
Total	**-1,860,601**	**4,485,051**

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	2013	2014
Other operating income	11,855,311	8,710,809
Other operating expenditure	-3,423,535	-1,654,096
Other net operating income	**8,431,776**	**7,056,713**

"Other operating income and expenditure" mainly includes:
- income from property rented and miscellaneous advances from tenants,
- VAT repayments relating to previous financial years,
- income on amortised loans.

5.8 PERSONNEL EXPENSES

Headings	2013	2014
Compensation	152,233,580	155,624,851
Social security charges	8,849,938	8,902,266
Pensions and similar expenses	12,061,893	12,306,335
Pension fund expense	8,602,636	9,101,078
Other personnel expenses	4,329,380	3,871,362
Total	**186,077,427**	**189,805,892**

5.9 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Headings	2013	2014
Expenses related to property and furniture	19,800,354	20,375,408
Rents and maintenance of software	17,388,751	18,374,337
Operating expenditure related to the banking business	22,079,734	22,657,772
Other	13,447,417	13,116,453
Total	**72,716,256**	**74,523,970**

5.10 DEPRECIATION ALLOWANCES FOR TANGIBLE ASSETS

Depreciation

Headings	2013	2014
Depreciation - buildings	7,701,079	7,748,282
Depreciation - equipment and furniture	7,264,730	7,941,100
Depreciation of tangible assets	**14,965,809**	**15,689,382**

Impairment

No impairment of tangible assets according to IAS 36 was recognised by the Group in 2013 or 2014.

5.11 DEPRECIATION ALLOWANCES FOR INTANGIBLE ASSETS

Depreciation

Headings	2013	2014
Depreciation	9,387,330	8,089,021
Depreciation of intangible assets	**9,387,330**	**8,089,021**

Impairment

No impairment of intangible assets according to IAS 36 was recognised by the Group in 2013 or 2014.

5.12 DEPRECIATION ALLOWANCES FOR INVESTMENT PROPERTIES

Depreciation

Headings	2013	2014
Depreciation	1,014,963	1,017,908
Depreciation of tangible assets - investment	**1,014,963**	**1,017,908**

Impairment

No impairment of investment properties according to IAS 36 was recognised by the Group in 2013 or 2014.

5.13 NET ALLOWANCES FOR IMPAIRMENT OF INDIVIDUAL AND COLLECTIVE CREDIT RISKS

	2013			2014		
	Additions	Reversals	Total	Additions	Reversals	Total
Available-for-sale financial assets	-13,790,113	7,533,737	-6,256,376	-1,749,978	13,050,079	11,300,101
Loans and advances	-47,622,626	15,813,359	-31,809,268	-30,059,489	21,337,591	-8,721,898
of which individual impairment	*-45,533,686*	*15,681,308*	*-29,852,379*	*-28,114,749*	*21,216,974*	*-6,897,775*
of which collective impairment	*-2,088,940*	*132,051*	*-1,956,889*	*-1,944,740*	*120,617*	*-1,824,123*
	-61,412,739	**23,347,096**	**-38,065,644**	**-31,809,467**	**34,387,670**	**2,578,203**

	2013	2014
Interest on impaired available-for-sale financial assets	617,284	557,624
Interest on impaired loans and advances	9,925,897	8,078,289
Total	**10,543,181**	**8,635,913**

5.14 PROVISIONS AND REVERSAL OF PROVISIONS

Headings	2013	2014
Provisions	-3,089,419	-2,483,920
Reversal of provisions	2,028,741	3,333,215
Net allowances for provisions	**-1,060,678**	**849,295**

5.15 TAX EXPENSE

Headings	2013	2014
Tax on income from continuing operations	61,502,501	40,148,492
Deferred taxes	7,322,019	16,546,942
Tax on profit/(loss) for the period	**68,824,520**	**56,695,434**

The standard tax rate applicable in Luxembourg was 29.22% as at 31 December 2014 and as at 31 December 2013. The Group's effective tax rate was 17.09% and 22.36% in 2014 and 2013 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:

	2013	2014
Income before tax	307,788,275	331,783,247
Tax rate	29.22%	29.22%
Theoretical tax at the standard rate	89,935,734	96,947,065
Tax impact of non-deductible expenses	760,669	64,197
Tax impact of non-taxable income	-12,241,299	-15,390,692
Share in the income of equity-accounted associates	-6,265,613	-2,519,533
Tax rebates and reductions	-5,982,626	-22,226,713
Tax refund/payment from previous financial years	157,775	-
Other	2,459,879	-178,891
Tax on profit/(loss) for the period	**68,824,519**	**56,695,434**

As in 2013, the Group had the benefit of an investment tax allowance in respect of 2014, deducted at the line "Tax rebates and reductions".

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 filed with the CSSF and the European Central Bank.

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 Role of the Audit and Risk Committee

The Group's parent company's Audit and Risk Committee is made up of four members of the Board of Directors and is tasked with periodically assessing the status of internal control, the work and conclusions of internal and external audits, the status of implementation of any recommendations made, the status of implementation of the annual audit plan and the budget, and any documents relating to the annual internal control report.

The Chief Executive Officer, Deputy Chief Executive Officer and the head of the Internal Audit Department are invited to all meetings of the Audit and Risk Committee. The statutory auditor of the Group's parent company is invited to those meetings held to prepare and approve the annual financial statements and other reports it issues.

The Audit and Risk Committee's role is to facilitate the effective control by the Board of Directors by providing a more comprehensive analysis of the position of the Group's parent company and by giving members of the Board of Directors access to information enabling them to fulfil their oversight responsibilities.

6.1.4 Responsibilities of the Risk Management Department

From an organisational point of view, management and control of risks is 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, performing the analysis itself and continuously monitoring these risks,
- approving or rejecting applications from commercial entities, and escalating cases to the Executive Committee that involve transactions whose outstanding amounts are above a limit set for processing by the Credit Committee, which reports to the Executive Committee,
- monitoring compliance with limits (credit, market and trading) within which the commercial entities must operate.

There are two units in the Department:

- Risk Analysis and Monitoring: the unit "Analyse et Suivi Risque" (ASR) is tasked with analysing and monitoring credit risk at individual and Group-wide portfolio exposure level.
- Risk Control: the unit is tasked with 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.

[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.

6.1.5 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 suspicious transactions,
- in general, compliance with the Group's parent company's regulatory environment, delegating a number of elements to other departments, including Internal Audit,
- monitoring of customer complaints.

6.1.6 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.

6.1.7 Systems for measuring and tracking limits

6.1.7.1 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 Group's parent company 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 Group's parent company's equity,
  - quantifies the probability of the occurrence of the loss.

6.1.7.2 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. 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 parent company has set up a system of limits by sector and region to monitor concentration risk.

6.1.7.3 Counterparty risk stemming from derivatives transactions

The parent company 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-2014, 89% of derivatives transaction outstandings were covered by such agreements.

6.1.7.4 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 at a given point in time to meet its payment obligations as a result of not having sufficient liquid assets relative to its maturing liabilities. By virtue of its financial structure, the Group's parent company is generally in a position of excess liquidity.

The Group's parent company 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 Group's parent company conducted the stress tests required by circular CSSF 09/403 in 2014 on at least a monthly basis to show that it would have sufficient liquid assets to cope with unexpected large-scale withdrawals over an extended period.
The Group's parent company 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 parent company 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 parent company has an intraday and overnight credit line with the Banque centrale du Luxembourg (BCL) secured by pledges of public sector bonds or other fixed-income securities. To this end, the parent company aims to continually have a portfolio of a minimum of EUR 3 billion in fixed-income securities that can serve as a guarantee to the BCL. As at 31 December 2014, this portfolio amounted to EUR 4.07 billion. At year-end 2014, the amount 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 one of the techniques used to manage liquidity, since it allows a bank to remove assets from the balance sheet to raise funds. The parent company 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.

The parent company is an indirect member of the CLS[1] foreign exchange transaction settlement system. 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 same 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 parent company's liquidity risk by netting transactions, which considerably reduces settlement volumes.

6.2 EXPOSURE TO CREDIT AND COUNTERPARTY RISK

6.2.1 Objectives and management of credit and counterparty risk

Each of the Group's parent company's commitments 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 parent company follows rigorous procedures for analysing loan applications and obtaining the related collateral for corporate loans and advances, paying particular attention to compliance

1 Continuous - Linked Settlement

with sector and counterparty commitment limits. The parent company uses Basel III methodology to continuously monitor risk trends across all portfolios.

The parent company did not change its risk management policy in the 2014 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. Internal ratings are applied to banking counterparties using a combination of quantitative and qualitative analyses. The quantitative component is based on ratios that best describe the counterparty's profitability, level of capital, 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 parent company pursued its prudent investment policy in 2014, 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 parent company'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 parent company 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, including compensation clauses in the event of default by either party. The parent company has also adopted an additional risk mitigation mechanism by negotiating the CSA to the ISDA master agreement with the largest counterparties in respect of off-balance sheet transactions. The CSA specifies on the basis of periodic reassessments of bilateral positions, the type of collateral permitted, in form of cash or first-class securities, 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 parent company 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 parent company's resources point of view. In the latter case, the risk is correlated with liquidity risk.

The parent company reviews at least annually the different types of limits affecting the components of concentration risk.

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 parent company has set up a system of limits by sector and region to control 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	31/12/2013	31/12/2014
Cash and cash balances with central banks	585,014,333	901,368,001
Loans and advances at amortised cost – Credit institutions	7,227,843,403	5,377,819,431
Loans and advances at amortised cost – Customers	17,003,930,051	18,311,255,394
Financial instruments held for trading	79,976,734	322,571,774
Hedging derivatives	132,425,965	99,240,017
Available-for-sale securities – Fixed-income securities	9,286,093,904	9,750,181,015
Held-to-maturity securities	4,785,557,990	4,699,397,776
Exposure of balance sheet commitments	**39,100,842,380**	**39,461,833,408**
Completion bonds	297,549,929	300,138,107
Letters of credit	43,591,979	45,245,146
Counter-guarantees	362,810,650	412,772,996
Documentary credits	17,301,900	19,329,722
Other	6,968,486	10,280,916
Undrawn confirmed loans	4,525,438,555	4,989,253,879
Exposure of off-balance sheet commitments	**5,253,661,498**	**5,777,020,767**
Total exposure	**44,354,503,878**	**45,238,854,175**

The parent company uses the following standard techniques to mitigate credit and counterparty risk:

- collateral

Breakdown by type of collateral	2013	2014
Mortgages	10,769,404,737	11,453,385,539
Reverse repurchase agreements	3,809,158,458	2,937,240,552
Pledge through cash or securities deposits	109,528,136	111,206,238

- personal guarantees: these stood at EUR 60,993,931 at year-end 2014, compared with EUR 59,106,802 one year earlier,
- ISDA – CSA contracts,
- Global Master Repurchase Agreements (GMRA).

Financial assets that are the 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		
31/12/2014	**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	1,094,835,836	-	1,094,835,836	104,441	596,081,787	498,649,607
Derivative instruments	192,397,772	-	192,397,772	32,581,656	143,219,286	16,596,830
Total assets	**1,287,233,608**	**-**	**1,287,233,608**	**32,686,097**	**739,301,073**	**515,246,437**

	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	77,397,377	-	77,397,377	31,673,473	17,719,657	28,004,246
Total assets	**822,982,580**	**-**	**822,982,580**	**33,521,955**	**760,203,760**	**29,256,864**

Financial liabilities that are the 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		
31/12/2014	**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	878,142,548	-	878,142,548	-	269,797,045	608,345,504
Derivative instruments	1,145,762,058	-	1,145,762,058	180,851,865	882,146,368	82,763,824
Total liabilities	**2,023,904,606**	**-**	**2,023,904,606**	**180,851,865**	**1,151,943,413**	**691,109,328**

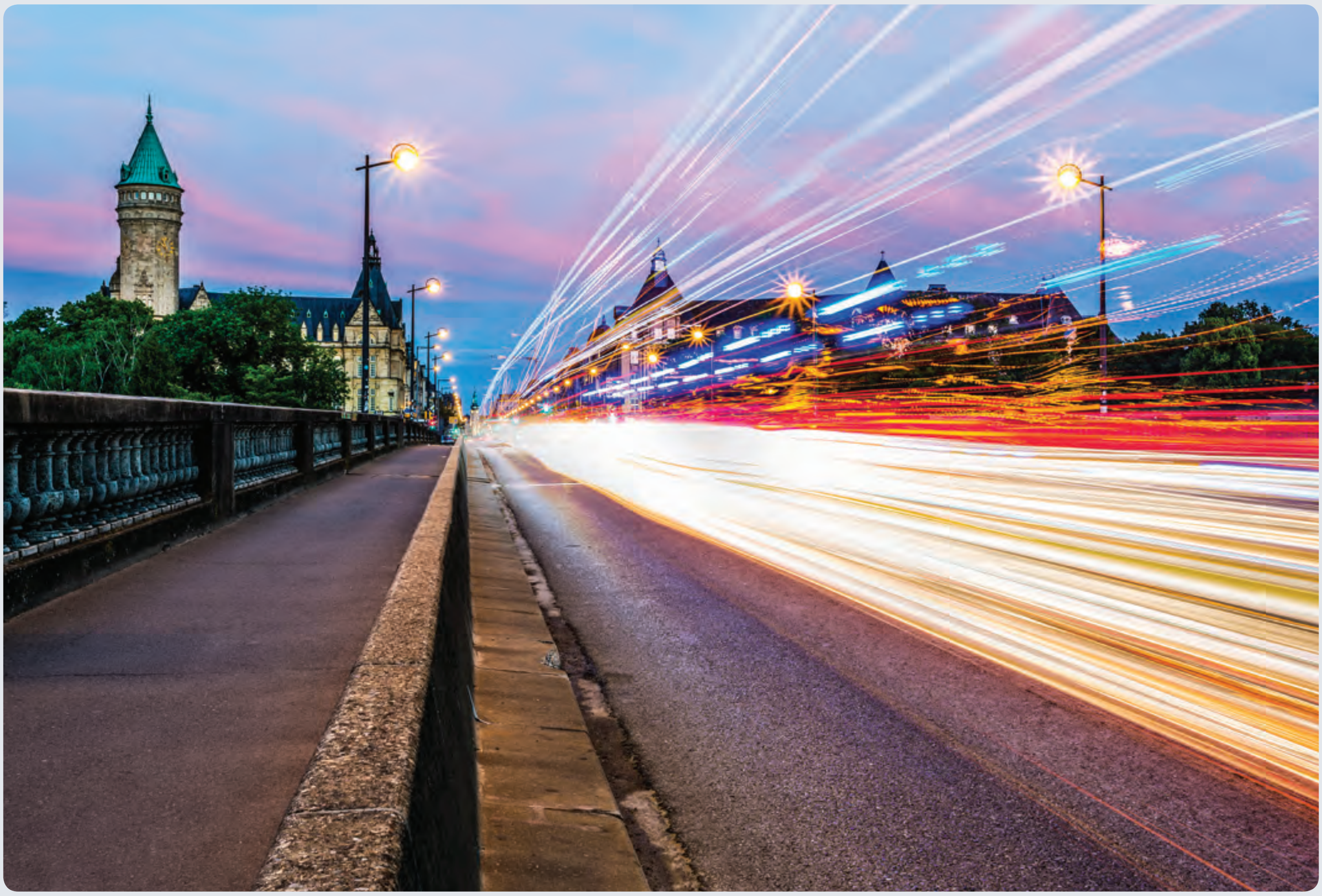
	Financial liabilities that are the subject of netting			Potential netting not recognised on the balance sheet		
31/12/2013	**Financial liabilities before balance sheet netting**	**Balance sheet netting with financial assets**	**Financial liabilities recorded on the balance sheet**	**Financial assets**	**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	980,504,262	-	980,504,262	114,131,615	792,813,016	73,559,631
Total liabilities	**1,466,752,032**	**-**	**1,466,752,032**	**114,131,615**	**318,877,171**	**85,871,556**

6.2.3. 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.

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



Exposure by geographical area:

Geographical area as at 31/12/2014 (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	885,543	638	3,997	570	-	10,619	901,368
Loans and advances at amortised cost	22,868,940	9,196	395,189	337,559	4,237	73,954	23,689,075
Financial instruments held for trading and hedging derivatives	421,426	93	267	15	9	3	421,812
Available-for-sale securities	8,356,069	137,713	1,183,760	855,821	638,950	40,860	11,213,173
Held-to-maturity securities	4,151,557	111,097	226,963	52,596	157,185	-	4,699,398
Other	286,220	-	-	-	-	-	286,220
Total	**36,969,755**	**258,737**	**1,810,176**	**1,246,561**	**800,381**	**125,436**	**41,211,045**

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 derivatives	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**

In the following table, to meet the requirements of IFRS 7 "Financial instruments: Disclosures", exposure to credit risk as at 31 December 2014 is presented according to internal ratings.

Exposure by counterparty category and risk class:

	2013			2014		
	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	585,014,333	585,014,333	-	901,368,001	901,368,001	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Total of categories	**585,014,333**	**585,014,333**		**901,368,001**	**901,368,001**	
Loans and advances at amortised cost						
Banks						
High grade	5,079,609,324	5,079,609,324	38.72%	3,685,486,601	3,685,486,601	36.47%
Standard grade	2,112,676,173	2,112,676,173	51.92%	1,633,632,605	1,633,632,605	41.37%
Sub-standard grade	-	-	-	190,402	190,402	-
Past due but not impaired	-	-	-	-	-	-
Impaired	562,477	48,048	-	97,261	48,631	-
Not rated	729,554	729,554	-	58,461,193	58,461,193	0.33%
Corporates						
High grade	1,886,468,899	1,886,468,899	29.03%	1,844,058,967	1,844,058,967	28.36%
Standard grade	1,630,618,941	1,630,618,941	60.88%	1,677,709,366	1,677,709,366	65.77%
Sub-standard grade	625,489,298	625,489,298	42.69%	669,123,270	669,123,270	38.41%
Past due but not impaired	12,969,907	12,969,907	-	96,429,685	96,429,685	69.57%
Impaired	254,053,101	172,555,749	91.32%	215,762,825	134,675,302	84.95%
Not rated	60,433,003	60,433,003	70.71%	214,242,094	214,242,094	50.18%
Sovereigns						
High grade	2,040,554,268	2,040,554,268	-	2,319,698,942	2,319,698,942	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	4,167,453	4,167,453	-	33,319,277	33,319,277	-
Impaired	-	-	-	-	-	-
Not rated	7,254	7,254	-	2,782	2,782	-
Retail						
High grade	7,244,469,526	7,244,469,526	91.42%	7,994,821,543	7,994,821,543	92.32%
Standard grade	1,765,814,068	1,765,814,068	91.75%	1,728,986,092	1,728,986,092	91.52%
Sub-standard grade	1,473,441,959	1,473,441,959	91.31%	1,312,981,124	1,312,981,124	89.47%
Past due but not impaired	8,608,889	8,608,889	-	148,233,733	148,233,733	94.08%
Impaired	113,240,983	100,031,612	84.48%	128,328,482	109,988,349	82.29%
Not rated	13,079,529	13,079,529	21.02%	26,984,866	26,984,866	7.40%
Total of categories		**24,231,773,454**			**23,689,074,823**	

	2013			2014		
	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	103,321,850	103,321,850	0.42%	158,903,719	158,903,719	34.23%
Standard grade	46,703,468	46,703,468	54.18%	125,795,802	125,795,802	47.40%
Sub-standard grade	200,439	200,439	-	109,816	109,816	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	26,363	26,363	-	-	-	-
Corporates						
High grade	396,709	396,709	-	33,835,945	33,835,945	-
Standard grade	49,316,691	49,316,691	-	66,062,663	66,062,663	-
Sub-standard grade	593,861	593,861	-	5,802,062	5,802,062	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	11,326,674	11,326,674	-	30,787,093	30,787,093	-
Sovereigns						
High grade	3,311	3,311	-	92,823	92,823	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	1,347	1,347	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	2,909	2,909	-
Retail						
High grade	115,461	115,461	-	286,511	286,511	-
Standard grade	26,770	26,770	-	10,684	10,684	-
Sub-standard grade	296,054	296,054	-	49,604	49,604	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	73,701	73,701	-	72,163	72,163	-
Total of categories		**212,402,699**			**421,811,792**	

	2013			2014		
	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	3,547,538,878	3,547,538,878	-	3,939,428,898	3,939,428,898	-
Standard grade	770,481,808	770,481,808	-	1,075,831,552	1,075,831,552	-
Sub-standard grade	45,526,650	45,526,650	-	15,658,201	15,658,201	-
Past due but not impaired	-	-	-	-	-	-
Impaired	17,515,964	3,816,080	-	17,524,611	4,574,633	-
Not rated	5,314,973	5,314,973	-	-	-	-
Corporates						
High grade	1,239,021,746	1,239,021,746	-	999,604,545	999,604,545	-
Standard grade	1,993,016,177	1,993,016,177	-	2,038,134,344	2,038,134,344	-
Sub-standard grade	63,967,243	63,967,243	-	71,922,184	71,922,184	-
Past due but not impaired	-	-	-	-	-	-
Impaired	12,994,650	1,161,890	-	12,984,247	859,767	-
Not rated	146,217,961	146,217,961	-	132,196,353	132,196,353	-
Sovereigns						
High grade	1,044,962,899	1,044,962,899	-	1,516,458,924	1,516,458,924	-
Standard grade	1,176,497,443	1,176,497,443	-	1,044,598,419	1,044,598,419	-
Sub-standard grade	192,741,537	192,741,537	-	132,269,856	132,269,856	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Securitisation						
High grade	179,262,752	179,262,752	-	116,391,184	116,391,184	-
Standard grade	104,633,009	104,633,009	-	83,481,321	83,481,321	-
Sub-standard grade	3,645,534	3,645,534	-	3,124,210	3,124,210	-
Past due but not impaired	-	-	-	-	-	-
Impaired	94,101,073	47,478,062	-	76,095,254	38,295,088	-
Not rated	-	-	-	-	-	-
Other						
High grade	343,412	343,412	-	343,412	343,412	-
Standard grade	-	-	-	-	-	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Total of categories		**10,565,628,053**			**11,213,172,892**	

	2013			2014		
	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	2,501,975,695	2,501,975,695	-	2,531,051,415	2,531,051,415	-
Standard grade	799,259,673	799,259,673	-	702,754,831	702,754,831	-
Sub-standard grade	87,824,134	87,824,134	-	41,780,495	41,780,495	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Corporates						
High grade	781,763,635	781,763,635	-	461,025,588	461,025,588	-
Standard grade	282,291,161	282,291,161	-	236,816,702	236,816,702	-
Sub-standard grade	-	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Sovereigns						
High grade	312,319,599	312,319,599	-	701,769,925	701,769,925	-
Standard grade	5,010,701	5,010,701	-	24,198,819	24,198,819	-
Sub-standard grade	15,113,392	15,113,392	-	-	-	-
Past due but not impaired	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Not rated	-	-	-	-	-	-
Total of categories		**4,785,557,990**			**4,699,397,776**	
Non-financial assets (*)	**333,727,765**	**333,727,765**	**-**	**286,219,687**	**286,219,687**	**-**
Total of categories		**333,727,765**			**286,219,687**	
Total		**40,714,104,295**			**41,211,044,972**	

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

The Group enters outstandings where the contractual payment maturity is past due by at least one day on the line "Past due but not impaired" under "Loans and advances at amortised cost". In "Available-for-sale securities", the Group does not record any items in the line "Past due but not impaired", and 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 of the level of impairment is provided in the columns "Outstanding excluding impairment" and "Outstanding with 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 (Asset Liability Management) 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 parent company's performance. The ALM committee comprises the members of the parent company'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 ALM and treasury on- and off-balance sheet positions, are centralised in real time in the trading room's front-office system and are managed within the limits set by the parent company'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 parent company did not change its market risk management policy in the 2014 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 VaR for the different parameters in millions of euros:

Scope	Average daily VaR in 2014	Maximum daily VaR in 2014	VaR limit for the scope in question in 2014
ALM	6.57	8.09	12.50
Treasury	0.34	0.54	2.50
Trading	0.08	0.23	no limit

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

In addition to VaR, which is used for the aggregate management of the different types of market risk, the parent company uses other risk management tools depending on the characteristics of the financial instruments concerned. Accordingly, interest rate risk is managed by simulating the financial 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 total financial impact 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 following stop-loss rules.

6.3.3 Analysis of the value of financial instruments

The following table presents the comparison by category of the carrying amounts and fair values of the Group's financial instruments included in the consolidated financial statements.

Categories as at 31/12/2014	Carrying amount	Fair value	Unrealised valuation
Financial assets			
Cash and cash balances with central banks	901,368,001	901,368,001	-
Loans and advances at amortised cost - Credit institutions	5,377,819,431	5,377,819,431	-
Loans and advances at amortised cost - Customers	18,311,255,394	18,425,957,181	114,701,787
of which measured at fair value for hedging purposes	*2,022,424,141*	*2,022,424,141*	-
Financial instruments held for trading	322,571,774	322,571,774	-
Hedging derivatives	99,240,017	99,240,017	-
Available-for-sale securities - Fixed-income securities	9,750,181,015	9,750,181,015	-
Available-for-sale securities - Variable-income securities	1,153,020,266	1,153,020,266	-
Held-to-maturity securities	4,699,397,776	4,956,077,391	256,679,615
TOTAL	**40,614,853,674**	**40,986,235,077**	**371,381,403**
Financial liabilities			
Deposits at amortised cost - Credit institutions	4,144,695,863	4,144,695,863	-
Deposits at amortised cost - Private customers and public sector	25,068,145,379	26,355,632,823	1,287,487,444
Financial instruments held for trading	199,899,794	199,899,794	-
Hedging derivatives	991,242,634	991,242,634	-
Debt securities in issue	6,276,226,429	6,276,223,419	-3,010
of which measured at fair value for hedging purposes	*1,586,624,554*	*1,586,624,554*	-
TOTAL	**36,680,210,098**	**37,967,694,533**	**1,287,484,434**

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
of which measured at fair value for hedging purposes	*1,777,080,241*	*1,777,080,241*	-
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	5,176,305,945	-1,520,127
of which measured at fair value for hedging purposes	*866,916,918*	*866,916,918*	-
TOTAL	**36,662,605,027**	**36,699,010,472**	**36,405,445**

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.

The fair value measurements presented in "Loans and advances at amortised cost - Customers", "Held-to-maturity securities" and "Debt securities in issue" are categorised as Levels 1 and 2 in the fair value hierarchy.

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 collateralised is very close to their book value, since the credit risk is hedged. These are essentially repurchase 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 bonds quoted on a 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

Assets and liabilities at fair value:

Categories as at 31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading				
- Debt instruments	614,035	-	-	614,035
- Equity instruments	266,568	-	-	266,568
- Derivative instruments	-	321,691,170	-	321,691,170
Available-for-sale financial assets				
- Debt instruments	7,032,800,312	2,510,836,271	206,544,432	9,750,181,015
- Equity instruments	283,296,965	729,708,884	140,014,417	1,153,020,266
Hedging derivatives	-	99,240,018	-	99,240,018
TOTAL	**7,316,977,881**	**3,661,476,344**	**346,558,849**	**11,325,013,073**
Financial liabilities				
Financial instruments held for trading	123,249	-	-	123,249
Derivative financial instruments held for trading	-	199,776,545	-	199,776,545
Hedging derivatives	-	991,242,634	-	991,242,634
TOTAL	**123,249**	**1,191,019,179**	**-**	**1,191,142,428**

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
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**	**2,970,591,985**	**251,880,768**	**10,500,897,516**
Financial liabilities				
Financial instruments held for trading	13,304	-	-	13,304
Derivative financial instruments held for trading	-	230,821,786	-	230,821,786
Hedging derivatives	-	798,822,107	-	798,822,107
TOTAL	**13,304**	**1,029,643,893**	**-**	**1,029,657,197**

The Group no longer includes 2013 information on "Loans and advances at amortised cost - Customers" or "Debt securities in issue"; these instruments are initially measured at amortised cost and subsequently reported at fair value for hedging purposes. This information is nevertheless provided at the beginning of this section.

The increase in outstanding financial assets in the table above from one year to the next primarily comes from an increase in book value following the continued recovery for the financial markets during 2014. A comparison of the breakdown of financial assets across the various levels between end-2014 and end-2013 reveals no significant change: 64.6% of financial assets are classed as Level 1 (69.3% in 2013), 32.3% as Level 2 (28.3% in 2013) and 3.1% as Level 3 (2.4% in 2013).

The Group 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 transfers from Level 1 to Level 3 were recorded following a reconsideration of the measurement criteria for instruments at fair value for debts such as asset-backed securities (ABS) and mortgage-backed securities (MBS). The parent company based its estimate of the fair value of these instruments on counterparty prices, which it then compared with the results of its own valuation model. If the two prices were substantially similar, the parent company included these fair values in Level 1. Nevertheless, given the magnitude of the modelling impact and of the estimates, the parent company decided to reallocate these positions to Level 3.

An equity instrument position was transferred from Level 1 to Level 2 following a reconsideration of the revaluation method: the fair value of this position is determined indirectly using price quotations and should consequently be allocated to Level 2.

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 2014	**115,435,483**	**136,445,100**	**185**	**251,880,768**	**-**	**-**	**-**
Total gains / losses	7,935,631	-19,235,158	-185	**-11,299,712**	-	-	**-**
- Income statement	*9,861,644*	*-*	*-185*	***9,861,459***	-	-	**-**
- Revaluation reserve	*-1,926,013*	*-19,235,158*	*-*	***-21,161,171***	-	-	**-**
Purchases	-	19,040,659	-	**19,040,659**	-	-	**-**
Reimbursements/sales	-57,208,549	-748,049	-	**-57,956,598**	-	-	**-**
Transfers from or to Level 3	140,381,867	4,511,864	-	**144,893,731**	-	-	**-**
Total as at 31 December 2014	**206,544,431**	**140,014,417**	**-**	**346,558,848**	**-**	**-**	**-**
Total gains / losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2014	9,861,644	-	-185	**9,861,459**	-	-	**-**

	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**	-	-	**-**
- Income statement	*-5,977,381*	*-*	*185*	***-5,977,196***	-	-	**-**
- Revaluation reserve	*8,691,562*	*-278,350*	*-*	***8,413,212***	-	-	**-**
Purchases	-	250,000	-	**250,000**	-	-	**-**
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**	**-**	**-**	**-**
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**	-	-	**-**

The total volume of Level 3 financial assets corresponds to 3.1% of total financial assets measured at fair value for financial year 2014, compared with 2.4% in 2013. The Group did not include Level 3 financial liabilities measured at fair value in financial years 2014 and 2013.

Methods used for the Level 3 valuation:

Category	Method
- Debt instruments	For securitisations, the fair value measurement is based on an estimate of future flows and on a dedicated basis spread (J.P. Morgan Int ABS & CB Research or SIFMA Markit). Some positions include an impairment that does not result solely from a determination based on the cash flow method but also takes an appraiser assessment into account.
- Equity instruments	Application of the fair value estimate method based on net assets. Net assets are based on recent financial statements and a discount, determined from an appraiser assessment, is applied. If the fair value is less than the acquisition price, the parent company applies an impairment to the position in question.

Sensitivity analysis for Level 3:

The sensitivity analysis was only performed for debt instruments. As such, the parent company did not change the assumptions used in the cash flow model, but simulated a one-basis-point increase in credit risk:

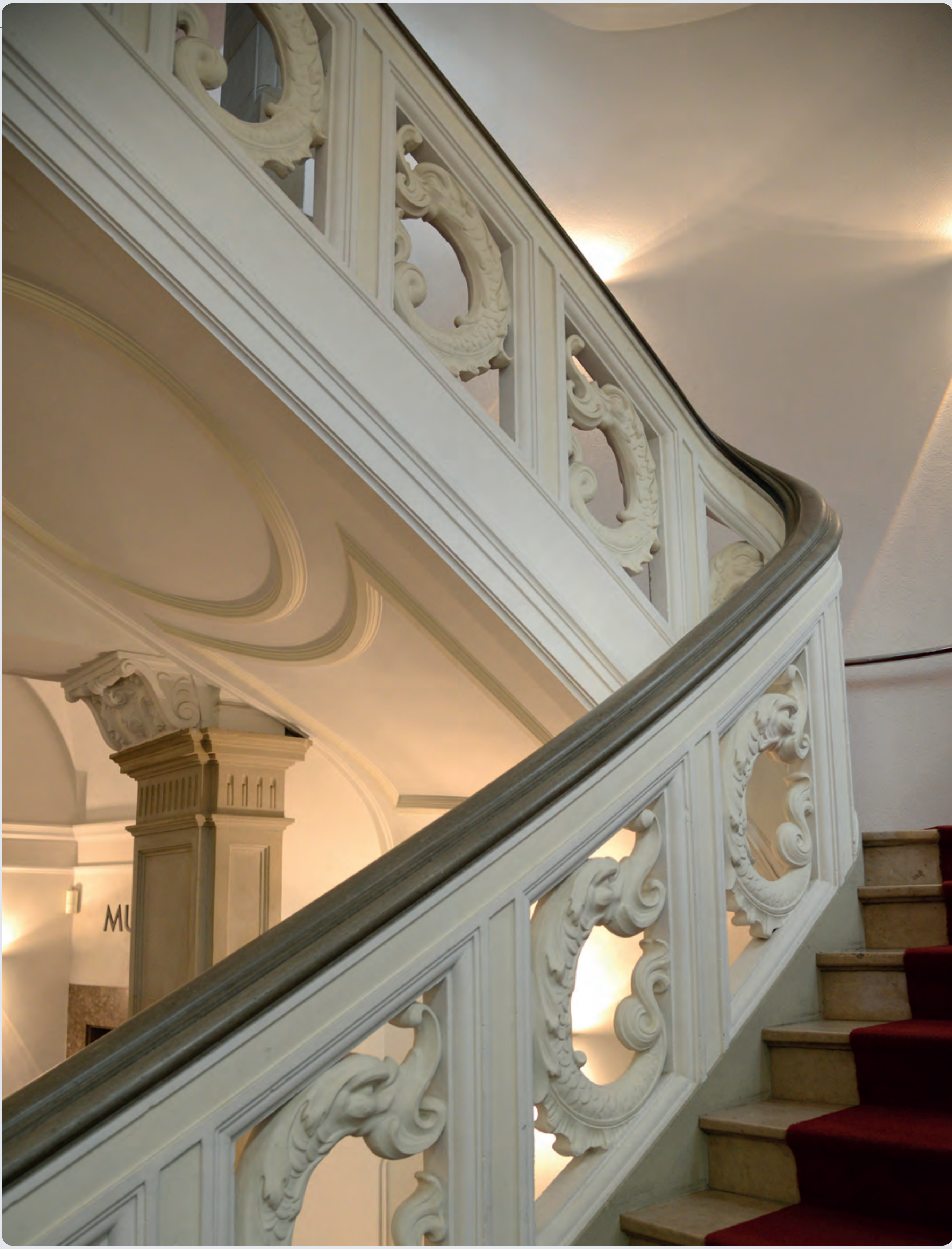
Category	Fair value as at 31/12/2014	Sensitivity to a one-basis-point increase in credit risk
Debt instruments	206,544,432	-50,348

6.3.4 Analysis of foreign exchange risk: Net currency positions

As at 31/12/2014	Net balance sheet position
CNY	-6,854,927
USD	9,184,306
Other	1,294,357
Total	**3,623,736**

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**

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 2014
Debt securities in issue	2,729,239,861	2,855,525,629	**5,584,765,490**	435,228,707	326,774,571	**762,003,279**	**6,346,768,769**
Deposits at amortised cost -							
Credit institutions	3,824,468,103	297,823,339	**4,122,291,442**	113,289,470	68,364,796	**181,654,266**	**4,303,945,709**
Private customers and Public Sector	22,735,204,775	1,646,378,480	**24,381,583,255**	726,546,729	142,213	**726,688,942**	**25,108,272,196**
Total	**29,288,912,738**	**4,799,727,449**	**34,088,640,187**	**1,275,064,906**	**395,281,581**	**1,670,346,487**	**35,758,986,674**

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**
Private 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**

Table showing deposits from private 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 2014
Deposits at amortised cost - Private customers and Public Sector	9,090,367,267	3,937,369,106	**13,027,736,372**	6,727,959,697	5,457,631,480	**12,185,591,177**	**25,213,327,550**

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 - Private 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**

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 2014 and 31 December 2013.

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2014
Derivative instruments held for trading					
Foreign exchange swaps and forward exchange contracts					
Inflows	6,422,419,282	2,275,922,091	-	-	8,698,341,373
Outflows	-6,297,816,981	-2,240,630,930	-	-	-8,538,447,911
Derivatives used for hedging purposes					
CCIS					
Inflows	126,069,547	1,398,585,106	753,170,864	131,259,292	2,409,084,809
Outflows	-128,822,124	-1,422,836,961	-843,899,171	-148,235,364	-2,543,793,620
Total inflows	**6,548,488,829**	**3,674,507,197**	**753,170,864**	**131,259,292**	**11,107,426,182**
Total outflows	**-6,426,639,106**	**-3,663,467,891**	**-843,899,171**	**-148,235,364**	**-11,082,241,531**

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2013
Derivative instruments 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**

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 2014
Derivative instruments held for trading					
IRS	7,231,488	13,409,391	21,897,657	788,102	43,326,638
Derivatives used for hedging purposes					
IRS	69,043,831	120,501,774	447,854,221	235,596,537	872,996,363
Total outflows	**76,275,319**	**133,911,165**	**469,751,877**	**236,384,640**	**916,323,001**

Headings	On demand - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total 2013
Derivative instruments 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**

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 III Pillar I 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 I 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 Group'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 III Pillar I risks plus non-Pillar I risks);
- determination of a substantial safety margin between available capital and risk hedging, reflected in a high target capitalisation ratio. Note that throughout 2014, the Group's parent company complied with the regulatory capital requirements of Basel III Pillar I;
- 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 2014 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 Solvency Ratio (in euros)	**31/12/2013**	**31/12/2014**
Total equity	**3,719,665,742**	**4,164,129,075**
prudential provision adjustments		349,007,522
Total adjusted equity	**3,719,665,742**	**4,513,136,597**
./. Consolidation impact	-413,467,157	-476,567,564
./. Unrealised capital gains on variable-income securities (net of deferred taxes)	-912,718,994	-1,146,032,346
./. Reserves - Undistributed results	-208,397,055	-259,921,558
./. Cash flow hedges	-4,215,603	-5,650,518
other	-2,290,046	-
Tier 1 Regulatory Own Funds before prudential adjustments	**2,183,156,979**	**2,624,964,611**
Prudential deductions	**-116,159,959**	**-301,520,441**
on financial and insurance holdings	-78,193,279	-
on securitisations	-	-
on insufficient provisions according to the internal ratings approach	-	-104,377,829
on provisions (net of tax)	-23,491,726	-184,398,472
other	-14,474,955	-12,744,140
Tier 1 Regulatory Own Funds	**2,066,997,020**	**2,323,444,170**
Tier 2 Regulatory Own Funds before prudential adjustments	**1,112,618,583**	**108,689,774**
unrealised capital gains on fixed-income securities (net of deferred taxes)	21,023,153	-
unrealised capital gains on variable-income securities (net of deferred taxes)	912,718,994	-
eligible subordinated loans	128,120,000	108,689,774
excess provisions according to the internal ratings approach	50,756,436	-
Prudential deductions	**-103,900,867**	**-**
on financial and insurance holdings	-78,193,279	-
on securitisations	-23,491,726	-
other	-2,215,863	-
Tier 2 Regulatory Own Funds	**1,008,717,716**	**108,689,774**
Total Regulatory Own Funds	**3,075,714,735**	**2,432,133,944**
Total capital requirement	**993,471,796**	**1,015,327,950**
Solvency ratios		
Tier 1 solvency ratio	16.6%	18.3%
Total solvency ratio	24.8%	19.2%

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

In 2014, regulatory own funds were determined in accordance with the Basel III regulation on the basis of IFRS balance sheet own funds, and including AGDL, flat-rate and immune provisions.

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 Liability Management, Customer Desk, and 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 2014, 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 breaks down between 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.

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.

31/12/2014 Thousands of euros	**Retail, Professional, Corporate and Public Sector Banking**	**Financial Markets and Investment Funds**	**Other**	**Reconciliation**	**Total**
Net interest margin	254,009	83,648	40,442	1,084	379,182
Income from securities	-	12,560	24,508	-	37,068
Fee and commission income	38,961	20,001	61,904	-	120,867
External commissions	*73,429*	*39,706*	*7,732*	-	*120,867*
Internal commissions	*-34,468*	*-19,704*	*54,173*	-	-
Income on financial instruments and foreign exchange	3,636	56,659	5,426	-	65,722
Net Banking Income	**296,607**	**172,869**	**132,280**	**1,084**	**602,839**
Other operating income and expenses	-	-35	7,092	-	7,057
Banking income	**296,607**	**172,834**	**139,372**	**1,084**	**609,896**
General administrative expenses plus valuation allowances in respect of intangible and tangible assets	-163,584	-27,631	-97,912	-	-289,126
Net allowances for valuation and impairment	-9,706	12,613	521	-	3,428
Other	-	-	-	-	-
Income before tax	**123,317**	**157,816**	**41,981**	**1,084**	**324,197**
Tax on income for the period and deferred taxes	-	-	-56,695	-	-56,695
Minority interests/income from associates	-	-1,325	7,572	-	6,248
Income/(loss)	**123,317**	**156,491**	**-7,142**	**1,084**	**273,749**
Assets	**15,720,972**	**23,892,786**	**1,597,287**	**-**	**41,211,045**
Liabilities	**21,412,920**	**17,316,116**	**2,480,925**	**1,084**	**41,211,045**

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 on 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**

NBI	**Thousands of euros 31/12/2013**	**Thousands of euros 31/12/2014**
Deposits from private customers, business customers, corporates and the public sector	57,392	83,621
Loans and advances to private customers, business customers, corporates and the public sector	158,849	156,251
Other products for private customers, business customers, corporates and the public sector	60,115	56,735
Other products	327,212	305,149

I 6 ORGANISATION CHART OF THE BANK (as at March 25, 2015)

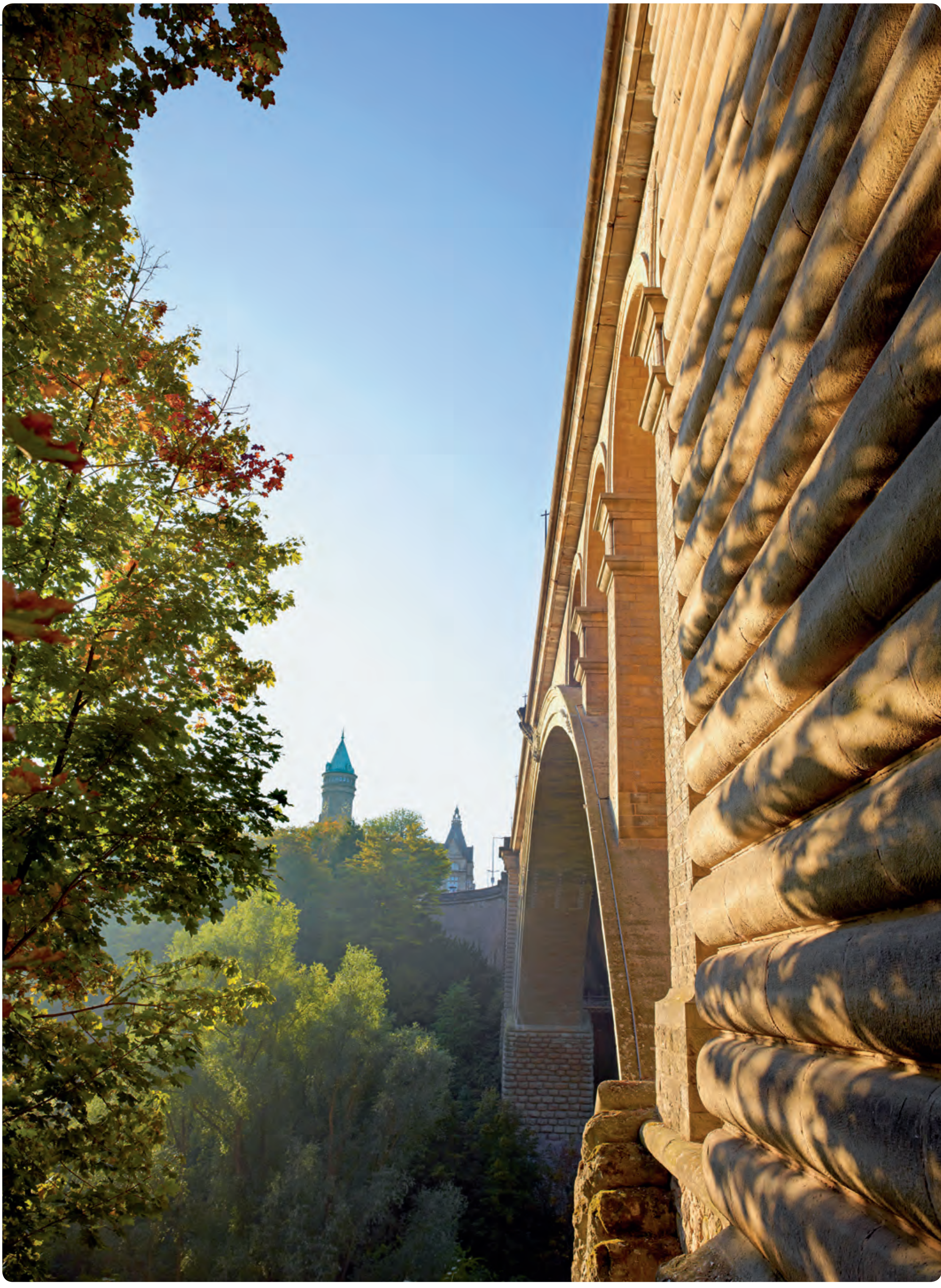
EXECUTIVE COMMITTEE (MANAGEMENT BOARD)

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 **Claude HIRTZIG**	Banque Privée Claude HIRTZIG	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 Alex REVELANT		
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 Lisa WELLS	
Information Technologies **Jean HILGER**	Développements Informatiques Jean HILGER	Production Informatique Michel MERGEN			



Photos : BCEE-Service Marketing
Claudine Bosseler (page 40)
Christophe Van Biesen (pages 12 + 85)
Christof Weber (page 114)
Layout: BCEE-Service Marketing
Editor: Banque et Caisse d'Epargne de l'Etat, Luxembourg
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