

BANQUE
DEGROOF
LUXEMBOURG



13

ANNUAL REPORT

La Banque Degroof Luxembourg is an independent private investment bank in Luxembourg with an excellent reputation in each of its fields of activity: asset management for private and institutional clients, financial markets, corporate finance, credit and structured finance, real estate activities, financial analysis as well as set up and administration of investment funds.

Founded in 1871, it is present today in **six countries**, with more than **1000 employees** at its clients' service.

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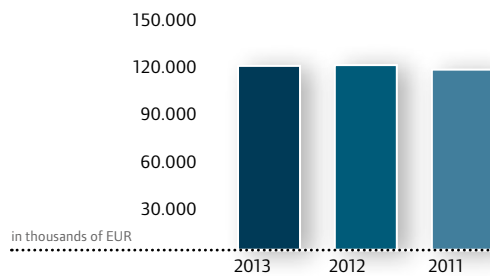
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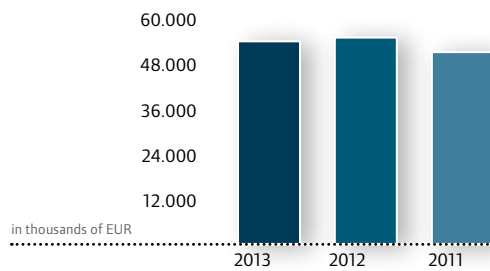
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	(in thousands of EUR)		
	2013	2012	2011
Consolidated balance sheet			
Balance sheet total	2 590 870	2 367 954	2 634 213
Equity	232 478	236 482	228 171
Consolidated income			
Net income	121 555	121 922	118 961
Net result, group share	51 227	51 880	47 284
Current net result, group share	54 005	55 022	51 190
			(in %)
CAD ratio	26.55	28.63	28.30

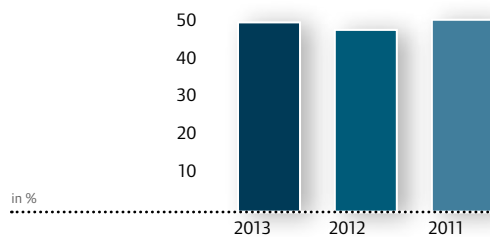
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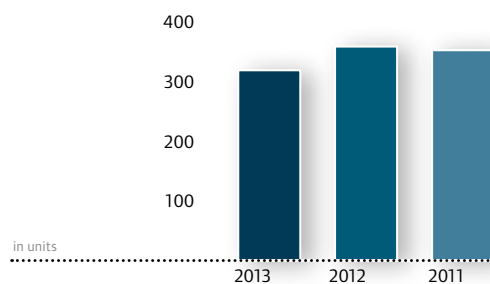
NET BANKING INCOME
EUR 121 555 thousands (-0.3%)



NET CURRENT PROFIT, GROUP SHARE
EUR 54 005 thousands (-1.9%)



COST/INCOME RATIO
47.35%



STAFF COUNT
316 persons (-11%)

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT

The 2012-13 financial year was influenced by the accommodative monetary policy of the European Central Bank, which maintained its low interest rate strategy. This policy was probably one of the factors which encouraged investors to return to the stock markets, with the rise of the main indices over the year promoting the return of a certain level of confidence.

This more favorable financial climate had less impact, however, in the Luxembourg financial sector, which announced unexpected measures in response to various criticisms from other European countries.

In this difficult environment, the Bank recorded an increase in assets under management and closed the financial year with an improvement in results.

Discussions started during the previous financial year regarding the Group's positioning in Switzerland culminated at the end of June 2013 in the setting up of a partnership with Swiss bank Landolt & Cie and the merger by absorption of Degroof Banque Privée by Banque Landolt & Cie of which Banque Degroof Luxembourg holds 25%. The legal merger was completed on 3 July 2013. The consolidated accounts include the results of Degroof Banque Privée and its subsidiary Bearbull Degroof International until 30 June 2013. 25% of Banque Landolt & Cie is consolidated under the equity method in the consolidated balance sheet at 30 September 2013.

The fund administration activity continued its strong growth, with assets increasing by 14.4% to reach EUR 25.1 billion. This growth is the result of an increase in the number of sub-funds, net subscriptions for the funds and market effects.

At the end of the financial year, assets under management reached EUR 26.4 billion, an increase of 1.9% compared with the previous year. This amount does not include assets under management by the Swiss subsidiary; on a like-for-like basis, the increase is 6.4%. Once again, during the financial year, the Bank and its subsidiaries demonstrated their ability to attract new capital, both for private wealth management and for fund administration.

Consolidated net income, group share fell by 1.3% to EUR 51.227 million.

The Bank's continuing cautious approach to risk resulted in a solid balance sheet that boasted a consolidated CAD ratio of 26.6%, well above the legal requirement of 8%.

Overhead expenses remained well controlled, thus contributing to a cost income ratio of 47.4% and a return on average own funds of 22.9%.

Primarily due to the removal of the Swiss subsidiary from the scope of consolidation, staff numbers at the Bank and its subsidiaries decreased by 39 people, taking the number of employees to 316 at the end of the financial year.

BANQUE DEGROOF LUXEMBOURG S.A.

The increase in goodwill already observed at the end of the previous financial year continued throughout the period, leading to an increase in fees. It was not, however, possible to maintain the treasury spread achieved in the course of the Bank's transformation of its cash in view of the low interest rates reached owing to the European Central Bank's monetary policy. These two conflicting changes, combined with an extraordinary dividend following our strategic agreement in Switzerland, enabled the Bank to post an increase in net banking income of 7.8%.

Gross operating income rose 10.9% to EUR 77.2 million, as a result of strict control of overheads. After amortization and tax, net profit was up 19.7% to EUR 58.7 million.

The Belgian branch, active exclusively in the administration of Undertakings for Collective Investment, closed the financial year with a net profit of EUR 1 million, an increase of 43.3% compared with the previous year.

Risk exposure

The Bank's exposure to risk is described in note 6 to the financial statements for the financial year ended 30 September 2013.

	(in EUR)
PROPOSED DIVIDEND POLICY AT 30 SEPTEMBER 2013 (IN EUR)	
Net profit for the financial year	58 676 424
Profit brought forward from 30 September 2012	98 619 036
Proportion of profit for the year affecting the reserves	326 234
Transfer to reserve for wealth tax	(6 800 000)
Profit to be appropriated	150 821 694
Interim dividend of EUR 48.00 gross to 740 000 shares	(35 520 000)
Profit to be carried forward	115 301 694



**DEGROOF GESTION
INSTITUTIONNELLE
- LUXEMBOURG S.A.
(DGI)**

Percentage held		99.95%
Balance sheet total	EUR	38 171 988
Own funds	EUR	7 676 967
Net profit	EUR	3 008 274
Staff (average)		17 Persons

DGI posted a 6.3% rise in its assets under management, which reached EUR 19.3 billion at the end of the financial year. The positive increase in goodwill has not yet translated into an increase in management fees for the financial period under review.

DGI continued with the investments needed to ensure the growth of its Risk Management business. The staff count at the end of the period had decreased by two, taking it to 16 employees at 30 September 2013. In addition, the financial year saw the appointment of a new approved manager who started at the end of the period.

The accounting year ended with net profit down 12.2% compared with the previous year.

DS LUX S.A.

Percentage held		99.92%
Balance sheet total	EUR	426 907
Own funds	EUR	263 050
Net profit	EUR	147 583
Staff (average)		1.5 persons

DS Lux acts as an insurance broker for the Luxembourg division.
It ended the financial year with a positive result.

The Bank continued to grow in Luxembourg over the past year. The changes announced by the Luxembourg authorities will lead to changes in the banking arena which will create opportunities for the Bank.

Without the dedication and professionalism of all our employees, the last financial year would not have been the success that it was.

This report would be incomplete if it did not pay sincere tribute to their qualities.

No event after the financial year-end that could have an impact on these financial statements occurred between the date of the financial year-end and the date of this report.

Luxembourg, 6 December 2013.

MANAGEMENT BODIES & CORPORATE GOVERNANCE

MANAGEMENT BODIES

BOARD OF DIRECTORS

Chairman of the Board

Baron Philippson

Vice-Chairman of the Board

Alain Schockert

Managing Directors

Geert De Bruyne

Patrick Keusters

Directors

Jacques-Martin Philippson

Regnier Haegelsteen

S.A.R. le Prince Jean de Nassau

Yves Prussen

John Li How Cheong

HONORARY MEMBERS

Honorary Chairman

Marcel Degroof

Honorary Director

Claude Meiers

MANAGEMENT COMMITTEE

Managing Directors

Geert De Bruyne

Patrick Keusters

General Director

Jean-François Leidner

Directors

Marc-André Bechet

Alain Geurts

Patrick Wagenaar

CORPORATE GOVERNANCE

APPOINTMENTS AND REMUNERATION COMMITTEE

Members

Baron Philippson

Chairman of the Board

Alain Schockert

Vice-Chairman of the Board

Regnier Haegelsteen

Director

The appointments and remuneration committee was consulted on matters relating to the remuneration of the members of the Management Committee and of the managers of the subsidiaries approved by the CSSF. The appointments and remuneration committee was also consulted in connection with the setting of the internal audit department's remuneration package.

AUDIT COMMITTEE

Members

Alain Schockert

Vice-Chairman of the Board

Regnier Haegelsteen

Director

John Li How Cheong

Director

Since 1 October 2010, the committee has been chaired by Mr Alain Schockert.

The audit committee's duties consist in assisting the Board of Directors in its supervisory role and, more specifically, examining:

- internal control operations and the management of the risks incurred by the Bank;
- financial information intended for shareholders and third parties;
- the audit process.

This committee met twice during the financial year.

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CONSOLIDATED BALANCE SHEET

ASSET	NOTES	(in EUR)	
		30.09.2013	30.09.2012
Cash and current accounts with central banks	8.1	200 258 393	118 826 309
Financial assets held for trading	8.2	61 937 392	67 116 786
Financial assets designated at fair value through profit or loss	8.3	659 735 114	721 967 486
Available-for-sale financial assets	8.4	434 796 648	241 010 339
Loans and advances to credit institutions	8.5	474 359 535	432 720 323
Loans and advances to customers	8.6	518 968 811	518 904 775
Participating interests	8.7	187 935	187 935
Investments held to maturity	8.8	130 234 584	174 298 876
Property and equipment	8.9	40 943 655	38 191 889
Intangible assets	8.10	11 229 145	14 643 103
Investments in undertakings consolidated using the equity method	8.11	14 615 155	0
Other assets	8.12	43 603 476	40 086 413
Total assets		2 590 869 843	2 367 954 234

These notes refer to the notes to the financial statements.

(in EUR)

LIABILITIES AND EQUITY	NOTES	30.09.2013	30.09.2012
Liabilities			
Financial liabilities held for trading	8.13	69 160 563	79 131 267
Deposits from credit institutions	8.14	289 285 931	64 632 752
Deposits from customers	8.15	1 920 745 890	1 915 727 100
Provisions	8.16	5 455 888	2 987 210
Current and deferred tax liabilities	8.18	31 230 039	24 615 493
Other liabilities	8.17	42 513 103	44 378 246
Total liabilities		2 358 391 414	2 131 472 068
Equity			
Subscribed capital	8.19	37 000 000	37 000 000
Share premium	8.19	40 356 000	40 356 000
Reserves and retained earnings	8.19	136 334 142	151 431 125
Revaluation reserves	8.4/8.19	3 077 373	2 430 377
Profit for the year, group share	8.19	51 227 052	51 880 003
<i>Interim dividend</i>		<i>(35 520 000)</i>	<i>(46 620 000)</i>
Participating interests not giving control, presented as part of equity capital	8.19	3 862	4 661
Total equity		232 478 429	236 482 166
Total liabilities and equity		2 590 869 843	2 367 954 234

CONSOLIDATED INCOME STATEMENT

		(in EUR)	
	NOTES	30.09.2013	30.09.2012
Interest income	9.1	51 947 691	66 810 843
Interest expenses	9.1	(29 328 041)	(33 858 143)
Dividend income	9.2	3 281 479	3 295 000
Commission income	9.3	195 024 443	173 318 096
Fee and commission expense	9.3	(113 560 925)	(95 867 679)
Net result on financial instruments held for trading	9.4	10 979 984	(11 890 864)
Net result on financial instruments designated at fair value through profit or loss	9.5	(7 209 583)	15 470 394
Net result on financial instruments not measured at fair value through profit or loss	9.6	7 542 644	(348 240)
Other net operating results	9.7	2 877 379	4 992 677
Net income		121 555 071	121 922 084
Personnel expenses	9.8	(36 057 848)	(36 167 651)
General and administrative expenses	9.9	(14 097 769)	(14 837 109)
Depreciation and amortization	9.10	(6 493 522)	(6 902 682)
Provisions	9.11	(2 574 568)	(575 700)
Impairment on assets	9.12	(1 192 074)	(212 327)
Percentage of profit from undertakings consolidated using the equity method		4 233	0
Pre-tax profit		61 143 523	63 226 615
Income tax expense	9.13	(9 914 849)	(11 344 750)
Profit for the financial year		51 228 674	51 881 865
Net profit for the period attributable to participating interests not giving control		1 622	1 862
Profit for the year, group share		51 227 052	51 880 003

These notes refer to the notes to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	30.09.2013	30.09.2012 (in EUR)
Profit for the financial year		51 228 674	51 881 865
Revaluation at fair value - Available-for-sale financial assets	9.14	646 996	2 481 880
Total other items of comprehensive income ¹		646 996	2 481 880
Total comprehensive income		51 875 670	54 363 745
Comprehensive income attributable to participating interests not giving control		1 622	1 862
Comprehensive income, group share		51 874 048	54 361 883

¹ Profit and loss recorded directly in equity capital, net of tax
These notes refer to the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	CAPITAL	SHARE PREMIUM	RESERVES AND RETAINED EARNINGS	REVALUATION RESERVES
Balance at 30.09.2011	37 000 000	40 356 000	136 097 802	(51 503)
Transactions with minority shareholders	0	0	0	0
Prior profit allocation	0	0	11 785 304	0
Net result for the current financial year	0	0	0	0
Currency translation differences	0	0	0	0
Revaluation at fair value	0	0	0	2 481 880
Interim dividend	0	0	0	0
Other variations ¹	0	0	214 857	0
Balance at 30.09.2012	37 000 000	40 356 000	148 097 963	2 430 377
Transactions with minority shareholders	0	0	0	0
Changes in scope	0	0	0	0
Prior profit allocation	0	0	5 259 860	0
Net result for the current financial year	0	0	0	0
Currency translation differences	0	0	3 333 305	0
Revaluation at fair value	0	0	0	646 996
Interim dividend	0	0	(20 720 000)	0
Other variations ¹	0	0	367 247	0
Balance at 30.09.2013	37 000 000	40 356 000	136 338 375	3 077 373

¹ Variations due to the Group incentive plans (see note 11.2).

(in EUR)

CURRENCY TRANSLATION DIFFERENCES	NET RESULT FOR THE FINANCIAL YEAR	INTERIM DIVIDEND	EQUITY: GROUP SHARE	PARTICIPATING INTERESTS NOT GIVING CONTROL, PRESENTED AS PART OF EQUITY CAPITAL	TOTAL EQUITY
2 999 559	47 283 870	(35 520 000)	228 165 728	5 259	228 170 987
0	0	0	0	(2 460)	(2 460)
(21 434)	(47 283 870)	35 520 000	0	0	0
0	51 880 003	0	51 880 003	1 862	51 881 865
355 037	0	0	355 037	0	355 037
0	0	0	2 481 880	0	2 481 880
0	0	(46 620 000)	(46 620 000)	0	(46 620 000)
0	0	0	214 857	0	214 857
3 333 162	51 880 003	(46 620 000)	236 477 505	4 661	236 482 166
0	0	0	0	(2 421)	(2 421)
(4 233)	0	0	(4 233)	0	(4 233)
143	(51 880 003)	46 620 000	0	0	0
0	51 227 052	0	51 227 052	1 622	51 228 674
(3 333 305)	0	0	0	0	0
0	0	0	646 996	0	646 996
0	0	(35 520 000)	(56 240 000)	0	(56 240 000)
0	0	0	367 247	0	367 247
(4 233)	51 227 052	(35 520 000)	232 474 567	3 863	232 478 429

CONSOLIDATED CASH FLOW STATEMENT

	NOTES	30.09.2013	(in EUR) 30.09.2012
Pre-tax profit		61 143 523	63 226 615
Non-monetary items included in profit and other adjustments:		3 012 927	5 811 305
Share-based payments		367 247	214 857
Amortization of (in)tangible assets		6 493 522	6 902 682
Income from associate undertakings		(4 233)	0
Impairments		1 192 074	212 327
Gains/losses on investments		(7 610 251)	(51 265)
Provisions expenses (recoveries)		2 574 568	(1 467 296)
Variation in assets and liabilities deriving from operating activities:		158 632 606	(350 299 410)
Assets held for trading or designated at fair value through profit or loss		67 411 766	(46 495 473)
Loans and advances		25 930 955	421 176
Available-for-sale financial assets and investments held to maturity		(148 923 283)	(48 001 148)
Other assets		(3 517 063)	860 279
Liabilities held for trading		(9 970 704)	(12 274 662)
Deposits from credit institutions		224 653 179	20 689 146
Deposits from customer		5 018 789	(265 931 802)
Provisions and other liabilities		(1 971 033)	433 074
Income taxes paid		(3 452 041)	(28 357 334)
Net cash flows from operating activities (A)		219 337 015	(309 618 824)
Acquisition of associate undertakings	8.11	(7 018 369)	0
Other cash outflows relating to investments		1 058 873	0
Acquisition of (in)tangible assets	8.9/8.10	(7 217 662)	(1 865 090)
Sale of (in)tangible assets		54 041	68 949
Net cash flows from investment activities (B)		(13 123 117)	(1 796 141)

These notes refer to the notes to the financial statements.

		(in EUR)	
	NOTES	30.09.2013	30.09.2012
Interim dividends paid		(56 240 000)	(46 620 000)
Net cash flows from financing activities (C)		(56 240 000)	(46 620 000)
Effect of exchange rate fluctuations on cash and cash equivalents		(1 230 363)	2 691 480
Net increase/decrease in cash and cash equivalents (A + B + C)		149 973 898	(358 034 965)
Cash and cash equivalents at the beginning of the period		158 120 590	513 464 075
Cash and cash equivalents at the end of the period		306 864 125	158 120 590
Supplementary information			
Interest income		50 107 532	67 795 087
Dividends received		3 281 479	3 295 000
Interest paid		(29 957 757)	(36 508 986)
Composition of cash and cash equivalents		306 864 125	158 120 590
Cash and balances with central banks	8.1	200 249 393	85 790 712
Current accounts and call money loans with credit institutions	8.5	106 614 732	72 329 878

1. GENERAL INFORMATION

BANQUE DEGROOF LUXEMBOURG S.A. (hereinafter the “Bank”) was established on 29 January 1987 as a société anonyme (public limited company) under Luxembourg law. It was floated on the Luxembourg Stock Exchange on 29 November 1999, and subsequently delisted on 15 December 2005.

The Bank’s object is to carry out banking and investment activities of all kinds, in particular deposit-taking and lending of any kind, as well as transferable securities, wealth management, fiduciary and financial services transactions of any kind whatsoever, and any commercial, financial, securities and real estate transactions that facilitate the achievement of the above-mentioned objective.

The Bank and its subsidiaries (hereinafter the “Luxembourg Division”) are also included in the consolidation of Bank Degroof S.A., Brussels, located at 44 rue de l’Industrie, 1040 Brussels, Belgium.

The Luxembourg Division and Bank Degroof S.A. constitute the “Group”.

Since 9 December 2005 the Bank has had a branch in Belgium, located at 19 rue Guimard, 1040 Brussels. The consolidated financial statements were approved by the Board of Directors at its meeting on 6 December 2013.

2. REGULATORY CONTEXT

The Luxembourg Division’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the interpretations of these standards effective on 30 September 2013 and approved within the European Union.

In the case of accounting principles not specifically mentioned below, please refer to IFRS as approved within the European Union.

The accounting principles used in the preparation of these consolidated financial statements at 30 September 2013 are consistent with those applied at 30 September 2012.

3. CHANGES IN ACCOUNTING POLICIES AND METHODS

IFRSs (new, revised or amended) and the following IFRIC interpretations will apply for the first time in this financial year:

- amendments to IAS 12 “Deferred taxes recovery of underlying assets”, applicable with effect from financial years starting on or after 1 January 2012;
- amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”, applicable with effect from financial years starting on or after 1 July 2012;

The application of these new provisions had no material impact on the results or the equity capital of the Luxembourg Division, nor on the presentation of the consolidated financial statements.

Of the standards, amendments to standards and interpretations published by the IASB (International Accounting Standards Board) and adopted by the European Union on 30 September 2013, those mentioned below will come into force in subsequent financial years:

- amendments to IAS 19 “Defined Benefit Plans”, applicable with effect from financial years starting on or after 1 January 2013;
- IFRS 10 “Consolidated Financial Statements”, applicable with effect from financial years starting on or after 1 January 2014;
- IFRS 12 “Disclosures of interests in other entities”, applicable with effect from financial years starting on or after 1 January 2014;
- IAS 27 (revised) “Separate Financial Statements”, applicable with effect from financial years starting on or after 1 January 2014;
- IAS 28 (revised) “Investments in Associates and Joint Ventures”, applicable with effect from financial years starting on or after 1 January 2014;
- IFRS 13 “Fair Value Measurement”, applicable with effect from financial years starting on or after 1 January 2013;
- amendments to IFRS 7 “Disclosures: Offsetting Financial Assets and Financial Liabilities”, applicable with effect from financial years starting on or after 1 January 2013;
- amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”, applicable with effect from financial years starting on or after 1 January 2014;
- “Improvements to IFRSs (2009-2011)”, applicable with effect from financial years starting on or after 1 January 2013;
- amendments to IFRS 10, IFRS 11, IFRS 12 “Transition Guidance”, applicable with effect from financial years starting on or after 1 January 2014.

The Luxembourg Division does not expect the texts listed above to have a material impact when they are applied.

4. JUDGMENTS AND ESTIMATES USED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Preparing consolidated financial statements in accordance with IFRSs entails making judgments and estimates. Although the Luxembourg Division’s Executive Management believes that it has taken into account all the available information in arriving at these opinions and estimates, the reality may be different, and these differences may have an impact on the consolidated financial statements.

These estimates and judgments relate mainly to the following topics:

- determining the fair value of unlisted financial instruments;
- determining the useful life and the residual value of intangible and tangible assets;
- estimating the recoverable amount of impaired assets;
- assessing the current obligation resulting from events in the past in connection with the booking of provisions.

5. SUMMARY OF ACCOUNTING PRINCIPLES AND METHODS

5.1 Consolidation principles

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. Subsidiaries are any companies controlled by the Bank, i.e. entities over which the Bank has the direct or indirect power to dictate financial and operational policies in order to derive benefits from these activities.

Subsidiaries are consolidated using the full integration method, with effect from the date on which effective control was transferred to the Bank, and are removed from the scope of consolidation on the date such control ends. The Bank's and the subsidiaries' financial statements are drawn up on the same date, using similar accounting methods and using restatements where necessary. Intra-group balances, transactions, income and charges are eliminated.

Participating interests that are not controlling interests and are recognized as equity capital are shown separately in the consolidated statement of profit and loss and the consolidated balance sheet.

JOINT VENTURES

Joint ventures are any undertakings over which the Bank has direct or indirect joint control, i.e., no financial or operational strategic decision can be taken without the unanimous agreement of the parties that share control of the undertaking.

At present the Bank does not have any joint ventures, but should it do so, they will be recognized on an equity-accounted basis with effect from the date they come under joint ownership until such time as they are no longer jointly owned.

ASSOCIATES

Associates are any undertaking over which the Bank exercises a significant influence, i.e. it has the power to participate in decisions on financial and operating policy, even if it does not have control or joint control over these policies.

If the latter exceed the materiality threshold, they are recognized on an equity-accounted basis with effect from the date they come under joint ownership until such time as they are no longer jointly owned. The materiality threshold is based on an analysis of various criteria, including the share of consolidated equity capital, the share of consolidated income and the share of the consolidated balance sheet total. The associate's financial statements are drawn up on the same date, using similar accounting methods and using restatements where necessary.

5.2 Conversion of financial statements and transactions in foreign currencies

5.2.1 Conversion of financial statements in foreign currencies

The consolidated annual accounts are drawn up in euro (EUR), the operating currency of the Luxembourg Division.

On consolidation, the balance sheets of entities whose operating currency is different from that of the Bank are converted at the exchange rate on the closing date of the financial year. However, these entities' statements of profit and loss and cash statements are converted at the average exchange rate during the relevant period. Exchange differences resulting from these currency conversions are recognized in equity capital.

5.2.2 Conversion of transactions in foreign currencies

Transactions in foreign currencies are booked at the exchange rate on the date of the transaction.

Monetary assets and liabilities are converted at the exchange rate on the closing date of the accounting year, generating an exchange difference that is recognized in profit and loss.

Non-monetary items measured at fair value are converted at the exchange rate on the closing date of the financial year. The exchange difference resulting from this conversion is recognized in equity capital or in the statement of profit and loss, depending on the accounting treatment of the item in question. Other non-monetary items are measured at the historic exchange rate, i.e. the exchange rate on the date of the transaction.

5.3 Financial instruments

5.3.1 Date of recognition of financial instruments

All derivatives, and all purchases or sales of securities under a contract whose terms and conditions require delivery of the security within a time frame generally dictated by the regulations or by an agreement on the relevant market, are recognized on the transaction date. Receivables and deposits are recorded at the settlement date.

5.3.2 Offsetting

A financial asset and a financial liability are offset if, and only if, the Luxembourg Division has a legally enforceable right to offset the recognized amounts and if it intends to settle the net amount or realize the asset and settle the liability simultaneously.

5.3.3 Financial assets and liabilities held for trading

Financial assets and liabilities held for trading are financial assets and liabilities acquired or assumed mainly with regard to a short-term sale or purchase, or as part of a portfolio of financial instruments that are managed together and whose profile is that of recent short-term profit taking.

These assets and liabilities are initially recognized at their fair value (excluding trading costs recorded directly in the statement of profit and loss) and are subsequently remeasured at their fair value. Changes in fair value are recorded on the statement of profit and loss under "Net result on financial instruments held for trading". Interest earned or paid on non-derivative instruments is recognized under "Interest income and charges". Dividends received are included in "Dividend income".

All financial instruments having a positive (negative) replacement value are treated as held-for-trading financial assets (liabilities), with the exception of derivatives categorized as hedging instruments. Derivatives held for trading are recorded at their fair value at the beginning of the transaction and are subsequently valued at their fair value. Changes in fair value are recorded under "Net result on financial instruments held for trading" and interest earned or paid on derivatives is recognized under "Interest income and charges".

5.3.4 Financial assets and liabilities designated at fair value through profit or loss

Financial assets and liabilities are designated at fair value through profit or loss (or the fair value option) when the financial instrument is initially booked, and in compliance with the following criteria of use:

- this designation eliminates or significantly reduces a valuation or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would occur if it was not used; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a duly documented risk management or investment strategy; or
- a financial instrument contains a non-closely related embedded derivative.

The choice of the fair value option is irreversible once the asset or liability has been recorded in the balance sheet. This category has the same valuation rules as those applicable to the “Financial assets and liabilities held for trading” category.

The same headings as those defined for financial assets and liabilities held for trading are used for recognizing interest and dividends. However, changes in fair value are recognized under “Net result on financial instruments designated at fair value through profit or loss”.

5.3.5 Loans and advances

Loans and advances are non-derivative financial assets, with fixed or determinable payments, that are not quoted on an active market. Initially they are recognized at fair value, and subsequently at amortized cost using the effective interest rate method, adjusted for any impairment. The effective interest rate is the rate that discounts the future cash outflows or inflows over the expected life of the financial instrument or over a shorter period, where appropriate, so as to obtain the net carrying amount of the financial asset or liability.

Amortized cost calculated using the effective interest rate takes into account premiums and discounts and transaction fees and costs, which form an integral part of the effective interest rate. Amortization using the effective interest rate method is posted to the statement of profit and loss under “Interest income”. Impairment amounts are recognized through profit and loss under “Net impairment on assets”.

Loans and advances mainly include interbank and client loans and advances.

5.3.6 Investments held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Luxembourg Division intends and is able to hold until maturity. Held-to-maturity financial assets are initially recognized at their fair value, and are subsequently carried at amortized cost using the effective interest rate method, less any allowance for impairment.

Amortization using the effective interest rate method is posted to the statement of profit and loss under “Interest income”. Impairment amounts are recognized through profit and loss under “Net impairment on assets”.

5.3.7 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as being available for sale or do not fall into one of the abovementioned categories. These assets are initially recognized at their fair value and are subsequently remeasured at their fair value. Any fluctuations in fair value are recognized under a specific equity capital heading. If these assets are sold or impaired, the overall impact of remeasurement, hitherto recognized as equity capital, is recognized through profit or loss under “Net result of financial assets not recognized at fair value through profit or loss” or, as impairment under the heading “Net impairment on assets”.

Income from interest-bearing instruments recognized using the effective interest rate method is included under "Interest income". Dividends received are included in "Dividend income".

Available-for-sale assets mainly include fixed or variable income securities not categorized as financial assets held for trading and designated at fair value through profit or loss.

5.3.8 Participating interests

Participating interests not classified as "Available-for-sale financial assets" are valued at their acquisition price.

5.3.9 Other financial liabilities

Other financial liabilities include all other financial debts, subordinate or otherwise (with the exception of derivatives), not classified as held for trading or as designated at fair value through profit or loss.

Other financial liabilities are initially recognized at their fair value, and subsequently at amortized cost using the effective interest rate method. Accrued interest (including any difference between the net amount received and the repayment value) is recognized through profit and loss using the effective interest rate method, under "Interest expenses".

5.3.10 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between well-informed, willing parties in an arm's-length transaction. Fair value is determined on the basis of prices quoted on an active market (quotations given by a Stock Market, a broker or any other source recognized by investors). If there is no market, or no market prices are available, valuation techniques are used. These techniques rely on as much market data as possible, current calculation methods and a whole range of other factors such as time value, credit risk and liquidity risk. The fair value estimated using these techniques is therefore affected by the data used. The valuation techniques used include, inter alia, discounted cash flow methods, comparing the market values of similar instruments, option valuation models and other appropriate valuation models.

When first booked, the value of a financial instrument is the price of the transaction (i.e. the value of the sum paid or received for it), unless another value can be obtained on the basis of currently observable market transactions involving the same instrument or using a valuation technique based solely on observable market data. In the rare cases where fair value cannot be reliably determined, the financial instrument will be valued at cost.

To determine the fair value of financial instruments, the Luxembourg Division mainly uses the following valuation methods:

ACTIVE MARKET

Financial instruments are valued at fair value by referring to prices listed on an active market, when these are readily available. Listed securities and derivatives on organized markets (futures and options) are valued in this manner.

Over the counter derivatives such as interest rate swaps, options and forex contracts are valued using widely recognized models (discounting of future cash flows, Black Scholes model, etc.), which use observable market data.

For valuations that use mid-market prices as the basis for determining fair value, a price adjustment is applied, for each risk position, to net open positions using the buy or sell price, as appropriate.

ABSENCE OF ACTIVE MARKET

Most derivatives are traded on active markets.

If the price of a transaction on an inactive market does not correspond to the fair value of other observable transactions on this market for the same instrument or to the valuation with an internal model based on observable market data, this difference is recognized directly in the statement of profit and loss.

However, if this difference (commonly known as "Day 1 profit and loss") is generated by a valuation model whose parameters are not all based on observable market data, it is recognized through profit and loss over the life of the transaction, or deferred until the date on which the instrument is derecognized. In all cases, any unrecognized differences are immediately recognized through profit or loss if parameters that were not originally observable later become so, or if the fair value can be determined by reference to a price quoted on an active market involving the same instrument. For all transactions, the appropriate method for recognizing the difference through profit and loss is determined on a case by case basis.

ABSENCE OF ACTIVE MARKET – EQUITY INSTRUMENTS (UNQUOTED SHARES)

In the absence of any trading price recently realized in normal market conditions, the fair value of the unquoted shares is estimated using recognized valuation techniques such as discounted cash flow analysis, applying stock market multiples for comparable companies and the net asset value method.

The carrying amount of short-term financial instruments corresponds to a reasonable approximation of their fair value.

5.3.11 Embedded derivatives

An embedded derivative is defined as a component of a composite (hybrid) instrument that includes both a derivative financial instrument and a non-derivative host contract.

An embedded derivative should be separated from the host contract and accounted for as a derivative when:

- the risks and economic characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative;
- the hybrid (composite) instrument is not held for trading.

This (embedded) derivative is valued at fair value through profit or loss in the same way as a standalone derivative. The host contract is accounted for and valued according to the principles governing the category to which it belongs.

Insofar as the separation of the embedded derivative is permitted (see above), the entire hybrid contract can be designated as a financial asset or liability at fair value through profit or loss. However, if it is not

possible to value the embedded derivative separately, the entire hybrid contract must be designated as a financial asset or liability at fair value through profit or loss.

5.3.12 Derecognition of financial instruments

A financial asset is derecognized if:

- the contractual rights to the cash flows attached to the financial asset expire; or
- the Luxembourg Division has transferred almost all the risks and rewards attached to the ownership of this financial asset. If the Luxembourg Division neither transfers nor retains substantially all the risks and rewards attached to the ownership of the financial asset, this is derecognized if control of the financial asset is not kept. Otherwise, the Luxembourg Division keeps the financial asset on the balance sheet to the extent of its continuing involvement in this asset.

A financial liability is derecognized if the liability has expired, i.e. if the obligation described in the contract is cancelled or expires.

5.4 Leasing contracts

A finance lease is a lease that transfers virtually all of the risks and rewards attached to the ownership of the asset. An operating lease is any leasing contract other than a finance lease.

AS LESSEE

For operating leases, the leased asset is not recognized on the balance sheet and the lease rental payments are recognized through profit and loss on a straight-line basis over the life of the lease contract.

For finance leases, the leased asset is capitalized and recognized at the lower of its fair value or the discounted value of the minimum contractual lease payments. The asset is depreciated using the same depreciation rates as for assets of a similar nature, over the shorter of the contract period and its useful life. The related debt is recognized in liabilities as a financial debt. The financial expense is recognized through profit and loss over the period covered by the lease contract so as to obtain a constant periodic interest rate on the remaining balance of the liability.

AS LESSOR

Assets leased under an operating lease contract are accounted for in the balance sheet as fixed assets and depreciated using the same depreciation rates as for assets of a similar nature. Lease income is recognized as income on a straight-line basis over the life of the lease contract.

For finance leases, the current value of the minimum payments plus, where applicable, the residual value of the asset, is recognized as a receivable and not as a tangible asset. The financial income from the finance lease is spread over the life of the contract based on a table reflecting a constant rate of return on the net investment in the contract.

5.5 Property and equipment

Tangible assets are recorded at acquisition cost (including directly attributable expenses), less accumulated depreciation and any impairment losses. The Luxembourg Division applies the component method of fixed asset accounting (mainly for buildings) and the depreciable amount of an asset is determined after deduction of its residual value.

Depreciation is calculated on a straight-line basis, according to the useful lives of the assets concerned. The useful lives applied are:

NATURE OF THE FIXED ASSET OR COMPONENT	USEFUL LIFE
Land	Infinite
Building structures	40 years
Technical equipment	10 years
General equipment	20 years
Finishing	5 - 10 years
IT/telecoms equipment	4 years
Miscellaneous equipment	5 years
Office furniture	10 years
Vehicles	4 years

Land and works of art have an infinite useful life and are therefore not depreciated, but can be the subject of impairment losses.

At each financial year-end, where an indication of any kind exists that a tangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognized when the carrying amount of the fixed asset is higher than its estimated recoverable amount.

The useful lives and residual amounts of tangible fixed assets are reviewed at each financial year-end.

5.6 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical substance. Such an asset is recorded initially at cost if it is deemed that it will produce economic benefits in the future and if the acquisition cost of this asset can be reliably determined.

Intangible assets consist mainly of software acquired or developed internally as well as goodwill acquired as part of business combinations.

Purchased software is amortized on a straight-line basis, over a useful life of 4 years from the time it becomes usable. Software maintenance costs are charged to the statement of profit and loss when they are incurred. However, expenditure that improves the quality of the software or helps extend its useful life is added to the initial acquisition cost. The development costs of software written in-house are amortized on a straight-line basis over the period during which the group expects to benefit from the asset. Research costs are expensed directly as incurred.

Goodwill is amortized on a straight-line basis over its expected useful life. This does not generally exceed 20 years.

At each financial year-end, if there is an indication that an intangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable amount) is performed. An impairment loss is recognized when the carrying amount of the fixed asset is higher than its estimated recoverable amount. The recoverable amount of goodwill is estimated on the basis of changes in equity under management.

Intangible assets are recorded at acquisition cost less accrued depreciation and any impairment losses. The useful lives and residual amounts of intangible fixed assets are reviewed at each financial year-end.

5.7 Other assets

Other assets primarily comprise income receivable (excluding interest), deferred charges and other debtors. Also included in this balance are amounts receivable from employees.

5.8 Impairment

An impairment loss must be taken on an asset whenever its carrying amount (net of any depreciation/amortization) is higher than its recoverable amount.

At each balance sheet date, the Luxembourg Division assesses whether there is any indication (loss-generating event) that an asset may have lost value. Where such an indication exists, an impairment test is carried out and, where appropriate, an impairment loss is recorded through profit and loss. Even where no objective indication of impairment exists, such an examination is carried out, at least every year on the same date, in respect of intangible assets with indefinite useful lives.

FINANCIAL ASSETS

Impairment is recorded on financial assets or groups of financial assets whenever objective evidence exists of measurable impairment resulting from one or more events occurring since the initial recording of the asset or group of assets and whenever this loss-generating event has had an impact on the future estimated cash flows of this asset or group of assets. The following indications, among others, are viewed as objective evidence of impairment:

- the issuer is in significant financial difficulty;
- breach of contract such as a default or delay in the payment of interest or principal;
- the granting of facilities to the borrower for legal or economic reasons linked to its financial difficulties;
- high probability of bankruptcy or financial restructuring;
- disappearance of an active market for this particular asset (as a result of the financial difficulties);
- other observable data linked to a group of assets, such as an unfavorable change in the repayment behavior of borrowers in the group or an unfavorable change in a sector of activity that affects the Luxembourg Division's borrowers;
- major or prolonged decline in the fair value of an equity instrument below its cost.

The analysis of the existence of any impairment is undertaken solely on an individual basis. The collective assessment (portfolio approach) of impairment is not appropriate for the Luxembourg Division's lending activities.

Impairment on financial assets recognized at amortized cost corresponds to the difference between their carrying amount and the value of estimated cash flows, discounted at the original effective interest rate. If the discount effect is negligible, it is not taken into account. Impairment losses are recognized through profit and loss under "net impairment on assets", with an off-setting entry to an adjustment account with regard to the carrying amount of the impaired financial assets. If an event subsequent to the recording of the impairment indicates that the impairment loss has no longer any reason to exist, or has taken place only partially, the previously recorded impairment loss is reversed through the "Net impairment on assets" heading of the profit and loss section.

Once an impairment loss has been recorded on an asset, interest income is recognized based on the interest rate used for discounting the future cash flows.

The recoverable amount of available-for-sale financial assets is generally based on the quoted market prices or, if these are not available, on projected cash flows, discounted at the current market interest rate for a similar asset. When an objective indication of impairment exists, the accumulated loss recorded directly in equity is removed from equity and recognized through profit and loss under "Net impairment on assets".

Where the fair value of a fixed income security on which an impairment loss has been recognized later appreciates as the result of an event subsequent to the impairment, the impairment loss is reversed through profit or loss ("Net impairment on assets"). However, any subsequent recovery in the fair value of an equity instrument is recorded directly in equity.

OTHER ASSETS

The recoverable amount of a non-financial asset is the greater of its fair value less costs to sell, and its value in use. Fair value less costs to sell corresponds to the amount that can be realized from the sale of an asset under normal market conditions between informed and consenting parties, after deduction of the disposal costs. The value in use of an asset is the net present value of the future cash flows expected to be derived from this asset.

If it is not possible to estimate the recoverable amount of an individual asset, the asset is attached to a cash generating unit (CGU) to determine any impairment losses at this level of aggregation.

An impairment loss is recorded directly through profit and loss under "Net impairment on assets". If an asset has been revalued, the impairment loss is treated as a reduction of the revaluation. The impairment loss of a CGU is allocated so as to reduce the carrying amount of the assets of this unit pro rata the carrying value of each of the CGU's assets.

An impairment loss recognized during a previous financial year is reversed whenever there has been a favorable change in the estimates used for determining the recoverable amount of the asset since an impairment loss was last recognized. In such cases, the carrying amount of the asset needs to be increased up to its recoverable amount, without exceeding the carrying amount of the asset prior to the impairment loss, i.e. after the application of normal depreciation/amortization rates.

5.9 Provisions

A provision is recognized if:

- the Luxembourg Division has a present legal or constructive obligation resulting from a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;
- the amount of the obligation can be reliably estimated.

If the effect of the time value of money is material, the provision is recorded at its present value.

5.10 Taxation

CURRENT TAX LIABILITIES

Tax assets and liabilities correspond to the amounts actually payable or recoverable, determined on the basis of the prevailing tax regulations at the financial year-end, as well as to tax adjustments made in previous periods.

DEFERRED TAXES

Deferred tax is recognized whenever a temporary difference exists between the fiscal value of the assets and liabilities and their carrying amount. Deferred tax is recognized using the liability method, which consists of calculating, at each reporting date, deferred tax based on the current tax rates or the rates that will prevail (where known) at the time that the temporary differences reverse.

Deferred tax liabilities are recorded for all taxable temporary differences, with the exception of those:

- linked to the initial recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the accounting profit nor the taxable profit; or
- associated with investments in subsidiaries, associates and joint ventures to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized in respect of all tax-deductible temporary differences, tax losses carried forward and unused tax credits to the extent that it is probable that a future taxable profit will be available against which the differences can be utilized, except where the deductible temporary difference:

- is generated by the recognition of an asset or a liability in a transaction that is not a business combination and that affects neither the accounting profit nor the taxable profit; or
- relates to the investments in subsidiaries, associates and joint ventures to the extent that this difference will not reverse in the foreseeable future.

Current tax payable and deferred taxes are recognized through profit or loss as tax charges or income, except where they are linked to items recorded in equity (revaluation to fair value of available-for-sale assets and derivatives designated as cash flow hedges), in which case they are recorded in equity and subsequently recognized in income pro rata with the realized capital gains or losses.

5.11 Employee benefits

In accordance with national regulations and practices in the sector, the pension scheme in place at the Luxembourg Division is that of a group insurance scheme in the defined contributions format. A few rare exceptions to the defined contributions system exist in Luxembourg, resulting from the transitional arrangements accepted by the Social Security General Inspectorate when the plan was brought into conformity with the 1998 legislation.

Both for the defined contributions system and for the remaining cases of defined benefits, the Luxembourg Division pays the insurer the amounts calculated according to the regulations at the beginning of each financial year. These premiums are recognized as charges for the financial year in question. The expenses relating to the incentive plan put in place at the Luxembourg Division are charged against income with equity as the counter-entry.

5.12 Other liabilities

Other liabilities include in particular dividends payable, charges payable (excluding interest), deferred income and other debts.

5.13 Interest income and charges

Interest income and charges are recognized through profit and loss on all interest-bearing instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to obtain the net carrying amount of the financial asset or financial liability. The calculation of this rate includes all related fees and points paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs directly linked to the acquisition, issue or sale of a financial instrument.

Once an interest-bearing financial asset has been written down following an impairment, interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for measuring the recoverable amount.

Interest charges and income from derivatives held for trading are recognized under this same heading. Accrued interest is recorded in the balance sheet in the same account as the corresponding financial asset or liability.

5.14 Dividends

Dividends are recognized once the shareholder's right to receive payment has been established.

5.15 Fees and commissions

The Luxembourg Division recognizes fees and commissions received in respect of the various services rendered to its clients as income. The method of accounting for these fees and commissions depends on the nature of the services.

Commissions for services provided over a specified period are recognized as and when the service is rendered, or on a straight-line basis over the duration of the commission-generating transaction. This applies to management, administration, financial services, custody and other service fees.

Fees linked to a major undertaking, such as intermediary services, placement, performance and brokerage, are deferred and recorded at the time of execution of the undertaking.

5.16 Result from the revaluation or disposal of financial instruments

Results on operations for trading purposes include all gains and losses from changes in the fair value of financial assets and liabilities held for trading.

(Un)realized gains and losses (excluding accrued interest and dividends) on financial instruments designated at fair value through profit or loss are recorded in the revaluation results relating to these instruments. Gains and losses on the sale or disposal of financial instruments that are not designated at fair value through profit or loss, or are held for trading, are recorded under "net result on financial instruments not measured at fair value through profit or loss".

6. RISK MANAGEMENT

6.1 Organization of risk management

The entire Group's risk management policy is determined by the executive committee of Bank Degroof S.A. The Bank Degroof S.A. executive committee is responsible for its application across the Group. Within this framework it regularly assesses the level of risks taken and reviews all holding limits on an annual basis. The Banque Degroof Luxembourg S.A. executive committee is responsible to the parent company for the application of this policy at a local level and that of its subsidiaries.

In order to implement its risk management policy, the executive committee of Bank Degroof S.A. has delegated some of its responsibilities to committees on which Banque Degroof Luxembourg S.A. is represented. The committees that concern Banque Degroof Luxembourg S.A. are:

- the Asset and Liability Management Committee (ALMAC committee) is responsible for managing the Group's balance sheet and off-balance sheet assets and liabilities, in order to generate a stable and adequate financial margin within acceptable risk limits. This committee also manages the consolidated liquidity risk;
- the limits committee is responsible, for the entire Group, for granting new limits for all products for banking and broking counterparties. It also reviews existing limits on a regular basis.

In addition, risk management and policing the limits is managed on a daily basis by the Luxembourg Division's risk management department. This monitors market, liquidity, counterparty, asset management and operational risks.

At the Bank's request, the CSSF has approved the total exemption of the risks in respect of the Bank Degroof Group in the calculation of the major risk limits, in accordance with part XVI, point 24 of circular 06/273, as amended.

6.2 Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its financial commitments at due date at a reasonable cost.

This risk is managed at the consolidated level by the ALMAC committee, on a monthly basis, with day-to-day management as regards Banque Degroof Luxembourg S.A. delegated to the dealing room treasury department, under the supervision of the risk management department.

The Luxembourg Division applies a prudent treasury management strategy, limiting its long-term commitments and favoring repurchase agreements over traditional interbank borrowings. The Luxembourg Division mainly reinvests its cash in a portfolio of highly-liquid bonds that can be realized at any time through sale or repurchase agreements. In the case of non-sovereign bonds, the Luxembourg Division applies rigorous selection criteria in terms of rating and liquidity, and imposes diversification between issuers in order to reduce concentration risk as much as possible. In this way it can ensure the liquidity of these portfolios, either via sales or via bi- or tripartite repo programs.

The Luxembourg Division requires a minimum reserve amount to be kept with the Central Bank as well as an amount of unpledged sovereign bonds in order to have day-to-day liquidity with which to face any withdrawals. These amounts were set for the 2012-2013 financial year at EUR 75 million with the Central Bank and EUR 150 million of unpledged sovereign bonds (no change on 2011-2012 financial year).

In accordance with CSSF Circular 09/403, which requires the application of stress tests, the control exercised by the risk management department focuses on three scenarios: ongoing management, management in the event of a generalized liquidity crisis in the market, and management in the event of a liquidity crisis specific to the Bank and its subsidiaries. Cash flows must be sufficient to enable the Bank to cope with each of these three scenarios, which are monitored daily.

The Luxembourg Division has introduced a liquidity management policy linked to the crisis scenarios mentioned above. This provides, in the event of a market liquidity crisis scenario, for the possibility of generating cash immediately through repo transactions on all bonds in the Luxembourg Division's portfolio. In the event of a liquidity crisis specific to the Luxembourg Division, the policy provides for the immediate liquidation of the bond portfolio and of the portfolio of protected equities within five days.

The accessibility of the bond portfolios is always taken into account when calculating the corrected liquidity gap.

The tables below show the liquidity gaps based on contractual treasury flows (known or estimated), with no discounting of financial assets and liabilities:

(in EUR)

30.09.2013	ON DEMAND	UP TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial assets						
Loans and advances to credit institutions ¹	245 943 107	100 260 536	250 548 094	5 175 319	12 752 075	614 679 131
Loans and advances to customers	95 155 462	192 585 918	73 241 791	51 537 520	55 372 971	467 893 662
Bonds and other fixed income securities ²	0	13 189 091	257 656 404	850 340 647	47 592 500	1 168 778 642
Derivatives	202 535 554	3 091 568 850	418 074 768	117 609 893	1 217 023	3 831 006 088
Unused credit lines	42 276 613	0	0	0	0	42 276 613
Total Assets	585 910 736	3 397 604 395	999 521 057	1 024 663 379	116 934 569	6 124 634 136
Financial liabilities						
Deposits from credit institutions	43 996 316	243 266 592	2 029 364	0	0	289 292 272
Deposits from customers	1 492 542 571	294 385 398	132 431 165	0	1 622 947	1 920 982 081
Derivatives	201 657 187	3 095 686 195	425 653 453	124 293 356	526 594	3 847 816 785
Guarantees given	0	38 007 988	0	0	0	38 007 988
Total Liabilities	1 738 196 074	3 671 346 173	560 113 982	124 293 356	2 149 541	6 096 099 126
Liquidity gap	(1 152 285 338)	(273 741 778)	439 407 075	900 370 023	114 785 028	28 535 010
Impact of repo capacity of bond portfolio ²	1 028 594 032	0	(157 305 918)	(822 513 211)	(48 774 903)	0
Corrected liquidity gap	(123 691 306)	(273 741 778)	282 101 157	77 856 812	66 010 125	28 535 010

¹ Includes cash and assets with the Central Bank.

² The majority of the EUR-denominated bonds included in this table are considered to be rapidly accessible via repurchase agreements

(in EUR)

30.09.2012	ON DEMAND	UP TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Financial assets						
Loans and advances to credit institutions ¹	159 052 664	100 266 213	250 750 505	0	0	510 069 382
Loans and advances to customers	114 213 897	158 342 767	77 769 786	76 549 053	72 623 673	499 499 176
Bonds and other fixed income securities ²	0	1 708 941	368 844 742	674 187 356	31 306 175	1 076 047 214
Derivatives	82 492 124	3 144 483 910	820 117 915	8 492 131	1 010 796	4 056 596 876
Unused credit lines	64 567 119	0	0	0	0	64 567 119
Total Assets	420 325 804	3 404 801 831	1 517 482 948	759 228 540	104 940 644	6 206 779 767
Financial liabilities						
Deposits from credit institutions	48 506 390	7 442 084	10 175 544	0	0	66 124 018
Deposits from customers	1 370 002 244	305 399 624	244 175 094	0	1 616 030	1 921 192 992
Derivatives	82 662 882	3 146 206 827	835 466 232	23 729 771	664 353	4 088 730 065
Guarantees given	0	32 141 666	0	0	0	32 141 666
Total Liabilities	1 501 171 516	3 491 190 201	1 089 816 870	23 729 771	2 280 383	6 108 188 741
Liquidity gap	(1 080 845 712)	(86 388 370)	427 666 078	735 498 769	102 660 261	98 591 026
Impact of repo capacity of bond portfolio ²	1 004 164 241	0	(312 318 269)	(664 261 386)	(27 584 586)	0
Corrected liquidity gap	(76 681 471)	(86 388 370)	115 347 809	71 237 383	75 075 675	98 591 026

6.3 Market risk

6.3.1 Policy

Market risks are the risks of an unfavorable evolution of market factors (interest rates, equity prices, exchange rates, etc.) which affect the positions that the Luxembourg Division takes for its own account. Treasury, foreign exchange and bond trading activities are monitored daily with the help of indicators such as Value-at-Risk (VaR), interest rate sensitivity, scenario analyses, and, more simply, nominal volumes. These activities are compared with limits set by the executive committee within the framework dictated by the parent company.

In accordance with Basel II, the calculation method chosen assumes the impact of a 200 basis point move in interest rates for interest rate risk and historical VaR (which measures the maximum loss with a 99% confidence interval and a one-year holding period) for foreign exchange risk. These indicators are used to calculate economic capital for interest-rate and foreign exchange-related market risks.

6.3.2 Trading

6.3.2.1 Interest rate risk

The Luxembourg Division's principal short-term interest rate management activity is cash management. Trading in interest rate products is very limited.

¹ Includes cash and assets with the Central Bank.

² The majority of the EUR-denominated bonds included in this table are considered to be rapidly accessible via repurchase agreements.

On a daily basis, the Risk Management department monitors interest rate risk using the following indicator:

- the Value Basis Point (VBP) in relation to the limits attributed to the cash management activity by the ALMAC committee.

6.3.2.2 Foreign exchange risk

This mainly involves hedging the foreign exchange risk generated by all the Bank's departments and, to a lesser extent, by its currency trading activities.

The indicators used to monitor daily foreign exchange risk are:

- limits set in terms of nominal amounts;
- historical VaR.

Table summarizing sensitivity indicators for the Bank's trading activities:

		(in EUR)			
2013					
		30.09.2013	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	VBP	31 098	33 245	21 795	43 621
Foreign exchange risk	Nominal	386 679	789 062	293 109	6 480 857
2012					
		30.09.2012	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	VBP	20 872	25 615	12 510	32 316
Foreign exchange risk	Nominal	282 995	960 248	235 367	2 829 613

6.3.3 Long term

6.3.3.1 Interest rate risk

This is the financial risk resulting from the impact of a change in interest rates on the interest margin and on the fair value of fixed income instruments.

This risk is managed on a monthly basis by the Bank's ALMAC committee using a standard defined in terms of duration gap. This standard was defined on the basis of the maximum acceptable loss in the event that rates rise by 1%, as allocated by the executive committee of Bank Degroof S.A. to the Group's transformation activity and shared between Brussels and Luxembourg. This includes all balance sheet items and is split between cash positions (described in the previous paragraph) and ALM.

This analysis is supplemented by Basis Point Value monitoring, which looks only at interest rate-sensitive items, all maturities combined.

The loss in the event of a 1% rise in interest rates amounted to:

		(in EUR)			
2013					
		30.09.2013	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk		7 446 761	4 891 418	2 034 141	8 591 718
2012					
		30.09.2012	AVERAGE	MINIMUM	MAXIMUM

Interest rate risk	3 682 314	3 101 245	2 160 007	4 669 701
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6.4 Credit risk

6.4.1 Description

Credit risk is the risk of loss resulting from a (professional, institutional, corporate, private, etc.) counterparty failing to meet its contractual obligations on time. This risk is monitored on a daily basis.

In the case of counterparty limits, exposure is calculated in line with changes in market value, to which an add-on reflecting the risk of future changes in this value is added. This exposure is then compared with the limits granted by the limits committee.

6.4.2 Credit risk management

The amount of the Luxembourg Division's exposure to credit risk is represented by the carrying value, net of value corrections, of the assets, guarantees issued and unused confirmed credit lines granted to its clients.

The amount of the Luxembourg Division's exposure to credit risk on derivative financial instruments is represented by their global replacement cost. To reduce the credit risk on these operations, the Luxembourg Division has signed 19 CSA (Credit Support Annex) agreements.

The tables that follow show the Luxembourg Division's exposure to credit risk, calculated according to Basel II rules:

	NET VALUE AT RISK	FINAL VALUE AT RISK ¹	(in EUR) RISK-WEIGHTED ASSETS ²
30.09.2013			
Total	2 352 831 971	1 995 038 276	465 664 084
Loans and advances to credit institutions	478 068 209	478 068 209	93 895 533
Loans and advances to customers	508 283 360	264 594 810	264 637 054
Bonds and other fixed-income securities	1 153 188 143	1 143 997 136	24 971 109
<i>Public issuers</i>	701 851 547	701 851 547	0
<i>Other issuers</i>	451 336 596	442 145 589	24 971 109
Equities and other variable rate instruments	80 957 269	40 432 810	40 432 810
Contingent liabilities and commitments	72 412 177	14 462 498	14 451 498
Derivatives held for trading Over the counter	59 922 813	53 482 813	27 276 080
Derivatives held for trading Over the counter			
Total derivatives	59 922 813	53 482 813	27 276 080
<i>Foreign exchange derivatives</i>			
<i>Forward contracts</i>	20 613 245	20 613 245	20 411 503
<i>Swap contracts</i>	24 252 020	20 682 020	4 136 404
Options acquired	265 030	265 030	116 071
<i>Interest rate derivatives</i>			

¹ The final amount at risk reflects the techniques used to reduce credit risk (mainly guarantees) and the off-balance sheet conversion factor.

² The amount of weighted assets at risk corresponds to the final value at risk multiplied by the weighting associated with each exposure counterparty.

<i>Swap contracts</i>	8 664 572	5 794 572	1 386 512
Options acquired	18 577	18 577	3 715
<i>Equity derivatives</i>			
Options acquired	6 109 369	6 109 369	1 221 875
			(in EUR)
30.09.2012	NET VALUE AT RISK	FINAL VALUE AT RISK ¹	RISK-WEIGHTED ASSETS ²
Total	2 239 116 629	1 863 728 315	439 342 825
Loans and advances to credit institutions	432 720 322	432 720 322	86 544 064
Loans and advances to customers	507 357 023	255 546 650	256 477 487
Bonds and other fixed-income securities	1 064 882 449	1 064 882 449	28 780 693
<i>Public issuers</i>	608 895 578	608 895 578	0
<i>Other issuers</i>	455 986 871	455 986 871	28 780 693
Equities and other variable rate instruments	54 929 221	13 002 342	13 618 726
Contingent liabilities and commitments	90 896 362	14 989 025	14 996 775
Derivatives held for trading Over the counter	88 331 252	82 587 527	38 925 080
Derivatives held for trading Over the counter			
Total derivatives	88 331 252	82 587 527	38 925 080
<i>Foreign exchange derivatives</i>			
<i>Forward contracts</i>	30 402 628	30 402 628	26 858 017
<i>Swap contracts</i>	42 971 803	37 228 078	9 030 062
Options acquired	230 247	230 247	91 686
<i>Interest rate derivatives</i>			
<i>Swap contracts</i>	4 129 964	4 129 964	825 993
Options acquired	20 934	20 934	4 187
<i>Equity derivatives</i>			
Options acquired	10 575 676	10 575 676	2 115 135

Three different credit categories can be identified within the Luxembourg Division:

A) LIMITS FOR BANKING COUNTERPARTIES

The granting of limits, in particular for interbank deposits, is centralized at Luxembourg Division level and is based on the granting and review of limits each month by the limits committee, which is composed of senior managers from Brussels and Luxembourg.

B) LENDING TO CLIENTS FOR NON-BANKING COUNTERPARTIES

The Luxembourg Division's appetite for credit risk is very low. The bank will only consider lending to private individuals up to the equivalent amount of collateral. Credit facilities for companies are limited to first rate debtors.

Non-performing and impaired loans consist solely of on loans and advances granted to clients which are either overdue or cancelled. The amounts shown in the table below (in EUR) correspond to amounts outstanding in the case of overdue receivables or the full amount of the loan (principal and interest) in the case of others; the duration is the number of days since the first date payment was overdue and the number of days since the loan was terminated respectively:

	(in EUR)			
	30.09.2013	30.09.2013	30.09.2012	30.09.2012
	LOANS	GUARANTEES ³	LOANS	GUARANTEES ³
Less than 3 months	3 886 359	3 884 708	226 834	200 105

³ The amount of guarantees received is limited to the amount of the loans covered.

3 months to 1 year	96 701	96 701	7 241 432	7 240 632
1 to 5 years	2 768 168	2 768 168	0	0
More than 5 years	82 256	0	75 028	0
Total impaired loans	6 833 484	6 749 577	7 543 294	7 440 737

C) THE LUXEMBOURG DIVISION'S INVESTMENT PORTFOLIO

Historically, the Luxembourg Division's investment portfolio has been set up to meet cash reinvestment requirements and has an overall limit of EUR 300 million for banking sector issuances and EUR 375 million for government-guaranteed bank issues.

The portfolio of banking sector issuances is made up exclusively of bonds issued by banks in OECD countries approved by the Bank (see note 6.4.3). The average rating of the portfolio, in which total assets under management amounted to EUR 117 million at 30 September 2013, is AA- and the minimum rating of an individual bond is A. Insofar as the portfolio consisting of covered bonds is concerned, total assets under management amounted to EUR 150 million at 30 September 2013, with an average rating of AAA.

The portfolio of government-guaranteed bank issues is made up exclusively of bonds issued by banks in the European Union approved by the Bank. This portfolio totaled EUR 135 million at 30 September 2013.

6.4.3 Regional exposure

In regional terms, the Luxembourg Division has no exposure to "emerging" countries and focuses mainly on the European Union and certain OECD countries. The list of authorized countries is reviewed on a regular basis, and includes only countries rated as being of the highest quality (minimum AA-).

During the period under review, the Luxembourg Division decided to re-authorize certain investments in Italian government bonds, for an amount limited to EUR 105 million.

6.5 Asset management risk

Asset management risk is the financial risk resulting from possible inconsistencies or excessive risk taking in the asset management strategies pursued by the Luxembourg Division as a whole.

This risk is monitored within each entity by the respective control departments, and also at the consolidated level, using aggregate data. The controls focus on compliance with the management constraints set by both the client and the Group's executive committee (in particular in terms of diversification, equity ratio and authorized investment products) as well as performance monitoring. Bank Degroef Group's risk management department ensures that the controls and investment principles across the various subsidiaries are consistent.

6.6 Capital management

The overriding objectives of capital management at the Luxembourg Division are to ensure that the Luxembourg Division meets regulatory requirements and maintains a level of capitalization consistent with the level of activity and the risks incurred.

Regulatory own funds:

	30.09.2013	30.09.2012
Tier 1 own funds	205 169 477	217 713 895
Tier 2 own funds	0	2 208 427
Total Own Funds	205 169 477	219 922 322
Own funds requirement	61 830 390	61 455 903
Ratio	26.55%	28.63%

Once a year, the Luxembourg Division produces a report on ICAAP, in accordance with the regulations in force. This report is approved by the Bank's Board of Directors and its executive committee. It certifies the adequacy of the Bank's own funds in relation to the risks incurred, even in crisis scenarios.

7. SCOPE OF CONSOLIDATION

NAME	REGISTERED OFFICE	PROPORTION OF CAPITAL HELD AT 30 SEPTEMBER	
		2013	2012
Parent Company			
Banque Degroof Luxembourg S.A.	Luxembourg		
Fully consolidated subsidiaries			
Degroof Banque Privée S.A. - Geneva	Geneva, Switzerland	-	100.000%
Bearbull Degroof International Limited	Nassau, Bahamas	-	100.000%
D.S. Lux S.A.	Luxembourg	99.920%	99.920%
Degroof Gestion Institutionnelle - Luxembourg S.A.	Luxembourg	99.950%	99.950%
Promotion Partners S.A.	Luxembourg	100.000%	100.000%
Associate undertaking consolidated using the equity method			
Landolt & Cie S.A.	Lausanne, Switzerland	25.000%	-

On 3 July 2013, Degroof Banque Privée S.A. was absorbed by Swiss private bank Landolt & Cie S.A.; the new entity has retained the Landolt & Cie S.A. name.

During this merger, the Bank sold 76.29% of its participating interest in Degroof Banque Privée S.A. to Landolt & Cie S.A. and exchanged the remaining shares for 25% of the shares in the new entity.

The Bank entered into an option contract (conditional) for the potential acquisition of a further 15% of the share capital of Landolt & Cie S.A.. This option, agreed with an existing Landolt & Cie S.A. shareholder, may be exercised in the first quarter of 2018, provided that the conditions are met at that time. If the conditions are met, the option contract will entitle the Bank to purchase 15% of the share capital held by this shareholder (call option) and, additionally, will entitle the other shareholder to sell 15% of the share capital that it holds to the Bank (put option). The sale price is determined on the basis of certain parameters pertaining to Landolt & Cie S.A. at the time the option is exercised.

The results of Degroof Banque Privée S.A. and Bearbull Degroof International Limited are therefore shown for a 9-month period from 1 October 2012 to 30 June 2013 in the 2013 figures.

The Bank wholly owns certain companies which are not consolidated as the Bank does not control them.

8. NOTES TO THE BALANCE SHEET

8.1 Cash and current accounts with central banks

The “Cash and current accounts with central banks” heading breaks down as follows:

	30.09.2013	30.09.2012
		(in EUR)
Cash	918 791	990 537
Balances with central banks – mandatory reserves	0	33 025 597
Balances with central banks other than mandatory reserves	199 330 602	84 800 175
Accrued interest	9 000	10 000
Total	200 258 393	118 826 309

Les montants repris en trésorerie et équivalents de trésorerie sont les suivants:

	30.09.2013	30.09.2012
		(in EUR)
Cash	918 791	990 537
Balances with central banks other than mandatory reserves	199 330 602	84 800 175
Total	200 249 393	85 790 712

At 30 September 2012 and 2013, the Bank had fulfilled its obligations in terms of “regulatory reserves” with the Central Bank.

8.2 Financial assets held for trading

Financial assets held for trading consist of the following types:

	30.09.2013	30.09.2012
		(in EUR)
Derivatives held for trading	53 192 099	58 131 382
Equity instruments	124	85 176
Units of investment funds	124	85 176
Debt instruments	8 947 095	8 141 021
Treasury bills and government bonds	0	5 317 366
Bonds of other issuers	8 947 095	2 823 655
Accrued interest	(201 926)	759 207
Total assets held for trading	61 937 392	67 116 786

The tables below show a breakdown of the derivatives held for trading:

	30.09.2013	30.09.2013	30.09.2012	(in EUR) 30.09.2012
	CARRYING VALUE	NOTIONAL VALUE	CARRYING VALUE	NOTIONAL VALUE
Foreign exchange derivatives	25 261 525	1 974 535 118	39 895 984	2 071 558 669
over the counter				
<i>Forward contracts</i>	4 965 062	474 178 021	16 862 040	687 389 295
<i>Swap contracts</i>	20 235 396	1 469 010 256	22 984 401	1 358 012 721
<i>Options acquired</i>	61 067	20 396 334	49 543	18 070 435
organized market				
<i>Futures</i>	0	10 950 507	0	8 086 218
Interest rate derivatives	4 112 585	488 448 235	927 386	147 701 033
over the counter				
<i>Swap contracts</i>	1 899 007	317 269 939	707 890	50 000 000
<i>Options acquired</i>	1 990	3 317 309	4 347	3 317 309
organized market				
<i>Options acquired</i>	2 211 588	74 664 940	215 149	28 265 723
<i>Futures</i>	0	93 196 047	0	66 118 001
Equity derivatives	23 817 989	1 158 977 764	17 308 012	649 018 333
over the counter				
<i>Options acquired</i>	2 873 150	47 146 002	6 593 351	60 580 781
organized market				
<i>Options acquired</i>	20 944 839	357 563 897	10 714 661	165 789 322
<i>Futures</i>	0	754 267 865	0	422 648 230
Total derivatives	53 192 099	3 621 961 117	58 131 382	2 868 278 035

A breakdown of fair values (excluding accrued interest), according to whether they are derived from a published market price or using a valuation technique, is given in note 8.20.

8.3 Financial assets designated at fair value through profit or loss

Equity investments are designated on their acquisition date at fair value through profit or loss if they are hedged economically by an option structure, in accordance with a risk management strategy. This designation eliminates or significantly reduces any accounting mismatch that may otherwise occur as a result.

At the beginning of 2009, interbank deposit activity was limited owing to liquidity risk and credit risk. A new bond portfolio was created to compensate for this. Most of the securities in this portfolio are government issuances or securities issued by financial institutions with a state guarantee. This portfolio is hedged economically using interest rate swaps and has been designated at fair value through profit or loss to avoid a mismatch resulting from different valuation methods.

Financial assets designated at fair value through profit or loss break down as follows:

	30.09.2013	(in EUR) 30.09.2012
Equity instruments	37 457 700	36 857 765
Equities	37 457 700	36 857 765
Debt instruments	615 248 181	677 953 382
Treasury bills and government bonds	372 298 185	482 891 205
Bonds of other issuers	242 949 996	195 062 177
Accrued interest	7 029 233	7 156 339
Total financial assets designated at fair value through profit or loss	659 735 114	721 967 486

A breakdown of fair values according to whether they are derived from a published market price or using a valuation technique, is given in note 8.20.

The amounts of bonds subject to lending or repurchase agreements are given in note 8.21.

8.4 Available-for-sale financial assets

Available-for-sale financial assets are represented by listed and unlisted fixed or variable income transferable securities, shown here broken down by type:

	30.09.2013	(in EUR) 30.09.2012
Equity instruments	43 311 510	43 915 238
Equities	43 307 246	43 853 896
Units of investment funds	4 264	61 342
Debt instruments	388 684 192	196 515 428
Treasury bills and government bonds	203 667 150	28 014 055
Bonds of other issuers	184 868 294	168 352 619
Other fixed income instruments	148 748	148 754
Accrued interest	2 800 946	579 673
Total available-for-sale financial assets	434 796 648	241 010 339

Available-for-sale financial assets are recognized at fair value. A breakdown of fair values (excluding accrued interest), according to whether they are derived from a published market price or using a valuation technique, is given in note 8.20.

During this financial year, as in the 2008 financial year, part of the bond portfolio was transferred to the "Held-to-maturity investments" portfolio, as described in this chapter and in note 8.8.

Impairment tests performed on 30 September 2013 and 2012 did not detect any impairment losses to be recognized in connection with this portfolio, which is carried at fair value.

The amounts of bonds subject to lending agreements are given in note 8.21.

The revaluation reserve consists of the following items:

	30.09.2013	(in EUR) 30.09.2012
Revaluation reserve of the portfolio of available-for-sale financial assets	3 030 988	2 718 291
Revaluation reserve - held-to-maturity investments	46 385	(287 914)
Total revaluation reserves net of deferred taxes	3 077 373	2 430 377

The table below shows the movements of the revaluation reserve for the available-for-sale assets portfolio:

	FIXED INCOME SECURITIES	VARIABLE INCOME SECURITIES	(in EUR) TOTAL
Balance at 30.09.2011	(1 170 021)	1 252 943	82 922
Increase (decrease) in unrealized gross revaluation gains - AFS portfolio	1 476 598	(8 588)	1 468 010
Decrease (increase) in unrealized gross revaluation losses - AFS portfolio	1 396 062	(7 306)	1 388 756
Increase (decrease) in gross gains - Transfer to held-to-maturity portfolio	844 598	0	844 598
Deferred taxes	(1 070 572)	4 577	(1 065 995)
Balance at 30.09.2012	1 476 665	1 241 626	2 718 291
Increase (decrease) in unrealized gross revaluation gains - AFS portfolio	(38 764)	466 518	427 754
Decrease (increase) in unrealized gross revaluation losses - AFS portfolio	25 550	11 131	36 681
Deferred taxes	(4 848)	(146 890)	(151 738)
Balance at 30.09.2013	1 458 603	1 572 385	3 030 988

TRANSFER OF "AVAILABLE-FOR-SALE FINANCIAL ASSETS" TO THE "HELD-TO-MATURITY INVESTMENTS" PORTFOLIO.

During this financial year, as in the 2008 financial year, part of the bond portfolio designated as "Available-for-sale financial assets" was transferred to the "Held-to-maturity investments" portfolio. This transfer was carried out in accordance with the amendments to IAS 39 published on 15 October 2008. The Luxembourg Division intends to hold these transferred bonds until maturity.

The value of the securities reclassified since 2008 is shown in the table below:

	30.09.2013	(in EUR) 30.09.2012
Carrying value	10 395 050	95 086 136
Fair value	10 333 375	96 428 015

If the securities in question had been kept in the "Available-for-sale financial assets" portfolio, the following impacts would have been recorded:

	30.09.2013	(in EUR) 30.09.2012
Impact on revaluation reserve	139 830	572 654
Impact on deferred taxes	76 875	115 176

The unrealized revaluation gains or losses on these bonds, recognized in “Revaluation reserves”, are being retained in this item and amortized through profit and loss over their remaining life.

Movements relating to the revaluation reserve – held-to-maturity investments:

	(in EUR)
Unrealized gains or losses transferred to available-for-sale portfolio	
Balance at 30.09.2011	(134 425)
Unrealized gains or losses at 1 October 2011 transferred to available-for-sale portfolio	(844 598)
Amortization of unrealized revaluation gains or losses 2011-2012 financial year	691 109
Balance at 30.09.2012	(287 914)
Amortization of unrealized revaluation gains or losses 2012-2013 financial year	334 299
Balance at 30.09.2013	46 385

8.5 Loans and advances to credit institutions

Interbank loans and advances break down as follows:

	30.09.2013	30.09.2012
Demand deposits	98 600 857	72 329 878
Term loans	374 373 794	359 883 518
Accrued interest	1 384 884	506 927
Total loans and advances to credit institutions	474 359 535	432 720 323

Current accounts and loans with initial terms of less than three months are included in the definition of cash equivalents in the cash flow statement.

8.6 Loans and advances to customers

Loans and advances to customers and movements of impairments on these loans and advances are as follows:

	30.09.2013	30.09.2012
Current account overdrafts	126 805 707	101 542 743
Mortgages	104 750 992	125 582 670
Term loans (including Lombard loans)	286 912 694	290 301 927
Accrued interest	2 152 200	2 320 118
Carrying value before depreciation	520 621 593	519 747 458
Impairments	(1 652 782)	(842 683)
Total loans and advances to customers	518 968 811	518 904 775

Impairment losses are calculated solely on the basis of individual valuations and not on a collective basis (portfolio approach), which would be inappropriate for the Luxembourg Division’s credit activity.

No new impairment had been recognized during the previous financial year, whereas impairments in the amount of EUR 909 443 were recorded during the financial year and recognized under “Net impairment on assets”. The change in the amount of impairment losses from one financial year to the next takes into account the revaluation of earlier amounts in foreign currencies.

Over the last two financial years, no loans have been subject to rescheduling in order to avoid a default situation.

8.7 Participating interests

Participating interests are recorded at acquisition cost.

Their gross value at 30 September 2013 was EUR 187 935 (EUR 187 935 at 30 September 2012).

8.8 Investments held to maturity

Held-to-maturity investments are as follows:

	30.09.2013	30.09.2012
		(in EUR)
Government bonds	130 064 797	83 668 606
Bonds issued by credit institutions	0	89 376 835
Premiums/discounts	(1 367 368)	76 332
Accrued interest	1 537 155	1 177 103
Total held-to-maturity investments	130 234 584	174 298 876

Following the amendments made to IAS 39, and in particular those permitting the transfer of securities to the held-to-maturity portfolio, the Bank opted to transfer bonds recorded under "Available-for-sale financial assets" to the "Held-to-maturity investments" portfolio at their value measured at 1 July 2008 and 1 October 2011. This value becomes the new acquisition value of these securities, with the difference between the acquisition price and the redemption price amortized through profit and loss over their remaining life. During the 2013 financial year, the Bank had the opportunity to sell the last security transferred in 2008: the acquisition value of this security maturing in 2035 was EUR 623 089, an insignificant amount in relation to the total portfolio amount. A second security was also sold 11 days before its final repayment. The result of these sales was recognized under "Net result on financial instruments not measured at fair value through profit or loss" (note 9.6).

The residual value of this portfolio at 30 September 2013 was EUR 10 395 050 (at 30 September 2012: EUR 95 086 136) (note 8.4).

No impairment losses have been recognized on held-to-maturity investments.

The amounts of bonds subject to lending agreements are given in note 8.21.

8.9 Property and equipment

Tangible assets can be broken down as follows:

	LAND AND ¹ BUILDINGS	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
					(in EUR)
Net carrying amount at closing on 30.09.2011	38 275 298	384 367	519 409	510 950	39 690 024
Acquisition value	56 700 953	5 646 274	3 137 108	1 559 404	67 043 739
Cumulative depreciation and impairment	(18 425 655)	(5 261 907)	(2 617 699)	(1 048 454)	(27 353 715)
Net carrying amount at closing on 30.09.2012	36 636 820	513 163	492 480	549 426	38 191 889
Acquisition value	57 439 160	6 057 385	3 344 729	1 518 255	68 359 529
Cumulative depreciation and impairment	(20 802 340)	(5 544 222)	(2 852 249)	(968 829)	(30 167 640)
Net carrying amount at closing on 30.09.2013	39 308 437	716 649	489 314	429 255	40 943 655
Acquisition value	62 486 226	5 894 472	2 377 247	1 118 352	71 876 297
Cumulative depreciation and impairment	(23 177 789)	(5 177 823)	(1 887 933)	(689 097)	(30 932 642)

¹ The acquisition value of the land is EUR 10 248 042.

Changes in the net carrying amount can be explained as follows:

	(in EUR)				
	LAND AND BUILDINGS	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
Closing balance at 30.09.2011	38 275 298	384 367	519 409	510 950	39 690 024
Acquisitions	707 541	401 187	160 738	208 418	1 477 884
Disposals	0	0	0	(252 022)	(252 022)
Depreciation	(2 389 379)	(272 976)	(189 414)	(152 544)	(3 004 313)
Reversal of depreciation upon disposal	0	0	0	213 569	213 569
Reversal of impairment upon disposal	0	0	0	20 769	20 769
Foreign exchange differences	43 360	585	1 747	286	45 978
Closing balance at 30.09.2012	36 636 820	513 163	492 480	549 426	38 191 889
Changes in scope	(971 104)	(2 522)	(53 367)	(12 273)	(1 039 266)
Acquisitions	6 178 621	531 591	216 677	76 022	7 002 911
Disposals	0	0	(10 453)	(219 417)	(229 870)
Depreciation	(2 535 900)	(325 583)	(165 035)	(140 533)	(3 167 051)
Reversal of depreciation upon disposal	0	0	9 012	154 549	163 561
Reversal of impairment upon disposal	0	0	0	21 481	21 481
Closing balance at 30.09.2013	39 308 437	716 649	489 314	429 255	40 943 655

Residual amounts of fully depreciated fixed assets are estimated at zero.

Land has an infinite useful life and is therefore not depreciated.

At 30 September 2013, the amounts shown in the "Changes in scope" line chiefly relate to the removal of Degroof Banque Privée S.A. and Bearbull Degroof International Limited.

8.10 Intangible assets

Intangible assets can be broken down as follows:

	GOODWILL	SOFTWARE	(in EUR) TOTAL
Net carrying amount at closing on 30.09.2011	17 348 321	1 017 420	18 365 741
Acquisition value	47 767 265	11 596 952	59 364 217
Cumulative depreciation	(21 955 197)	(10 579 532)	(32 534 729)
Impairments	(8 463 746)	0	(8 463 746)
Net carrying amount at closing on 30.09.2012	13 811 562	831 541	14 643 103
Acquisition value	47 767 265	11 995 008	59 762 273
Cumulative depreciation	(25 279 630)	(11 163 467)	(36 443 097)
Impairments	(8 676 073)	0	(8 676 073)
Net carrying amount at closing on 30.09.2013	10 634 526	594 619	11 229 145
Acquisition value	26 780 138	10 327 048	37 107 186
Cumulative depreciation	(15 504 908)	(9 732 429)	(25 237 337)
Impairments	(640 704)	0	(640 704)

Changes in the net carrying amount can be explained as follows:

	GOODWILL	SOFTWARE	(in EUR) TOTAL
Closing balance at 30.09.2011	17 348 322	1 017 420	18 365 742
Acquisitions	0	387 206	387 206
Depreciation	(3 324 433)	(573 936)	(3 898 369)
Impairments	(212 327)	0	(212 327)
Foreign exchange differences	0	851	851
Closing balance at 30.09.2012	13 811 562	831 541	14 643 103
Changes in scope	0	(19 607)	(19 607)
Acquisitions	0	214 751	214 751
Disposals	(20 987 127)	0	(20 987 127)
Depreciation	(2 894 405)	(432 066)	(3 326 471)
Reversal of depreciation/impairment upon disposal	20 987 127	0	20 987 127
Impairments	(282 631)	0	(282 631)
Closing balance at 30.09.2013	10 634 526	594 619	11 229 145

In accordance with the accounting methods and guidelines described in note 5.6, the Luxembourg Division conducts a check on the impairment of intangible assets as a minimum at the close of each financial year or more frequently if there is any indication of an intangible asset having lost value.

Following this valuation of intangible assets, impairments of EUR 78 291 were recorded during the year ended 30 September 2013 in respect of the goodwill of Degroof, Thierry, Portabella & Associés S.A. and EUR 204 340 in respect of the goodwill of Banque Nagelmackers 1747 (Luxembourg) S.A.. At 30 September 2012, impairments of EUR 212 327 had been recorded in respect of the goodwill of Degroof, Thierry, Portabella & Associés S.A..

At 30 September 2013, the amount shown in the "Changes in scope" line chiefly relates to the removal of Degroof Banque Privée S.A..

8.11 Investments in associates consolidated using the equity method

Investments in companies consolidated using the equity method break down as follows:

	30.09.2013	(in EUR) 30.09.2012
Associate undertakings		
Landolt & Cie S.A.	14 615 155	0
Total	14 615 155	0

At 30 September 2013, the equity capital of Landolt & Cie S.A. amounted to EUR 26 273 885 and income amounted to EUR 1 753 586.

8.12 Other assets

“Other assets” includes the following items:

	30.09.2013	(in EUR) 30.09.2012
Income receivable	36 054 127	33 849 138
Prepaid expenses	1 106 166	1 109 049
Tax advances	196 574	173 229
VAT	5 439 147	4 099 054
Other assets	807 462	855 943
Total other assets	43 603 476	40 086 413

Income accruals are mainly fees due from investment funds. The “Tax advances” heading shows advance tax payments other than those on profit and refundable taxes pursuant to national legislation.

8.13 Financial liabilities held for trading

Details of the types of financial liabilities held for trading are as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Derivatives held for trading	64 345 924	74 422 350
Liabilities relating to short-selling of financial assets	0	5 475
<i>Fixed income securities</i>	0	5 475
Accrued interest	4 814 639	4 703 442
Total financial liabilities held for trading	69 160 563	79 131 267

The Luxembourg Division takes no short positions in proprietary trading. In the context of intermediation transactions on behalf of clients, the Luxembourg Division occasionally finds itself in a short position during the transaction settlement process. These positions are recognized under "Liabilities relating to short sales of financial assets".

The tables below show a breakdown of the derivatives held for trading:

	(in EUR)			
	30.09.2013	30.09.2013	30.09.2012	30.09.2012
	CARRYING VALUE	NOTIONAL VALUE	CARRYING VALUE	NOTIONAL VALUE
Foreign exchange derivatives	26 604 380	2 183 491 208	41 679 969	2 023 739 404
over the counter				
<i>Forward contracts</i>	21 128 008	1 555 698 172	26 900 435	1 363 303 006
<i>Swap contracts</i>	5 442 235	598 612 429	14 738 481	632 898 695
<i>Options issued</i>	34 137	18 230 100	41 053	19 451 485
organized market				
<i>Futures</i>	0	10 950 507	0	8 086 218
Interest rate derivatives	14 302 862	1 015 060 946	20 797 919	893 557 853
Swap contracts				
<i>organized market</i>	12 091 274	847 199 967	20 582 770	799 174 124
Options issued				
<i>Futures</i>	2 211 588	74 664 932	215 149	28 265 728
<i>Futures</i>	0	93 196 047	0	66 118 001
Equity derivatives	23 438 682	1 161 252 017	11 944 462	672 070 644
Options issued				
<i>organized market</i>	2 493 843	49 420 255	1 229 801	62 451 799
Options issued				
<i>Futures</i>	20 944 839	357 563 897	10 714 661	186 970 615
<i>Futures</i>	0	754 267 865	0	422 648 230
Total derivatives	64 345 924	4 359 804 171	74 422 350	3 589 367 901

A breakdown of fair values (excluding accrued interest), according to whether they are derived from a published market price or using a valuation technique, is given in note 8.20.

8.14 Deposits from credit institutions

Interbank deposits break down as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Demand deposits	38 995 660	22 658 587
Term deposits	31 981 705	5 243 163
Repo transactions	218 283 500	36 697 500
Accrued interest	25 066	33 502
Total deposits from credit institutions	289 285 931	64 632 752

8.15 Deposits from customers

Deposits from customers are as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Demand deposits	1 487 983 528	1 419 362 915
Term deposits	432 245 603	495 116 202
Repo transactions	0	0
Accrued interest	516 759	1 247 983
Total deposits from customers	1 920 745 890	1 915 727 100

8.16 Provisions

The Luxembourg Division's provisions relate solely to provisions for pending litigation with various counterparties. Changes in these are as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Opening balance	2 987 210	2 758 638
Allocations to provisions	2 574 568	575 700
Use of provisions	(105 890)	(347 128)
Closing balance	5 455 888	2 987 210

These provisions are based on the best financial year-end estimates available, taking the opinions of internal or external experts into account.

At 30 September 2013, the Bank made a provision for an amount of EUR 2 500 000 in the context of taking over the legal commitments of its ex-subsiary, Degroof Banque Privée S.A. (note 10.4).

The timing of cash outflows relating to these provisions is unknown in view of the uncertainty connected with the outcome and time to settle this litigation.

8.17 Other liabilities

“Other liabilities” includes the following items:

	30.09.2013	30.09.2012
		(in EUR)
Salaries and social security charges	6 434 285	6 986 610
Charges payable	25 827 771	23 913 228
Prepaid income	840 346	691 004
Other financial liabilities	393 396	644 559
Other payables	9 017 305	12 142 845
Total other liabilities	42 513 103	44 378 246

Other liabilities mainly consist of VAT and other taxes payable.

8.18 Current and deferred tax liabilities

Taxes payable can be summarized as follows:

	30.09.2013	30.09.2012
		(in EUR)
Current tax liabilities	24 185 496	19 672 615
Deferred taxes	7 044 543	4 942 878
Total current and deferred tax liabilities	31 230 039	24 615 493

Changes in deferred tax liabilities are explained by:

	30.09.2013	30.09.2012
		(in EUR)
Opening balance	4 942 878	4 544 320
Charge in profit and loss	1 949 927	(667 436)
Items recorded directly in equity capital	151 738	1 065 994
Closing balance	7 044 543	4 942 878

Deferred tax is calculated on the following temporary differences:

	30.09.2013	30.09.2012
		(in EUR)
Tangible and intangible assets	3 002 456	3 281 742
Provisions	569 790	561 600
Available-for-sale financial assets	1 251 274	1 099 536
Investments in associates consolidated by the equity method	2 221 023	0
Deferred taxes	7 044 543	4 942 878

8.19 Equity

The table below shows the composition of equity capital:

	30.09.2013	30.09.2012
		(in EUR)
Subscribed capital	37 000 000	37 000 000
Share premium	40 356 000	40 356 000
Legal reserve	3 700 000	3 700 000
Reserve for wealth tax	23 044 323	15 883 373
Other reserves and retained earnings	109 589 819	131 847 752
Revaluation reserves	3 077 373	2 430 377
Net profit for the year, group share	51 227 052	51 880 003
Interim dividend	(35 520 000)	(46 620 000)
Participating interests not giving control, presented as part of equity capital	3 862	4 661
Total	232 478 429	236 482 166

The Bank's subscribed capital is represented by 740 000 shares with a par value of EUR 50 each.

LEGAL RESERVE

Under legislation governing commercial companies, at least 5% of net profits must be allocated to a legal reserve each year until such reserve is equal to 10% of the share capital. The legal reserve has reached 10% of the share capital.

RESERVE FOR WEALTH TAX

In accordance with paragraph 8a of the law on wealth tax, the Bank records the wealth tax due for the year against the amount of wealth tax. To this end, the Bank's general shareholders' meeting has allocated in a non-distributable reserve an amount corresponding to five times the amount of the wealth tax recorded.

REVALUATION RESERVES

Revaluation reserves include unrealized net gains and losses on available-for-sale financial assets (see notes 8.4 and 9.14).

OTHER RESERVES AND RETAINED EARNINGS

Other reserves and retained earnings reflect the impact of the transition to IFRS for an amount of EUR 3 558 663, and the expenses relating to the incentive plan put in place at the Luxembourg Division, i.e. a charge of EUR 367 247 for the financial year ended 30 September 2013 (2012: a charge of EUR 214 857). At 30 September 2013, the cumulative amount relating to the incentive plan included in other reserves amounted to EUR 3 737 116 (2012: EUR 3 369 869).

INTERIM DIVIDEND

The Board of Directors of the Bank decided to make an interim dividend payment for an amount of EUR 35 520 000 on 25 September 2013 (2012: EUR 46 620 000) as permitted under the Articles of Association.

8.20 Fair value of financial instruments

The carrying amounts and fair values of financial instruments are shown, by financial instrument category, in the table below:

	30.09.2013	30.09.2013	30.09.2012	(in EUR) 30.09.2012
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets				
Cash and credit balances with central banks	200 258 393	200 258 393	118 826 309	118 826 309
Financial assets held for trading	61 937 392	61 937 392	67 116 786	67 116 786
Financial assets designated at fair value through profit or loss	659 735 114	659 735 114	721 967 486	721 967 486
Available-for-sale financial assets	434 796 648	434 796 648	241 010 339	241 010 339
Loans and advances to credit institutions	474 359 535	475 351 050	432 720 323	434 505 910
Loans and advances to customers	518 968 811	521 454 972	518 904 775	521 906 370
Investments held to maturity	130 234 584	131 066 262	174 298 876	176 828 933
Total	2 480 290 477	2 484 599 831	2 274 844 894	2 282 162 133
Financial liabilities				
Financial liabilities held for trading	69 160 563	69 160 563	79 131 267	79 131 267
Deposits from credit institutions	289 285 931	289 292 272	64 632 752	64 730 711
Deposits from customers	1 920 745 889	1 920 982 078	1 915 727 100	1 916 695 546
Total	2 279 192 383	2 279 434 913	2 059 491 119	2 060 557 524

The fair value of financial instruments includes accrued interest.

For those financial instruments not marked to fair value in the financial statements, the following methods and assumptions are used in determining their fair value:

- the carrying amount of short-term financial instruments and of financial instruments without fixed maturities corresponds to a reasonable approximation of their fair value.
- other loans and borrowings are revalued by discounting their future cash flows on the basis of market interest rate curves at the closing date.

The fair value of financial instruments is determined using the methods described in chapter 5.3.10. "Fair value of financial instruments". Financial instruments are classified in one of the three following categories:

- Level 1 comprises valuations based on quoted prices on active markets. No model or valuation technique is used.
- Level 2 uses models and valuation techniques using parameters that are observable on an active market.
- Valuations not based on observable data on active markets are classified as level 3.

The tables below show fair value classifications (excluding accrued interest) by valuation category:

	30.09.2013	LEVEL 1	LEVEL 2	LEVEL 3	(in EUR) TOTAL
Financial instruments measured at fair value					
Derivatives		23 156 427	30 035 672	0	53 192 099
Other financial assets held for trading		8 947 219	0	0	8 947 219
Financial assets designated at fair value through profit or loss		652 705 881	0	0	652 705 881
Available-for-sale financial assets		313 827 201	249	118 168 252	431 995 702
Total		998 636 728	30 035 921	118 168 252	1 146 840 901
Financial liabilities measured at fair value					
Derivatives		23 156 427	41 189 497	0	64 345 924
Total		23 156 427	41 189 497	0	64 345 924
30.09.2012					
Financial instruments measured at fair value					
Derivatives		11 007 600	47 123 782	0	58 131 382
Other financial assets held for trading		8 206 602	19 595	0	8 226 197
Financial assets designated at fair value through profit or loss		714 811 147	0	0	714 811 147
Available-for-sale financial assets		196 084 242	501 425	43 845 002	240 430 669
Total		930 109 591	47 644 802	43 845 002	1 021 599 395
Financial liabilities measured at fair value					
Derivatives		11 001 124	63 421 226	0	74 422 350
Other financial liabilities held for trading		5 475	0	0	5 475
Total		11 006 599	63 421 226	0	74 427 825

Level 3 securities are valued mainly on the basis of equity and consist of structures used by Estate Planning and unlisted shares; at 30 September 2013, certificates of deposit are valued on the basis of their yield on maturity.

There was no transfer between levels during the financial years ending on 30 September 2012 and 2013.

The table below sets out the movements relating to financial instruments valued at fair value under Level 3:

	(in EUR)		
	FIXED INCOME SECURITIES	VARIABLE INCOME SECURITIES	TOTAL
Closing balance at 30.09.2011	0	43 116 154	43 116 154
Acquisitions	0	2 440 693	2 440 693
Sale	0	(1 703 408)	(1 703 408)
Revaluation of securities	0	(8 437)	(8 437)
Closing balance at 30.09.2012	0	43 845 002	43 845 002
Acquisitions	74 718 345	19 720 386	94 438 731
Sale	0	(1 015 400)	(1 015 400)
Winding up	0	(19 705 516)	(19 705 516)
Revaluation of securities	138 731	466 704	605 435
Closing balance at 30.09.2013	74 857 076	43 311 176	118 168 252

The results recognized as a result of these movements are set out in the table below:

	(in EUR)	
	30.09.2013	30.09.2012
Net result on financial instruments not measured at fair value through profit or loss - Financial assets available for sale	142 161	0
Tax on current financial year result	(41 539)	0
Impact on current financial year result	100 622	0
Revaluation at fair value - Available-for-sale financial assets	605 435	(8 437)
Taxes recorded directly in reserves	(176 908)	2 430
Impact on other components of comprehensive income	428 527	(6 007)
Impact on total comprehensive income	529 149	(6 007)

8.21 Financial assets transferred

Financial assets transferred but remaining fully recognized consist solely of debt instruments.

Repurchase transactions relate to bonds in the “Financial assets designated at fair value through profit or loss” portfolio; the related liabilities are the amounts recorded in “Deposits from credit institutions”.

The carrying amounts and fair values of these assets and liabilities are shown in the following table:

	30.09.2013 CARRYING VALUE	30.09.2013 FAIR VALUE	30.09.2012 CARRYING VALUE	30.09.2012 FAIR VALUE
Financial assets transferred	219 102 387	219 102 387	36 707 866	36 707 866
Related financial liabilities	218 299 280	218 303 397	36 697 571	36 697 571
Net position		798 990		10 295

During the 2013 financial year, the Bank extended its proprietary securities lending activity; the amounts of bonds subject to lending agreements and guarantees received as collateral are broken down in the following table:

	30.09.2013 CARRYING VALUE	30.09.2013 FAIR VALUE	30.09.2012 CARRYING VALUE	30.09.2012 FAIR VALUE
Financial assets designated at fair value through profit or loss	58 581 594	58 581 594	7 271 055	7 271 055
Available-for-sale financial assets	65 040 663	65 040 663	1 198 675	1 198 675
Investments held to maturity	77 467 726	78 120 338	0	0
Total financial assets transferred	201 089 983	201 742 595	8 469 730	8 469 730

9. NOTES TO THE INCOME STATEMENT

9.1 Interest income and charges

Interest income and charges by type of interest-bearing financial instrument are as follows:

	30.09.2013	30.09.2012
		(in EUR)
Interest income	51 947 691	66 810 843
Cash and current accounts with central banks	133 026	810 498
Financial assets held for trading	18 879 253	24 673 474
Financial assets designated at fair value through profit or loss	17 549 543	19 528 564
Available-for-sale financial assets	2 412 984	3 308 921
Loans and advances to credit institutions	2 439 628	3 824 133
Loans and advances to customers	8 415 574	10 762 406
Investments held to maturity	2 117 683	3 902 847
Interest expenses	(29 328 041)	(33 858 143)
Deposits from central banks	0	(122)
Financial liabilities held for trading	(26 085 856)	(26 334 577)
Deposits from credit institutions	(326 006)	(474 940)
Deposits from customer	(2 916 179)	(7 048 504)
Margin net of interest	22 619 650	32 952 700

9.2 Dividend income

Dividends received by financial asset category are set out below:

	30.09.2013	30.09.2012
		(in EUR)
Financial assets held for trading	0	768
Financial assets designated at fair value through profit or loss	3 271 219	2 884 650
Available-for-sale financial assets	10 260	409 582
Total	3 281 479	3 295 000

9.3 Fee and commission income and expense

Commission income and expense break down as follows by service type:

	(in EUR)	
	30.09.2013	30.09.2012
Fee and commission income	195 024 443	173 318 096
Investment fund-related activities – Custodian bank	11 488 699	11 000 534
Investment fund-related activities – Central administration	7 987 969	6 923 784
Investment fund-related activities – Other	75 005 727	65 927 854
Asset management	53 616 552	50 626 445
Brokerage	16 963 592	12 929 779
Securities services (other than custody fees)	21 174 928	18 316 020
Custody fees	4 086 298	3 395 226
Other	4 700 678	4 198 454
Fee and commission expense	(113 560 925)	(95 867 679)
Investment fund-related activities – Central administration	(1 171 229)	(985 321)
Investment fund-related activities – Custodian bank and others	(84 339 129)	(74 823 064)
Asset management	(511)	(1 995)
Brokerage	(14 290 242)	(10 275 325)
Securities services (other than custody fees)	(7 293 466)	(4 669 417)
Fees (other than custody fees)	(934 089)	(715 904)
Custody fees	(1 839 824)	(1 752 454)
Other	(3 692 435)	(2 644 199)
Net fee and commission income	81 463 518	77 450 417

The heading “Investment-fund related activities – Other” consists essentially of distribution commissions and management fees.

Most of the fees take the form of commissions paid to business introducers.

9.4 Net result held-for-trading financial instruments

The table below breaks down the gains and losses on held-for-trading financial instruments by financial instrument type:

	(in EUR)	
	30.09.2013	30.09.2012
Equity instruments and related derivatives	(9 308 490)	(8 374 448)
Interest rate instruments and related derivatives	11 213 250	(10 953 941)
Foreign exchange transactions	9 075 224	7 437 525
Total	10 979 984	(11 890 864)

All interest received and paid on these financial instruments is recognized in interest income and charges. The above-mentioned gains and losses include the marking to fair value of these financial instruments as well as the realized results.

9.5 Net result on financial instruments designated at fair value through profit or loss

Profit and loss on financial instruments designated at fair value through profit or loss break down as follows by financial instrument type:

	30.09.2013	30.09.2012
		(in EUR)
Equity instruments	4 707 837	5 546 705
Interest rate instruments	(11 917 420)	9 923 689
Total	(7 209 583)	15 470 394

The above-mentioned gains and losses include the marking to fair value of these financial instruments as well as the realized results.

9.6 Net result on financial instruments not measured at fair value through profit or loss

The table below breaks down the gains and losses on financial instruments not designated at fair value through profit or loss by category and by type of financial instrument:

	30.09.2013	30.09.2012
		(in EUR)
Available-for-sale financial assets	7 338 674	(399 206)
Loans and advances	10 317	50 966
Investments held to maturity	193 653	0
Total	7 542 644	(348 240)

All interest received and paid on these financial instruments is recognized in interest income and charges. The marking to fair value of available-for-sale financial assets is recorded in equity under revaluation reserves. Only the proceeds of sales of available-for-sale financial assets are included under this heading. The amount realized on investments held to maturity is described in note 8.8.

9.7 Other net operating results

Other net operating results break down as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Other operating income	3 481 405	5 630 938
Lease income	1 964 893	2 302 055
Realized capital gain on sale of tangible and intangible assets	22 228	51 265
Recovery of various charges	1 449 832	1 198 278
Reimbursements from AGDL	21 766	33 285
Other	22 686	2 046 055
other operating charges	(604 026)	(638 261)
Realized capital losses on sale of tangible and intangible assets	(13 015)	0
Non-earnings related taxes	(373 429)	(250 069)
Other	(217 582)	(388 192)
Other net operating results	2 877 379	4 992 677

At 30 September 2012, VAT refunds were recognized under other income; no VAT refunds were recorded during this financial year.

The recovery of other charges includes the re-invoicing of administrative services and general expenses such as electricity co-generation and equipment leasing.

9.8 Personnel expenses

Staff expenses consist of the following charges:

	(in EUR)	
	30.09.2013	30.09.2012
Wages and salaries	(30 258 835)	(30 283 013)
Social security, social insurance and extra-legal insurance	(3 351 397)	(3 403 430)
Pension costs	(1 100 495)	(1 101 743)
Staff benefits linked to incentive plan	(367 247)	(214 858)
Other costs	(979 874)	(1 164 607)
Total	(36 057 848)	(36 167 651)

Note 11 gives information on benefits granted to staff and on the incentive plan.

The average number of staff employed was:

	(en unités)	
	30.09.2013	30.09.2012
Management	17	19
Senior management	126	135
Employees	197	203
Total	340	357

The amount of remuneration awarded to the governing body during the year was:

		(in EUR)
	30.09.2013	30.09.2012
Directors	(174 332)	(284 642)
Management	(7 610 367)	(6 705 516)
Total	(7 784 699)	(6 990 158)

The total amount of advances/loans granted to the governing body at 30 September 2013 was EUR 718 044 (2012: EUR 543 236). At 30 September 2013 and 2012, guarantees for EUR 22 500 were granted to Directors; the amount granted to the governing body was EUR 262 115 at 30 September 2013 (at 30 September 2012: EUR 0).

9.9 General and administrative expenses

General and administrative expenses break down as follows:

		(in EUR)
	30.09.2013	30.09.2012
Marketing, advertising and public relations	(483 756)	(643 295)
Professional fees	(1 530 616)	(1 759 483)
Operating leases	(1 740 974)	(1 890 261)
IT and telecommunications charges	(5 062 913)	(4 839 150)
Repairs and maintenance	(2 186 908)	(2 333 625)
Other general and administrative expenses	(3 092 602)	(3 371 295)
Total	(14 097 769)	(14 837 109)

Other general and administrative expenses consist mainly of entertainment and travel expenses, supplies and documentation costs, training expenses, and contributions and insurance premiums other than those linked to personnel.

Fees for services invoiced to the Luxembourg Division during the year by KPMG Luxembourg S.à r.l and by auditors belonging to the KPMG network are as follows (excluding VAT):

		(in EUR)
	30.09.2013	30.09.2012
Auditing of annual consolidated accounts	(264 273)	(401 329)
Tax consulting services	(109 161)	(65 743)
Other services	(17 400)	(19 380)
Total	(390 834)	(486 452)

9.10 Depreciation and amortization

At 30 September 2013, depreciation of tangible assets was EUR 3 167 051 (at 30 September 2012: EUR 3 004 313) and amortization of intangible assets was EUR 3 326 471 (at 30 September 2012: EUR 3 898 369).

A breakdown of this depreciation and amortization by asset category is given in notes 8.9 and 8.10.

9.11 Provisions

Additional provisions for litigation (note 8.16) were recognized in an amount of EUR 2 574 568, including EUR 2 500 000 in the context of taking over the legal commitments of its ex-subsiary, Degroof Banque Privée S.A. (note 10.4); at 30 September 2012, the amount was EUR 575 700.

9.12 Impairment on assets

Net impairment on assets break down as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Loans and advances to customers	(909 443)	0
Intangible assets (Goodwill)	(282 631)	(212 327)
Total	(1 192 074)	(212 327)

At 30 September 2013, impairments related solely to goodwill, as described in note 8.10.

The impairment tests conducted on 30 September 2012 had revealed no impairments to be recognized on loans and advances to customers; at 30 September 2013, impairments on loans and advances to customers relate to advances granted to two customers (note 8.6).

9.13 Income tax expense

The net tax expense is explained as follows:

	(in EUR)	
	30.09.2013	30.09.2012
Tax on current financial year profit	8 116 126	12 015 286
Deferred taxes	1 893 878	(667 436)
Tax on current financial year result	10 010 004	11 347 850
Tax on previous financial year profit	56 049	0
Provision carried forward from previous financial years	(151 204)	(3 100)
Net tax expense	9 914 849	11 344 750

The table below reconciles the difference (in EUR) between the normal tax rate in Luxembourg (29.22% at 30 September 2013 and 28.80% at 30 September 2012) and the Bank's effective tax rate.

	(in EUR)	
	30.09.2013	30.09.2012
Pre-tax profit	61 143 523	63 226 615
Applicable tax rate at year-end	29.22%	28.80%
Notional tax on profit	17 866 137	18 209 265
Effect of different tax rates in other countries	61 342	53 682
Tax effect of non-deductible expenses	3 131 032	1 104 736
Tax effect of non-taxable income	(6 713 886)	(1 218 562)
Deductible tax expenses	(6 215 827)	(6 126 483)
Effect of other items	1 881 206	(674 788)
Tax on current financial year result	10 010 004	11 347 850
Effective average tax rate	16.37%	17.95%

The fiscal impact of non-taxable income consists mainly of non-taxable gains on shares and dividends.

9.14 Other components of comprehensive income

Other components of comprehensive income consists of results not recognized through profit and loss. At 30 September 2013 and 2012, the other items of comprehensive income consisted solely of unrealized results relating to the reevaluation of the portfolio of available-for-sale financial assets as shown in the table below in EUR. These results are recognized directly in equity capital (see note 8.4) and may be recognized through profit or loss in a subsequent period.

	30.09.2013	(in EUR) 30.09.2012
Fixed income securities	316 238	2 493 197
Fair value adjustment before tax	57 081	2 943 459
Transfer of reserve to pre-tax profit		
Reversal of reserve following sales/redemptions	(70 294)	773 799
Change in unrealized gains or losses of available-for-sale financial assets subsequent to their reclassification as held-to-maturity investments	334 299	(153 489)
Taxes recorded directly in reserves	(4 848)	(1 070 572)
Variable income securities	330 758	(11 317)
Fair value adjustment before tax	466 704	(15 894)
Transfer of reserve to pre-tax profit	10 944	0
Reversal of reserve following sales/redemptions	(146 890)	4 577
Total other items of comprehensive income	646 996	2 481 880

10. RIGHTS AND COMMITMENTS

10.1 Assets in open custody

Assets in open custody are mainly transferable securities that have been placed in custody by clients, regardless of whether the free disposition of the holder has been limited, or whether there is an investment agreement in place with the Luxembourg Division. These assets are measured at fair value.

Assets in open custody with the Luxembourg Division amounted, for the financial years ending on 30 September 2013 and 2012, to EUR 36 036 380 973 and EUR 33 386 549 032 respectively.

10.2 Contingent liabilities

Contingent liabilities consist of "Guarantees and other direct credit substitutes" in an amount of EUR 85 954 779 at 30 September 2013 (at 30 September 2012: EUR 60 693 251).

Almost all the assets pledged as guarantees consist of cash and securities pledged to Bank Degroof S.A. as part of futures and options transactions, and amounted at 30 September 2013 to EUR 55 819 215 (2012: EUR 31 551 585).

10.3 Guarantees received

At 30 September 2013, the Luxembourg Division had received assets to guarantee loans to its customers and derivatives transactions in an amount of EUR 735 574 545 (at 30 September 2012: EUR 531 363 306).

10.4 Commitments

The Luxembourg Division has commitments under credit lines granted to customers, of which the unused amount at 30 September 2013 stood at EUR 42 276 613 (at 30 September 2012: EUR 64 567 119).

As part of the merger by absorption of its subsidiary Degroof Banque Privée S.A., the Bank has taken over the latter's fiscal and legal commitments.

The Bank is a member of the non-profit organization "Association pour la Garantie des Dépôts, Luxembourg" (AGDL).

AGDL's sole purpose is to set up a mutual system to guarantee cash deposits in favor of clients of AGDL member credit institutions and of receivables from investments with AGDL member credit and investment institutions.

Cash deposits and amounts receivable as a result of investment operations by clients, who are eligible natural persons and legal entities under the regulations, are guaranteed up to an amount of EUR 100 000 (or its equivalent in any currency) per client for cash deposits, and up to EUR 20 000 (or its equivalent in any currency) for amounts receivable from client investment operations.

In the event that this guarantee is called in, each AGDL member is liable up to the limit of 5% of its equity per year.

11. PERSONAL BENEFITS AND SHARE-BASED PAYMENT PLANS

11.1 Post-employment benefits

Post-employment benefits consist of defined contribution pension plans. The contributions expense during the financial year was EUR 1 100 495 (at 30 September 2012: EUR 1 101 743).

11.2 Incentive plan

In recent years Bank Degroof S.A. has set up a number of incentive plans in favor of either directors, senior managers of the Bank Degroof Group or both, with a view to ensuring their loyalty and aligning their personal interests with those of the Bank Degroof Group. These schemes have been set up in accordance with local legal provisions. The corresponding entry for the charge for the period of EUR 367 247 in 2013 (2012: EUR 214 857) is recorded in equity.

The incentive plans set up include cash-settled plans and share-settled plans. On 3 May 2013, the Bank set up a new scheme that will pay out in Bank Degroof S.A. shares. The beneficiaries of this plan are the directors and senior managers of Banque Degroof Luxembourg S.A. and its subsidiaries. The number of options allocated was 17 310; these were still outstanding at 30 September 2013. These options have a final expiry date of 30 April 2021 and a strike price of EUR 45. The impact of the revaluation at fair value of these options on the results at 30 September 2013 is a charge of EUR 49 255. The option plan set up in 2012, which will also be settled in Bank Degroof S.A. shares, generated a charge of EUR 74 497 at 30 September 2013 (2012: EUR 115 956).

12. RELATED PARTIES

FOR THE LUXEMBOURG DIVISION, RELATED PARTIES ARE ASSOCIATES, members of the board of directors and other executives of the Bank and its subsidiaries (“key management”), as well as close family members of the above-mentioned persons and any company controlled or significantly influenced by one of the above-mentioned persons.

Amounts relating to “Key management” are not comparable from one financial year to another. During the financial year, the “Liaison Committee” was dissolved and replaced by the “Management Committee”, thereby increasing the number of persons covered by the “Key management” heading.

The tables below summarize, by type, the transactions undertaken with parties related to the Bank Degroof Group:

(in EUR)

30.09.2013	PARENT COMPANY	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Balance sheet				
Overdrafts	68 013 971	59 872	33 118 242	101 192 085
Term loans	350 456 941	1 443 009	0	351 899 950
Other assets	16 289 805	0	1 852 172	18 141 977
Total assets	434 760 717	1 502 881	34 970 414	471 234 012
Deposits	0	1 813 276	430 036	2 243 312
Other liabilities	18 178 006	3 850	3 090 928	21 272 784
Total liabilities and equity	18 178 006	1 817 126	3 520 964	23 516 096
Other commitments	13 750	272 825	11 385 527	11 672 102
Guarantees received	0	1 226 477	44 500 000	45 726 477
Profit and loss				
Interest expenses	(1 702)	0	(48 115)	(49 817)
Fees and commissions	(32 598 321)	(264)	(10 076 973)	(42 675 558)
Personnel expenses	0	(6 580 335)	(248 532)	(6 828 867)
Other	(12 884)	0	(42 965)	(55 849)
Total expenses	(32 612 907)	(6 580 599)	(10 416 585)	(49 610 091)
Interest income	2 319 092	24 930	34 594	2 378 616
Fees and commissions	417 646	11 831	7 189 202	7 618 679
Other	4 191	0	30 807	34 998
Total income	2 740 929	36 761	7 254 603	10 032 293

(in EUR)

30.09.2012	PARENT COMPANY	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Balance sheet				
Overdrafts	39 004 673	44 292	24 559 104	63 608 069
Term loans	359 508 438	1 055 137	0	360 563 575
Other assets	11 411 203	1 237	1 456 368	12 868 808
Total assets	409 924 314	1 100 666	26 015 472	437 040 452
Deposits	587 085	3 758 258	1 541 532	5 886 875
Other liabilities	15 219 639	12 840	357 980	15 590 459
Total liabilities and equity	15 806 724	3 771 098	1 899 512	21 477 334
Other commitments	13 750	22 500	19 943 464	19 979 714
Guarantees received	0	504 905	44 500 000	45 004 905
Profit and loss				
Interest expenses	(344)	(4 121)	(67 945)	(72 410)
Fees and commissions	(29 784 712)	(152)	(8 695 237)	(38 480 101)
Personnel expenses	0	(6 040 047)	(233 919)	(6 273 966)
Other	(16 871)	0	(129 976)	(146 847)
Total expenses	(29 801 927)	(6 044 320)	(9 127 077)	(44 973 324)
Interest income	3 731 075	38 079	176 189	3 945 343
Fees and commissions	487 441	8 800	4 782 706	5 278 947
Other	4 319	0	0	4 319
Total income	4 222 835	46 879	4 958 895	9 228 609

All the transactions with related parties shown in the preceding tables have been undertaken under normal market conditions.

Staff expenses relating to key management break down as follows:

(in EUR)

	30.09.2013	30.09.2012
Short term staff benefits	(6 190 133)	(5 695 209)
Post-employment staff benefits	(231 689)	(250 160)
Staff benefits linked to incentive plan	(158 513)	(94 678)
Total	(6 580 335)	(6 040 047)

13. POST-BALANCE SHEET EVENTS

No event that could potentially have a major impact on the situation or activities of the Luxembourg Division has occurred since the closing of the balance sheet.

REPORT OF THE REGISTERED COMPANY AUDITOR

To the Board of Directors
BANQUE DEGROOF LUXEMBOURG S.A.
12, rue Eugène Ruppert
L-2453 Luxembourg

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the Board of Directors dated 2 December 2010, we audited the consolidated financial statements of BANQUE DEGROOF LUXEMBOURG S.A., which comprise the consolidated balance sheet as at 30 September 2013 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year closing on this date, and the appendix containing a summary of the significant accounting policies and other explanatory notes.

The Board of Directors' responsibility for preparation and presentation of the consolidated financial statements

The Board of Directors is responsible for the true and faithful preparation and presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for an internal audit which it deems necessary to enable preparation of consolidated financial statements containing no material misstatements, whether due to fraud or error.

Responsibility of the Registered Company Auditor

It is our responsibility to express an opinion on these consolidated financial statements based on our audit. We have 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 that the annual financial statements are free from material misstatement.

An audit involves the use of procedures in order to gather evidence supporting the amounts and disclosures contained in these consolidated financial statements. The choice of procedure falls to the discretion of the registered Company auditor, as does the evaluation of the risks that the consolidated financial statements may contain material misstatements, whether resulting from fraud or error. In making this assessment, the registered Company auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements so as to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated accounts.

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 fair representation of the consolidated financial situation of BANQUE DEGROOF LUXEMBOURG S.A. as at 30 September 2013, as well as the consolidated performance and the consolidated cash flows from the financial year closing at this date, in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL OR REGULATORY REQUIREMENTS

The consolidated management report which is under the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, 13 December 2013
KPMG Luxembourg S.à r.l.
Company Auditors
S. Chambourdon

Banque Degroof Luxembourg S.A.

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