

02

THE BCL AS AN ORGANISATION

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2.1 CORPORATE GOVERNANCE

2.1.1 The Council

Article 6 of the Founding Law of 23 December 1998 defines the powers of the Council of the Bank. In 2016, the Council consisted of the following members:

President : Mr Gaston Reinesch

Members : Mr Pierre Beck

Mr Pit Hentgen

Mr Serge Kolb

Mr Jacques F. Poos

Ms Simone Retter

Mr Romain Schintgen

Mr Michel Wurth

Mr Claude Zimmer

During 2016, the Council held seven meetings. The level of participation by the members was as follows: Mr Pierre Beck (seven meetings), Mr Pit Hentgen (six meetings), Mr Serge Kolb (five meetings), Mr Jacques F. Poos (seven meetings), Ms Simone Retter (seven meetings), Mr Romain Schintgen (seven meetings), Mr Michel Wurth (six meetings) and Mr Claude Zimmer (seven meetings).

Within the framework of monitoring the financial situation of the Bank, the Council approved the financial accounts as per 31 December 2015, the budget orientations and subsequently the budget for the 2017 financial exercise.

The Audit Committee

Since 2001, the Audit Committee has assisted the Council in its choice of the statutory auditor to be proposed to the Government, in determining the scope of the potential specific verifications to be performed by the statutory auditor and in the approval of the financial accounts by the Council. It is kept informed on the internal audit plan.

The Audit Committee may invite the Head of the internal Audit Department and the statutory auditor of the Bank to participate in its work.

The Audit Committee was chaired in 2016 by one of its non-executive members, Mr Claude Zimmer, and held four meetings. At its meeting on 16 December 2016, the Council nominated the non-executive members of the Audit Committee for 2017: Mr Pit Hentgen, Ms Simone Retter and Mr Claude Zimmer.

2.1.2 The Governor

His Royal Highness Grand-Duke Henri of Luxembourg, based on a proposal by the Government in Cabinet, appointed Mr Gaston Reinesch as the Director-General (Governor) of the BCL for a six-year period as of 1 January 2013.

2.1.3 The Executive Board

The Executive Board is the superior executive authority of the BCL. It takes the decisions and draws up the measures necessary for the BCL to carry out its tasks. Without prejudice to the independence of the Director-General from instructions in his capacity as a member of the Governing Council of the ECB, the decisions of the Executive Board shall be taken collectively.

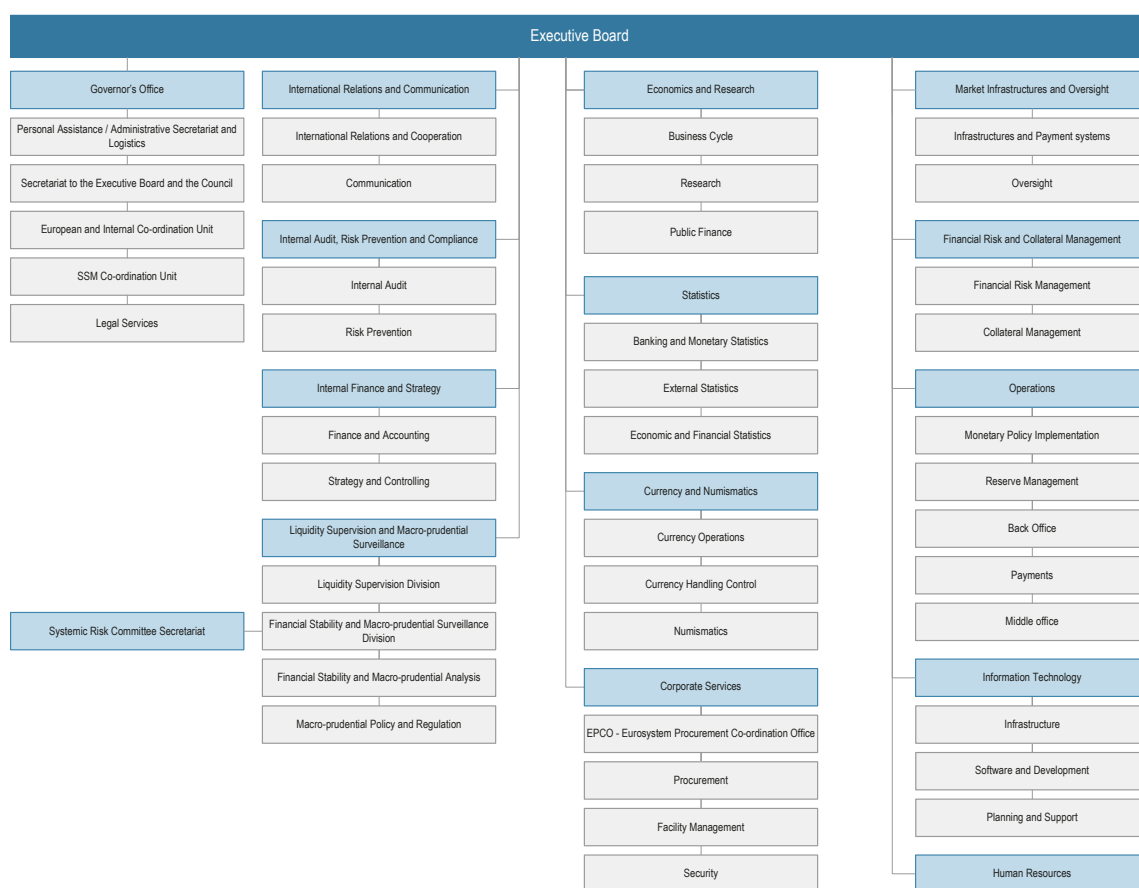
The Executive Board consists of a Director-General and two Directors:

Director-General: Mr Gaston Reinesch

Directors: Mr Serge Kolb and Mr Pierre Beck

The members of the Executive Board receive a salary according to the wage scale in the public sector as well as different allowances. The remuneration components are subject to the current legal tax rates (i.e. the progressive tax rate) in Luxembourg.

2.1.4 Organisation chart as of 31 december 2016



2.1.5 Internal control and risk management

The BCL's internal control system is based on generally accepted principles in the financial sector and within the European System of Central Banks and the Single Supervisory Mechanism (ESCB/SSM), whilst taking into consideration the BCL's specific needs as a central bank.

The Executive Board has defined the general framework and the principles of the internal control system. The management of the BCL and their staff are responsible for the proper functioning of the internal control system.

Functional verifications are carried out by specific administrative units, ensuring an adequate segregation of duties in line with the BCL's activities. These units are the Financial Risk Management and Collateral Management sections, the Risk Prevention section as well as the Controlling function:

- The Financial Risk Management section is responsible for the analysis of financial risks, for the surveillance of the implementation of decisions taken by the internal committees and by the Executive Board, the surveillance of the established investment limits and the issuance of regular reports on these issues;
- The Collateral Management section is entrusted with the risk management responsibility in the field of collateral, in particular for ABS (asset-backed securities);
- The Risk Prevention section is in charge of the surveillance of operational risks, risks related to information systems and non-compliance risks.

Whereas the operational departments are responsible for identifying the risks linked to their fields of activities and for taking appropriate actions to mitigate these risks, the Risk Prevention section has the following responsibilities:

- to establish a common methodology for risk analysis;
- to provide assistance in the identification and evaluation of risks;
- to ensure periodical reporting on the residual operational risks.

The Risk Prevention section is also in charge of coordinating the Business Continuity Plan and related testing.

The purpose of the Compliance function, which is administratively located within the Risk prevention section, is to identify, assess and monitor the Bank's risk of non-compliance. The risk of non-compliance is defined as the risk of judicial, administrative or disciplinary sanctioning, of financial losses or reputational damage which could affect the BCL if it were not to comply with the laws, regulations, professional and ethical standards or internal instructions falling under the competence of the Compliance function.

The Executive Board of the BCL identified several areas of intervention for the Compliance function, in particular:

- anti-money laundering (AML) and financing of terrorist activities,
 - professional code of ethics,
 - prevention of market abuse,
 - conflicts of interests,
 - professional secrecy and confidentiality,
 - privacy and protection of personal data,
 - regulation of public markets.
- The Controlling function ensures that the available resources are used effectively and that a possible misuse is detected without delay. It ensures the proper functioning of the budgetary procedure and it supervises the execution of the budget. It reports on a regular basis on the follow-up thereof.

The Internal Audit unit is in charge of the independent and objective assessment of the internal control system and its functioning. The Internal Audit unit is independent from the other administrative units and reports directly to the President of the Council.

The Internal Audit unit complies with internationally accepted professional standards, as applied by the ESCB/SSM. The internal annual audit plan comprises audit missions on a national level, as well as audits that are coordinated by the Internal Auditors Committee of the ESCB, in compliance with the ESCB/SSM audit charter. The Internal Audit unit follows-up on the implementation of the recommendations issued during its audit activities.

Finally, the Audit Committee is informed about the internal control and risk management framework and of its functioning.

2.1.6 External control

In accordance with art. 15 of the BCL's organic law, the Bank's financial accounts are audited by an external auditor, nominated for five years by the Government, whose mandate is to certify the correctness and completeness of the BCL's financial accounts. Moreover, the external auditor is mandated by the Bank's Council to perform additional reviews and specific controls on an annual basis.

At European level, the BCL's external auditor's nomination is approved by the Council of Ministers of the EU, upon recommendation of the Governing Council of the ECB. In this context, the external auditor is also entrusted with the performance of some specific engagements at Eurosystem level.

The mandate of the external auditor of the BCL for the years 2014 to 2018 was granted to DELOITTE Audit S.à.r.l. Luxembourg, following a selection and agreement process laid down in the ESCB/ECB Statutes (Article 27.1).

2.1.7 Codes of Conduct

A Code of Conduct defining the internal and external rules of conduct is applicable to all staff members. The Code is valid without prejudice to some rules defined by the public services legislation, the social legislation as well as existing contractual commitments and it prescribes ethical standards of nondiscrimination, integrity, independence, and professional secrecy to which the BCL's staff has to adhere strictly.

The implementation of the Code of Conduct, as far as the Director-General is concerned, was, at his request, reinforced at his expense. Furthermore, in order to avoid any suspicion of a potential conflict of interest with regard to his function as a member of the Governing Council of the ECB, the Director-General does not participate in the investment committees of the BCL, which are entrusted with the management of the BCL's own funds. In addition, as regards the latter, the Director-General does not take part in the deliberations of the Executive Board of the BCL. His responsibilities are limited, as the President of the Council, to those of an administrator.

Moreover, the European Central Bank requires the Members of the Governing Council to adhere individually to its Code of Conduct, which foresees particularly strict standards of professional and ethical conduct. The members of the Governing Council shall act with honesty, independence, impartiality, and discretion. The members shall not consider their personal interests and shall avoid any situation that may lead to a conflict of interest. These obligations extend one year after the termination of their function. The conditions for the acceptance of gifts and other benefits as well as for the participation in conferences, receptions or cultural events are also specified in the Code of Conduct.

The Governors are invited to be particularly circumspect regarding individual invitations. The same applies to their spouses or partners who are likewise obliged to respect the internationally accepted rules prevailing in this area. The possible participation of members of the Governing Council in events taking place outside of the ESCB is strictly circumscribed. Finally, members of the Governing Council must neither disclose nor make use of confidential information when performing, either directly or indirectly via intermediaries, financial transactions on a private basis.

2.2 HUMAN RESOURCES AT THE BCL

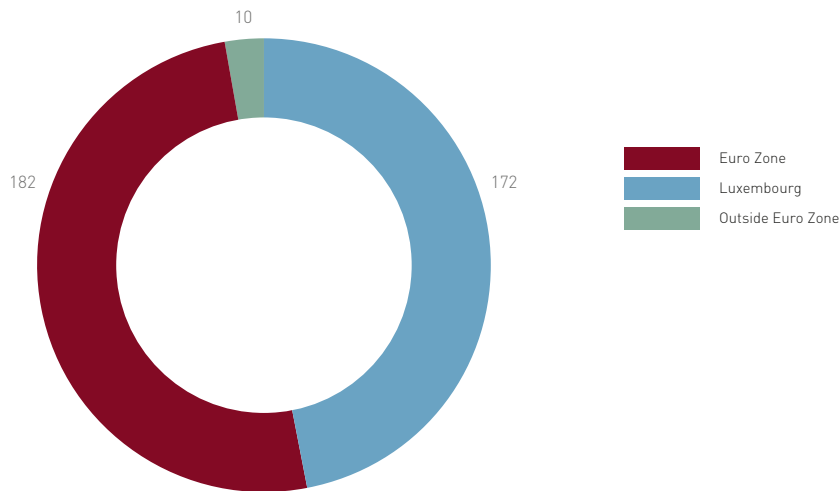
2.2.1 Workforce evolution

The evolution of the BCL's workforce is the result of an original, rapid and unprecedented history in the Eurosystem. On 31 December 2016, the institution that has been established in 1998, employed 362 employees (representing 346.25 full-time equivalents) with an average growth rate of 9% over the last two years.

For reasons related to its evolution and its permanent adaptation, the BCL has recruited agents of different status and nationalities, thereby enriching the diversity of its human capital.

Graph 18:

Distribution of agents by nationality in 2016



2.2.2 Strategic approach to Human Resources Management

As at the end of 2016, to support this dynamic vision of Human Resources, the BCL launched a new policy of forward-looking management and development of its skills to align with best comparable practices, in particular with regard to succession planning, creation of skill pools, identification of potentials, rationalisation of administrative deadlines, training plans based on a more in-depth analysis of skills and the implementation of managerial practices inspired by the best performing institutions.

Within this general framework, a major challenge is to efficiently accompany this mutation and to ensure the transmission of the intrinsic values of the BCL without obstructing the renewal of teams or the development of management methods.

In addition, the BCL intends to develop its reputation as a quality employer offering a prominent employability value.

2.2.3 BCL Pension Fund

Because of the special status reserved by the legislator to the BCL, the institution established a pension fund in 2001 in order to finance the statutory pension liabilities (1st pillar) of its staff members. The BCL affiliates to this fund staff members of various statuses according to the provisions of its organic law.

The pension fund is set up within the Bank and is managed autonomously. In order to ensure exemplary transparency in its financial situation, the pension fund has its own separate accounts with an identification of its assets and its liabilities on the balance sheet of the BCL.

In order to ensure good governance, the pension fund is supervised by a decision-making body, the Steering Committee which appoints the stakeholders and validates the strategic axes and the general principles governing the investment and treasury policy of the pension fund. These strategic orientations are proposed to the Steering Committee by an advisory committee, the ALCO Committee.

Since the State does not intervene in the financing of the statutory pensions (1st pillar) of the BCL's staff members, the pension fund is exclusively financed by the pension deductions made on the salaries of the staff members in compliance with the rules of the pension scheme applicable to them according to their status and by the payments made by the Bank itself.

2.3 INTERNAL FINANCE AND STRATEGY

2.3.1 Accounting and reporting

The BCL regularly updates its accounting system and its procedures in order to meet the quality standards of the Eurosystem. As in previous years, the BCL has participated in the Working Groups on the ESCB's financial framework and has transposed the accounting revisions accordingly.

The Eurosystem imposes specific harmonised rules on the daily reporting of balance sheet data by each central bank.

The control systems are adapted to changes in the operations carried out during the period under review.

The BCL regularly checks the development of balance sheet items, off-balance-sheet items and the profit and loss accounts. Investments, revenues and expenses are monitored particularly closely with special attention to the correct execution of signing powers.

The monthly balance sheet of the BCL is published on its website.

The management information system, in the form of dashboard reports, meets the continuous need to follow the Bank's activities. These tables include all activities of the Bank. The BCL strictly monitors the development of the interest margin and compares the profitability of its investments to set benchmarks.

The BCL's decision-making bodies are regularly informed of the results of these activities in order to be able to determine future targets and actions.

2.3.2 Budget

Budget preparation, in accordance with the Organic Law of the BCL, is part of the BCL's multiannual planning process, whose primary purpose is to ensure the Bank's long-term financial equilibrium. In addition, the annual budget determines the upper boundary of the operating expenditure and investments the Bank may incur during a given financial year.

The 2016 budget of the BCL has been established in accordance with the BCL's budgetary procedure and the Guidelines set by the Bank's Council on 10 July 2015. The 2016 budget was approved by the Council of the BCL on 18 December 2015.

In particular, the 2016 budget includes the following items:

- The unconventional monetary policy operations adopted by the Eurosystem have been expanded in 2016, particularly through the broadening of the securities purchase programme;
- The Single Supervisory Mechanism (SSM) has continued to strengthen its activities, which has further increased the tasks to be executed by the BCL;
- The Eurosystem key interest rates remained at a historically low level which also had a negative impact on the revenues of the BCL;
- At the Eurosystem level, cooperation among NCBs is characterised by an ongoing consolidation of systems in operation, a significant number of common projects and common purchasing procedures among NCBs under the auspices of the Eurosystem Procurement Coordination Office (EPCO);
- At the national level, the BCL's tasks have also continued to increase, mainly in the areas of macro-prudential supervision, oversight of payment systems and securities settlement and statistical data collection. The activities of the Systemic Risk Committee for Luxembourg, to which the BCL provides the secretariat, have further developed and resulted in additional tasks for the BCL;
- The BCL has a significant number of vacant positions which shows that recruitment remains crucial for the BCL. Given the increase in its activities, additional staffing is necessary;
- The BCL has continued to make additional contributions to its pension fund as well as to the provisions for general banking risks;

- The historically low level of interest rates combined with a continuous increase in staff numbers has led to a situation where the coverage of BCL's operating expenditure by its current revenues is increasingly difficult.

The Internal Finance and Strategy Department monitors the execution of the budget and prepares quarterly reports for the Executive Board. At the end of each fiscal year, a detailed gap analysis of initial budget vs. actual expenditure is prepared. This analysis is submitted to the Executive Board and the Council of the Bank for information and approval. Finally, the conclusions drawn from this analysis are taken into account for the preparation of future budgets.

Expenditure for operating costs and investments as of 31 December 2016 remained within the boundaries set by the Bank's annual budget.

2.3.3 Strategic planning and management control

Management control aims at enhancing efficiency and accountability within the BCL, allowing the Executive Board to focus on decision making at the strategic level. To this end, management control assists the Executive Board of the Bank by providing quantitative and qualitative analyses, thus facilitating and supporting an efficient decision making process.

Via its *Project Office* function, management control is entrusted with the coordination and prioritisation as well as the management of the Bank's internal projects. In 2016, the *Project Office* team has been reinforced, allowing for improved quality control both during the selection process of different projects and during their implementation. The *Project Office* assists the *BCL's Internal Steering Committee* (BISC) and the Executive Board in the preparation of decisions for projects.

The status of ongoing projects as well as the launching of future projects is discussed on a regular basis at the BISC, for which the Section "Strategy and Controlling" provides secretariat functions. The *Overall Project Monitoring Reports* (OPMR), prepared by the Strategy and Controlling Section on the basis of monthly progress reports submitted by the individual projects reports, allow the BISC to better monitor the progress of the BCL's various projects and ensure the flow of information to the Executive Board on project related matters.

BCL representatives have also participated in a series of project controlling activities at ESCB/Eurosystem level related to the preparation and monitoring of common projects and have contributed to the further development of the underlying methodology.

Cost accounting, as an integral part of the BCL's management control function, serves as the basis for identifying, analysing and monitoring activity related costs (*Activity Based Costing*). Moreover, it establishes the financial figures for the invoicing of services. The methodology used complies with the harmonised set of rules as defined at the Eurosystem level. It consists of allocating the BCL's operational expenses according to different cost centres, i.e. to the respective entities, thus allowing for the cost of each of the BCL's activities to be identified.

In order to facilitate planning and monitoring of necessary resources, the BCL applies an analytic tool for measuring and evaluating the allocation of human resources and material with respect to the various missions of a central bank. Together with the cost accounting system, this allows the Executive Board to effectively monitor the operational performance of the Bank. Furthermore, reports containing both financial and operational indicators facilitate the alignment of tasks and activities with both the strategic orientations and the identified objectives of the Bank.

As the BCL continues to develop its activities, a more comprehensive medium and long term planning remains a core requirement. The efforts in the field of strategic planning have been intensified in order to safeguard a smooth alignment of the BCL with the current economic, financial and institutional environment. Moreover, in order to monitor the capital adequacy with respect to its financial independence, the BCL makes regular projections of its long-term financial situation. It carries out prospective analyses based on internal factors (e.g. costs and revenues) and external factors (e.g. interest rates, exchange rates and other variables of the Eurosystem and of the economic environment).

2.4 FINANCIAL STATEMENTS

Preamble

Only the French version of the present financial statements has been reviewed by the Independent Auditor. Consequently, the present financial statements only refer to the French version of the financial statements; other versions result from a conscientious translation made under the responsibility of the Executive Board. In case of differences between the French version and this translation, only the French version is legally binding.

2.4.1 Key figures as of year-end (in euro)

	2016	2015	Change in % 2016/2015
Total assets	200 850 919 830	158 958 450 236	26%
Liabilities to credit institutions	97 433 067 129	57 237 329 129	70%
Lending to credit institutions	4 907 440 027	3 657 140 000	34%
Own funds (1), revaluation accounts, administrative provisions and specific banking risks provisions	1 300 725 096	1 273 839 511	2%
Net result from banking activities (2)	295 856 554	183 299 452	61%
Net result from banking activities adjusted by net monetary income allocation	78 089 666	128 365 796	-39%
Total net income	83 068 393	88 499 642	-6%
Administrative expenses	75 101 535	81 084 686	-7%
Net profit	1 810 813	1 776 128	2%
Cash Flow (3)	14 381 298	61 309 622	-77%
Staff	360	345	4%
BCL's weighting in the capital of the ECB	0.2030%	0.2030%	
BCL's weighting in lending to credit institutions related to monetary policy operations	0.823%	0.654%	

(1) Capital, reserves, provisions for general banking risks and net profit to be allocated to the reserves

(2) Net adjusted interest income, net result from fees and commissions, net result on financial operations

(3) Net profit plus depreciation of tangible / intangible assets and write-downs on financial assets, as well as net transfer to administrative provisions and provisions for banking risks

2.4.2 Report of the Réviseur d'Entreprises agréé

We have audited the accompanying financial statements of Banque centrale du Luxembourg, which comprise the balance sheet as at December 31, 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The financial statements are the responsibility of the Directors and are approved by the Council. The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles and those defined by the European System of central banks, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *Réviseur d'Entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *Réviseur d'Entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banque centrale du Luxembourg as of December 31, 2016, and of the results of its operations for the year then ended in accordance with generally accepted accounting principles and those defined by the European System of central banks.

For Deloitte Audit, *Cabinet de révision agréé*
Martin Flaunet, *Réviseur d'entreprises agréé*
Partner

March 23, 2017

2.4.3 Balance sheet as at 31 December 2016

ASSETS	Notes	2016 EUR	2015 EUR
Gold and gold receivables	3	79 341 312	70 499 018
Claims on non-euro area residents denominated in foreign currency	4	843 295 653	637 580 813
- Receivables from the IMF	4.1.	662 048 036	463 802 134
- Balances with banks, security investments, external loans and other external assets	4.2.	181 247 617	173 778 679
Claims on euro area residents denominated in foreign currency	5	1 336 829 690	1 564 264 473
Claims on non-euro area residents denominated in euro	6	805 947 591	1 299 649 164
- Balances with banks, security investments and loans		805 947 591	1 299 649 164
Lending to euro area credit institutions related to monetary policy operations denominated in euro	7	4 907 440 027	3 657 140 000
- Main refinancing operations	7.1.	800 000 000	610 000 000
- Longer-term refinancing operations	7.2.	4 107 440 000	3 047 140 000
- Marginal lending facility	7.5.	27	-
Other claims on euro area credit institutions denominated in euro	8	320 107 567	10 920 730
Securities of euro area residents denominated in euro	9	4 653 662 908	3 494 337 566
- Securities held for monetary policy purposes	9.1.	3 543 927 349	1 592 425 088
- Other securities	9.2.	1 109 735 559	1 901 912 478
Intra-Eurosystem claims	10	187 320 186 464	147 672 239 627
- Participating interest in the ECB	10.1.	36 396 638	36 396 638
- Claims related to the transfer of foreign reserves	10.2.	117 640 617	117 640 617
- Other claims within the Eurosystem	10.3.	187 166 149 209	147 518 202 372
Items in course of settlement		-	160
Other assets	11	584 108 618	551 818 685
- Tangible and intangible assets	11.1.	59 870 857	62 838 449
- Other financial assets	11.2.	441 446 178	398 210 311
- Accruals and prepaid expenses	11.3.	80 619 900	88 821 256
- Sundry	11.4.	2 171 683	1 948 669
Total assets		200 850 919 830	158 958 450 236

The accompanying notes form an integral part of the financial statements.

LIABILITIES	Notes	2016 EUR	2015 EUR
Banknotes in circulation	12	2 990 103 480	2 876 503 995
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	13	97 433 067 129	57 237 329 129
- Current accounts (covering the minimum reserve system)	13.1.	60 290 467 129	35 596 035 548
- Deposit facility	13.2.	37 142 600 000	21 641 293 581
Liabilities to other euro area residents denominated in euro	14	2 758 368 960	2 424 253 596
- General government	14.1.	843 165 095	559 056 089
- Other liabilities	14.2.	1 915 203 865	1 865 197 507
Liabilities to non-euro area residents denominated in euro	15	716 136 021	259 926 093
Liabilities to non-euro area residents denominated in foreign currency	16	1 335 556 066	1 567 549 469
Counterpart of special drawing rights allocated by the IMF	17	314 344 986	313 901 066
Intra-Eurosystem liabilities	18	93 600 099 230	92 617 860 680
- Net liabilities related to the allocation of euro banknotes within the Eurosystem	18.1., 12	93 600 099 230	92 617 860 680
Items in course of settlement		67 410	-
Other liabilities	19	36 381 452	49 492 966
- Accruals and income collected in advance		18 982 015	26 763 928
- Sundry		17 399 437	22 729 038
Provisions	20	1 299 922 166	1 266 110 878
- Provision for banking risks	20.1.	933 683 166	928 178 149
- Provision for pensions	20.2.	366 070 000	337 793 729
- Other provisions		169 000	139 000
Revaluation accounts	21	173 170 124	153 630 371
Capital and reserves	22	191 891 993	190 115 865
- Capital	22.1.	175 000 000	175 000 000
- Reserves	22.2.	16 891 993	15 115 865
Profit for the year	40	1 810 813	1 776 128
Total liabilities		200 850 919 830	158 958 450 236

The accompanying notes form an integral part of the financial statements.

2.4.4 Off-balance sheet as at 31 December 2016

	Notes	2016 EUR	2015 EUR
Securities received as collateral	23	122 356 265 453	125 563 173 973
Foreign currency reserve assets managed on behalf of the ECB	24	412 511 469	396 160 538
Futures - Purchases	25	62 800 000	-
Futures - Sales	25	88 100 000	-

The accompanying notes form an integral part of the financial statements.

2.4.5 Profit and loss account for the year ending 31 December 2016

	Notes	2016 EUR	2015 EUR
Interest income	26	313 552 785	196 417 128
Interest expense	26	(25 700 277)	(50 101 113)
Net interest income	26	287 852 508	146 316 015
Realised gains/(losses) arising from financial operations	27	10 335 854	42 455 051
Write-downs on financial assets and positions	28	(879 423)	(3 827 078)
Transfer to/from provisions for risks	29	(5 535 017)	(50 067 587)
Net result of financial operations, write-downs and risk provisions		3 921 414	(11 439 614)
Fees and commissions income	30	9 255 958	9 176 688
Fees and commissions expense	30	(10 708 343)	(10 821 223)
Net result from fees and commissions	30	(1 452 385)	(1 644 535)
Income from participating interests	31	4 282 553	4 028 096
Net result of pooling of monetary income	32	(217 766 888)	(54 933 657)
Other income	33	6 231 191	6 173 339
Total net income		83 068 393	88 499 644
Staff costs	34	(39 318 938)	(36 959 511)
-Gross salaries		(37 060 345)	(34 744 189)
-Other staff costs		(2 258 593)	(2 215 322)
BCL's contribution to the legal pension scheme	35	(19 090 636)	(25 017 104)
Other administrative expenses	36	(13 653 425)	(13 623 839)
Depreciation of tangible and intangible assets	11.1., 37	(6 156 045)	(5 638 829)
Banknote production services	38	(1 430 217)	(1 727 196)
Other expenses	39	(1 608 319)	(3 757 037)
Profit for the year	40	1 810 813	1 776 128

The accompanying notes form an integral part of the financial statements.

2.4.6 Notes to the financial statements as at 31 December 2016

NOTE 1 - GENERAL INFORMATION

The Banque centrale du Luxembourg ("the BCL" or "the Bank") was founded in accordance with the law of 22 April 1998. The Founding Law of 23 December 1998 as modified, stipulates that the main task of the BCL shall be to contribute to the exercise of the tasks of the European System of Central Banks (ESCB) so as to achieve the objectives of the ESCB. The BCL is also responsible for the oversight of the general market liquidity situation and the evaluation of the market participants in this respect. The BCL is authorised to take and sell participations as well as, in exceptional circumstances, to make short-term lending to counterparties with appropriate guarantees. In addition, establishing the single supervisory mechanism, the macro-prudential authority, the single resolution mechanism, and the deposit guarantee scheme have resulted and continue to entail new missions and responsibilities for the BCL.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below:

2.1 Layout of the financial statements

The financial statements of the BCL have been prepared and drawn up in accordance with the generally accepted accounting principles and those defined by the ESCB.

2.2 Accounting principles

The following accounting principles have been applied:

- economic reality and transparency;
- prudence;
- recognition of post-balance sheet events;
- continuity of methods and comparability;
- relative significance;
- going concern concept;
- recognition of charges and income in the accounting period they relate to.

2.3 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the valuation at market prices of securities (other than those classified as held-to-maturity and those held for monetary policy purposes), gold and of all other on-balance-sheet and off-balance-sheet assets and liabilities denominated in foreign currency.

Transactions in financial assets and liabilities are reflected in the accounts of the BCL on the basis of their settlement date.

2.4 Gold, assets and liabilities in foreign currencies

Assets and liabilities denominated in foreign currencies (including gold) are converted into euro at the exchange rate prevailing on the balance sheet closing date. Income and expenses are converted at the exchange rate prevailing on the dates of the transactions.

Foreign currencies are revalued on a currency by currency basis including on-balance sheet and off-balance sheet items.

Securities are revalued separately from the revaluation of foreign exchange for securities denominated in foreign currencies.

Gold is revalued on the basis of the euro price per fine ounce as derived from the quotation in US dollars established at the time of the London fixing on the last working day of the year.

2.5 Rules applicable to the portfolios held by the BCL

Securities currently held for monetary policy purposes are accounted for at amortised cost (subject to impairment).

The other negotiable securities denominated in foreign currencies and in euro are valued at the market price prevailing on the balance sheet date. Securities held to maturity are valued at amortised cost (purchase or transfer price adjusted by premiums and discounts). Write-downs are applied to held-to-maturity securities in case of impairment.

The revaluation of securities takes place item-by-item on the basis of their ISIN code.

Off-balance-sheet instruments are revalued on an item-by-item basis. Daily changes in the variation margin of open interest rate futures contracts are recorded in the Profit and Loss Account.

The Agreement on Net Financial Assets (ANFA) is an agreement between the National Central Banks (NCBs) of the euro area and the European Central Bank (ECB), which together form the Eurosystem. The objective of this agreement is for the Governing Council of the ECB to ensure a full control of the consolidated balance sheet of the Eurosystem. The agreement sets rules and limits for holdings of financial assets which

are related to national tasks of the NCBs other than the monetary policy¹. As part of this agreement, the principle of a dynamic exemption is foreseen in relation to the maximum amount of net financial assets (NFA). This dynamic exemption, which applies to the BCL, adjusts the historical waiver (ensuring that the NCBs do not have to reduce their NFA below a level which is linked to their historical starting position) over time in proportion to the growth or decline of Eurosystem maximum NFA.

2.6 Recognition of gains and losses

Income and expenses are recognised in the period in which they are earned or incurred.

Realised gains and losses on foreign exchange transactions, securities and financial instruments linked to interest rates and market prices are taken to the profit and loss account.

At the end of the year, unrealised revaluation gains on foreign currencies, securities and financial instruments are not considered in the profit and loss account, but transferred to a revaluation account on the liabilities side of the balance sheet.

Unrealised losses are recognised in the profit and loss account when they exceed previous revaluation gains registered in the corresponding revaluation account. They may not be reversed against new unrealised gains in subsequent years. Unrealised losses regarding a specific security, financial instrument, currency or in gold holdings are not netted with unrealised gains in other securities, financial instruments, currencies or gold holdings.

In order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis. If any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question is adjusted downwards to the level of the current exchange rate or market price thereof.

For fixed-income securities, the premiums or discounts arising from the difference between the average acquisition cost and the redemption price are calculated and presented on a prorata basis as part of the interest positions and amortised over the remaining life of the securities.

2.7 Events after the reporting period

Assets and liabilities are adjusted to take account of events occurring between the balance sheet date and the date on which the BCL's Council approves the annual accounts if such events have a material effect on the assets and liabilities on the balance sheet date.

2.8 Banknotes in circulation

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes. The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key.

The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed in the balance sheet under liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the sub-item "Intra-Eurosystem: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem"¹.

The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under "Net interest income."

¹ The annual average Net Financial Assets of the NCBs is published on the website of the ECB at the following address: https://www.ecb.europa.eu/explainers/tell-me-more/shared/data/annual_average_nfa.en.xlsx. The most recent data are published during the semester starting the next financial year.

2.9 Intra-Eurosystem claims and liabilities

Intra-Eurosystem balances result primarily from cross-border payments in the EU that are settled in central bank money in euro. They are settled in TARGET2 (Trans-European Automated Real-time Gross settlement Express Transfer system) and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted out and then assigned to the ECB on a daily basis, leaving each NCB with a single net bilateral position vis-à-vis the ECB only. Intra-Eurosystem balances of the BCL vis-à-vis the ECB arising from TARGET2, as well as other intra-Eurosystem balances denominated in euro are presented on the balance sheet of the BCL as a single net asset position and disclosed under "Other claims within the Eurosystem (net)".

There are other claims and liabilities of the BCL vis-à-vis the Eurosystem due to its participation in the capital of the ECB, the transfer of a part of foreign reserves, the interim profit distributions and accrued liabilities from the ECB resulting from the distribution of the monetary income results and the allocation of euro banknotes between the NCBs and the ECB.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a single net position under "Net liabilities related to the allocation of euro banknotes within the Eurosystem".

Intra-Eurosystem claims and liabilities arising from TARGET2 balances and counterparties accounts are shown as a single net position on the balance sheet of the BCL.

2.10 Treatment of tangible and intangible assets

The tangible and intangible assets, except for land and works of art, are stated at their acquisition cost less depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the fixed asset:

	Years
Buildings	25
Renovation of buildings	10
Furniture and equipment	3-5
Computer hardware and software	4

2.11 Pension fund

Since 1 January 1999, after the entry into force of the Founding Law of 23 December 1998, as modified, the legal pension claims (1st pillar) of the BCL's staff are fully borne by the BCL. The pension fund was set up in 2000.

The actuarial method determines the pension fund's liability related to old age, disability or survival for each member of staff. The actuarial model is based, among other things, on each member of staff's personal and past and foreseeable career data, on the forecast of the cost and standard of living as well as on an average rate of return generated by the fund's assets.

The BCL's liabilities related to pensions are shown in the account "Provisions for pensions". The provision increases as a result of regular transfers from the wage share and from the notional employer's share and decreases by pension payments to retirees. At the year end, the provision is adjusted in the light of the new actuarial calculation. In addition, if necessary, periodic transfers from the account "Booking reserve of the pension fund", equivalent to the gains generated by the fund's assets, to adjust the account "Provision for pensions".

In cases where regular transfers and the results of the pension fund would be insufficient to cover the BCL's pension liabilities, the difference between the existing provision and the accrued liabilities valued by the actuary is covered in the same trend by an additional contribution from the BCL. The BCL applies the method of projected unit credit in line with international standards.

In accordance with the prudence principle, the management body of the BCL has decided to gradually follow the measurement method from IAS 19 standard.

2.12 Provision for banking risks

In accordance with the prudence principle, the BCL's provision policy intends to cover specific and general risks resulting from the Bank's activities.

NOTE 3 - GOLD AND GOLD RECEIVABLES

As at 31 December 2016, the BCL holds 72 256.82 ounces of fine gold amounting to 79.3 million euro (72 438.56 ounces of fine gold amounting to 70.5 million euro on 31 December 2015).

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce derived from the quotation in US dollars established at the London fixing on 30 December 2016.

NOTE 4 - CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

	2016 EUR	2015 EUR
Receivables from the IMF	662 048 036	463 802 134
Balances with banks, security investments, external loans and other external assets	181 247 617	173 778 679
	843 295 653	637 580 813

Under this item are recorded the BCL's foreign exchange reserve holdings with counterparties situated outside the euro area (including international and supranational institutions and non-Eurosystem central banks).

4.1 Receivables from the IMF

This sub-item contains receivables from the International Monetary Fund (IMF) made up of reserve tranche position, SDR holdings and new arrangements to borrow. SDR are reserve assets created by the IMF and allocated by it to its members. A member's SDR holdings initially amount to the SDR allocated. Afterwards, SDR holdings are subject to fluctuations as a result of encashments and transactions. The reserve tranche position corresponds to the net amount of the quota and the IMF's currency holding and takes into account the re-evaluation of the general account. The new arrangements to borrow are credit agreements between the IMF and the Government of Luxembourg.

Within the framework of the 14th General Review of Quotas, the total Luxembourg's quota of IMF was increased, in February 2016, from SDR 418.7 million to SDR 1 321.8 million. This increase of SDR 903.1 million is regulated by the law of 10 October 2012, which authorises the Government of Luxembourg to participate in the general review of quotas of IMF Member States.

On 24 February 2016, the BCL paid to the IMF an amount of 284 674 064 euro (equivalent to SDR 225 775 000) for the increase of quota (paying up of 25% of the increase). This amount was previously paid to the BCL by the Treasury of Luxembourg in accordance with Article 4 (2) of the BCL's Organic Law in relation to its financial base.

At the same time of the quota increase, Luxembourg's contribution to the New Arrangements to Borrow to the IMF went down from SDR 970.6 million to SDR 493.12 million.

4.2 Balances with banks, security investments, external loans and other external assets

This sub-item contains balances held on accounts with banks outside the euro area as well as securities, loans and other foreign currency assets issued by non-residents of the euro area. It includes in particular the US dollar securities portfolio which could be used, if needed, for monetary policy operations.

This portfolio, which amounts to 148 million euro as at 31 December 2016 (162 million euro on 31 December 2015), mainly consists of government bonds and bonds issued by international and supranational institutions denominated in US dollars. Securities are valued at market prices. As at 31 December 2016, their value at market prices included a negative net revaluation adjustment amounting to 0.7 million euro (negative net revaluation adjustment amounting to 0.4 million euro on 31 December 2015).

Balances with banks amounted to 33.5 million euro as at 31 December 2016 (11.3 million euro on 31 December 2015).

NOTE 5 - CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

This item contains balances in foreign currency held by the BCL on accounts with euro area counterparties which amounts to 1 337 million euro as at 31 December 2016 (1 564 million euro on 31 December 2015).

NOTE 6 - CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO

	2016 EUR	2015 EUR
Balances with banks	886 691	2 649
Available-for-sale securities portfolio	805 060 900	1 299 646 515
	805 947 591	1 299 649 164

This item contains balances held on accounts with banks outside the euro area as well as securities, deposits, loans and other euro-denominated assets issued by non-residents of the euro area.

The available-for-sale securities portfolio contains government bonds and bonds issued by companies outside the euro area denominated in euro. Securities are valued at market value. As at 31 December 2016, the market value of the latter comprised a negative net revaluation adjustment amounting to 4.9 million euro including the premium and discount amortisation (negative net revaluation adjustment amounting to 17.4 million euro on 31 December 2015).

NOTE 7 - LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

This balance sheet item represents the liquidity-providing transactions executed by the BCL with Luxembourg credit institutions.

The item is divided into various sub-items depending on the type of instrument used to provide liquidity to the financial sector:

	2016 EUR	2015 EUR
Main refinancing operations	800 000 000	610 000 000
Longer-term refinancing operations	4 107 440 000	3 047 140 000
Fine-tuning reverse operations	-	-
Structural reverse operations	-	-
Marginal lending facility	27	-
Credits related to margin calls	-	-
	4 907 440 027	3 657 140 000

The total Eurosystem holding of monetary policy assets amounts to 595 874 million euro of which the BCL holds 4 907 million euro.

In accordance with Article 32.4 of the Statute of the ESCB, any risks from monetary policy operations, if they were to materialise, may be shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares.

Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient.

It should be noted that for specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

7.1 Main refinancing operations

Main refinancing operations are executed through liquidity providing reverse transactions with a weekly frequency and a maturity of normally one week, on the basis of standard tenders.

Since October 2008, these operations were conducted as fixed rate tender procedures. These operations play a key role in achieving the aims of steering interest rate, managing market liquidity and signalling the monetary policy stance.

7.2 Longer-term refinancing operations

These operations aim to provide counterparties with additional longer-term refinancing. In 2016, operations were conducted with maturities equal to the reserve maintenance period and with maturities between 3 and 48 months. These operations were conducted at fixed rate with allotment of the total amount bid. Additionally, in March 2016, the Governing Council introduced a new series of four targeted longer-term refinancing operations (TLTRO II). These operations have a four-year maturity, with a possibility of repayment after two years. The applicable interest rate for TLTRO II operations depends on the individual lending benchmark of the respective counterparty between the date of allotment and January 2018. The actual rate will be set in 2018 and will be between the MRO rate and the deposit facility rate at the time of the allotment. Given that the actual rate is only known in 2018 and a reliable estimate is not possible at this juncture, the deposit facility rate has been used for calculating the TLTRO II interest for 2016, as this is deemed a prudent approach.

7.3 Fine-tuning reverse operations

This sub-item includes open market operations carried out on a non-regular basis, intended primarily to meet unexpected fluctuations in market liquidity.

7.4 Structural reverse operations

These are open market operations carried out with the primary intention of bringing about a lasting change in the structural liquidity position of the financial sector vis-à-vis the Eurosystem.

7.5 Marginal lending facility

This sub-item includes a standing facility enabling counterparties to obtain overnight credit from the BCL at a pre-specified interest rate against eligible collateral.

7.6 Credits related to margin calls

This sub-item includes additional credit extended to credit institutions and resulting from the increase in the value of the securities pledged as collateral for other credits extended to these same institutions.

NOTE 8 - OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This item includes the BCL's current accounts and fixed-term deposits not related to monetary policy operation with credit institutions inside the euro area.

NOTE 9 - SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

	2016 EUR	2015 EUR
Securities held for monetary policy purposes	3 543 927 349	1 592 425 088
Other securities	1 109 735 559	1 901 912 478
- available-for-sale securities portfolio	915 563 105	1 546 339 378
- held-to-maturity securities portfolio	194 172 454	355 573 100
	4 653 662 908	3 494 337 566

9.1 Securities held for monetary policy purposes

This item contains securities acquired by the BCL within the scope of the three purchase programmes for covered bonds, the securities markets programme (SMP) and the public sector purchase programme (PSPP).

Purchases under the first covered bond purchase programme were completed on 30 June 2010, while the second covered bond purchase programme ended on 31 October 2012. The Securities Markets Programme was terminated on 6 September 2012.

In 2016 the Eurosystem programmes constituting the expanded asset purchase programme (APP), i.e. the third covered bond purchase programme (CBPP3), the asset-backed security purchase programme (ABSPP) and the PSPP, were supplemented with the corporate sector purchase programme (CSPP) as a fourth component. Under this programme, NCB may purchase investment-grade euro-denominated bonds issued by non-bank corporations established in the euro area. From April 2016 until March 2017, the combined monthly APP purchases by the NCB and the ECB increased from EUR 60 billion to EUR 80 billion on average. In December 2016, the Governing Council of the ECB decided to continue the net APP purchases after March 2017 at a monthly pace of EUR 60 billion until the end of December 2017 or beyond, if necessary, and in any case until the Governing Council of the ECB sees a sustained adjustment in the path of inflation consistent with its inflation aim. If, in the meantime, the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council of the ECB intends to increase the programme in terms of size and/or duration. The net purchases will be made alongside reinvestments of the principal payments from maturing securities purchased under the APP.

The securities purchased under all of these programmes are valued on an amortised cost basis subject to impairment.

The amortised cost of the securities held by BCL, as well as their market value (which is provided for comparison purposes only), are as follows:

Securities held for monetary policy purposes	2016 EUR		2015 EUR	
	Amortised cost	Market value	Amortised cost	Market value
First covered bond purchase programme	0	0	5 998 651	6 203 088
Second covered bond purchase programme	14 497 404	14 625 380	14 484 734	15 655 103
Third covered bond purchase programme	554 453 057	562 358 581	382 769 132	384 382 983
Securities markets programme	153 412 053	169 896 930	193 588 257	219 265 699
Public sector purchase programme	2 821 564 835	2 826 953 659	995 584 314	1 012 956 584
	3 543 927 349	3 573 834 550	1 592 425 088	1 638 463 457

Market values are indicative and were derived on the basis of market quotes. When market quotes were not available, the amortised cost was used for the evaluation of the securities portfolio.

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council.

The total Eurosystem NCB's holding of securities held in the securities markets programme, in the third covered bond purchase programme, in the corporate sector purchase programme and securities issued by international or supranational institutions held in the public sector purchase programme amounts to 472.5 billion euro as at 31 December 2016, of which the BCL holds 2 143.8 million euro. In accordance with Article 32.4 of the Statute, losses from holdings of these securities, if they were to materialise, are shared in full by the Eurosystem NCB, in proportion to the prevailing ECB capital key shares.

On the basis of the results of an impairment test as at 31 December 2016, the Governing Council decided that all future cash flows on these securities are expected to be received and that, therefore, no impairment losses should be recorded at year end.

9.2 **Other securities**

The securities portfolio recorded under this item includes:

- the available-for-sale securities portfolio in euro issued by residents of the euro area amount to 915.6 million euro as at 31 December 2016 (1 546.3 million euro on 31 December 2015). This portfolio contains government bonds in euro issued by Member States of the euro area and bonds issued by companies of the euro area. Securities are valued at market value. As at 31 December 2016, the market value of the latter comprised a positive net revaluation adjustment amounting to 6.5 million euro including premium and discount amortisation (negative net revaluation adjustment amounting to 6.3 million euro on 31 December 2015). In this portfolio, the BCL does not hold any security issued by the State of the Grand Duchy of Luxembourg;
- the held-to-maturity securities portfolio which securities are intended to be held until maturity. This portfolio is valued at amortised cost, purchase or transfer price adjusted by premiums, discounts and impairment. As at 31 December 2016, these securities amount to 194.2 million euro (355.6 million euro on 31 December 2015). In this portfolio, the BCL does not hold any security issued by the State of the Grand Duchy of Luxembourg.

NOTE 10 - INTRA-EUROSISTEM CLAIMS

10.1 Participating interest in ECB

Pursuant to Article 28 of the ESCB Statute, the ESCB national central banks are the sole subscribers to the capital of the ECB. Subscriptions depend on shares which are fixed in accordance with Article 29.3 of the ESCB Statute and are subject to adjustment every five years.

The NCBs' capital key shares are as follows (in percentage):

Country	Capital key in ESCB	Eurosystem key
	from 01/01/2014	from 01/01/2015
Belgium	2.4778	3.52003
Germany	17.9973	25.56743
Estonia	0.1928	0.27390
Ireland	1.1607	1.64892
Greece	2.0332	2.88842
Spain	8.8409	12.55961
France	14.1792	20.14334
Italy	12.3108	17.48904
Cyprus	0.1513	0.21494
Latvia	0.2821	0.40076
Lithuania	0.4132	0.58700
Luxembourg	0.2030	0.28839
Malta	0.0648	0.09206
Netherlands	4.0035	5.68748
Austria	1.9631	2.78883
Portugal	1.7434	2.47672
Slovenia	0.3455	0.49083
Slovak Republic	0.7725	1.09743
Finland	1.2564	1.78487
Bulgaria	0.8590	-
Czech Republic	1.6075	-
Denmark	1.4873	-
Croatia	0.6023	-
Hungary	1.3798	-
Poland	5.1230	-
Romania	2.6024	-
Sweden	2.2729	-
United Kingdom	13.6743	-
Total	100.0000	100.00000

The capital shares of the NCBs in the ECB are shown in the following table (in euro):

	Subscribed capital since 1 January 2015	Paid-up capital since 1 January 2015
Banque Nationale de Belgique	268 222 025	268 222 025
Deutsche Bundesbank	1 948 208 997	1 948 208 997
Eesti Pank	20 870 614	20 870 614
Central Bank of Ireland	125 645 857	125 645 857
Banque de Grèce	220 094 044	220 094 044
Banco de España	957 028 050	957 028 050
Banque de France	1 534 899 402	1 534 899 402
Banca d'Italia	1 332 644 970	1 332 644 970
Central Bank of Cyprus	16 378 236	16 378 236
Latvijas Banka	30 537 345	30 537 345
Lietuvos bankas	44 728 929	44 728 929
Banque centrale du Luxembourg	21 974 764	21 974 764
Central Bank of Malta	7 014 605	7 014 605
De Nederlandsche Bank	433 379 158	433 379 158
Oesterreichische Nationalbank	212 505 714	212 505 714
Banco de Portugal	188 723 173	188 723 173
Banka Slovenije	37 400 399	37 400 399
Národná banka Slovenska	83 623 180	83 623 180
Suomen Pankki – Banque de Finlande	136 005 389	136 005 389
Subtotal for euro area NCB	7 619 884 851	7 619 884 851
Българска народна банка (Bulgarian National Bank)	92 986 811	3 487 005
Česká národní banka	174 011 989	6 525 450
Danmarks Nationalbank	161 000 330	6 037 512
Hrvatska narodna banka	65 199 018	2 444 963
Magyar Nemzeti Bank	149 363 448	5 601 129
Narodowy Bank Polski	554 565 112	20 796 192
Banca Națională a României	281 709 984	10 564 124
Sveriges Riksbank	246 041 586	9 226 559
Bank of England	1 480 243 942	55 509 148
Subtotal for non-euro area NCB	3 205 122 218	120 192 083
Total	10 825 007 070	7 740 076 935

Totals may not add up due to rounding.

The share that the BCL held in the accumulated net profits of the ECB reflects the repayment of 14.4 million euro of ECB reserves.

10.2 Claims equivalent to the transfer of foreign reserves

This sub-item represents the euro-denominated claims on the ECB with respect to the transfer of part of the BCL's foreign reserves. The claims are denominated in euro at a value fixed at the time of their transfer.

They are remunerated at the latest available marginal interest rate used by the Eurosystem in its tender for main refinancing operations, adjusted to reflect a zero return on the gold component.

As at 31 December 2016, the claim of the BCL amounts to 117 640 617 euro (117 640 617 euro on 31 December 2015).

10.3 Other claims within the Eurosystem

This sub-item represents the BCL's net claims towards the Eurosystem, mostly from transactions resulting from cross-border payments initiated for monetary or financial operations, made via the TARGET2 system, between the BCL and the other NCBs as well as the ECB. This claim amounts to 187.2 billion euro as at 31 December 2016 (147.6 billion euro on 31 December 2015). This increase results from the growth of the current accounts and of the deposit facilities related to the provision of liquidities by the Eurosystem.

The net position vis-à-vis the ECB bears interest at the marginal interest rate applying to the main refinancing operations.

NOTE 11 - OTHER ASSETS

11.1 Tangible and intangible assets

Tangible and intangible assets are as follows:

	Lands and buildings EUR	Furniture and equipment EUR	Software EUR	Other EUR	Total EUR
Cost as at 1 January 2016	114 471 182	17 519 198	9 065 144	2 787 589	143 843 113
Disposals/Transfers	-	108 297	838 230	(946 527)	-
Acquisitions	1 976 049	707 119	79 597	425 688	3 188 453
Cost as at 31 December 2016	116 447 231	18 334 614	9 982 971	2 266 750	147 031 566
Accumulated depreciation as at 1 January 2016	57 984 704	14 966 133	8 053 827	-	81 004 664
Disposals	-	-	-	-	-
Depreciation	4 220 033	1 085 286	850 726	-	6 156 045
Accumulated depreciation as at 31 December 2016	62 204 737	16 051 419	8 904 553	-	87 160 709
Net book value as at 31 December 2016	54 242 494	2 283 195	1 078 418	2 266 750	59 870 857

The sub-item "Lands and Buildings" comprises:

- the acquisition cost of the two premises located on 2, Boulevard Royal;
- the renovations made to the main building ("Siège Royal");
- the costs incurred in relation to the reconstruction and transformation of the "Pierre Werner" building;
- the costs incurred in relation to the reconstruction and transformation of the "Monterey" building;
- the acquisition cost of the building "7, Boulevard Royal";
- the renovations made to the building "7, Boulevard Royal".

11.2 Other financial assets

The components of this item are as follows:

	2016 EUR	2015 EUR
Other participating interests	91 542 852	91 273 821
Pension fund	349 903 326	306 936 490
	441 446 178	398 210 311

The other participating interests comprise the BCL's investments held in 2016 in SWIFT, LuxCSD SA., Islamic Liquidity Management Corporation and Bank for International Settlements.

The assets of the pension fund are recorded in the accounts under "Pension fund BCL". The balance of this account corresponds to the net asset value of the fund as calculated by the depositary bank as at 30 December 2016. In 2016, the BCL transferred an exceptional amount of 27.8 million euro to the assets of the pension fund further to the decision taken during the financial year 2015 related to the contribution to the provision for pensions.

11.3 Accruals and prepaid expenses

Most of this item consists of the accrued interests on monetary policy operations, securities and receivables from the IMF. Also included under this item are the commission receivables and the prepaid expenses, including salaries paid for January 2017.

11.4 Sundry

	2016 EUR	2015 EUR
Others	2 171 683	1 948 669
	2 171 683	1 948 669

This sub-item comprises miscellaneous income receivables.

NOTE 12 - BANKNOTES IN CIRCULATION

This item consists of the BCL's share of the total euro banknotes in circulation.

During 2016, the total value of banknotes in circulation within the Eurosystem increased by 4%. According to the allocation key, the BCL had euro banknotes in circulation worth 2 990.1 million euro at the end of 2016 compared with 2 876.5 million euro at the end of 2015.

The value of the euro banknotes actually issued by the BCL in 2016 increased by 1% and worth 96.6 billion euro as at 31 December 2016 (95.5 billion euro as at 31 December 2015). As this was more than the allocated amount, the difference of 93.6 billion euro (92.6 billion euro as at 31 December 2015) is shown under liability sub-item "Net liabilities related to the allocation of euro banknotes within the Eurosystem".

NOTE 13 - LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

	2016 EUR	2015 EUR
Current accounts (including the minimum reserves)	60 290 467 129	35 596 035 548
Deposit facility	37 142 600 000	21 641 293 581
Fixed-term deposits	-	-
Fine-tuning reverse operations	-	-
Deposits related to margin calls	-	-
	97 433 067 129	57 237 329 129

13.1 Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves. Banks' minimum reserve balances have been remunerated since January 1, 1999 at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. Since June 2014 the reserves held in excess of the minimum requirements are remunerated at the lower rate of either zero per cent or the deposit facility rate.

13.2 Deposit facility

This sub-item comprises the standing facility allowing credit institutions to make overnight deposits with the BCL at a pre-specified interest rate.

13.3 Fixed-term deposits

This sub-item comprises deposits made at the BCL for the purpose of absorbing market liquidity in connection with fine-tuning operations in the Eurosystem.

13.4 Fine-tuning reverse operations

This sub-item comprises other monetary policy operations aimed at tightening liquidity.

13.5 Deposits related to margin calls

This sub-item comprises deposits made by credit institutions to compensate for the decrease in the value of securities pledged as collateral for other credits granted to these same institutions.

NOTE 14 - LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

14.1 Liabilities to general government

This item records the amounts as follows:

	2016 EUR	2015 EUR
Current accounts	-	4
Account related to euro coins issued by the Treasury	280 991 031	271 556 085
Specific account of the State	422 174 064	147 500 000
Fixed-term deposit	140 000 000	140 000 000
	843 165 095	559 056 089

In accordance with the amendment of 10 April 2003 to the agreement between the Government of Luxembourg and the BCL establishing their financial relationship, the "Account related to euro coins issued by the Treasury" corresponds to the amount of coins issued by the BCL in the name and for the account of the Treasury.

The specific account was opened for the State of Luxembourg in 2011 in order to realise operations with the IMF.

The fixed-term deposit, unchanged since 2010, relates to the above-mentioned agreement.

14.2 Other liabilities

	2016 EUR	2015 EUR
Other liabilities	1 915 203 865	1 865 197 507
	1 915 203 865	1 865 197 507

As at 31 December 2016, this item included mainly a current account held by a European institution.

NOTE 15 - LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

This item includes current accounts and deposits held by central banks, international and supranational institutions and other account holders outside the euro area.

NOTE 16 - LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

This item includes current accounts and deposits in foreign currency held by central banks outside the euro area.

NOTE 17 - COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

The amount shown under this item represents the countervalue of SDR, converted to euro at the same rate as applied to the SDR assets, which should be returned to the IMF in the event of the SDR being cancelled, the SDR Department established by the IMF being closed or if Luxembourg decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 246.6 million, or 314.3 million euro as at 31 December 2016 (SDR 246.6 million, or 313.9 million euro on 31 December 2015).

NOTE 18 - INTRA-EUROSYSTEM LIABILITIES

18.1 Net liabilities related to the allocation of euro banknotes within the Eurosystem

This item consists of the liabilities of the BCL vis-à-vis the Eurosystem relating to the allocation of euro banknotes within the Eurosystem as explained in Note 12. The net position bears interest at the marginal interest rate applying to the main refinancing operations.

NOTE 19 - OTHER LIABILITIES

This item comprises mainly the accrued interest, including accrued interest on intra-Eurosystem liabilities, as well as miscellaneous expenses payable, including suppliers, and the Luxembourg francs banknotes not yet returned.

In 2016, the item "Other liabilities" also comprises the counterpart of the gains on SDR for 10.6 million euro (9.2 million euro on 31 December 2015).

The Luxembourg franc banknotes still circulating as at 31 December 2016 amount to 5.0 million euro (5.0 million euro on 31 December 2015).

NOTE 20 - PROVISIONS

Provisions are as follows:

	2016 EUR	2015 EUR
Provision for banking risks	933 683 166	928 178 149
Provision for pensions	366 070 000	337 793 729
Other provisions	169 000	139 000
	1 299 922 166	1 266 110 878

20.1 Provision for banking risks

Provision for banking risks includes the following items:

Provisions for specific banking risks	2016 EUR	2015 EUR
Provision covering credit and market risk	542 444 999	525 342 826
Provision covering operational risk	18 560 000	30 430 000
Provision covering liquidity risk	17 012 798	16 739 954
	578 017 797	572 512 780
Provisions for general banking risks	2016 EUR	2015 EUR
Provision for liabilities resulting from monetary agreements	32 341 954	32 341 954
Other provision for general banking risks	323 323 415	323 323 415
	355 665 369	355 665 369
	933 683 166	928 178 149

20.1.1 Provision covering credit and market risk

The provision of 542.4 million euro as at 31 December 2016 (525.3 million euro on 31 December 2015) corresponds to:

- 8.18% (7.54% on 31 December 2015) of the BCL's own securities portfolio existing as at 31 December 2016 and participations other than the participating interest in the capital of the ECB;
- 8.18% (7.54% on 31 December 2015) of the amount lent by the Eurosystem (main and longer-term refinancing operations) as at year-end for monetary policy purposes multiplied by the BCL's capital key in Eurosystem including securities held in the framework of the Securities Markets Programme, the third covered bond purchase programme and the corporate sector purchase programme, and the securities issued by international or supranational institutions held in the public sector purchase programme (excluding securities held by the ECB).

According to the BCL's guidelines of the Bank's Council, the objective is to target a rate of 12% on all items above. In order to achieve this objective in the light of non-conventional measures, this provision should be progressively increased by an additional amount of more than 1 100 million euro (2015: 1 000 million euro) over the next years in order to cover the potential liabilities. It is worth noting that the current financial capacity of the BCL is insufficient to generate the required level of income.

Yet this situation goes against the ECB recommendations on 7 September 2012 in relation to the capital increase of the BCL (CON/2012/69) in which it is noted that: *"The principle of financial independence requires a national central bank (NCB) within the European System of Central Banks (ESCB) to have sufficient means not only to perform its ESCB or Eurosystem-related tasks, but also its national tasks, e.g. financing its administration and own operations. [...] Financial independence primarily implies that an NCB should always be sufficiently capitalised. [...] In particular, the ECB is of the view that the higher the level of capital, reserves and provisions against financial risks is, the higher the safeguards against future losses are."*

20.1.2 Provision covering operational risk

This provision is intended to cover the risk of losses resulting from the inadequacy or fault attributable to procedures, to the human factor or to the BCL's systems or to external causes. Because of a lack of relevant statistics on the dimension of risk, the transfer to the provision is based on the Basic Indicator Approach described in the consultative working paper of the Basel Committee as being 15% of the average for the last three years of the net banking product (including payments allocated on monetary income).

In 2016, the average has been based on previous years in accordance with these rules.

20.1.3 Provision for liabilities resulting from monetary agreements

The provision created in order to face any future monetary liabilities did not change in 2016.

20.1.4 Other provision for general banking risks

This provision is intended to cover non-specific risks of losses resulting from central bank's activities. Due to the uncertainties of the financial markets, those risks can not be quantified in advance.

This provision did not change in 2016.

20.2 Provision for pensions

Provision for pensions include the following items:

	2016 EUR	2015 EUR
Provision for pensions	366 070 000	337 793 729
	366 070 000	337 793 729

In accordance with its Organic Law, the statutory pensions (first pillar) of its staff members are fully borne by the BCL.

The financing of pension obligations is provided on the one hand through deductions from wages and salaries in accordance with the rules governing the pension regime at the BCL and the other hand by payments made by the BCL.

The pension liabilities of the employer vis-à-vis all its staff members amounted to 366.1 million euro at 31 December 2016 compared with 337.8 million euro at 31 December 2015.

The demographic, economic and financial assumptions applied as part of the assessment of pension liabilities at 31 December 2016 are as follows:

Discount rate	3.25%
Wage growth rate (incl. index)	3.30%
Expected return on plan assets	3.55%
Pension growth rate (incl. index)	2.35%
Mortality table	German DAV 2004 tables
Disability rate	0.50%
Staff turnover	0.00%

Pension liabilities have been assessed based on the principles of the IAS 19 accounting standard. This standard requires both the use of actuarial method of projected unit credit and the use of a discount rate corresponding to the Eurozone "corporate" bond rate with an AA rating and a duration – at value date – reflecting those of the liabilities. For the fiscal year 2016, this rate was estimated at 2%.

The full adoption of the measurement features from IAS 19 standard for the fiscal year 2016 would have resulted in pension fund liabilities of a total of 526.7 million euro. As a consequence, this would have amounted in a total 160.7 million euro to make up for in 2016.

It should be noted that the adoption of this method is not mandatory for the BCL. However, in order to best reflect the economic and financial reality and to be able to meet the requirement of its Organic Law to bear all the expenses for pensions of its staff members, the BCL has decided to progressively increase its pension provisions in line with the application of the measurement features from IAS 19, thus smoothing the major burden over several years.

The difference of 28.3 million euro in pension liabilities amounting to 366.1 million euro as at 31 December 2016 compared to those at 31 December 2015 of 337.8 million euro includes:

- salary and wage deductions (employees' share) accounting for 2.8 million euro;
- a transfer from the "Booking reserve of the pension fund" account (adjustment of the actuarial value of the pension fund assets) to the account "Provision for pensions" for 7.8 million euro;
- a contribution of 19.1 million euro borne by the BCL;
- pension payments for retired staff members of 1.4 million euro.

NOTE 21 - REVALUATION ACCOUNTS

This item includes positive revaluation differences related to the spread between the exchange rate as at year-end and the average exchange rate of the BCL's currency and gold positions, as well as positive revaluation differences related to the spread between the market value as at year-end and the amortised cost for securities positions.

NOTE 22 - CAPITAL AND RESERVES

22.1 Capital

The State of Luxembourg is the sole shareholder of the BCL's capital for an amount of 175 million euro (unchanged since June 2009).

22.2 Reserves

The reserves amount to 16.9 million euro (15.1 million euro on 31 December 2015). This amount was increased by 1.8 million euro following the allocation of profit for 2015 according to the decision of the BCL's Council in application of its Founding Law (Article 31).

NOTE 23 - SECURITIES RECEIVED AS COLLATERAL

This item includes the securities received as collateral from Luxembourg credit institutions to cover their liabilities related to refinancing operations, marginal lending facilities and intra-day credits.

This item also includes the securities received as collateral in Luxembourg and used as a guarantee by commercial banks incorporated in other member states according to the "Correspondent Central Banking Model" (CCBM). This agreement allows commercial banks to obtain funding from their country of residence's central bank by using the securities held in another Member State as a guarantee.

As at 31 December 2016, the market value of these securities amounts to 122.4 billion euro (125.6 billion euro on 31 December 2015).

NOTE 24 - FOREIGN RESERVE ASSETS MANAGED ON BEHALF OF THE ECB

This item includes the foreign currency reserves at market value managed by the BCL on behalf of the ECB.

NOTE 25 - FUTURES

These items contain the purchases and sales of interest rate futures outstanding as at 31 December 2016, presented at notional amount. These transactions were conducted in the context of the management of the BCL's own investments.

NOTE 26 - NET INTEREST INCOME

This item includes interest income and expenses. Interest income and interest expense were previously presented on a gross basis. With a view to harmonizing at Eurosystem level the reporting of interest income and expense arising from Eurosystem monetary policy operations, the Eurosystem has decided from 2016 to present these items on a net basis on a balance sheet (sub-) item level under either "Interest income" or "Interest expense", depending on whether the net amount is positive or negative.

This decision of harmonisation at the Eurosystem level has not been adopted for positions unrelated to monetary policy operations, for both the balances in euro and in foreign currencies.

Interest income and expense are as follows:

Composition of interest income	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	2016	2016	2016
IMF	543 848	-	543 848
Lending to euro area credit institutions related to monetary policy operations	-	24 875	24 875
Current accounts (including minimum reserves) and deposits related to monetary policy operations	-	236 565 400	236 565 400
Intra-Eurosystem claims	-	15 547 993	15 547 993
Securities held for monetary policy purposes	-	10 942 915	10 942 915
Other securities	1 529 122	33 312 596	34 841 718
Other	12 152 157	2 933 879	15 086 036
Total	14 225 127	299 327 658	313 552 785

Composition of interest expense	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	2016	2016	2016
IMF	(271 004)	-	(271 004)
Lending to euro area credit institutions related to monetary policy operations	-	(6 595 853)	(6 595 853)
Liabilities related to the reallocation of euro banknotes in the Eurosystem	-	(9 654 765)	(9 654 765)
Other liabilities	(7 417 860)	(1 460 921)	(8 878 781)
Interest on swap operation	-	(299 874)	(299 874)
Total	(7 688 864)	(18 011 413)	(25 700 277)

Due to the change in accounting policy, the net interest income during 2015 has been restated as the following:

Composition of interest income	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	Restated amount 2015	Restated amount 2015	Restated amount 2015
IMF	235 931	-	235 931
Lending to euro area credit institutions related to monetary policy operations	-	1 546 062	1 546 062
Current accounts (including minimum reserves) and deposits related to monetary policy operations	-	49 610 575	49 610 575
Intra-Eurosystem claims	-	60 130 263	60 130 263
Securities held for monetary policy purposes	-	16 038 435	16 038 435
Other securities	1 009 843	60 715 505	61 725 348
Other	6 785 988	344 526	7 130 514
Total	8 031 762	188 385 366	196 417 128

Composition of interest expense	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	Restated amount 2015	Restated amount 2015	Restated amount 2015
IMF	(163 022)	-	(163 022)
Liabilities related to the reallocation of euro banknotes in the Eurosystem	-	(46 431 479)	(46 431 479)
Other liabilities	(3 491 761)	(14 851)	(3 506 612)
Total	(3 654 783)	(46 446 330)	(50 101 113)

NOTE 27 - REALISED GAINS / (LOSSES) ARISING FROM FINANCIAL OPERATIONS

This item includes the results from transactions in foreign currencies, from securities and from financial instruments linked to interest rates and market prices, i.e. realised gains minus realised losses on these transactions. In 2016, they amount to 17.7 million euro (42.5 million euro on 31 December 2015) and to 7.4 million euro (0.02 million euro on 31 December 2015) respectively, giving a net gain of 10.3 million euro (a net gain of 42.5 million euro on 31 December 2015).

NOTE 28 - WRITE-DOWNS ON FINANCIAL ASSETS AND FOREIGN CURRENCY POSITIONS

This item includes revaluation losses on securities for 0.9 million euro (revaluation losses on securities for 3.8 million euro in 2015).

NOTE 29 - TRANSFER TO/FROM PROVISIONS FOR RISKS

This item includes the transfers to and from provisions for banking risks and other provisions.

NOTE 30 - NET RESULT FROM FEES AND COMMISSIONS

Fees and commissions income and expense are as follows:

	Fees and commissions income EUR		Fees and commissions expense EUR	
	2016	2015	2016	2015
Securities	7 981 198	7 910 059	(10 253 370)	(10 345 671)
Others	1 274 760	1 266 629	(454 973)	(475 552)
Total	9 255 958	9 176 688	(10 708 343)	(10 821 223)

NOTE 31 - INCOME FROM PARTICIPATING INTERESTS

The ECB's seigniorage income, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under (a) SMP, (b) CBPP3, (c) ABSPP and (d) PSPP is due in full to the euro area NCBs in the financial year in which it accrues. Unless otherwise decided by the Governing Council, the ECB distributes this income in January of the following year by means of an interim distribution of profit.

It is distributed in full unless it is higher than the ECB's net profit for the year, and subject to any decisions by the Governing Council to make transfers to the provision for foreign exchange rate, interest rate, credit and gold price risks. The Governing Council may also decide to charge costs incurred by the ECB in connection with the issue and handling of euro banknotes against income earned on euro banknotes in circulation.

In 2016, the BCL received 3.5 million euro from the ECB.

In 2016, the BCL also received a dividend of 0.6 million SDR (0.8 million euro) due to the participating interest held in the Bank for International Settlements (BIS).

In total, this item amounts to 4.3 million euro as at 31 December 2016 (4.0 million euro on 31 December 2015).

NOTE 32 - NET RESULT OF POOLING OF MONETARY INCOME

The monetary income of each Eurosystem NCB is determined by measuring the actual annual income that derives from the earmarkable assets held against its liability base. The liability base consists mainly of the following items:

- banknotes in circulation;
- liabilities to credit institutions related to monetary policy operations denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET2 transactions;
- net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem;
- accrued interest recorded at quarter-end by each NCB on monetary policy liabilities the maturity of which is one year or longer.

Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The earmarkable assets consist of the following items:

- lending to euro area credit institutions related to monetary policy operations denominated in euro;
- securities held for monetary policy purposes
- intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET2 transactions;
- net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem;
- accrued interest recorded at quarter-end by each NCB on monetary policy assets the maturity of which is one year or longer;
- a limited amount of each NCBs' gold holdings in proportion to each NCB's capital key share.

The amount of each NCB's monetary income shall be determined by measuring the actual income that derives from the earmarkable assets recorded in its books. As an exception to this, gold is considered as generating no income and the following are considered to generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations: (i) securities held for monetary purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bonds purchase programme, (ii) securities held for monetary policy purposes under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bonds purchase programme and (iii) debt instruments issued by central, regional and local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations under Decision ECB/2015/10 of 4 March 2015 on the implementation of a secondary markets public sector asset purchase programme.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is allocated among NCBs according to the subscribed capital key set at 0.28839% since 1 January 2015.

This item includes the net monetary income allocated to the BCL for 2016 representing an expense amounting to 217 766 888 euro (expense of 54 933 657 euro on 31 December 2015).

NOTE 33 - OTHER INCOME

Other income includes revenue for services rendered to third parties, adjustments to prior years' accruals, income from numismatic activities and the recovered functioning costs of EPCO (Eurosystem Procurement Co-ordination Office).

Other income includes also, when appropriate, the BCL's revenue from financial agreements between the Government of Luxembourg and the BCL.

NOTE 34 - STAFF COSTS

	2016 EUR	2015 EUR
Gross wages and salaries	(37 060 345)	(34 744 189)
Other staff costs	(2 258 593)	(2 215 322)
	(39 318 938)	(36 959 511)

This item includes the gross wages and salaries, compensations as well as other staff costs (the employer's share of contributions to the social security scheme and meal vouchers).

The amount relevant to the Board of Directors, including the amounts of the representation expenses as decided by Government in council, amounted to 726 196 euro for the year 2016 (736 878 euro for the year 2015).

As at 31 December 2016, the BCL employed 360 persons (345 on 31 December 2015). The average number of persons working for the BCL from 1 January to 31 December 2016 was 355 (334 for the year 2015).

NOTE 35 - BCL'S CONTRIBUTION TO THE LEGAL PENSION SCHEME OF ITS STAFF

	2016 EUR	2015 EUR
Notional employer's share	(5 938 502)	(5 569 053)
Adjustments to the pension liabilities	(13 152 134)	(19 448 051)
	(19 090 636)	(25 017 104)

This item includes the notional employer's share of the BCL determined on the basis of the gross wages and salaries for an amount of 5.9 million euro as well as the contribution of the BCL for an amount of 13.2 million euro as a result of the revaluation of pension liabilities (see also Note 20.2 "Provisions for pensions"). It is worth noting that the BCL contribution amounted to 19.4 million euro in 2015.

NOTE 36 - OTHER ADMINISTRATIVE EXPENSES

This item includes the indemnities incurred in order to align the BCL's workforce to its needs from both a recruitment and a qualification perspective, the expenses for external consultants, leasing, cleaning and repairing of buildings and equipment, small goods and materials and other services and supplies. The expenses in relation to the Council meeting amounted to 93 445 euro for 2016, of which 89 356 euro for indemnities paid to the members of the Council (92 235 euro for 2015, of which 89 356 euro for indemnities).

NOTE 37 - DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

This item shows the depreciation applied on buildings, renovations on buildings, furniture and office equipment, computer hardware and software.

NOTE 38 - BANKNOTE PRODUCTION SERVICES

This item shows mainly the costs relating to the production and issue of banknotes denominated in euro.

NOTE 39 - OTHER EXPENSES

This item includes in particular costs relating to numismatic activities.

NOTE 40 - RESULT FOR THE YEAR

	2016 EUR	2015 EUR
Profit for the year	1 810 813	1 776 128

The fiscal year 2016 shows a profit of 1 810 813 euro (profit of 1 776 128 euro in 2015).

When taking into consideration the BCL's obligation or objective respectively relating to pension (see Note 20.2) and the provision for banking risks (see Note 20.1), the provisional results indicate a trend towards a significant structural loss.

