



# 02

THE BCL AS  
AN ORGANISATION



## 2 THE BCL AS AN ORGANISATION

### 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 2015, 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 2015, the Council held eight meetings. The level of participation by the members was as follows: Mr Pierre Beck (8 meetings), Mr Pit Hentgen (5 meetings), Mr Serge Kolb (8 meetings), Mr Jacques F. Poos (5 meetings), Ms Simone Retter (8 meetings), Mr Romain Schintgen (8 meetings), Mr Michel Wurth (7 meetings) and Mr Claude Zimmer (7 meetings).

Within the framework of monitoring the financial situation of the Bank, the Council approved the financial accounts as per 31 December 2014, the budgetary trends and subsequently the budget for the 2016 financial exercise.

The Council also observed and commented on economic and financial developments on a national and international basis and was kept informed of the decisions taken by the Governing Council of the ECB.

## The Audit Committee

Since 2001, the Audit Committee assists the Council in its choice of the statutory auditor to be proposed to the Government, in specifying the scope of the potential specific controls 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.

It may invite the head of the internal audit unit and the statutory auditor of the Bank to participate in its work.

At its meeting on 18 December 2015, the Council nominated the members of the Audit Committee for 2016: Mr Pit Hentgen, Mr Romain Schintgen and Mr Claude Zimmer. In 2015, the Audit Committee was chaired by Mr Claude Zimmer and held five meetings.

### **2.1.2 The Governor**

His Royal Highness Grand Duke Henri of Luxembourg, 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<sup>st</sup> 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 (Governor) with regard to all 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 (Governor) and two Directors:

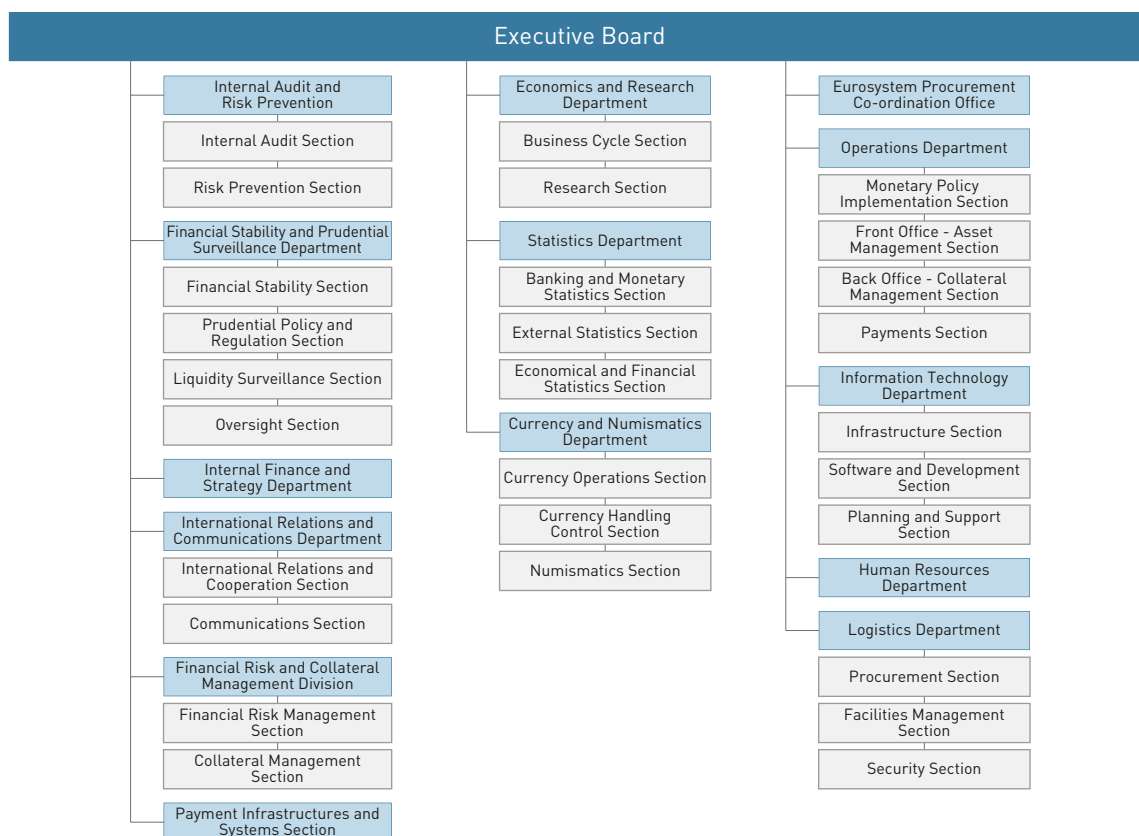
Director-General (Governor): Mr Gaston Reinesch

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 2015



\* This organisation chart does not include the functions and the staff of the Governor in his capacity as member of the Governing Council.

## 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 the ESCB, 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 reviews are carried out by specific administrative units, ensuring an adequate segregation of duties. 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 in charge of the analysis of financial risks, of the surveillance of the implementation of decisions made by the internal committees and by the Executive Board, of the surveillance of the established investment limits and of the production of regular reports on these issues;
- The Collateral Management section is entrusted with the risk management responsibility in the field of the management of collateral, in particular for ABS (asset-backed securities);
- The Risk Prevention section is in charge of the surveillance of operational risks, of risks related to information systems and of 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:

- establish a common methodology for risk analysis;
- provide assistance in the identification and evaluation of risks;
- 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 Controlling function provides the assurance that the available resources are used effectively and that an eventual 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.

In addition, the purpose of the Compliance function is to identify, evaluate 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 harm the BCL in the event that it would not 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 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. When performing its tasks, the Internal Audit unit complies with internationally accepted professional standards, as applied by the ESCB. The internal annual audit plan comprises audit engagements on a national level, as well as audit 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 the risk management framework and 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, upon recommendation of the Governing Council of the ECB. In this context, the external auditor is also entrusted with the performance of a certain number of 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 the selection and agreement process according to Article 27.1 of the ESCB/ECB Statutes.

#### **2.1.7 Code of Conduct**

A Code of Conduct defines the internal and external rules of conduct 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 strictly adhere.

The implementation of Conduct the Code of Conduct, as far as the Director general is concerned, was, at his request, reinforced at his expenses. 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, the Director general does not take part in the deliberations on such investment matters in 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 interests. 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 careful regarding individual invitations. The same rules apply to their spouses or partners who are equally obliged to respect the generally accepted rules concerning international relations, as well as concerning events happening outside of the ESCB which the members of the Governing Council may attend. 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 THE BCL'S STAFF

### 2.2.1 Quantitative evolution

Over the course of 2015, the BCL staff increased by 8.49% to reach a total of 345 staff members on 31 December 2015, equivalent to 329.50 full time positions. The staff members are of 20 different nationalities, thus contributing to the diversity of the human capital and to its cultural enrichment.

On 31 December 2015, 31 staff members occupied a part-time position:

- Part-time work (50%): 12 staff members
- Part-time work (75%): 6 staff members
- Leave for half-time work: 13 staff members
- Full-time parental leave: 3 staff members
- Part-time parental leave: 10 staff members

Furthermore, eleven staff members were on unpaid leave and two staff members were on special leave.

The average number of staff members working at the BCL in 2015 was 334,10 persons or 316,74 full-time equivalents (FTE).

The overall approved headcount cap for the year 2015 was 368,75 full-time equivalent positions.

During the year 2015, 7 staff members left the bank. On the other hand, 34 new staff members joined the bank during that same period.

### 2.2.2 The pension fund

Article 14 of the Organic Law of the BCL provides that the legal pension entitlements of each BCL agent are determined by their legal status: civil servant, State employee, private employee or worker.

Paragraph 4(b) of the same article states that: "The pensions of the BCL's agents shall be paid by the Bank. These costs shall be financed by a pension fund of the Central Bank. The pension fund shall be financed on the one hand by statutory deductions from agents' salaries in accordance with the rules governing the

pension scheme corresponding to their status, and on the other hand by contributions made by the Bank itself.”

The BCL's pension fund, which started operating in 2001, is governed by internal regulations and two committees, one executive and one consultative.

The executive committee is the *Comité directeur* which is composed of the BCL's Board of Directors, two elected representatives from the staff, two co-opted members acting as delegated managers and one member of the Staff Committee. The consultative committee is the Tactical Benchmark Committee.

## **2.3 INTERNAL FINANCE AND STRATEGY**

### **2.3.1 Accounting and reporting**

The BCL continues to update 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 ESCB's financial framework and has transposed the accounting revisions accordingly.

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

The control systems have been adapted to the changes in relation to operations carried out during the reporting period.

The BCL regularly checks the development of the balance sheet items, the off balance sheets and the profit and loss accounts. Investments, revenues and expenses are especially closely monitored with special attention paid 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 controls 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 in order to be in a position to determine future targets and actions to be taken.

### **2.3.2 Budget**

Budget preparation, in accordance with the Organic Law of the BCL, is part of the multiannual planning process of the BCL, 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 2015 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 11 July 2014. The 2015 budget was approved by the Council of the BCL on 25 April 2015.



In particular, the 2015 budget includes the following elements:

- The implementation of the Single Supervisory Mechanism (SSM) has continued in 2015 as well as unconventional Monetary Policy Operations adopted by the Eurosystem. Both elements had a significant impact on the activities and subsequently on the budget of the BCL;
- At national level BCL's tasks have also continued to increase, mainly in the areas of statistical data collection and prudential supervision. The activities of the systemic risk committee for Luxembourg, to which the BCL provides the secretariat, have also created additional tasks for the BCL;
- Taking into account the elements above, the reinforcement of its staff basis remains crucial;
- In 2015, the renovation of the new building situated at 7, boulevard Royal has been achieved;
- At Eurosystem level the cooperation among central banks is characterised by an ongoing consolidation of systems in operation as well as a significant number of common projects;
- The Eurosystem key interest rates remained at a historically low level which also had a negative impact on the revenues of the BCL. In view of the latter and given the continued broadening and deepening of the missions assigned to the BCL, the budget of the BCL might in future suffer from a structural deficit;
- The BCL has continued to make additional contributions to its pension fund as well as to the provisions for general banking risks.

The Internal Finance and Strategy Department monitors the execution of the budget and prepares quarterly reports for the Executive Board of the Bank. 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.

The expenditure for operating costs and investments as at 31 December 2015 stayed 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 concentrate its involvement 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.

In addition, management control is entrusted with the coordination and prioritisation of the Bank's internal projects. It is in charge of the secretariat to the BCL's project steering committee (BISC) in which the status of ongoing projects as well as the launching of future projects is discussed on a regular basis. The "Overall Project Monitoring Reports" (OPMR), prepared by management control, allow the BISC to better monitor and control the progress of the BCL's various projects and ensure the information flow to the Executive Board of the Bank on project related matters. In 2015, the internal regulation of the management of projects was amended in order to further clarify the different roles of the involved parties and to align its milestones with the organisational practices of the BCL.

In the same vein a so-called Project Office was created, to serve as a single point of contact for all project related matters, to provide active support to project managers and to supervise the correct application of the project methodology.

BCL representatives have participated in a series of project controlling activities at the ESCB/Eurosystem level related to the preparation and monitoring of common IT projects. Furthermore, the BCL has been represented in the EISC (Eurosystem IT Steering Committee) as well as in related working groups.

Cost accounting, as 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 applied cost accounting methodology follows the common rules adopted by the Eurosystem. The methodology used is in compliance with the harmonised set of rules as defined at Eurosystem level. It consists of allocating the BCL's operational expenses according to their category i.e. according to the respective sections and units, allowing cost identification of each of the Bank's activities.

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

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 performs assessments 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 situation).

## 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)

	2015	2014	Change in % 2015/2014
Total assets	158 958 450 236	117 097 829 518	36%
Liabilities to credit institutions	57 237 329 129	16 663 675 776	243%
Lending to credit institutions	3 657 140 000	3 357 142 385	9%
Own funds (1), revaluation accounts, administrative provisions and specific banking risks provisions	1 273 839 511	1 256 885 814	1%
Net result from banking activities (2)	183 299 452	185 915 686	-1%
Total net income	88 499 642	133 849 927	-34%
Administrative expenses	81 084 686	127 151 030	-36%
Net profit	1 776 128	1 646 171	8%
Cash Flow (3)	61 309 622	48 539 712	26%
Staff	345	318	8%
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	0.654%	0.533%	

(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, 2015 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, 2015, 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'entreprise agréé*  
*Partner*

March 23, 2016

### 2.4.3 Balance sheet as at 31 December 2015

ASSETS	Note	2015 EUR	2014 EUR
Gold and gold receivables	3	70 499 018	71 594 050
Claims on non-euro area residents denominated in foreign currency	4	637 580 813	638 887 797
- Receivables from the IMF		463 802 134	483 875 214
- Balances with banks, security investments, external loans and other external assets		173 778 679	155 012 583
Claims on euro area residents denominated in foreign currency	5	1 564 264 473	2 103 019 172
Claims on non-euro area residents denominated in euro	6	1 299 649 164	1 528 572 335
- Balances with banks, security investments and loans		1 299 649 164	1 528 572 335
Lending to euro area credit institutions related to monetary policy operations denominated in euro	7	3 657 140 000	3 357 142 385
- Main refinancing operations	7.1	610 000 000	1 300 000 000
- Longer-term refinancing operations	7.2	3 047 140 000	2 057 140 000
- Marginal lending facility	7.5	-	2 385
Other claims on euro area credit institutions denominated in euro	8	10 920 730	431 451 459
Securities of euro area residents denominated in euro	9	3 494 337 566	3 270 015 535
- Securities held for monetary policy purposes	9.1	1 592 425 088	490 637 316
- Other securities	9.2	1 901 912 478	2 779 378 219
Intra-Eurosystem claims	10	147 672 239 627	105 219 638 314
- 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	147 518 202 372	105 065 601 059
Items in course of settlement		160	46
Other assets	11	551 818 685	477 508 425
- Tangible and intangible assets	11.1	62 838 449	61 899 701
- Other financial assets	11.2	398 210 311	302 336 903
- Accruals and prepaid expenses	11.3	88 821 256	103 831 610
- Sundry	11.4	1 948 669	9 440 211
<b>Total assets</b>		<b>158 958 450 236</b>	<b>117 097 829 518</b>

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

LIABILITIES	Note	2015 EUR	2014 EUR
Banknotes in circulation	12	2 876 503 995	2 714 156 460
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	13	57 237 329 129	16 663 675 776
- Current accounts (covering the minimum reserve system)	13.1	35 596 035 548	12 780 675 776
- Deposit facility	13.2	21 641 293 581	3 883 000 000
Liabilities to other euro area residents denominated in euro	14	2 424 253 596	2 418 077 103
- General government	14.1	559 056 089	578 993 301
- Other liabilities	14.2	1 865 197 507	1 839 083 802
Liabilities to non-euro area residents denominated in euro	15	259 926 093	527 265 350
Liabilities to non-euro area residents denominated in foreign currency	16	1 567 549 469	2 108 906 558
Counterpart of special drawing rights allocated by the IMF	17	313 901 066	294 072 620
Intra-Eurosystem liabilities	18	92 617 860 680	90 777 374 330
- Net liabilities related to the allocation of euro banknotes within the Eurosystem	18.1	92 617 860 680	90 777 374 330
Items in course of settlement		-	375 598
Other liabilities	19	49 492 966	34 049 516
- Accruals and income collected in advance		26 763 928	15 848 391
- Sundry		22 729 038	18 201 125
Provisions	20	1 266 110 878	1 183 567 010
- Provision for banking risks	20.1	928 178 149	880 456 617
- Provision for pensions	20.2	337 793 729	302 990 393
- Other provisions		139 000	120 000
Revaluation accounts	21	153 630 371	186 193 332
Capital and reserves	22	190 115 865	188 469 694
- Capital	22.1	175 000 000	175 000 000
- Reserves	22.2	15 115 865	13 469 694
Profit for the year	39	1 776 128	1 646 171
<b>Total liabilities</b>		<b>158 958 450 236</b>	<b>117 097 829 518</b>

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

#### 2.4.4 Off-balance sheet as at 31 December 2015

	Note	2015 EUR	2014 EUR
Securities received as collateral	23	125 563 173 973	133 330 745 366
Foreign currency reserve assets managed on behalf of the ECB	24	396 160 538	361 011 986
		<b>125 959 334 511</b>	<b>133 691 757 352</b>

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

## 2.4.5 Profit and loss account for the year ending 31 December 2015

	Note	2015 EUR	2014 EUR
Interest income	25	198 616 561	304 368 851
Interest expense	25	(52 300 546)	(159 425 577)
<b>Net interest income</b>	25	<b>146 316 015</b>	<b>144 943 275</b>
Realised gains / (losses) arising from financial operations	26	42 455 051	43 042 325
Write-downs on financial assets and positions	27	(3 827 078)	(716 525)
Transfer to/from provisions for risks	28	(50 067 587)	(41 124 291)
<b>Net result of financial operations, write-downs and risk provisions</b>		<b>(11 439 614)</b>	<b>1 201 509</b>
Fees and commissions income	29	9 176 688	10 223 976
Fees and commissions expense	29	(10 821 223)	(11 577 363)
<b>Net result from fees and commissions</b>	29	<b>(1 644 535)</b>	<b>(1 353 387)</b>
Income from participating interest	30	4 028 096	3 509 905
Net result of pooling of monetary income	31	(54 933 657)	(21 207 230)
Other income	32	6 173 339	6 755 858
<b>Total net income</b>		<b>88 499 644</b>	<b>133 849 929</b>
Staff costs	33	(36 959 511)	(33 360 689)
-Gross salaries		(34 744 189)	(31 332 701)
-Other staff costs		(2 215 322)	(2 027 988)
BCL's contribution to the legal pension scheme	34	(25 017 104)	(78 078 196)
Other administrative expenses	35	(13 623 839)	(11 875 948)
Depreciation of tangible and intangible assets	11.1, 36	(5 638 829)	(5 052 725)
Banknote production services	37	(1 727 196)	(870 182)
Other expenses	38	(3 757 037)	(2 966 015)
<b>Profit for the year</b>	39	<b>1 776 128</b>	<b>1 646 171</b>

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

## 2.4.6 Notes to the financial statements as at 31 December 2015

### NOTE 1 – GENERAL INFORMATION

The Banque centrale du Luxembourg (“BCL” or “Central 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 Bank.

### 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 Securities and rules applicable to the portfolios of financial assets held by the BCL

Securities currently held for monetary policy purposes are accounted for at amortised cost (subject to impairment), regardless of the holding intention.

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.

The Agreement on Net Financial Assets (ANFA) is an agreement between the NCBs of the euro area and the ECB, which together form the Eurosystem. The objective of this agreement is for the Governing Council 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 policy. 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".

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

## 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 (1<sup>st</sup> 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 the payment by the BCL and decrease by pension payments to retirees. At the year end, the provision is adjusted in the light of the new actuarial calculation. If necessary, the account "Booking reserve of the pension fund", equivalent to the gains generated by the fund's assets, is also transferred 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 a contribution from the BCL. The BCL applies the method of "projected unit credit" (PUC) 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 BCL's activities.

### NOTE 3 – GOLD AND GOLD RECEIVABLES

As at 31 December 2015, the BCL holds 72 438.56 ounces of fine gold amounting to 70.5 million euro (72 480.56 ounces of fine gold amounting to 71.6 million euro on 31 December 2014).

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 31 December.

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

	2015 EUR	2014 EUR
Receivables from the IMF	463 802 134	483 875 214
Balances with banks, security investments, external loans and other external assets	173 778 679	155 012 583
	<b>637 580 813</b>	<b>638 887 797</b>

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).

This item is broken down into two sub-items:

- receivables from the International Monetary Fund (IMF) are 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.
- 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. This sub-item includes in particular the US dollar securities portfolio which could be used, if needed, for monetary policy operations.

This portfolio, which amounts to 162 million euro as at 31 December 2015 (144 million euro on 31 December 2014), 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 2015, their value at market prices included a negative net revaluation adjustment amounting to 0.4 million euro (negative net revaluation adjustment amounting to 0.3 million euro on 31 December 2014).

Balances with banks amounted to 11.3 million euro as at 31 December 2015 (11 million euro on 31 December 2014).

#### **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 1 564 million euro as at 31 December 2015 (2 103 million euro on 31 December 2014).

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

	2015 EUR	2014 EUR
Balances with banks	2 649	8 321
Available-for-sale securities portfolio	1 299 646 515	1 528 564 014
	<b>1 299 649 164</b>	<b>1 528 572 335</b>

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 2015, the market value of the latter comprised a negative net revaluation adjustment amounting to 17.4 million euro including the premium and discount amortisation (positive net revaluation adjustment amounting to 18.9 million euro on 31 December 2014).

#### **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:

	2015 EUR	2014 EUR
Main refinancing operations	610 000 000	1 300 000 000
Longer-term refinancing operations	3 047 140 000	2 057 140 000
Fine-tuning reverse operations	-	-
Structural reverse operations	-	-
Marginal lending facility	-	2 385
Credits related to margin calls	-	-
	<b>3 657 140 000</b>	<b>3 357 142 385</b>

The total Eurosystem holding of monetary policy assets amounts to 558 989 million euro of which the BCL holds 3 657 million euro.

In accordance with Article 32.4 of the Statute, 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**

This sub-item includes the amount of liquidity provided to credit institutions by way of weekly one-week 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**

This sub-item includes the amount of credit extended to credit institutions by way of tenders with three or forty eight month maturities.

#### **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**

	2015 EUR	2014 EUR
Securities held for monetary policy purposes	1 592 425 088	490 637 316
Other securities	1 901 912 478	2 779 378 219
- <i>available-for-sale securities portfolio</i>	1 546 339 378	2 368 526 155
- <i>held-to-maturity securities portfolio</i>	355 573 100	410 852 064
	<b>3 494 337 566</b>	<b>3 270 015 535</b>

## 9.1 Securities held for monetary policy purposes

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

### **First and second covered bond purchase programmes and Securities Markets Programme**

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.

### **Third covered bond purchase programme**

On 2 October 2014 the Governing Council announced the operational details of the third covered bond purchase programme (CBPP3). The aim of this programme is to facilitate credit provision to euro area economy, generate positive spillovers to other markets and, as a result, ease the ECB's monetary policy stance.

### **Public Sector Purchase Programme**

On 22 January 2015 the Governing Council decided that asset purchases should be expanded to include a secondary market public sector asset purchase programme (PSPP). This programme aims to further ease monetary and financial conditions, including those relevant to borrowing conditions of euro area and non-financial corporations and households, thereby supporting aggregate consumption and investment spending in the euro area and ultimately contributing to a return of inflation rates to levels below but close to 2% over the medium term. Under this programme the ECB and the NCBs may purchase, in the secondary market, euro-denominated marketable debt securities issued by central governments of a Member State whose currency is the euro, recognised agencies located in the euro area, international organisations located in the euro area and multilateral development banks located in the euro area.

In terms of the size of the PSPP, the ABSPP and the CBPP3, the liquidity provided to the market by the combined monthly purchases will amount to EUR 60 billion. Purchases are intended to be carried out until at least March 2017.

Securities purchased under all programmes are valued on an amortised cost basis subject to impairment. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end.

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

Securities held for monetary policy purposes	2015 EUR		2014 EUR	
	Amortised cost	Market value	Amortised cost	Market value
First covered bond purchase programme	5 998 651	6 203 088	5 971 376	6 204 900
Second covered bond purchase programme	14 484 734	15 655 103	28 374 479	31 025 647
Third covered bond purchase programme	382 769 132	384 382 983	92 234 840	92 587 342
Securities markets programme	193 588 257	219 265 699	364 056 621	394 430 158
Public sector purchase programme	995 584 314	1 012 956 584	-	-
	<b>1 592 425 088</b>	<b>1 638 463 457</b>	<b>490 637 316</b>	<b>524 248 047</b>

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.

The total Eurosystem NCB's holding of securities held in the securities markets programme, the third covered bond purchase programme and securities issued by international or supranational institutions held in the public sector purchase programme amounts to 305.7 billion euro as at 31 December 2015, of which the BCL holds 576.4 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 NCBs, in proportion to the prevailing ECB capital key shares.

On the basis of the results of an impairment test as at 31 December 2015 on securities purchased under the third covered bond purchase programme and securities issued by international or supranational institutions held in the public sector purchase programme, 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.

In the context of the impairment test conducted as at the end of 2015 on securities purchased under the securities markets programme, the Governing Council identified one impairment indicator in particular, relating to the holdings of securities issued by the Hellenic republic, which occurred in the course of 2015. The impairment indicator was triggered due to the Hellenic republic failing to repay to the IMF and to the Bank of Greece on 30 June 2015. The Governing Council considered that the identified impairment indicators had not affected the estimated future cash flows. No impairment losses were therefore recorded at the year-end on the holdings of securities issued by the Hellenic republic under the securities markets programme. Furthermore, no impairment losses were recorded in respect of the other securities purchased under the securities markets programme.

## 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 1 546.3 million euro as at 31 December 2015 (2 368.5 million euro on 31 December 2014). 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 2015, the market value of the latter comprised a negative net revaluation adjustment amounting to 6.3 million euro including premium and discount amortisation (positive net revaluation adjustment amounting to 25.1 million euro on 31 December 2014). 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 2015, these securities amount to 355.6 million euro (410.9 million euro on 31 December 2014). In this portfolio, the BCL does not hold any security issued by the State of the Grand Duchy of Luxembourg.

## NOTE 10 – INTRA-EUROSYSTEM 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. On 1 January 2015, following the entry of Lithuania in the Eurosystem, the BCN's participations key in in the Eurosystem changed.

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

Country	Capital key in ESCB (in %)	Eurosystem key (in %)	
	from 1 January 2014	from 1 January 2015	until 31 December 2014
Belgium	2.4778	3.52003	3.54081
Germany	17.9973	25.56743	25.71840
Estonia	0.1928	0.27390	0.27551
Ireland	1.1607	1.64892	1.65866
Greece	2.0332	2.88842	2.90547
Spain	8.8409	12.55961	12.63377
France	14.1792	20.14334	20.26228
Italy	12.3108	17.48904	17.59231
Cyprus	0.1513	0.21494	0.21621
Latvia	0.2821	0.40076	0.40312
Lithuania	0.4132	0.58700	-
Luxembourg	0.2030	0.28839	0.29009
Malta	0.0648	0.09206	0.09260
Netherlands	4.0035	5.68748	5.72106
Austria	1.9631	2.78883	2.80530
Portugal	1.7434	2.47672	2.49134
Slovenia	0.3455	0.49083	0.49372
Slovak Republic	0.7725	1.09743	1.10391
Finland	1.2564	1.78487	1.79541
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	-	-
<b>Total</b>	<b>100.0000</b>	<b>100.00000</b>	<b>100.00000</b>

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

	Subscribed capital since 1 January 2015	Subscribed capital until 31 December 2014	Paid-up capital since 1 January 2015	Paid-up capital until 31 December 2014
Banque Nationale de Belgique	268 222 025	268 222 025	268 222 025	268 222 025
Deutsche Bundesbank	1 948 208 997	1 948 208 997	1 948 208 997	1 948 208 997
Eesti Pank	20 870 614	20 870 614	20 870 614	20 870 614
Central Bank of Ireland	125 645 857	125 645 857	125 645 857	125 645 857
Banque de Grèce	220 094 044	220 094 044	220 094 044	220 094 044
Banco de España	957 028 050	957 028 050	957 028 050	957 028 050
Banque de France	1 534 899 402	1 534 899 402	1 534 899 402	1 534 899 402
Banca d'Italia	1 332 644 970	1 332 644 970	1 332 644 970	1 332 644 970
Central Bank of Cyprus	16 378 236	16 378 236	16 378 236	16 378 236
Latvijas Banka	30 537 345	30 537 345	30 537 345	30 537 345
Lietuvos bankas	44 728 929	-	44 728 929	-
Banque centrale du Luxembourg	21 974 764	21 974 764	21 974 764	21 974 764
Central Bank of Malta	7 014 605	7 014 605	7 014 605	7 014 605
De Nederlandsche Bank	433 379 158	433 379 158	433 379 158	433 379 158
Oesterreichische Nationalbank	212 505 714	212 505 714	212 505 714	212 505 714
Banco de Portugal	188 723 173	188 723 173	188 723 173	188 723 173
Banka Slovenije	37 400 399	37 400 399	37 400 399	37 400 399
Národná banka Slovenska	83 623 180	83 623 180	83 623 180	83 623 180
Suomen Pankki – Banque de Finlande	136 005 389	136 005 389	136 005 389	136 005 389
<b>Subtotal for euro area NCBs</b>	<b>7 619 884 851</b>	<b>7 575 155 922</b>	<b>7 619 884 851</b>	<b>7 575 155 922</b>
Българска народна банка (Bulgarian National Bank)	92 986 811	92 986 811	3 487 005	3 487 005
Česká národní banka	174 011 989	174 011 989	6 525 450	6 525 450
Danmarks Nationalbank	161 000 330	161 000 330	6 037 512	6 037 512
Hrvatska narodna banka	65 199 018	65 199 018	2 444 963	2 444 963
Lietuvos bankas	-	44 728 929	-	1 677 335
Magyar Nemzeti Bank	149 363 448	149 363 448	5 601 129	5 601 129
Narodowy Bank Polski	554 565 112	554 565 112	20 796 192	20 796 192
Banca Națională a României	281 709 984	281 709 984	10 564 124	10 564 124
Sveriges Riksbank	246 041 586	246 041 586	9 226 559	9 226 559
Bank of England	1 480 243 942	1 480 243 942	55 509 148	55 509 148
<b>Subtotal for non-euro area NCBs</b>	<b>3 205 122 218</b>	<b>3 249 851 147</b>	<b>120 192 083</b>	<b>121 869 418</b>
<b>Total</b>	<b>10 825 007 070</b>	<b>10 825 007 070</b>	<b>7 740 076 935</b>	<b>7 697 025 340</b>

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 2015, the claim of the BCL amounts to 117 640 617 euro (117 640 617 euro on 31 December 2014).

### 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 147.6 billion euro as at 31 December 2015 (105.1 billion euro on 31 December 2014). 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 2015	109 658 356	16 674 954	8 920 751	2 096 390	137 350 451
Disposals/Transfers	-	(84 915)	-	-	(84 915)
Acquisitions	4 812 826	929 159	144 393	691 199	6 577 577
<b>Cost as at 31 December 2015</b>	<b>114 471 182</b>	<b>17 519 198</b>	<b>9 065 144</b>	<b>2 787 589</b>	<b>143 843 113</b>
Accumulated depreciation as at 1 January 2015	54 080 063	14 082 847	7 287 840	-	75 450 750
Disposals	-	(84 915)	-	-	(84 915)
Depreciation	3 904 641	968 201	765 987	-	5 638 829
<b>Accumulated depreciation as at 31 December 2015</b>	<b>57 984 704</b>	<b>14 966 133</b>	<b>8 053 827</b>	<b>-</b>	<b>81 004 664</b>
<b>Net book value as at 31 December 2015</b>	<b>56 486 478</b>	<b>2 553 065</b>	<b>1 011 317</b>	<b>2 787 589</b>	<b>62 838 449</b>

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:

	2015 EUR	2014 EUR
Other participating interests	91 273 821	85 519 216
Pension fund	306 936 490	216 817 687
	<b>398 210 311</b>	<b>302 336 903</b>

The other participating interests comprise the BCL's investments held in 2015 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 31 December 2015. In 2015, the BCL transferred an exceptional amount of 74.7 million euro to the assets of the pension fund further to the decision taken during the financial year 2014 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 commissions receivables, prepaid expenses, including salaries paid for January 2016, and other income receivables.

### 11.4 Sundry

	2015 EUR	2014 EUR
Others	1 948 669	9 440 211
	<b>1 948 669</b>	<b>9 440 211</b>

As at 31 December 2014, the item "Sundry" consisted in particular of the counterpart of the unrealised loss on SDR recorded in the financial statements of the BCL for an amount of 4 million euro, which is guaranteed by the Government according to the agreement signed in May 1999 establishing the financial relationship between the Government of Luxembourg and the BCL.

As at 31 December 2015, the BCL recognises a gain on SDR disclosed in the item "Other liabilities" (see Note 19 "Other liabilities").

## NOTE 12 – BANKNOTES IN CIRCULATION

This item includes the BCL's share of the total euro banknotes put into circulation by the central banks of the Eurosystem according to their weightings in the capital of the ECB, which totalled 2 876.5 million euro (2 714.2 million euro on 31 December 2014).

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

	2015 EUR	2014 EUR
Current accounts (including the minimum reserves)	35 596 035 548	12 780 675 776
Deposit facility	21 641 293 581	3 883 000 000
Fixed-term deposits	-	-
Fine-tuning reverse operations	-	-
Deposits related to margin calls	-	-
	<b>57 237 329 129</b>	<b>16 663 675 776</b>

This item primarily comprises credit institutions' accounts held within the framework of the requirements of the minimum reserve system and deposit facilities.



### 13.1 Current accounts (including the minimum reserves)

This sub-item comprises accounts denominated in euro of credit institutions which mainly serve to meet minimum reserve requirements. 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:

	2015 EUR	2014 EUR
Current accounts	4	12
Account related to euro coins issued by the Treasury	271 556 085	260 143 289
Specific account of the State	147 500 000	178 850 000
Fixed-term deposit	140 000 000	140 000 000
	<b>559 056 089</b>	<b>578 993 301</b>

The item current accounts records an amount of 4 euro owed to the Luxembourg Treasury.

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

	2015 EUR	2014 EUR
Other liabilities	1 865 197 507	1 839 083 802
	<b>1 865 197 507</b>	<b>1 839 083 802</b>

As at 31 December 2015, 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 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 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 313.9 million euro as at 31 December 2015 (SDR 246.6 million, or 294.1 million euro on 31 December 2014).

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

The Luxembourg franc banknotes still circulating as at 31 December 2015 amount to 5.0 million euro (5.1 million euro on 31 December 2014).

### NOTE 20 - PROVISIONS

Provisions are as follows:

	2015 EUR	2014 EUR
Provision for banking risks	928 178 149	880 456 617
Provision for pensions	337 793 729	302 990 393
Other provisions	139 000	120 000
	<b>1 266 110 878</b>	<b>1 183 567 010</b>

## 20.1 Provision for banking risks

Provision for banking risks includes the following items:

Provisions for specific banking risks	2015 EUR	2014 EUR
Provision covering credit and market risk	525 342 826	501 504 599
Provision covering operational risk	30 430 000	32 980 000
Provision covering liquidity risk	16 739 954	16 667 044
Provision for doubtful debts	-	2 327 055
	<b>572 512 780</b>	<b>553 478 698</b>
Provisions for general banking risks	2015 EUR	2014 EUR
Provision for liabilities resulting from monetary agreements	32 341 954	32 341 954
Other provision for general banking risks	323 323 415	294 635 965
	<b>355 665 369</b>	<b>326 977 919</b>
	<b>928 178 149</b>	<b>880 456 617</b>

### 20.1.1 Provision covering credit and market risk

The provision of 525.3 million euro (501.5 million euro on 31 December 2014) corresponds to:

- 7.54% (7.30% on 31 December 2014) of the BCL's own securities portfolio existing as at 31 December 2015 and participations other than the participating interest in the capital of the ECB;
- 7.54% (7.30% on 31 December 2014) 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 and the third covered bond 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 1 000 million euro (2014: 800 million euro) over the next years in order to cover the potential liabilities. It is worth noting that the current financial capacity of the Bank 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 2015, the average has been based on previous years in accordance with these rules.

### 20.1.3 Provision for doubtful debts

This provision was initially established to cover unsettled invoices sent annually to the Commission de Surveillance du Secteur Financier (CSSF) since 2010. These invoices aimed to cover BCL's cost in accordance of its responsibility for the oversight of the general market liquidity situation and the evaluation of the market participants in this respect. The provision was used in 2015 (2.3 million euro as at 31 December 2014) considering the repeated non-payment of the invoices.

### 20.1.4 Provision for liabilities resulting from monetary agreements

The provision, created in order to face any future monetary liabilities, did not change in 2015.

### 20.1.5 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 increased by 28.7 million euro in 2015.

## 20.2 Provisions for pensions

Provisions for pensions include the following items:

	2015 EUR	2014 EUR
Provision for pensions	337 793 729	302 990 393
	<b>337 793 729</b>	<b>302 990 393</b>

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 337.8 million euro at 31 December 2015 compared with 303.0 million euro at 31 December 2014.

The demographic, economic and financial assumptions applied as part of the assessment of pension liabilities at 31 December 2015 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	0.5 %
Staff turnover	0 %

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 2015, this rate was estimated at 2.50%.

The full adoption of the measurement features from IAS 19 standard for the fiscal year 2015 would have resulted in pension fund liabilities of a total of 419.4 million euro. As a consequence, this would have amounted in a total 116.4 million euro to make up for in 2015.

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 Bank 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 34.8 million euro in pension liabilities as at 31 December 2015 (337.8 million euro) compared to those at 31 December 2014 (303.0 million euro) includes:

- salary and wage deductions (employees' share) accounting for 2.7 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 8.4 million euro;
- a contribution of 25.0 million euro borne by the BCL;
- pension payments for retired staff members of 1.2 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 15.1 million euro (13.5 million euro on 31 December 2014). This amount was increased by 1.6 million euro following the allocation of profit for 2014 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 2015, the market value of these securities amounts to 125.6 billion euro (133.3 billion euro on 31 December 2014).

#### **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 – NET INTEREST INCOME

This item includes interest income, after deduction of interest expense, on assets and liabilities in foreign currency and in euro. Interest income and expense are as follows:

Composition of interest income	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	2015	2015	2015
IMF	235 931	-	235 931
Monetary policy	-	53 356 070	53 356 070
Intra-Eurosystem claims	-	60 130 263	60 130 263
Securities	1 009 843	76 753 940	77 763 783
Gold	-	-	-
Other	6 785 988	344 526	7 130 514
<b>Total</b>	<b>8 031 762</b>	<b>190 584 799</b>	<b>198 616 561</b>

Composition of interest expense	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	2015	2015	2015
IMF	(163 022)	-	(163 022)
Current accounts (including minimum reserves) and deposits related to monetary policy operations	-	(2 199 433)	(2 199 433)
Liabilities related to the reallocation of euro banknotes in the Eurosystem	-	(46 431 479)	(46 431 479)
Other intra-Eurosystem liabilities	-	-	-
Interests on term deposits	-	-	-
Other liabilities	(3 491 761)	(14 851)	(3 506 612)
Interest on swap operation	-	-	-
<b>Total</b>	<b>(3 654 783)</b>	<b>(48 645 763)</b>	<b>(52 300 546)</b>

Composition of interest income	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	2014	2014	2014
IMF	417 960	-	417 960
Monetary policy	-	2 752 965	2 752 965
Intra-Eurosystem claims	-	172 343 215	172 343 215
Securities	633 678	113 100 545	113 734 223
Gold	-	-	-
Other	2 941 896	12 178 592	15 120 488
<b>Total</b>	<b>3 993 534</b>	<b>300 375 317</b>	<b>304 368 851</b>

Composition of interest expense	Amounts in foreign currency EUR	Amounts in euro EUR	Total EUR
	2014	2014	2014
IMF	(240 838)	-	(240 838)
Current accounts (including minimum reserves) and deposits related to monetary policy operations	-	(11 839 969)	(11 839 969)
Liabilities related to the reallocation of euro banknotes in the Eurosystem	-	(143 745 295)	(143 745 295)
Other intra-Eurosystem liabilities	-	(31 047)	(31 047)
Interests on term deposits	-	-	-
Other liabilities	(1 879 182)	(1 689 246)	(3 568 428)
Interest on swap operation	-	-	-
<b>Total</b>	<b>(2 120 020)</b>	<b>(157 305 557)</b>	<b>(159 425 577)</b>



## NOTE 26 – 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 2015, they amount to 42.5 million euro (43.08 million euro on 31 December 2014) and to 0.02 million euro (0.04 million euro on 31 December 2014) respectively, giving a net gain of 42.5 million euro (a net gain of 43.04 million euro on 31 December 2014).

## NOTE 27 – WRITE-DOWNS ON FINANCIAL ASSETS AND FOREIGN CURRENCY POSITIONS

This item includes revaluation losses on securities for 3.8 million euro (revaluation losses on securities for 0.7 million euro in 2014).

## NOTE 28 – TRANSFER TO/FROM PROVISIONS FOR RISKS

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

## NOTE 29 – 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	
	2015	2014	2015	2014
Securities	7 910 059	8 842 870	(10 345 671)	(10 999 520)
Others	1 266 629	1 381 106	(475 552)	(577 843)
<b>Total</b>	<b>9 176 688</b>	<b>10 223 976</b>	<b>(10 821 223)</b>	<b>(11 577 363)</b>

## NOTE 30 - INCOME FROM PARTICIPATING INTEREST

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 securities purchased under (a) the securities markets programme, (b) the third covered bond purchase programme, (c) the asset-backed securities purchase programme and (d) the public sector purchase programme 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 the ECB's net profit for the year is less than its income earned on euro banknotes in circulation and securities purchased under the aforementioned programmes, 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 2015, the BCL received 3.2 million euro from the ECB.

In 2015, the BCL also received a dividend of 0.7 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 4.0 million euro as at 31 December 2015 (3.5 million euro on 31 December 2014).

## NOTE 31 – 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;
- intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB;
- securities held for monetary policy purposes;
- 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.

Gold is considered as generating no income. Securities held for monetary purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bonds purchase programme, under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bonds purchase programme and under Decision ECB/2015/10 of 4 March 2015 on the implementation of a secondary markets public sector asset purchase programme are considered to generate income at the latest available marginal rate used by the Eurosystem's in its tenders for main refinancing operations.

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 that difference the marginal rate on the 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 (0.29009% for the BCL as at 31 December 2014).

This item includes the net monetary income allocated to the BCL for 2015 representing an expense amounting to 54 933 657 euro (expense of 21 207 230 euro on 31 December 2014).

#### NOTE 32 – OTHER INCOME

Other income includes revenue for services rendered to third parties, transfers from administrative provisions, 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 33 – STAFF COSTS

	2015 EUR	2014 EUR
Gross wages and salaries	(34 744 189)	(31 332 701)
Other staff costs	(2 215 322)	(2 027 988)
	<b>(36 959 511)</b>	<b>(33 360 689)</b>

This item includes the gross wages and salaries (adjusted in particular by the increase of the index point), 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 736 878 euro for the year 2015 (704 861 euro for the year 2014).

As at 31 December 2015, the BCL employed 345 persons (318 on 31 December 2014). The average number of persons working for the BCL from 1 January to 31 December 2015 was 334 (309 for the year 2014).

#### NOTE 34 – BCL'S CONTRIBUTION TO THE LEGAL PENSION SCHEME OF ITS STAFF

	2015 EUR	2014 EUR
Notional employer's share	(5 569 053)	(5 010 710)
Adjustments to the pension liabilities	(19 448 051)	(73 067 486)
	<b>(25 017 104)</b>	<b>(78 078 196)</b>

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 5.6 million euro as well as the contribution of the BCL for an amount of 19.4 million euro resulting from the willingness of the BCL to progressively adopt the measurement features from IAS 19 standard (see also Note 20.2 "Provisions for pensions"). It is worth noting that the BCL contribution amounted to 73.1 million euro in 2014.

#### NOTE 35 – ADMINISTRATIVE EXPENSES

This item includes all general and recurring expenses, meaning leasing, cleaning and repair of buildings and equipment, small goods and materials, fees paid and other services and supplies as well as fees to match the staff to the needs of the Bank, both from a recruitment and a qualification perspective. The compensations paid to the members of the Council amounted to 92 325 euro in 2015 (85 794 euro in 2014).

#### NOTE 36 – 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 37 – BANKNOTE PRODUCTION SERVICES

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

#### NOTE 38 – OTHER EXPENSES

This item includes in particular costs related to numismatic activities and to consultancy.

#### NOTE 39 – RESULT FOR THE YEAR

	2015 EUR	2014 EUR
Profit for the year	1 776 128	1 646 171

The fiscal year 2015 shows a profit of 1 776 128 euro (profit of 1 646 171 in 2014).

When taking into consideration the BCL pension liabilities (see Note 20.2) and the provisions for risks (see Note 20.1), the provisional results indicate a trend toward a significant structural loss.

#### **NOTE 40 – EVENTS AFTER THE REPORTING PERIOD**

Within the framework of the 14<sup>th</sup> 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.