

BANK
DEGROOF



Managing the future

14

ANNUAL REPORT

Bank Degroof is Belgium's premier independent private and investment bank, with an excellent reputation in each of its fields of activity.

For more than 140 years it has offered its private and institutional clients, along with business enterprises, a complete range of tailored solutions and services: asset management, financial markets, corporate finance, credit & structured finance, setup and administration of investment funds, real estate activities and financial analysis.

The Bank has a thousand employees managing their customers' future from offices in six countries.

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STATEMENT FROM THE BOARD OF DIRECTORS

The 2013-14 financial year took place in a context of economic and financial contrasts. Economic activity in the euro zone has remained weak, with the recovery still not making itself felt in spite of the efforts of monetary and budgetary policies. The financial markets have, however, been positive thanks to the impact of a marked drop in long-term interest rates, which has translated into a continued flattening of the interest rate curve and very positive movements on the major stock exchanges around the world.

In this context, Bank Degroef recorded good results. The reported net profit amounted to EUR 84.4 million compared to EUR 74.9 million, representing an increase of 13%. The net current profit increased by 15% to EUR 66 million.

Assets under management rose by 12% to EUR 31.7 billion, driven by the combined positive impacts of significant net inflows and buoyant markets.

The Bank's revenue grew, benefiting from an upward trend in the various segments of activity. The interest margin developed favourably, due to very solid transformation profits. Revenues from asset management in various forms rose substantially, and the contribution of the credit and structuring activities, as well as corporate finance, remained firm. Current expenditure was kept well under control.

As at 30 September 2014, the Bank's shareholders' equity amounted to EUR 582.9 million after the distribution of the dividend for the year, resulting in a Tier 1 ratio of 15.08%, which is higher than the regulatory requirement.

The shared goal of the board of directors, executive committee and the shareholders is to provide the organisation with the means to pursue its development and play an active role in a banking sector that is undergoing considerable changes. In addition to the arrival of the new chairman of the executive committee, various changes to the organisation of the Bank and of the group are being prepared and implemented.

The Bank's ambition is to continue to grow in the segments in which it is active. In this context, Bank Degroef, Petercam and their respective reference shareholders announced on 20 January 2015 that they had signed a memorandum of understanding with a view to a merger. Bank Degroef firmly believes that this transaction is in the best interests of its clients, employees and shareholders, and intends to continue negotiations in order to reach a definitive merger agreement.

The beginning of the 2014-15 financial year has been marked by an economic climate that remains subdued and by highly volatile financial markets.

On behalf of the board of directors, we would like to extend our warmest thanks to our clients for their loyalty and trust, and to our employees for their commitment to meeting the many challenges they face in their work.



Philippe Masset
Chairman of the executive committee



Alain Philippson
Chairman of the board of directors

KEY FIGURES

	(in million EUR)		
Breakdown of operating income	30.09.2014	30.09.2013	30.09.2012
Asset management	192.4	177.1	171.9
Corporate Finance and Credit & Structured Finance	36.4	38.8	37.3
Market activities	53.7	45.6	71.6
Normalized return on proprietary equity portfolio	18.2	16.6	15.5
Total	300.7	278.1	296.3

	(in billion EUR)		
Managed undertakings for collective investment	30.09.2014	30.09.2013	30.09.2012
30.09.2014			19.8
30.09.2013			20.2
30.09.2012			18.1

	(in billion EUR)		
Assets under management	30.09.2014	30.09.2013	30.09.2012
Private customers	23.9	21.4	20.0
Institutional customers	4.7	4.3	3.8
Third-party undertakings for collective investment holders	3.1	2.7	2.4
Total	31.7	28.4	26.2

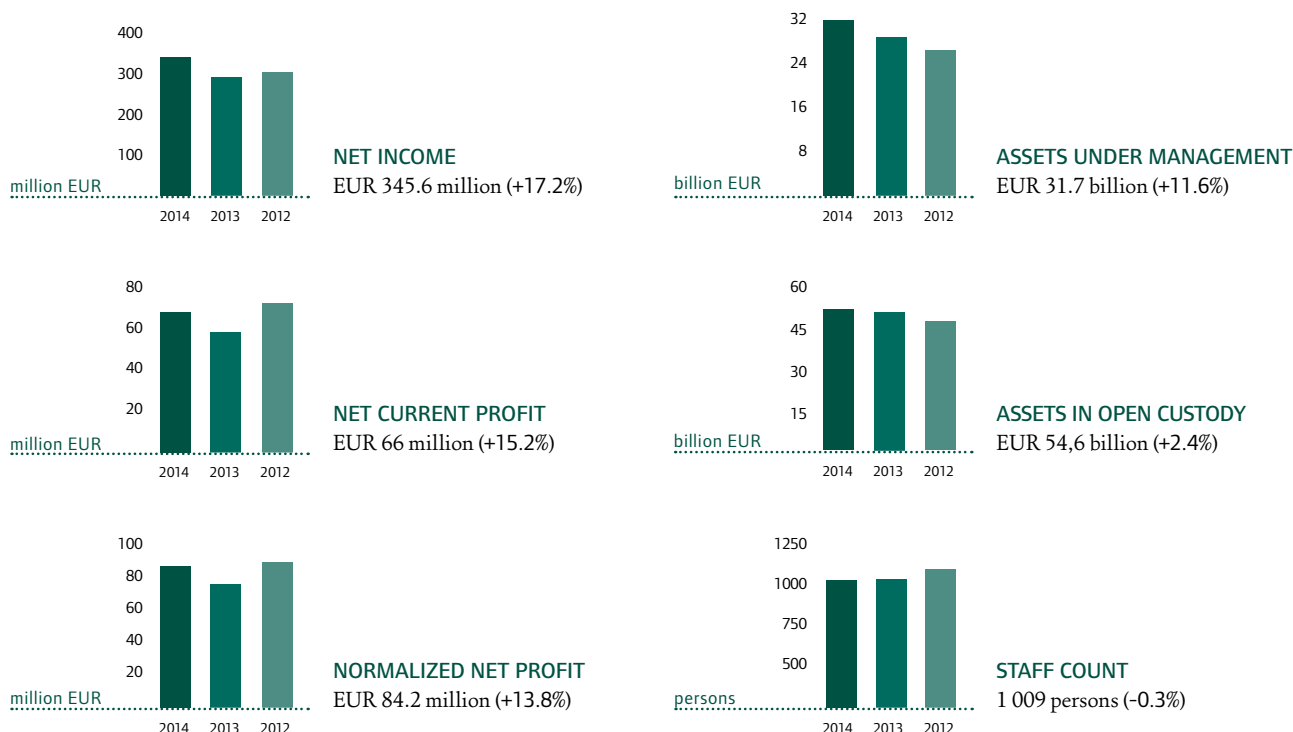
	30.09.2014	30.09.2013	30.09.2012
Consolidated key figures (IFRS)			
GROUP SHARE			
Stated profit ¹ (in thousands of EUR)	84 380	74 012	55 558
Provisions and exceptional items (in thousands of EUR)	21 459	11 601	8 463
Amortization of goodwill (in thousands of EUR)	1 514	1 800	1 784
Economic revaluation of interest rate positions ² (in thousands of EUR)	2 429	(2 191)	10 988
Accounting profit in the Holding portfolio ³ (in thousands of EUR)	(43 753)	(27 892)	(5 387)
Net current profit (in thousands of EUR)	66 029	57 330	71 406
Normalized profit on Holding portfolio ⁴ (in thousands of EUR)	18 163	16 641	15 478
Normalized net profit (in thousands of EUR)	84 192	73 971	86 884
Number of shares	7 683 481	8 019 131	8 019 131
Number of shares adjusted for usage rights	7 683 481	8 019 131	8 019 131
Normalized net profit per share (in EUR)	10.96	9.22	10.83
Gross dividend per share ⁵ (in EUR)	6.00	5.65	5.50
Normalized ROE ⁶ (in %)	14.10	12.48	15.51
CRD ratio ⁷ (in %)	15.29	16.30	15.66
Cost/income ratio ⁸ (in %)	66.94	71.92	71.13

¹ Due to the IFRS requirements, the results at the closing of the financial year on 30.09.2012 and 2013 have been retroactively adjusted to reflect the impact of the IAS 19 revision: the adjusted published profit (group share) amounted to (in thousands of EUR) 56 056 on 30.09.2012 and (in thousands of EUR) 74 870 on 30.09.2013. The above estimates and ratios have been calculated on the basis of the original data in order not to conflict with those of the previous two years.

² Net revaluation (unrecorded) relating to treasury balance sheet components for which there is a global hedge.

³ This amounts corresponds to the sum of the IFRS accounting results for the group Holding securities portfolio consisting of shares and other variable income securities after deducting administrative costs for the management of the portfolio in question.

⁴ The normalised return on the Holding Portfolio amounted to 6% of the estimated average annual value of the portfolio.



CAPITAL STRUCTURE

	BEFORE EXERCISE OF STOCK OPTIONS	AFTER EXERCISE OF STOCK OPTIONS
1. Acting in concert		
Cobepa SA/NV, CLdN Finance SA and the Philippson, Siaens, Schockert and Haegelsteen families	65.38	64.66
2. Management and staff		
other than heading 1	12.53	13.53
Total headings 1 and 2	77.91	78.19
3. Financial partners		
Eutag SA & Mipojoma SA (Theo Maes' children)	4.46	4.40
Marinvest SA/NV (Luc Waucquez' children)	3.30	3.26
Other	9.99	9.87
Total heading 3	17.75	17.53
4. Own shares		
Total headings 1, 2, 3 and 4	100.00	100.00
Total number of shares	7 683 481	7 778 631

⁵ Dividend at 30.09.2014: subject to the approval of the shareholders' meeting of 23.02.2015.

⁶ Normalized group net profit divided by annual average accounting shareholders' equity (net of distributions outside the group).

⁷ The CRD ratios are calculated on the basis of the 'Basel II' regulations on 30.09.2012 and 2013 and the 'Basel III' regulations on 30.09.2014.

⁸ Cost/income ratio calculated on the basis of normalized net income, i. e. including the normalized return on the Holding portfolio. The cost/income ratio calculated on the accounting result of the portfolio Holding was 73.29% in 2012, 68.82% in 2013 and 61.61% in 2014.

HIGHLIGHTS

HIGHLIGHTS

INSTITUTIONAL PORTFOLIO MANAGEMENT

- Excellent investment performances.
- Another very strong increase in assets under management (from EUR 4.3 billion to 4.7 billion over the financial year).

PRIVATE ASSET MANAGEMENT

- Substantial increase in assets under management to EUR 23.9 billion.
- Excellent asset management performance, resulting in a return of 10.3% for a medium-risk portfolio, thanks to good diversification and a firm grip on risk.
- Events that fit with our clients' passions: contemporary art, classic cars and golf.
- Supporting clients in unlisted investment opportunities (private bonds, real estate, club deals, private equity funds, etc.) for portfolios that can afford this type of risk.

SICAV MANAGEMENT

- Good performance by the Degroof Global Isis fund range, with the overweight position in equities and developed countries having a positive contribution. Assets under management across this fund range reached EUR 4.5 billion.
- Excellent performance of bond funds, which have particularly gained from active positioning in favour of the peripheral countries within the Eurozone.
- Successful launch of an index fund investing in emerging markets with assets exceeding EUR 450 million.
- The full range of index funds – covering both developed and emerging markets – managed by Degroof Fund Management Company covers over 2 400 securities across 46 countries worldwide.
- Degroof Equities US Flexible was named 'Best US equity fund in Belgium' by Morningstar on 19 March 2014.

SETUP AND ADMINISTRATION OF SICAVS

- Stronger position for Degroof Gestion Institutionnelle in an increasingly regulated market with its UCITS and AIFM certification (18 July 2014).
- EUR 25 billion of assets under administration and/or custody for mutual funds under Belgian and Luxembourg law.
- Increased business in providing management-company services to third-party promoters, managers and advisors.
- Further development in Asia, with clients in Hong Kong, Singapore and Malaysia.

DEGROOF CORPORATE FINANCE

- 47 assignments completed in Degroof Corporate Finance's three segments of activity: Advisory Services, M&A and Capital Markets.
- Increased level of activity in M&A, especially in sale mandates of family-controlled industrial groups to international counterparties.
- Numerous private placements of bonds and real estate certificates.
- Advisor to several companies regarding public share offerings.
- Encouraging outlook for 2014-15 in all three activity segments.

CREDIT & STRUCTURED FINANCE

- Growth in credits outstanding, particularly loans secured on securities portfolios, real estate loans other than mortgages and financing for asset-structuring transactions.
- Year-on-year increase in total outstandings, mainly due to a low-interest-rate environment.
- Firm business levels with the clients of our subsidiaries in France and Spain.
- Club deals (Optimmo and Green Fund):
 - First generation of funds in divestment phase showing capital gains.
 - Second generation of funds looking at various attractive investment opportunities.

FINANCIAL ANALYSIS

- Joint organisation, with Euronext, of the '1st Investor Day' for Belgian small-cap and mid-cap companies in Zurich.
- New ESN conference in Paris, as well as the second conference in Frankfurt and the 24th conference in London.
- Increase in the number of roadshows for BEL 20 companies, in Belgium and abroad.
- Monitoring of new real estate companies in Belgium, France and the Netherlands with a direct impact on the Bank's primary market operations.
- Participation in an IPO thanks to the quality of the Bank's financial analysis.

FINANCIAL MARKETS

- Record number of bond issues, mainly in the real-estate sector.
- Strong secondary market activity due to the fall in interest rates.
- Solvency 2-related advisory projects.
- Increase in capital markets advisory and execution activities.
- Named best liquidity provider for Euronext Brussels.
- Significant increase in the sale of our mutual funds.

REAL ESTATE

- Sustained pace of activity with more than fifteen projects completed successfully in Belgium.
- Bond issues on behalf of Cofinimmo, Leasinvest, Intervest Offices and Warehouses, Retail Estates and Montea.
- Capital increase for the Société Civile des Galeries Royales Saint-Hubert.
- Issue of real estate certificates and shares to finance the development of a nursing home in Woluwe-Saint-Lambert.
- Very encouraging outlook for 2014-15.

CORPORATE SOCIAL RESPONSIBILITY

- Muhammad Yunus, Nobel Peace Prize laureate in 2006, was the guest of honour at the Philanthropy Forum to celebrate ten years of impact investing at the Bank, attended by more than 700 people.
- Philanthropy Forum with Peggy Dulany-Rockefeller on passing on philanthropic values.
- Creation of a third community of benefactors, called Big Bang, bringing together active philanthropists working to combat poverty in developing countries.
- Bank Degroef Foundation celebrated its fifth year of activity in the fields of education and entrepreneurship.
- Solidarity Days: 100 members of the Bank's staff took part as volunteers in the two Solidarity Days that were organised during the year.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

COMPOSITION OF THE BOARD OF DIRECTORS

The board of directors of Bank Degroef SA/NV comprises directors who are members of the executive committee and non-executive directors.

The composition of the board of directors depends on the following rules:

- the composition of the board as a whole must enable it to function effectively and efficiently in the best interests of company; it must show the required diversity and a range of complementary experience and expertise; the directors entrusted with oversight duties must also individually meet certain National Bank of Belgium requirements in terms of expertise and financial experience;
- no group of directors or individual member must be able to dominate the board's decision-making;
- the majority of directors must be non-executive;
- a legal person appointed as a non-executive director appoints a natural person as its permanent representative, who shall be responsible for fulfilling the mandate in the name and on behalf of the director-legal person. That permanent representative may not be an executive director of the Bank at the same time.

The role of the appointments and remuneration committee is to make recommendations to the board of directors concerning the size and composition of the board on a periodic basis, and in particular when terms of office are renewed.

The appointments and remuneration committee also makes recommendations to shareholders in general shareholders' meetings regarding the appointment of directors, and in so doing seeks to ensure that there is a balance of knowledge, skills, diversity and experience within the committee.

The following changes to the composition of the board of directors and the executive committee took place during the financial year:

Damien Bachelot's resigned as director with effect from 10 September 2014.

At 30 septembre 2014, the composition of the board of directors was as follows:

MANDATE EXPIRES			
Chairman of the board of directors			
Baron Philippson¹			02/2015
Chairman of the executive committee – managing director			
Regnier Haegelsteen¹			02/2016
Directors who are members of the executive committee – managing directors			
Alain Schockert¹			02/2016
Pierre Paul De Schrevel			02/2016
Patrick Keusters			02/2016
Gautier Bataille de Longprey			02/2016
Jan Longeval			02/2016
Étienne de Callataÿ			02/2016
Directors			
Alain Siaens¹	Company director		02/2015
Christian Jacobs SPRL/BVBA² (permanent representative: Christian Jacobs)	Company director		02/2015
Marina Maes	Company director		02/2019
W. Invest SA/NV (permanent representative: Gaëtan Waucquez)	Company director	Floridienne SA/NV	02/2016
Jean-Pierre de Buck van Overstraeten	Company director		02/2016
Jean-Marie Laurent Josi	Company director	Cobepa SA/NV ²	02/2016
Frank van Bellingen	Company director	CLdN Finance SA ²	02/2015
Jacques-Martin Philippson	Company director		02/2016

The board of directors considers those of its members who meet the criteria outlined in article 526 ter of the Belgian Company Code to be independent directors. Christian Jacobs should also be considered as an independent director.

In the extraordinary general shareholders' meeting of 6 October 2014, shareholders appointed Philippe Masset as a director. He succeeded Mr Regnier Haegelsteen on that date as the chairman of the executive committee.

Pierre Paul De Schrevel resigned as director with effect from 10 October 2014.

¹ Directors and companies that have declared acting in concert.
² Independent director.



Following the advice of the appointments and remuneration committee, the board of directors decided to propose the renewal of the following mandates to the shareholders in the ordinary general shareholders' meeting on 23 February 2015:

Baron Philippson
Mr Frank van Bellingen
Mr Alain Siaens

It will also be proposed to this general meeting that Mr Christian Jacobs, whose position in his private limited company came to an end at the general meeting, be appointed to the position of independent director, and that Mr Gilles Firmin be appointed managing director

In accordance with the applicable statutory provisions, these proposals have been submitted to the National Bank of Belgium for its approval.

OPERATION OF THE BOARD OF DIRECTORS

The board of directors is responsible for defining the strategy and general policies of the Bank. It ensures that they are implemented by the executive committee and, based on the proposals of the executive committee, decides on the resources needed to fulfil them. It determines the competence and composition of the executive committee and supervises its activities. It ensures that sufficient resources exist to support the long-term future of the company.

The board of directors deliberates on all issues and matters within its scope of responsibility, such as the preparation of the annual financial statements and management reports, and the convening of general meetings. At each quarterly meeting, it receives the information it needs about the Bank's business performance and key figures, both for the company itself and its main subsidiaries. It is also receives the annual budget.

The board of directors meets at least four times a year. It met five times during the 2013-14 financial year.

At the end of each quarter, the board of directors reviewed the results of the group and issued opinions about the following matters:

- a global strategic review;
- measures to further increase the group's efficiency and profitability;
- monitoring of foreign subsidiaries;
- a stock-option plan based on existing shares.

The board's deliberations are only valid if at least half of its members are present or represented. No director may represent more than two of his/her fellow directors. Resolutions are passed by simple majority. In the event of a tied vote, the proposal is rejected.

The total remuneration allocated to members of the board of directors is stated in the notes to the parent company financial statements (note XXIX, sub-heading A4). The full version of the parent company financial statements is available at the company's registered office.

DAY-TO-DAY MANAGEMENT OF THE GROUP – THE EXECUTIVE COMMITTEE

The board of directors, in accordance with article 17 of its articles of association, has established an executive committee within its ranks.

The executive committee is responsible for managing the activities of the credit institution within the framework of the general policies defined by the board of directors.

To this end, the executive committee is empowered by the board of directors to take decisions and to represent the company in its dealings with personnel, clients, other credit institutions, the wider economic and social environment and public authorities, and also to take decisions in respect of the representation of the company within its subsidiaries and within those companies in which it holds equity investments.

The composition of the executive committee is determined on the basis of the following principles:

- the moral, ethical and conduct criteria applicable within the group;
- a suitable age structure within the executive committee;
- changing requirements and a suitable distribution of skills between executive committee members to ensure a balance between commercial, organisational and risk management requirements.

In principle, the executive committee meets four times a month. It met 48 times during 2013-14.

COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

Audit and risk committee

The audit and risk committee assists the board of directors in the performance of its supervisory role, particularly with respect to:

- financial information destined for shareholders and third parties;
- the audit process;
- the control of risks incurred by the Bank;
- the functioning of the internal control system.

Members as at 30 septembre 2014

Christian Jacobs (chairman)

Alain Siaens

Jean-Marie Laurent Josi

Frank van Bellingen

Jacques-Martin Philippson

All of the above are directors but are not members of the executive committee. Christian Jacobs sits on the board as an independent director. He meets all of the criteria set out in article 526 ter of the Belgian Company Code.

The head of group internal audit and the chairman of the executive committee, along with the head of risk management are invited to meetings without being members of the committee. The company's auditor takes part in meetings that deal with the examination of the half-yearly and annual financial statements.

The audit and risk committee met six times during the past financial year, reporting systematically on its activities to the board of directors.



The meetings mainly focused on examining activity reports from group internal audit and the internal audit divisions of Banque Degroof Luxembourg SA, Banque Degroof France SA and PrivatBank Degroof SAU, planning audit work and examining half-yearly positions and the annual financial statements.

The audit and risk committee paid particular attention to monitoring work carried out by risk management, and more specifically to the impact of certain decisions on the Bank's risk profile and the adjustment of limits decided on by the executive committee.

The committee read reports on the activity of the compliance officer and on inspection activity, the summary of significant disputes, the statement of loans granted to directors, the executive committee's assessment report on the system of internal control and updates on the implementation of recommendations made by group internal audit.

The audit and risk committee also examined correspondence with the supervisory authorities, in particular updates relating to the FSMA inspection report. It garnered more information on the activities of the foreign subsidiaries and on the implications for the Bank of the new Belgian banking act.

A special session was also devoted to the 2014 liquidity window.

Appointments and remuneration committee

The appointments and remuneration committee is consulted on issues concerning:

- the general remuneration policy;
- the total amount of variable remuneration;
- the remuneration of directors who are members of the executive committee;
- the profit-sharing plans for Bank employees;
- the composition and size of the board of directors and executive committee;
- the definition of the profile of board and executive-committee members, and the selection process;
- proposals for appointing and re-electing directors and members of the executive committee.

Members

Baron Philippson (chairman)

Alain Siaens

Jean-Marie Laurent Josi

Gaëtan Waucquez (permanent representative of W. Invest SA/NV)

Christian Jacobs (permanent representative of Christian Jacobs SPRL/BVBA)

All of the above are directors but are not members of the executive committee. Christian Jacobs sits on the board as an independent director. He meets all the criteria set out in article 526 ter of the Belgian Company Code.

The chairman of the executive committee is invited to attend the meetings of the appointments and remuneration committee without being a member of it, except for discussions relating to his/her own remuneration.

The appointments and remuneration committee met six times during 2013-14. During those meetings, it examined the following points:

- the Bank's remuneration policy;
- the appointment of an independent director;
- the profile of the new head of the human resources department;
- the total amount of variable remuneration;
- the variable remuneration paid to executive committee members;
- the granting of stock options.

COMMITTEES REPORTING TO THE EXECUTIVE COMMITTEE

Specific committees assist the executive committee in matters relating to the following topics:

- day-to-day management of the parent company, Bank Degroef SA/NV;
- human resources policy;
- managing the proprietary equity portfolio;
- defining the asset management strategy;
- commitments with respect to bank counterparties;
- client loans and commitments;
- asset-liability management;
- implementation of the risk management policy within subsidiaries;
- co-ordination of the compliance function.

EARNINGS APPROPRIATION POLICY

The dividend is determined with reference to consolidated net profit and retained earnings, as well as the strategy of the group.

GOVERNANCE MEMORANDUM

Bank Degroef has drawn up a governance memorandum assessing the basic features of its management structure with respect to:

- the personal integrity and financial soundness of major shareholders;
- a transparent management structure promoting sound and prudent management;
- the definition of the expertise and responsibilities of each segment of the organisation;
- the collegial nature of effective executive management;
- the independent control functions;
- the suitable profiles and qualities among its senior managers;
- the remuneration policy for senior managers;
- the determination of the Bank's strategic objectives and values;
- senior management's familiarity with the Bank's operating structure and its activities;
- adequate communication regarding management and control with the various parties concerned.

This information is submitted to the National Bank of Belgium and periodically updated.

MANAGEMENT REPORT

MANAGEMENT REPORT

The consolidated accounts have been prepared in accordance with IFRS.

1. COMMENTS ON THE ACCOUNTS

The consolidated net profit (group share) amounted to EUR 84 379 917 compared to EUR 74 870 255 for the previous financial year. The total comprehensive income (group share) amounted to EUR 59 247 806 compared to EUR 101 596 820 in the previous financial year.

The results of the 2013 financial year (initially EUR 74 012 261 for the consolidated net profit (group share) and EUR 97 426 524 for the total comprehensive income (group share) had to be adjusted retrospectively in order to take into account the impact of the revision of the IAS 19 accounting standard (post-employment benefits for employees).

The net (accounting) interest margin across all businesses remained at the same level as the results booked in 2013. The significant drop in interest rates on financial instruments in asset-liability management activities was offset by increased income from remeasuring and disposing of the same instruments.

Income from disposals of available for sale 'AFS' bond portfolios was significantly higher than in 2012-13, essentially on public-sector bonds. Certain positions in the securitisation portfolio were also sold, with a lesser impact than in the prior year. The potential cost of residual Credit Default Swap contracts reduced further.

The results of the other proprietary capital-markets activities decreased somewhat in comparison to 2012-13. The decline was mainly the result from margins generated by the forex desk, but also from the bond and structured-product desks.

Net fee and commission income increased substantially in comparison with the previous financial year. This increase was mainly driven by commissions from the Group's Undertakings for Collective Investments activities, which grew strongly in 2013-14. In wealth management, direct revenue relating to private clients also increased, in line with the impressive rise in assets under management. Although the securities brokerage business remained stable, underwriting fees were considerably lower than in 2012-13. Billings at Degroof Corporate Finance were excellent, as they were in the previous year.

Employee costs increased moderately. That mainly resulted from the combined effect of higher remuneration, partly offset by a drop in social security contributions and pension costs. The cost of incentive plans rose somewhat in 2013-14.

Other general expenses rose significantly, mainly in terms of IT and external consultancy costs. On the other hand, depreciation charges on property, plant and equipment and amortisation of intangible assets declined.

Consolidated accounting profit from available for sale 'AFS' equity portfolios was considerably higher than in 2012-13, when it was already significant. The increase resulted mainly from a sharp increase in disposal gains, which also led to a significant decrease in revaluation reserves within equity. The number of impairment losses remained limited, although the amounts involved were higher than in 2012-13. The main aim of the equity disposal programme was to strengthen the group's regulatory capital according to the requirements of Basel III.

In respect of investments, the principal event was the significant goodwill impairment loss relating to the Aforge division.

Estimated taxes for the 2013-14 financial year are slightly higher overall than for 2012-13. This general development can mainly be explained by the increase in current taxes at Bank Degroof Belgium and Bank Degroof Luxembourg, and additionally by an increase in deferred taxes.

The significant drop in the total comprehensive income (excluding consolidated net profit) can mainly be explained by the significant decrease in revaluation reserves relating to AFS equity portfolios (due, on the one hand, to higher levels of disposals and, on the other hand, to a lower year-on-year increase in deferred taxes).

1.1. Appropriation of statutory profit

We propose to the general shareholders' meeting that the profit for the 2013-14 financial year be appropriated as follows:

	(in EUR)
Profit for the financial year	34 927 244
+ Profit brought forward	170 583 515
= Profit to be appropriated	205 510 759
- Allocation to other reserves	19 665 734
- Directors' fees	360 000
- Dividends	46 100 886
= Profit to be carried forward	139 384 139

The gross dividend that is proposed to the general meeting for distribution amounts to EUR 6 per share.



1.2. Consolidated equity

Consolidated equity, including minority interests, amounted to EUR 627.0 million at the end of the financial year, which is EUR 11.3 million lower than at the previous year-end.

To meet IFRS requirements, the group's consolidated equity in the 2012-13 financial year had to be adjusted retrospectively to take into account the revision to IAS 19, which has applied since the beginning of the 2013-14 financial year (- EUR 16.2 million).

The decrease of EUR 11.3 million mainly resulted from the combined effects of the distribution relating to the previous financial year (- EUR 42.5 million), the remeasurement of financial assets at fair value (- EUR 20.8 million), transactions on the Bank's own shares (- EUR 28 million), and the profit (including profit attributable to non-controlling interests) for the financial year (EUR 79.2 million).

At EUR 433.9 million, the equity figure used to calculate the Basel III regulatory ratios is well in excess of that required by prudential standards. Tier 1 (core equity capital) and Tier 2 (broad equity capital) solvency ratios were 15.08% and 15.29% respectively as at 30 September 2014.

1.3. Assets under custody

At the end of the 2013-14 financial year, consolidated assets under custody amounted to EUR 54.6 billion, up EUR 1.3 billion in comparison with the previous year-end.

2. CHANGES IN CAPITAL

There were no changes in the share capital in 2013-14. The number of shares representing the share capital was modified following the decision by the Board of Directors on 11 September 2014 to cancel 335 650 shares without changing the share capital.

As at 30 September 2014, the share capital amounted to EUR 47 491 186, comprising 7 683 481 shares without par value. All shares are fully subscribed and paid-up.

As the ordinary shareholders' general meeting of 25 February 2013 did not renew the authorised capital, there is no longer any authorised capital since 12 March 2013.

3. TREASURY SHARES HELD BY THE GROUP

(ART. 624 OF THE BELGIAN COMPANY CODE)

Bank Degroef SA/NV does not hold treasury shares.

As at 30 September 2014, BD Square Invest SA/NV, Degroef Finance SA, Industrie Invest SA/NV, Industrie Invest 2 SA/NV and Investment Company of Luxembourg SA held a total of 333 360 Bank Degroef SA/NV shares, representing 4.34% of the share capital.

The accounting par value per share is EUR 6.181. The consolidated carrying amount of all treasury shares held by subsidiaries amounted to EUR 55 008 386 as at 30 September 2014.

Treasury shares held by the group are intended to cover employee profit-sharing plans.

During 2013-14, the total number of treasury shares decreased by 163 208.

4. SIGNIFICANT POST-BALANCE SHEET EVENTS

Philippe Masset was appointed as a managing director of the Bank on 6 October 2014. He succeeded Regnier Haegelsteen as chairman of the executive committee. Since 6 October 2014, Regnier Haegelsteen has been a non-executive member of the board of directors.

5. CIRCUMSTANCES THAT COULD SIGNIFICANTLY INFLUENCE THE GROUP'S DEVELOPMENT

The growth and profitability of the group are influenced by:

- the ongoing search for synergies and streamlining among the various group entities;
- the continuing effort to grow the business as and when opportunities arise, as demonstrated by past acquisitions and commercial investments;
- changes in assets under management and stock markets;
- corporate finance assignments;
- investments to equip the group with cutting-edge technology;
- the macroeconomic environment.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

The group has undertaken no further direct research and development activities since the sale of its IT subsidiary Finance Technology Systems SA/NV in 2005.



7. REMUNERATION POLICY

The new compensation policy, which is an integral part of the good governance memorandum, came into effect on 24 September 2014.

The policy was defined by the HR management committee in consultation with the board of directors, the appointments and remuneration committee, the executive committee and the control functions.

This compensation policy seeks to encourage sound and effective risk management and discourage any risk-taking that exceeds the level of risk tolerated by the Bank, while promoting the objectives and long-term interests of the Bank and avoiding conflicts of interest.

In accordance with prevailing legislation, the policy has been published on www.degroof.be.

The general principles are:

- The total volume of variable compensation should not limit the Bank's ability to strengthen its capital base.
- Variable compensation is never guaranteed, except in the exceptional case of a newly recruited employee and for the first year of employment.
- The executive committee, applying the selection methodology and criteria set by the board of directors, has designated a number of Identified Staff based on the significant impact of these people on the bank's risk profile, and drawn up a compensation policy for them.
The policy also provides for a maximum ratio between the amounts of fixed and variable compensation, with systems to defer payment of variable compensation, whether in cash or in financial instruments, as provided for by the regulatory authorities.
- The compensation of non-executive board members consists solely of fixed compensation determined on the basis of market benchmarks. These members do not receive variable compensation of any kind.

8. MAIN RISKS TO WHICH THE BANK IS EXPOSED

By the nature of its activities, Bank Degroof is exposed to a certain number of risks.

The main risks are:

- market risks, essentially linked to investment activities in securities portfolios (equities, bonds) and to its interest rate transformation activity (ALM);
- liquidity risk, resulting from differences in maturities between financing resources (generally short-term) and the use thereof;
- counterparty risk, linked to its credit activities (a risk largely covered by the use of securities portfolios as collateral) and intermediation operations in derivative instruments;
- asset management risk, (risk of legal action by clients if mandates are not respected, commercial risk of loss of dissatisfied customers, and related reputational risks);
- operational risk.

9. POLICY CONCERNING THE USE OF FINANCIAL INSTRUMENTS

Group companies use derivatives for their own account as follows:

In the context of asset and liability management (ALM), interest rate derivatives (mainly futures and interest rate swaps) are used in order to hedge the group's long-term interest rate risk.

Interest rate swaps are used to hedge a portfolio of short-term (less than three years) sovereign and state-guaranteed bank bonds from a micro-hedging perspective (the portfolio is recognised at fair value through profit or loss, but the hedges are undertaken position by position). This use of derivatives is supervised by the almac committee.

In the same way, the Bank's treasury department (interest rate risks of less than two years) uses interest rate derivatives and treasury swaps to manage the group's interest rate and the treasury position.

Managing the group's foreign exchange position also involves the use of derivatives (forward foreign exchange contracts and currency swaps) to cover both commitments towards clients and the financing of subsidiaries in their operating currencies.

Derivatives (purchase of put options with sale of call options) are used to hedge certain investment portfolio positions and to steer their returns.

Derivatives in respect of equity positions that are hedging operations from an economic perspective, are recognised as financial assets designated at fair value through profit or loss.

10. AUDIT AND RISK COMMITTEE

Pursuant to the law of 17 December 2008 on audit committees in financial institutions, the board of directors is required to state in its annual report the individual and collective expertise of audit committee members.

As at 30 September 2014, the audit and risk committee comprised the following persons:

Chairman Mr Christian Jacobs
Members Mr Jean-Marie Laurent Josi
Mr Alain Siaens
Mr Frank van Bellingen
Mr Jacques-Martin Philippon



Of these:

- all are non-executive members of the board of directors;
- two members have professional experience in other credit institutions;
- one independent director is a member and chairman of the committee;
- all of the members have professional accounting or auditing experience;
- all of the members have professional experience as directors exercising executive functions;
- all of the audit and risk committee members have complementary professional experience in a variety of sectors.

The board therefore considers that the members of the audit and risk committee possess the required expertise to fulfil their responsibilities.

Those directors who meet all of the criteria set forth in Article 526 ter of the Belgian Company Code are considered to be independent.

On this basis, the board considers the following audit and risk committee member to be an independent director: Mr Christian Jacobs.

11. APPOINTMENTS AND REMUNERATION COMMITTEE

Pursuant to the law of 28 July 2011 transposing various directives relative to the oversight of the financial sector and introducing miscellaneous provisions, the board of directors is required to state in its annual report the individual and collective expertise of the members of the appointments and remuneration committee.

As at 30 September 2014, the appointments and remuneration committee comprised the following persons:

Chairman Baron Philippson

Members Mr Alain Siaens

Mr Jean-Marie Laurent Josi

Mr Gaëtan Waucquez (permanent representative of W. Invest SA/NV)

Mr Christian Jacobs (permanent representative of Christian Jacobs SPRL/BVBA)

Of these:

- all are non-executive members of the board of directors;
- three of the appointments and remuneration committee members are also members of the audit and risk committee;
- three of the committee members have professional experience on other appointments and remuneration committees;
- two of the committee members have professional experience in other credit institutions;
- one member of the appointments and remuneration committee is an independent director;
- all of the committee members have professional accounting or auditing experience;
- all of the committee members have professional experience as directors exercising executive functions;
- the members of the appointments and remuneration committee have complementary professional experience in a variety of sectors

The board therefore considers that the members of the appointments and remuneration committee have the required expertise for the purposes of exercising competent, independent judgement on the remuneration policies and incentives created for the management of risks, equity and liquidity.

Those directors who meet all criteria set forth in Article 526 ter of the Belgian Company Code are considered to be independent.

On this basis, the board considers the following appointments and remuneration committee member to be an independent director: Mr Christian Jacobs.

12. DISCHARGE OF DIRECTORS AND AUDITORS

Pursuant to the law and the articles of association, the general meeting is requested to grant discharge to the directors and the auditor of Bank Degroef SA/NV with respect to the performance of their mandates during the past financial year.

13. APPLICATION OF THE LAW OF 3 MAY 2002

AMENDING THE RULES ON THE INCOMPATIBILITY OF MANDATES APPLICABLE TO DIRECTORS OF CREDIT INSTITUTIONS AND INVESTMENT COMPANIES AND THE BANKING, FINANCE AND INSURANCE COMMISSION REGULATION OF 9 JULY 2002 IMPLEMENTING THIS LAW

The list of external mandates held by senior managers of Bank Degroef and which are subject to publication, is available at www.degroof.be.

Brussels, 11 December 2014.

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CONSOLIDATED BALANCE SHEET

(in thousands of EUR)				
ASSETS	NOTES	30.09.2014	30.09.2013	30.09.2012
Cash, balances with central banks and other demand deposits	7.1	285 657	439 319	375 141
Financial assets held for trading	7.2	158 532	89 585	89 584
Financial assets designated at fair value through profit or loss	7.3	1 041 353	926 693	1 138 872
Available-for-sale financial assets	7.4	1 575 965	1 580 611	1 258 552
Loans and advances to credit institutions	7.5	511 515	30 499	14 756
Loans and advances to customers	7.6	1 605 768	1 743 710	1 955 301
Financial assets held to maturity	7.7	174 426	204 863	249 738
Property and equipment	7.8	68 602	67 000	65 506
Goodwill and other intangible assets	7.9	65 700	91 611	101 036
Investments in entities accounted for using the equity method	7.10	13 277	14 622	0
Current tax assets		5 577	5 203	3 952
Deferred tax assets	7.19	8 221	13 788	16 748
Other assets	7.11	106 492	77 452	74 461
Total assets		5 621 085	5 284 956	5 343 647

(in thousands of EUR)

LIABILITIES AND EQUITY	NOTES	30.09.2014	30.09.2013	30.09.2012
Liabilities		4 994 055	4 646 596	4 748 373
Financial liabilities held for trading	7.12	159 490	111 244	117 228
Deposits from credit institutions	7.13	168 368	447 923	171 081
Deposits from customers	7.14	4 413 866	3 854 517	4 247 396
Debt securities	7.15	3 001	13 006	13 007
Subordinated debt	7.16	39 946	42 593	46 497
Provisions	7.17	45 868	45 147	38 805
Current tax liabilities		44 169	30 655	22 371
Deferred tax liabilities	7.19	10 360	8 192	10 937
Other liabilities	7.18	108 987	93 319	81 051
Equity		627 030	638 360	595 274
Issued capital	7.20	47 491	47 491	47 491
Share premium	7.20	153 921	184 392	182 877
Reserves and retained earnings	7.20	339 806	328 098	321 458
Revaluation reserves	7.20	55 807	81 108	55 211
Treasury shares (-)	7.20	(55 008)	(78 195)	(68 232)
Net profit for the period	7.20	84 380	74 870	56 056
Minority interests		633	596	413
<i>Following the transfer of the minority interests acquired as a result of the options granted</i>		<i>(8 067)</i>	<i>(2 826)</i>	<i>0</i>
Total liabilities and equity		5 621 085	5 284 956	5 343 647

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(in thousands of EUR)		
	NOTES	30.09.2014	30.09.2013	30.09.2012
Interest income	8.1	65 950	73 608	97 749
Interest expense	8.1	(9 630)	(11 952)	(25 078)
Dividend income	8.2	11 453	10 502	9 070
Fee and commission income	8.3	301 841	282 310	264 905
Fee and commission expense	8.3	(93 517)	(87 188)	(71 335)
Net result on financial instruments held for trading	8.4	(16 836)	9 153	(10 408)
Net result on financial instruments designated at fair value through profit or loss	8.5	18 389	(10 346)	23 282
Net result on financial instruments not designated at fair value through profit or loss	8.6	52 666	25 567	11 857
Other net operating results	8.7	14 431	3 299	7 352
Share in the results from entities accounted for using the equity method		894	0	0
Net income		345 641	294 953	307 394
Personnel expenses	8.8	(133 457)	(127 995)	(132 207)
General and administrative expenses	8.9	(62 383)	(58 088)	(59 915)
Depreciation and amortization	8.10	(7 090)	(8 476)	(8 812)
Impairments	8.11	(39 974)	(13 898)	(27 540)
Profit before tax		102 737	86 496	78 920
Income tax expense	8.12	(23 524)	(14 192)	(23 370)
Net profit		79 213	72 304	55 550
Remeasurement gains (losses) related to post-employment benefit plans	8.13	(4 543)	3 312	(9 366)
Total other comprehensive income¹ that may not be reclassified subsequently to net profit		(4 543)	3 312	(9 366)
Fair value adjustments - Available-for-sale financial assets	8.13	(20 958)	28 506	31 377
Currency translation differences	8.13	202	(5 133)	881
Total other comprehensive income¹ that may be reclassified subsequently to net profit		(20 756)	23 373	32 258
Total comprehensive income		53 914	98 989	78 442

¹ Unrealised profits and losses recorded directly in shareholders' equity, net of taxes.

		(in thousands of EUR)		
	NOTES	30.09.2014	30.09.2013	30.09.2012
Net profit attributable to		79 213	72 304	55 550
shareholders of the parent company		84 380	74 870	56 056
minority interests		(5 167)	(2 566)	(506)
Total comprehensive income attributable to		53 914	98 989	78 442
shareholders of the parent company		59 248	101 596	78 844
minority interests		(5 334)	(2 607)	(402)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	CAPITAL	SHARE PREMIUM	RESERVES AND RETAINED EARNINGS	REVALUATION RESERVES
Balance at 30.09.2011	47 491	181 575	293 225	38 817
Effect of change in accounting policy	0	0	0	(11 544)
Balance at 30.09.2011	47 491	181 575	293 225	27 273
Share option plans	0	1 302	0	0
Treasury shares transactions	0	0	0	0
Dividends paid	0	0	(39 841)	0
Change in minority interests	0	0	0	0
Prior period results	0	0	68 074	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	31 376
Currency translation differences	0	0	0	0
Other movements	0	0	0	(9 366)
Balance at 30.09.2012	47 491	182 877	321 458	49 283
Share option plans	0	1 505	0	0
Treasury shares transactions	0	10	0	0
Dividends paid	0	0	(41 366)	0
Change in minority interests	0	0	(8 782)	(109)
Changes in consolidation scope	0	0	0	0
Prior period results	0	0	56 056	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	28 615
Currency translation differences	0	0	0	0
Other movements	0	0	732	3 312
Balance at 30.09.2013	47 491	184 392	328 098	81 101
Share option plans	0	1 075	0	0
Treasury shares transactions	0	(31 546)	(19 666)	0
Dividends paid	0	0	(42 501)	0
Change in minority interests	0	0	(995)	(59)
Prior period results	0	0	74 870	0
Net profit for the period	0	0	0	0
Fair value adjustments	0	0	0	(20 901)
Currency translation differences	0	0	0	0
Other movements	0	0	0	(4 543)
Balance at 30.09.2014	47 491	153 921	339 806	55 598

(in thousands of EUR)

CURRENCY TRANSLATION DIFFERENCES	TREASURY SHARES	NET PROFIT FOR THE PERIOD	EQUITY GROUP'S SHARE	MINORITY INTERESTS	TOTAL
5 151	(47 232)	68 074	587 101	523	587 624
0	0	0	(11 544)	0	(11 544)
5 151	(47 232)	68 074	575 557	523	576 080
0	0	0	1 302	0	1 302
0	(21 000)	0	(21 000)	0	(21 000)
0	0	0	(39 841)	(21)	(39 862)
0	0	0	0	313	313
0	0	(68 074)	0	0	0
0	0	56 056	56 056	(506)	55 550
0	0	0	31 376	1	31 377
777	0	0	777	104	881
0	0	0	(9 366)	(1)	(9 367)
5 928	(68 232)	56 056	594 861	413	595 274
0	0	0	1 505	0	1 505
0	(9 963)	0	(9 953)	0	(9 953)
0	0	0	(41 366)	(25)	(41 391)
0	0	0	(8 891)	2 826	(6 065)
(5 208)	0	0	(5 208)	68	(5 140)
0	0	(56 056)	0	0	0
0	0	74 870	74 870	(2 566)	72 304
0	0	0	28 615	(109)	28 506
7	0	0	7	0	7
(720)	0	0	3 324	(11)	3 313
7	(78 195)	74 870	637 764	596	638 360
0	0	0	1 075	0	1 075
0	23 187	0	(28 025)	0	(28 025)
0	0	0	(42 501)	(21)	(42 522)
0	0	0	(1 054)	5 282	4 228
0	0	(74 870)	0	0	0
0	0	84 380	84 380	(5 167)	79 213
0	0	0	(20 901)	(57)	(20 958)
202	0	0	202	0	202
0	0	0	(4 543)	0	(4 543)
209	(55 008)	84 380	626 397	633	627 030

CONSOLIDATED CASH FLOW STATEMENT

		(in thousands of EUR)		
	NOTES	30.09.2014	30.09.2013	30.09.2012
Net profit		79 213	72 304	55 550
Non-monetary items included in the net profit and other adjustments		54 347	38 938	35 207
Taxes and deferred taxes	8.12	23 524	14 192	23 370
Income from associates, net of dividends received		(894)	0	0
Share-based payments		1 075	1 505	1 302
Unrealised foreign exchange gains or losses and currency translation differences		0	40	(91)
Impairment and depreciation/amortization of (in)tangible assets	7.8/7.9	35 497	15 611	8 873
Changes in provision	7.17	721	6 345	13 513
Net losses (profits) on investments		(26)	(3 063)	73
Other adjustments		(5 550)	4 308	(11 833)
Change in assets and liabilities from operating activities		378 179	(125 580)	(533 706)
Assets held for trading or designated at fair value		(183 607)	210 811	94 336
Loans and advances		262 761	57 543	(57 673)
Available-for-sale loans and securities		(10 140)	(292 760)	(496 576)
Other assets		(29 354)	14 735	(4 514)
Liabilities held for trading		48 246	(4 708)	(8 401)
Derivatives held for hedging purposes		0	0	(1 990)
Deposits from credit institutions		(279 988)	152 536	18 531
Deposits from customers		565 035	82 938	(364 414)
Debenture loan		(10 005)	(1)	(2)
Other liabilities		15 231	(346 674)	286 997
Income taxes paid		(7 813)	(7 350)	(44 536)
Net cash flows from operating activities (A)		503 926	(21 688)	(487 485)
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired (including increase in percentage interest held)	6	(65)	(14 719)	4 110
Disposal of subsidiaries, joint ventures and associates, net of cash disposed of (including decrease in percentage interest held)	6	0	34 182	0
Purchase of (in)tangible assets		(9 048)	(9 506)	(5 427)
Disposal of (in)tangible assets		421	280	557
Purchase of held to maturity investments		0	(63 601)	(69 372)
Income from the disposal or reimbursement of held to maturity investments		30 005	101 420	2 062
Net cash flows from investing activities (B)		21 313	48 056	(68 070)
Dividends paid		(42 522)	(41 391)	(39 862)
Purchase or sale of treasury shares		(8 359)	(9 953)	(21 000)
Proceeds from issuance or sale of subordinated debt	7.16	(2 500)	(4 000)	(4 000)
Cash repayment from repurchase of shares or other equity instruments		(19 666)	0	0
Net cash flows from financing activities (C)		(73 047)	(55 344)	(64 862)
Effect of exchange rate changes on cash and cash equivalents (D)		(20)	(52)	51

(in thousands of EUR)

	NOTES	30.09.2014	30.09.2013	30.09.2012
Net increase/decrease of cash and cash equivalents (A + B + C + D)		452 172	(29 028)	(620 366)
Cash and cash equivalents at the beginning of the period		161 502	190 530	810 896
Cash and cash equivalents at the end of the period		613 674	161 502	190 530
Supplementary information				
Interest received		79 117	89 089	137 294
Dividends received		11 453	10 502	9 070
Interest paid		(36 399)	(47 416)	(78 310)
Components of cash and cash equivalents		613 674	161 502	190 530
Cash and balances with central banks	7.1	2 655	2 471	2 551
Current accounts and call money loans with credit institutions	7.1	104 678	151 017	180 695
Loans and advances to credit institutions	7.5	506 341	8 014	7 284
of which not available		0	0	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Royal Decree of 5 December 2004 requires quoted and unquoted credit institutions and investment firms to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for financial periods that commenced on or after 1 January 2006. For this reason, the consolidated financial statements of Bank Degroof have been prepared in accordance with IFRS in force at 30 September 2014, as adopted by the European Union.

As Bank Degroof has no securities or borrowings that are traded, or are in the process of being offered, on a public securities market, IFRS 8 ('Operating segments') and IAS 33 ('Earnings per share') have not been applied. It is for this reason that Bank Degroof does not publicly announce interim results and, accordingly, has only a single reporting date, namely the annual year-end.

As a result of the new provisions relating to consolidated financial reporting set out by the national supervisory authority ('FINREP') and of the Bank's decision to adapt this presentation, the composition of the following balance sheet captions has been modified:

- As a result of the reclassification of other demand deposits:
 - From the caption 'Loans and advances to credit institutions'
 - To the caption 'Cash, balances with central banks and other demand deposits'
- As a result of the reclassification of post-employment benefits:
 - From the caption 'Other liabilities'
 - To the caption 'Provisions'

The consolidated financial statements are presented in thousands of euros, unless specifically stated otherwise.

2. CHANGES IN ACCOUNTING POLICIES AND METHODS

The following IFRS standards (revised, amended or new) and IFRIC interpretations are applicable for the first time during the current financial period:

- Amendments to IAS 19 'Employee Benefits';
- IFRS 13 'Fair Value Measurement';
- Amendments to IFRS 7 'Financial instrument disclosures – Offsetting Financial Assets and Liabilities';
- Amendments to IFRS 1 'Government loans';
- Annual Improvements to IFRSs 2009-2011 Cycle;
- IFRIC Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine'.

The principal modifications to IAS 19 concern certain existing provisions relating to the accounting for, and the data to be taken into account when valuing, obligations under defined benefit schemes, as well as to the disclosure requirements. As a result of these changes, the Bank is no longer authorized to use the 'corridor' method and, henceforth, actuarial gains and losses are accounted for immediately in shareholders' equity in the form of deferred results. As these changes had to be applied retroactively, the comparative financial information has been modified in order to take account of the impact of their application. IFRS 13 has created a single framework for measuring fair value without modifying the scope of application of fair value in IFRSs, and has introduced new disclosure requirements. Apart from the additional disclosures, the new standard has not had a significant impact on the determination of the fair values of financial assets and liabilities. This standard has been applied prospectively.

The amendments to IFRS 7 require additional disclosures concerning the offsetting of financial assets and liabilities, and of the potential impacts of binding agreements and contracts of a similar nature. The application of the standard has resulted in additional disclosure requirements for the Bank.

In respect of the other modifications to IFRSs and IFRICs, their application has not had a significant impact on the result and shareholders' equity, or on the presentation of the financial statements of Bank Degroof. As the amendments to IAS 36 relating to recoverable amounts for non-financial assets were issued in order to cancel certain unanticipated impacts resulting from the application of IFRS 13, the Bank decided to anticipate the application of these amendments and, as a result, only discloses information about the recoverable amounts from non-financial assets for which a loss, or a reversal of a loss, has been accounted for during the financial year.

The standards, amendments of standards, and interpretations published by the IASB (International Accounting Standards Board) as at 30 September 2014 which become effective for future financial periods include:

STANDARDS ENDORSED BY THE EUROPEAN UNION:

- IFRS 10 'Consolidated Financial Statements' applicable for financial periods beginning on or after 1 January 2014;
- IFRS 11 'Joint Arrangements' applicable for financial periods beginning on or after 1 January 2014;
- IFRS 12 'Disclosures of Interests in Other Entities' applicable for financial periods beginning on or after 1 January 2014;
- IAS 27 (revised) 'Separate Financial Statements' applicable for financial periods beginning on or after 1 January 2014;
- IAS 28 (revised) 'Investments in Associates and Joint Ventures' applicable for financial periods beginning on or after 1 January 2014;
- IFRIC Interpretation 21 'Levies' applicable for financial periods beginning on or after 17 June 2014;
- Amendments to IAS 32 'Financial Instruments Presentation - Offsetting Financial Assets and Financial Liabilities' applicable for financial periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, 11 and 12 'Transition Guidance' applicable for financial periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' applicable for financial periods beginning on or after 1 January 2014;
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' applicable for financial periods beginning on or after 1 January 2014.

STANDARDS NOT ENDORSED BY THE EUROPEAN UNION:

- IFRS 9 'Financial Instruments' and subsequent amendments applicable for financial periods beginning on or after 1 January 2018;
- IFRS 14 'Regulatory Deferral Accounts' applicable for financial periods beginning on or after 1 January 2016;
- IFRS 15 'Revenue from Contracts with Customers' applicable for financial periods beginning on or after 1 January 2017;
- Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions' applicable for financial periods beginning on or after 1 July 2014;
- Various amendments 'Annual Improvements to IFRS 2010-2012 Cycle' applicable for financial periods beginning on or after 1 July 2014;
- Various amendments 'Annual Improvements to IFRS 2011-2013 Cycle' applicable for financial periods beginning on or after 1 July 2014;
- Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IAS 16 and IAS 41 'Agriculture: Bearer Plants' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IAS 27 'Equity Method in Separate Financial Statements' applicable for financial periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and to IAS 28 'Sale of Contribution of Assets between an Investor and its Associate of Joint Venture' applicable for financial periods beginning on or after 1 January 2016;
- Various amendments 'Annual Improvements to IFRS 2012-2014 Cycle' applicable for financial periods beginning on or after 1 January 2016.

With the exception of IFRS 9, the Bank will apply the standards and interpretations set out above when they become applicable and does not expect that their application will give rise to a significant impact.

As regards IFRS 9 which introduces new requirements related to the classification and valuation of financial assets and liabilities, its implementation could give rise, depending on the choices made, to a change in the caption under which gains and losses are recorded (results or shareholders' equity). Other financial impacts should not be significant. No decision has been taken as to the date on which the standard will be adopted.

3. SUMMARY OF ACCOUNTING POLICIES AND METHODS

In the accounting policies and methods set out below, the term "gains and losses recognized in equity" relates to those gains and losses that should specifically be recorded in other comprehensive income in accordance with IFRS.

3.1 Consolidation principles

SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company and those of its subsidiaries that exceed a materiality threshold. Subsidiaries are any entities that are controlled by Bank Degroof (i.e. entities in which the Bank holds, directly or indirectly, the power to manage the financial and operating activities in order to obtain benefits from these activities). The mate-

materiality threshold is based on an analysis of various criteria, including the group's share of consolidated shareholders' equity, the group's share of the consolidated result and the group's share of the total consolidated assets.

Subsidiaries are fully consolidated as from the date on which effective control passes to Bank Degroof. They are de-consolidated as from the date that such control ceases. The accounts of the parent company and its subsidiaries are prepared as at the same date using similar accounting policies, with adjustments being recorded if necessary. Intra-group balances, transactions, income and expenses are eliminated. Minority interests are presented separately in the consolidated results, and within shareholders' equity in the consolidated balance sheet.

JOINT VENTURES

Joint ventures are those entities in which Bank Degroof holds either direct or indirect joint control, i.e. no strategic, financial and operating decision can be taken without the unanimous agreement of the parties sharing control.

Where such joint ventures exceed the materiality threshold, they are accounted for under the equity method as from the date on which joint control commences until the date on which joint control ceases. The materiality threshold is based on an analysis of various criteria, including the group's share of consolidated equity, the group's share of the consolidated result and the group's share of the total consolidated assets.

The accounts of the joint ventures are prepared as at the same date and using similar accounting policies to those used by the parent company of the group, with adjustments being recorded if necessary.

ASSOCIATES

Associates are those entities over which Bank Degroof has significant influence (i.e. the power to take part in financial and operating policy decisions, but not (joint) control over these policies).

Where associates exceed the materiality threshold, they are accounted for under the equity method as from the date on which significant influence commences until the date on which significant influence ceases. The materiality threshold is based on an analysis of various criteria, including the group's share of consolidated shareholders' equity, the group's share of the consolidated result and the group's share of total consolidated assets.

The financial statements of the associate are prepared as at the same date and using similar accounting policies to those used by the parent company of the group, with adjustments being recorded if necessary.

3.2 Translation of foreign currencies

CONVERSION OF ACCOUNTS IN FOREIGN CURRENCIES

On consolidation, the balance sheets of entities having a functional currency different from that of Bank Degroof (EUR) are translated at the exchange rate prevailing at the year-end. The income statements and the cash flow statements for the same entities are translated at the average exchange rate for the financial period. Exchange differences arising on translation are recorded in shareholders' equity. Goodwill and fair value adjustments arising from the acquisition of foreign entities are considered to be the assets and liabilities of the acquired entity and are, therefore, translated at the exchange rate prevailing at the year-end. Exchange differences arising on translation are recorded in shareholders' equity. In the event of the disposal of the above-mentioned entities, the exchange differences previously recorded in shareholders' equity are included in the calculation of the gain or loss arising on the disposal, and are recorded in the income statement.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies recorded in the stand-alone financial statements of Bank Degroof entities are accounted for at the exchange rate prevailing on the transaction date.

Monetary assets and liabilities are translated at the exchange rate prevailing at the year-end, giving rise to a translation difference that is recorded in the income statement.

Non-monetary items valued at fair value are translated at the exchange rate prevailing at the year-end. Exchange differences arising on translation are recorded either in shareholders' equity or in the income statement depending on the accounting treatment of the item in question.

Other non-monetary items are valued at historic exchange rates (i.e. the exchange rate prevailing on the transaction date).

3.3 Financial instruments

3.3.1 Recognition date for financial instruments

All derivatives and all purchases and sales of securities under contracts which require the delivery of the securities by a deadline defined by regulation or by market convention, are recognized on the transaction date. Receivables and deposits are recognized on the settlement date.

3.3.2 Offsetting

Financial assets and liabilities are offset when, and only when, Bank Degroef has a legally enforceable right to offset the amounts in question, and if it intends to settle on a net basis or to realize the asset and to settle the liability simultaneously.

3.3.3 Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are financial assets or liabilities acquired or assumed mainly with a view to a sale or repurchase in the short term, or which form part of a portfolio of financial instruments which are managed together and which present indications of a recent short-term profit-taking profile.

Such assets and liabilities are initially recognized at fair value (excluding transaction costs that are charged directly to income) and are subsequently measured at fair value. Changes in fair value are recorded in the income statement under 'net result on financial instruments held for trading'. Interest received or paid on non-derivative instruments is recorded under 'interest income' or 'interest expense'. Dividends received are recorded under 'dividend income'.

All derivative financial instruments having a positive (negative) replacement value are considered as financial assets (liabilities) held for trading, with the exception of derivatives that qualify as hedging instruments. Derivatives held for trading are initially recognized at fair value, and are subsequently measured at fair value. Changes in fair value, including accrued interest, are recorded under 'net result on financial instruments held for trading'.

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

The designation of financial assets and liabilities at fair value through profit or loss (or fair value option) is made at the time of the initial recognition of the financial instrument, while respecting the following criteria:

- the designation eliminates, or significantly reduces, an inconsistency in the measurement or recognition (sometimes referred to as 'an accounting mismatch') that would otherwise arise if such a designation had not been made; or
- a group of financial assets, financial liabilities, or both is managed, and its performance is evaluated, on a fair value basis in accordance with an appropriately documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative that is not closely related to it.

The choice of the fair value option cannot be reversed once the asset or liability has been recognized in the balance sheet. The same measurement rules apply to this category of assets and liabilities as those that apply to the 'financial assets and liabilities held for trading' category.

Financial assets and liabilities designated at fair value through profit and loss are valued in the same manner as financial assets and liabilities held for trading. The same captions as those defined for financial assets or liabilities held for trading are used for recording interest and dividends. Changes in fair value are, however, recorded under 'net result on financial instruments designated at fair value through profit or loss'.

3.3.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value (including transaction costs if they are significant), and are subsequently measured at amortized cost using the effective interest method corrected for any impairment losses. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period in order to obtain the net carrying amount of the financial asset or financial liability.

The amortized cost calculated using the effective interest method includes all fees and points paid or received, as well as commissions and transaction costs that are an integral part of the effective interest rate, if they are significant. Amortization under the effective interest method is recorded in the income statement under 'interest income'. Impairments are recorded in the income statement under 'impairments'. Loans and receivables consist principally of interbank and client loans and receivables.

3.3.6 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Bank Degroef has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are recognized initially at fair value (including transaction costs if they are significant), and subsequently at amortized cost using the effective interest method, less any impairment losses.

Amortization under the effective interest method is recorded in the income statement under 'interest income'. Impairments are recorded in the income statement under 'impairments'.

3.3.7 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in one of the above-mentioned categories. These assets are recognized initially at fair value (including transaction costs if they are significant), and are subsequently measured at fair value. All fluctuations in fair value are recorded under a specific caption in shareholders' equity. Upon the derecognition of the asset, or the recognition of an impairment loss, the cumulative gain or loss previously recorded in shareholders' equity is recorded in the income statement under 'net result on financial instruments not designated at fair value through profit or loss', or in the case of an impairment, under 'impairments'.

Income from interest-bearing instruments accounted for under the effective interest method is recorded under 'interest income'. Dividends received are recorded under 'dividend income'.

The available-for-sale financial assets comprise primarily fixed income or variable income securities which are not part of financial assets held for trading designated at fair value through profit or loss, financial assets held to maturity, or loans and receivables.

3.3.8 Other financial liabilities

Other financial liabilities comprise all other subordinated and unsubordinated financial debts (except derivatives) that are not classified as held for trading or designated at fair value through profit or loss. Other financial liabilities are recognized initially at fair value (plus transaction costs, if significant), and

subsequently at amortized cost using the effective interest method. Accrued interest (including any difference between the redemption amount and the net amount received) is recorded, using the effective interest method, in the income statement under 'interest expense'.

3.3.9 Fair value of financial instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, on the principal or the most advantageous market, at the measurement date. The fair value of a liability reflects non-performance risk. The fair value is determined by reference to quoted prices on an active market (quotations established by a stock exchange, broker, or any other source recognized by investors). Where no market exists or market prices are not available, valuation techniques are used in order to estimate, at the measurement date, the fair value under current market conditions. These techniques make maximum use of market inputs, of currently used calculation methods, as well as of a series of other factors including time value and credit and liquidity risk. The fair value estimated in this manner is affected by the data used. Valuation techniques include, in particular, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, option pricing models, and other appropriate valuation models.

At the time of initial recognition, the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration given or received), unless another fair value for that instrument can be evidenced by reference to a quoted price on an active market for the same instrument, or based on a valuation technique the variables of which only include data from observable markets. In determining the fair value of financial instruments, the Bank uses mainly the following valuation techniques:

ACTIVE MARKET

The financial instruments are valued at fair value by reference to the prices quoted on an active market if such prices are readily available. Quoted securities and derivatives on organized markets (futures and options) are valued in this way.

For over the counter derivatives such as interest rate swaps, options and foreign exchange contracts, the valuation is calculated using widely recognized models (discounted cash flow analysis, Black and Scholes model, etc.) which use observable market data.

For valuations using 'mid-market' prices as a basis for establishing fair values, a price adjustment is applied, by risk position, to the net open position using the bid or asking price, as appropriate.

ABSENCE OF ACTIVE MARKET

Most derivatives are traded on active markets. Where the price of a transaction on an inactive market does not correspond to the fair value of other observable current market transactions in the same instrument or the valuation obtained using an internal model based on observable market data, the difference is recorded directly in the income statement.

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

ABSENCE OF ACTIVE MARKET – EQUITY INSTRUMENTS (UNQUOTED SHARES)

In the absence of any trading price recently realized under normal market conditions, the fair value of unquoted shares is estimated using recognized valuation techniques such as discounted cash flow analysis, applying stock market multiples for comparable companies, and the net asset value method. The carrying amount of short term financial instruments corresponds to a reasonable approximation of their fair value.

3.3.10 Embedded derivatives

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

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

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

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

In so far as the separation of the embedded derivative is permitted (see above), the entire hybrid contract may be designated as a financial asset or liability at fair value through profit or loss. If, however, it is not possible to separately value the embedded derivative, the entire hybrid contract must be designated as a financial asset or liability at fair value through profit or loss.

3.3.11 Derecognition of financial instruments

A financial asset is derecognized when:

- the contractual rights to the cash flows attached to the financial asset expire; or
- the Bank has transferred almost all risks and rewards attached to the ownership of this financial asset. If the Bank neither transfers nor keeps substantially all of the risks and rewards attached to the ownership of the financial asset, it is derecognized when control of the financial asset is not retained. In the contrary case, the Bank maintains the financial asset on the balance sheet to the extent that it continues to be involved with the asset.

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

3.4 Hedge accounting

Hedging aims to reduce or eliminate exposure to fluctuations in exchange rates, interest rates or prices through the use of derivative or non-derivative financial instruments. For an instrument to qualify as hedge accounting, and in order to establish the relationship between the hedging instrument and the hedged item, the following conditions need to be met:

- formal documentation of the hedging instrument and the hedged item or transaction to be covered needs to be prepared, describing the hedging relationship, the strategy and the nature of the hedged risk, and how the effectiveness of the hedging relationship will be assessed;
- demonstrating that the hedge will be highly effective in offsetting the changes in fair value or cash flows attributable to the hedged risk, at inception and during subsequent periods;
- the effectiveness of the hedge can be reliably measured; and
- assessing the effectiveness of the hedge on an on-going basis (retrospective and prospective effectiveness tests) at least at each financial year-end until the maturity of the hedge.

The accounting treatment of hedging instruments depends on which of the following categories they are classified under:

FAIR VALUE HEDGE

Changes in the fair value of the derivative or of the non-derivative hedging instrument designated and qualifying as a fair value hedge are recorded in the income statement under the heading 'net result on hedge accounting' together with the changes in fair value of the hedged assets or liabilities attributable to the hedged risk. Where the hedge no longer satisfies the conditions for hedge accounting, the accumulated adjustment recorded in the balance sheet in respect of the hedged item, in the case of an interest-bearing financial instrument, is amortized over the residual life of the hedged item in the form of an adjustment to the effective interest rate. If the interest rate risk on a portfolio of instruments is hedged, the adjustment is amortized on a straight-line basis. In the case of a non-interest bearing financial instrument, the accumulated adjustment on the hedged item is only recorded in the income statement upon maturity (or derecognition) of the hedged item.

CASH FLOW HEDGES

The effective part of changes in the fair value of derivatives designated and qualifying as cash flow hedges is deferred in shareholders' equity under 'revaluation reserves'. The ineffective part of changes in the fair value is recorded directly in the income statement. Gains and losses previously recorded in equity are transferred to the income statement and recognized in income or expense over the period during which the hedged instrument impacts the result. If the hedging relationship is broken or if the hedge no longer meets the conditions for hedge accounting, the accumulated amounts recorded in shareholders' equity are maintained in shareholders' equity until the forecast transaction impacts on the income statement. Once it is foreseen that the forecast transaction will no longer take place, these amounts are immediately recorded in the income statement.

HEDGE OF A NET INVESTMENT IN A FOREIGN ENTITY

The hedging of a net investment in a foreign entity is accounted for in the same manner as cash flow hedges. Gains and losses recorded in shareholders' equity are recorded in the income statement at the time of the disposal or liquidation of the foreign entity.

3.5 Leasing contracts

A leasing contract qualifies as a finance lease when the contract transfers substantially all of the risks and rewards of ownership of the asset. An operating lease is any leasing contract other than a finance lease.

A GROUP ENTITY AS THE LESSEE IN A LEASE CONTRACT

For operating leases, the leased asset is not recognized in the balance sheet and the lease rental payments are recorded in the income statement on a straight-line basis over the life of the lease contract. For finance leases, the leased asset is capitalized and accounted for at the lower of its fair value or the present value of the minimum contractual lease payments. The asset is depreciated using the same depreciation rates as for assets of a similar nature, over the shorter of the contract period and its useful life. The related debt is recognized in liabilities as a financial debt. The financial expense is recognized in the income statement over the period covered by the lease contract so as to obtain a constant periodic interest rate on the remaining balance of the liability.

A GROUP ENTITY AS THE LESSOR

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

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

3.6 Property and equipment (including investment property)

Property and equipment are recorded at acquisition cost (including directly attributable expenses) less accumulated depreciation and any impairment losses. Bank Degroof applies the component method of fixed asset accounting (mainly for buildings) and the depreciable amount of an asset is determined after deduction of its residual value. Depreciation is calculated on a straight-line basis, according to the useful lives of the assets concerned.

The useful lives applied are:

NATURE OF THE FIXED ASSET OR COMPONENT	USEFUL LIFE
Land	Infinite
Buildings	40 to 50 years
Technical equipment	10 years
General equipment	20 years
Finishing	5 to 10 years
IT/telecom equipment	4 years
Miscellaneous equipment	5 years
Office furniture	10 years
Vehicles	4 years

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

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

The useful lives and residual values of tangible fixed assets are reviewed at each financial year-end. Investment properties are properties held to earn rentals and/or for capital appreciation. Where the part of a property used by the bank for its own account can be disposed of separately or leased via a finance lease, this part is accounted for as a tangible fixed asset. Otherwise the property is regarded as an investment property if the part used by the Bank for its own account represents only an insignificant part of the total investment.

3.7 Intangible assets

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

Intangible assets consist mainly of software acquired or developed internally as well as business activities ('fonds de commerce') which have been purchased, or acquired in the context of business combinations. Purchased software is amortized on a straight-line basis, depending on its nature, over useful lives of three to five years, as from the time it becomes usable. Software maintenance costs are charged to the income statement as incurred. Expenditure to improve the quality of the software or which helps extend its useful life is, however, added to the initial acquisition cost. Development costs of internally-generated software are amortized on a straight-line basis over the period during which the group expects to benefit from the asset. Research costs are expensed directly as incurred.

Business activities ('fonds de commerce') are amortized on a straight-line basis over their expected useful lives. These useful lives generally do not exceed 20 years. At each financial year-end, where there is an indication that an intangible asset might have suffered impairment, an impairment test (comparing the net carrying amount of the asset with its recoverable value) is performed. An impairment loss is recognized when the carrying amount of the asset is higher than its estimated recoverable value.

Intangible assets are recorded at cost less accumulated amortization and impairment losses. The useful lives and residual values of intangible fixed assets are reviewed at each financial year-end.

GOODWILL

Goodwill arises when a subsidiary, joint venture or associate is acquired. Goodwill represents the difference between the acquisition cost (including costs directly attributable to business combinations) and the (IFRS-restated) equity of the acquired entities, i.e. after recognizing at fair value (via shareholders' equity) all identifiable assets and liabilities in accordance with IFRS. Where the difference is positive, it is recorded in the balance sheet as an intangible asset. Where it is negative, it is credited to the income statement after verifying the valuation of all identifiable assets and liabilities. Subsequently, each recorded element will be valued using the same accounting policies applied to assets of a similar nature.

After initial recognition, positive goodwill is valued at cost, less accumulated impairment losses. Goodwill is not amortized, but is tested annually for impairment, or more often if events or changes in circumstance indicate that it may have suffered impairment. In order to test for impairment, and given that goodwill does not generate independent cash flows, the impairment test is applied to each cash generating unit which expects to benefit from the synergies resulting from the business combination. The cash generating units can be a legal entity or a sector of activity, determined based on geographic criteria or a mixture of above-mentioned elements.

A change in the percentage holding in a subsidiary (i.e. an entity already controlled by Bank Degroof) is, however, considered as a transaction between shareholders. As a result, if the transaction does not result in a change in consolidation method, no adjustment is recorded and the difference between the acquisition or sales price and the carrying amount of the equity acquired or disposed is recorded directly in shareholders' equity.

When a business combination takes place in stages, goodwill is calculated after having revalued the shares previously held in the acquired company to their fair value at the date of the additional acquisition. Any profit or loss generated by this revaluation is accounted for in the income statement.

3.8 Other assets

Other assets comprise primarily income receivable (excluding interest), deferred charges and other debtors.

3.9 Impairments

An impairment loss is recorded whenever the carrying value of an asset (net of any depreciation/amortization) is higher than its recoverable value.

At each financial year-end, Bank Degroof assesses whether there is any indication (i.e. a loss-generating event) that an asset may have lost value. Where such an indication exists, an impairment test is carried out and, where appropriate, an impairment loss is recorded through the income statement. Even where no objective indication exists of impairment, such an examination is carried out, at least every year at the same date, in respect of intangible assets with indefinite useful lives and of goodwill.

FINANCIAL ASSETS

Impairment losses are recorded on financial assets or groups of financial assets whenever an objective evidence exists of measurable impairment resulting from one or more events occurring since the initial recording of the asset or group of assets and whenever this loss-generating event has had an impact on the future estimated cash flows of this asset or group of assets.

The following indications, among others, are viewed as objective evidence of impairment:

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

The analysis of the existence of any impairment is undertaken on an individual basis. The collective assessment (portfolio approach) of impairment is not appropriate to Bank Degroof's credit activities. Impairment on financial assets recognized at amortized cost corresponds to the difference between their carrying amount and the value of estimated cash flows, discounted at the original effective interest rate. Where the discount effect is negligible, it is ignored. Impairment losses are recognized in the income statement under 'impairments', with an off-setting entry to an allowance account in respect of the carrying amount of the impaired financial assets. If an event subsequent to the recording of the impairment indicates that the impairment loss no longer exists, or only partially exists, the previously recorded impairment loss is reversed through the 'impairments' heading of the income statement. Once an impairment loss has been recorded on an asset, interest income is recognized based on the interest rate used for discounting the future cash flows.

The recoverable value of available-for-sale financial assets is generally based on quoted market prices or, where these are not available, on the expected cash flows discounted at the current market interest rate for a similar asset. When an objective indication of impairment exists, the accumulated loss recorded directly in shareholders' equity is reversed out of shareholders' equity and recorded in the income statement under 'impairments'.

Where the fair value of a fixed income security on which an impairment loss has been recognized later appreciates as a result of an event subsequent to the impairment, the impairment loss is reversed through the income statement under 'impairments'. Any subsequent recovery in the fair value of an equity instrument is, however, recorded directly in shareholders' equity.

OTHER ASSETS

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

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

An impairment loss is recorded directly in the income statement under 'impairments'. When an asset has been revalued, the impairment loss is recorded as a reduction of the revaluation. The impairment loss of a CGU is allocated so as to reduce the carrying value of the assets of this unit in the following order:

- firstly, to the goodwill associated with the CGU;
- subsequently, to the other assets of the CGU pro rata to the carrying amount of each of the CGU's assets.

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

An impairment loss on goodwill cannot be subsequently reversed.

3.10 Provisions

A provision is recorded when:

- Bank Degroof has a present legal or constructive obligation resulting from a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation;
- the amount of the obligation can be reliably estimated.

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

3.11 Tax

CURRENT TAX

Tax assets and liabilities payable correspond to the amounts actually payable or recoverable, determined on the basis of the prevailing tax regulations and rates applicable in each country in which the group has companies at the financial year-end, as well as to prior period tax adjustments.

DEFERRED TAXES

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

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

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

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

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

Current tax payable and deferred tax are recorded in the income statement as tax charges or income, except where they are linked to items recorded in shareholders' equity (revaluation to fair value of available-for-sale assets and derivatives designated as cash flow hedges and actuarial gains and losses in respect of the obligations and assets of schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period), in which case they are recorded in shareholders' equity and are subsequently recognized in income if the gains or losses previously recorded in shareholders' equity are transferred to the income statement.

3.12 Employee benefits

OTHER LONG-TERM BENEFITS

Other long-term benefits comprise benefits such as those linked to profit sharing or bonuses on the condition that they are not expected to be wholly settled within twelve months following the end of the annual reporting period during which employee services were rendered.

The application of national legislation relating to remuneration policies requires the deferral, for a period exceeding twelve months, of the payment of profit sharing bonuses to certain members of the personnel. Provisions are recorded in respect of the portion of such bonuses for which payment is expected after more than one year.

COMMITMENTS RELATED TO PENSION SCHEMES

Bank Degroof offers various pension schemes, both defined contribution and defined benefit, while respecting national regulations and practices in the sector.

For the defined contribution schemes, where the Bank's commitment consists of paying the premiums, this amount is recorded as an expense for the year.

Defined benefit schemes are plans where the Bank is required to pay supplementary contributions to the schemes in the event that the latter have insufficient assets to meet the current and past service obli-

gations to employees. For these schemes, the charge to the income statement is determined using the projected unit credit method in such a way as to spread the cost of the future pension over the employee's expected working life. Any obligation of the Bank over and above the assets held by the schemes is recorded as a liability on the balance sheet. Actuarial gains and losses in respect of the obligations and assets of these schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period, are fully and immediately accounted in other comprehensive income. All calculations are performed by an independent actuary.

OTHER POST-EMPLOYMENT COMMITMENTS

Certain group companies offer to assume all or part of the cost of a 'medical care' insurance policy for employees under contract to the company at the time of their retirement. The group's estimated commitment is accumulated as a liability over the employees' years of service and is determined in a manner similar to that used for defined benefit pension schemes. The relevant calculations are also performed by an independent actuary.

SHARE-BASED PAYMENT TRANSACTIONS

Share options are granted to senior management and certain employees. The cost of services rendered is determined by reference to the fair value of the share options and is recognized progressively over the vesting period of the rights corresponding to the period of services rendered. The fair value of options is calculated using either Black and Scholes valuation techniques, or using a model based on Least Square Monte-Carlo type simulations that reflect the specific characteristics of each scheme.

In the case of equity-settled plans, the fair value used is that defined at the time of final acceptance by the beneficiaries. The number of options is, however, updated to reflect only those that will probably be exercised. In accordance with IFRS 2, only share option plans making provision for settlement in shares issued after 7 November 2002 are taken into account. The resulting charge is recorded in the income statement with an off-setting entry to shareholders' equity.

For cash-settled plans, the fair value is recalculated at each financial year-end in the light of market data and the number of options exercisable. The charge resulting from this revaluation is recorded in the income statement with an off-setting entry to liabilities.

3.13 Other liabilities

Other liabilities include, in particular, short term employee benefits, dividends payable, expenses payable (excluding interest), deferred revenues and other debts.

3.14 Shareholders' equity

CAPITAL ISSUE COSTS

The costs of issuing new shares not linked to a business combination are deducted from shareholders' equity, net of any related tax.

DIVIDENDS

Dividends on shares for the period are not deducted from shareholders' equity at the financial year-end. Details of the amount of the dividend proposed to the general meeting are provided in the section on post balance sheet events.

TREASURY SHARES

Whenever Bank Degroef or one of its subsidiaries purchases treasury shares, the acquisition price is deducted directly from shareholders' equity. Results generated on the sale of treasury shares are also recorded directly in shareholders' equity.

Dividends on treasury shares held by the Bank or its subsidiaries are eliminated and are therefore not included in the total amount of the proposed distribution.

OTHER COMPONENTS

Other elements that influence shareholder's equity including, among others, the treatment of option plans on treasury shares, the revaluation of certain financial instruments to fair value, actuarial gains and losses in respect of the obligations and assets of schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period, transactions between shareholders, the impact of foreign currencies and consolidation entries, are explained above under the appropriate headings.

3.15 Interest income and charges

Interest income and charges are recorded in the income statement in respect of all interest-bearing instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to obtain the net carrying amount of the financial asset or financial liability. The calculation of this rate includes all related fees and points paid or received, transaction costs and all other premiums or discounts. Transaction costs are additional costs directly linked to the acquisition, issue or sale of a financial instrument.

Once the value of a financial asset has been reduced due to an impairment loss, the interest income continues to be recorded at the interest rate used for discounting future cash flows to determine the recoverable value.

Interest charges and income from derivatives held for trading are recorded under the same heading ('net result on financial instruments held for trading') as movements in fair value.

Accrued interest is recorded in the balance sheet on the same account as the corresponding financial asset or liability.

3.16 Dividends

Dividends are recorded once the shareholder's right to receive payment is established.

3.17 Fees and commissions

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

Commissions forming an integral part of the effective interest rate of a financial instrument are generally taken into account when determining this rate. This relates in particular to commissions for the granting of loans and for opening lines of credit.

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

Commitment fees on credit lines, if they are significant and if the customer is expected to draw down, are deferred and accounted for as an adjustment to the effective interest rate on the loan. Otherwise they are recognized on a pro rata basis over the life of the commitment.

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

3.18 Result on the revaluation or disposal of financial instruments

Results on transactions for trading purposes include all gains and losses from changes in the fair value of financial assets and liabilities held for trading, as well as interest income and charges on derivatives not qualified as hedging instruments and any ineffectiveness observed in a hedging relationship. Realized and unrealized gains and losses (excluding accrued interest and dividends) on financial instruments designated at fair value through profit or loss are recorded in the revaluation results relating to these instruments.

Gains and losses on the sale or disposal of financial instruments that are not designated at fair value through profit or loss, or are held for trading, are recorded under 'net result on financial instruments not measured at fair value through profit or loss'.

3.19 Cash and cash equivalents

The term 'cash and cash equivalents' covers cash, balances available with central banks, current accounts with credit institutions and loans and advances to credit institutions maturing within three months of their date of acquisition.

Bank Degroef presents the cash flows from its operating activities using the indirect method, under which the net result is adjusted for the effect of non-cash transactions, any deferrals or accruals of past or future operating cash inflows or outflows, and income and expense linked to investing or financing cash flows.

Tax flows, interest received and interest paid are presented together with the operating activities. Dividends received are classified as cash flows from operating activities. Dividends paid are recorded as cash flows from financing activities. Equity instruments included in the portfolio of 'available-for-sale financial assets' are included in operating activities.

4. USE OF JUDGMENTS AND ESTIMATES IN PREPARING THE FINANCIAL STATEMENTS

The preparation of financial statements in accordance with IFRS requires the use of judgments and estimates. Whilst management believes that it has taken into account all available information in arriving at these judgements and estimates, the reality can be different and such differences can have an impact on the financial statements.

These estimates and judgements relate primarily to the following matters:

- the determination of fair values of unquoted financial instruments;
- the definition of the useful lives and residual values of intangible and tangible fixed assets;
- the assumptions used in respect of the valuation of commitments linked to post-employment benefits;
- the estimation of recoverable values of impaired assets;
- the assessment of the current obligations arising from past events when recording provisions.

5. RISK MANAGEMENT

5.1 General principles

The Bank's executive committee has defined the group's risk management policy in accordance with the risk tolerances defined in the Bank's economic capital model (ICAAP¹), which has been validated by the audit committee.

The executive committee has delegated certain of its responsibilities for implementing its risk management policy to the following committees:

- the portfolio committee is responsible for managing the medium and long term securities portfolio for the group within defined risk limits;
- the almac committee is responsible for managing the group's balance sheet and off-balance sheet assets and liabilities, in order to provide a stable and adequate financial margin within acceptable risk limits. This committee also manages the consolidated liquidity risk;
- the credit committee is responsible for granting new credit lines and new limits (for market operations) to non-banking counterparties. It also reviews existing credit lines and limits;
- the limits committee is responsible for granting new limits for all products for banking and brokerage counterparties of the group. It also reviews existing limits on a regular basis.

In addition, day-to-day risk management and monitoring of limits are managed by the risk management department. This ensures that market, liquidity, counterparty, wealth management and operational risks are followed up.

5.2 Liquidity risk

Liquidity risk is the risk of Bank Degroof being unable to meet its financial commitments at their due dates at a reasonable cost.

The principal objective of liquidity management is to ensure that the group has sufficient financing, even during very unfavorable conditions. The liquidity strategy is managed at a consolidated level by the almac committee, on a monthly basis, with day-to-day management being delegated to the treasury departments of the Brussels and Luxembourg dealing rooms, under the supervision of risk management.

Risk management ensures that Bank Degroof is able to ensure its liquidity in all crisis scenarios, whether it is a liquidity crisis on the market or a liquidity crisis specific to Bank Degroof. The assumptions underlying these scenarios are reviewed regularly. Treasury flows must remain positive under each of the scenarios, which are monitored on a daily basis. The internal stress test scenarios are supplemented by the regulatory stress tests of the Belgian National Bank.

¹ Internal Capital Adequacy Assessment Process.

The liquidity strategy of Bank Degroof can be summarized as follows:

- a large base of customer deposits, sourced from several group entities;
- a complete independence from interbank funding: the Bank does not need to have recourse to inter-bank funding to finance itself;
- a low 'loan to deposit ratio', which indicates that the amount of credits granted is substantially lower than the total of customers' deposits;
- portfolios which are liquid and can rapidly be mobilized through repo operations with the European Central Bank.

The table below sets out the maturities of our assets and liabilities¹. The liquidity gap is based on contractual maturities. The calculation of the corrected liquidity gap takes into account the capacity to mobilize the bond portfolios²:

	(in thousands of EUR)				
30.09.2014	ON DEMAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Financial assets					
Loans and advances to credit institutions ³	271 981	506 339	5 172	13 678	0
Loans and advances to customers	180 855	247 795	285 633	803 893	54 997
Bonds and other fixed income securities	0	85 277	257 091	1 829 688	300 381
Derivatives	0	5 253 656	830 266	162 530	3 588
Interest rate derivatives	0	7 381	6 533	23 163	3 588
IRS	0	4 401	6 533	23 163	3 588
Other interest rate derivatives	0	2 980	0	0	0
Exchange rate derivatives	0	5 246 275	823 733	139 367	0
Total assets	452 836	6 093 067	1 378 162	2 809 789	358 966
Financial liabilities					
Deposits from credit institutions	91 905	59 325	14 026	0	0
Deposits from customers	3 915 806	302 964	133 493	47 250	1 878
Subordinated liabilities	0	0	41 201	3 000	0
Derivatives	0	5 223 339	836 864	190 133	3 169
Interest rate derivatives	0	10 429	16 317	50 873	3 169
IRS	0	7 458	16 317	50 873	3 169
Other interest rate derivatives	0	2 971	0	0	0
Exchange rate derivatives	0	5 212 910	820 547	139 260	0
Financial guarantees issued	0	98 020	0	0	0
Credit lines confirmed	0	261 059	0	0	0
Total liabilities	4 007 711	5 944 707	1 025 584	240 383	5 047
Liquidity gap	(3 554 875)	148 360	352 578	2 569 406	353 919
Impact of repo capacity of bond portfolio	2 153 966	(28 220)	(184 082)	(1 640 786)	(300 381)
Corrected liquidity gap	(1 400 909)	120 140	168 496	928 620	53 538

¹ The balances of financial assets and liabilities include all movements, including future interest.

² 82% of the non-sovereign portfolio and 100% of the sovereign portfolio are deemed to be readily accessible through repo.

³ Includes cash and assets with central bank.

(in thousands of EUR)

30.09.2013	ON DEMAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Financial assets					
Loans and advances to credit institutions ³	439 319	8 014	3 003	7 188	12 293
Loans and advances to customers	258 407	356 250	269 532	709 049	75 728
Bonds and other fixed income securities	0	195 213	693 904	1 424 078	115 974
Derivatives	0	4 156 986	526 500	130 982	4 027
Interest rate derivatives	0	18 208	6 636	33 834	4 027
IRS	0	3 115	6 636	33 826	4 027
Other interest rate derivatives	0	15 093	0	8	0
Exchange rate derivatives	0	4 138 778	519 864	97 148	0
Total assets	697 726	4 716 463	1 492 939	2 271 297	208 022
Financial liabilities					
Deposits from credit institutions	126 631	289 935	28 720	0	0
Deposits from customers	3 152 257	491 281	185 705	6 993	1 998
Subordinated liabilities	0	148	2 152	44 152	13 000
Derivatives	0	4 167 369	541 909	141 436	3 757
Interest rate derivatives	0	20 358	20 447	44 318	3 757
IRS	0	5 265	20 447	44 270	3 757
Other interest rate derivatives	0	15 093	0	48	0
Exchange rate derivatives	0	4 147 011	521 462	97 118	0
Financial guarantees issued	0	86 969	0	0	0
Credit lines confirmed	0	194 553	0	0	0
Total liabilities	3 278 888	5 230 255	758 486	192 581	18 755
Liquidity gap	(2 581 162)	(513 792)	734 453	2 078 716	189 267
Impact of repo capacity of bond portfolio	2 147 228	(168 936)	(612 094)	(1 261 604)	(104 594)
Corrected liquidity gap	(433 934)	(682 728)	122 359	817 112	84 673

(in thousands of EUR)					
30.09.2012	ON DEMAND	UP TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Financial assets					
Loans and advances to credit institutions ¹	375 142	7 290	7 466	0	0
Loans and advances to customers	433 042	352 893	370 678	579 054	121 955
Bonds and other fixed income securities	0	226 843	689 653	1 418 086	97 752
Derivatives	0	4 011 812	869 037	19 523	2 918
Interest rate derivatives	0	43 655	15 799	19 523	2 918
IRS	0	3 545	15 706	19 505	2 918
Other interest rate derivatives	0	40 110	93	18	0
Exchange rate derivatives	0	3 968 157	853 238	0	0
Total assets	808 184	4 598 838	1 936 834	2 016 663	222 625
Financial liabilities					
Deposits from credit institutions	47 411	88 921	34 638	0	0
Deposits from customers	2 828 397	669 714	370 755	8 840	17 125
Subordinated liabilities	0	0	1 974	49 960	13 007
Derivatives	0	4 024 667	884 991	43 028	3 127
Interest rate derivatives	0	44 916	31 420	43 028	3 127
IRS	0	3 605	31 327	42 965	3 127
Other interest rate derivatives	0	41 311	93	63	0
Exchange rate derivatives	0	3 979 751	853 571	0	0
Financial guarantees issued	0	96 859	0	0	0
Credit lines confirmed	0	266 874	0	0	0
Total liabilities	2 875 808	5 147 035	1 292 358	101 828	33 259
Liquidity gap	(2 067 624)	(548 197)	644 476	1 914 835	189 366
Impact of repo capacity of bond portfolio	2 221 410	(217 220)	(623 306)	(1 292 093)	(88 791)
Corrected liquidity gap	153 786	(765 417)	21 170	622 742	100 575

¹ Includes cash and assets with central bank.

5.3 Market risk

5.3.1 Policy

Market risks are the risks of unfavorable trends in market factors (interest rates, equity prices, exchange rates, etc.) that impact on the positions that the Bank takes for its own account.

Treasury, foreign exchange and equity and option trading activities are monitored on a daily basis using indicators such as Value-at-Risk (VAR), interest rate sensitivity, scenario analyses, option sensitivity (delta, gamma, vega, etc.) and, more simply, nominal volumes.

These activities are compared to limits set by the executive committee. Open positions are characteristically low compared to our own funds.

5.3.2 Trading

5.3.2.1 Interest rate risk

The Bank's main method of managing short-term interest rates is by managing its treasury. Interest rate products are traded on a very limited scale.

On a daily basis, risk management monitors the interest rate risk using two indicators:

- the Basis Point Value ('BPV') in respect of the limits allotted to the treasury activity by the almac committee;
- historical VAR.

5.3.2.2 Foreign exchange risk

This mainly involves hedging the foreign exchange risk generated by all departments of the Bank and, to a very limited extent, by its currency trading activities.

The indicators used to monitor the daily foreign exchange risk are:

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

5.3.2.3 Equity & options risk

The indicators used to monitor the daily equity risk are:

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

The risks attached to options are monitored using various indicators, mainly involving sensitivity to movements of the main underlying factors (delta, gamma and vega) and the Value-at-Risk.

The following table summarizes indicators of sensitivity of trading activities:

(in thousands of EUR)

2014					
		30.09.2014	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	BPV	(37.8)	(47.4)	(25.4)	(73.7)
Foreign exchange risk	Nominal	1 779	2 387	892	4 812
	VAR 99%	17.24	45.18	1.66	96.33
Equity risk	Nominal	100	1 545	100	2 400
	VAR 99%	11.29	51.19	2	92.59
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0.00	0.00	0.00	0.00
2013					
		30 09 2013	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	BPV	(79.4)	(74.1)	(60.9)	(86.9)
Foreign exchange risk	Nominal	1 720	2 071	939	3 671
	VAR 99%	31.85	32.86	6.04	66.70
Equity risk	Nominal	0	1 287	0	5 100
	VAR 99%	2.00	62.73	2.00	187.54
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0.00	0.00	0.00	0.00
2012					
		30 09 2012	AVERAGE	MINIMUM	MAXIMUM
Interest rate risk	BPV	(64.0)	(58.2)	(47.5)	(71.8)
Foreign exchange risk	Nominal	762	2 870	640	15 930
	VAR 99%	16.05	54.80	6.50	174.40
Equity risk	Nominal	0	980	0	6 100
	VAR 99%	0.00	176.16	0.00	1 074.79
Option risk	Delta equivalent	0	0	0	0
	VAR 99%	0.00	5.05	0.00	22.58

5.3.3 Long term

5.3.3.1 Interest rate risk

This is the financial risk caused by the impact of a change in interest rates on the interest margin and on the fair values of interest rate instruments.

This risk is managed on a monthly basis by the almac committee using a standard defined in terms of duration gap. This standard has been developed based on the maximum loss that is deemed to be acceptable in the event that interest rates rise by 1%, as allocated by the executive committee to the group's transformation activity. This includes all balance sheet items¹ and, accordingly, also the treasury positions.

Furthermore, in accordance with Basel II, a stress test compares the loss which would be recorded if there was a parallel increase in interest rates of 2%, to the Bank's shareholders' equity. The result of this test was 12% of shareholders' funds at 30 September 2014 (the level at which a bank is considered to have excessive interest rate risk² is 20%).

¹ Items for which the duration cannot be calculated, such as shares, current accounts, etc. are subject to assumptions.

² A bank which exceeds the threshold of 20% is considered a 'outlier' by the Belgian National Bank. This status implies tighter controls and can lead to an increase in economic capital requirements.

This analysis is supplemented by Basis Point Value monitoring, which only takes account of items that are sensitive to interest rates, all maturities combined.

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

(in thousands of EUR)

2014	
On 30.09.2014	25 500
Average for the period	24 800
Maximum for the period	27 600
Minimum for the period	22 400
2013	
On 30.09.2013	27 600
Average for the period	20 700
Maximum for the period	27 700
Minimum for the period	16 500
2012	
On 30.09.2012	16 700
Average for the period	15 900
Maximum for the period	17 800
Minimum for the period	13 700

5.3.3.2 Equity risk

Non-trading equity risk is the risk that the value of the Bank's own funds declines as a result of a fall in the price of the shares included in the Bank's proprietary share portfolio.

Market value of the bank's proprietary share portfolio:

(in thousands of EUR)

Position	
30.09.2014	312 450
30.09.2013	343 372
30.09.2012	270 575

The impact on the Bank's own funds of a movement in the price of equities held by the Bank is as follows (all other factors being equal):

(in thousands of EUR)

Relevant indices³				
RELEVANT MARKETS OR INDICES	MOVEMENT	IMPACT ON OWN FUNDS		
		30.09.2014	30.09.2013	30.09.2012
Bel 20	10%	1 145	1 061	1 197
Other Belgian securities	10%	12 301	22 813	20 143
Other European securities	10%	9 032	5 320	3 800
The rest of the world	10%	8 768	5 143	1 918

³ Having an impact on the portfolio value.

5.4 Credit risk

5.4.1 Credit risk is the risk of loss resulting from a (professional, institutional, corporate, private, etc.) counterparty failing to meet its contractual obligations on time. This risk is monitored on a daily basis. In respect of counterparty limits, exposures are calculated as a function of changes in market value, to which a coefficient ('add-on') is added which reflects the risk represented by future movements in this exposure. These exposures are compared with the limits set out by the limits committee and credit committee.

5.4.2 Pure credit risk is monitored on a nominal basis. The table below sets out the exposures (expressed in nominal amounts, without deducting guarantees received), by type of counterparty:

(in thousands of EUR)
30.09.2014

	COUNTERPARTY	CARRYING AMOUNT	CREDIT RISK	GUARANTEES
Loans and advances to credit institutions	a	651 184	651 184	0
Loans and advances to customers	b	1 820 874	1 820 874	1 754 411
Bonds and other fixed-income securities		2 488 033	2 488 033	18 638
<i>Public sector</i>	e	996 242	996 242	0
<i>Other issuers – banks</i>	c+e	841 041	841 041	0
<i>Other issuers – commercial companies</i>	d+e	650 750	650 750	18 638
Equities, shares and other variable-income securities		359 835	359 835	0
Derivatives		148 361	111 133	7 491
Financial guarantees issued		104 045	104 045	77 196

(in thousands of EUR)
30.09.2013

	COUNTERPARTY	CARRYING AMOUNT	CREDIT RISK	GUARANTEES
Loans and advances to credit institutions	a	207 414	207 414	0
Loans and advances to customers	b	1 847 299	1 847 299	1 473 815
Bonds and other fixed-income securities		2 423 500	2 423 500	18 639
<i>Public sector</i>	e	1 054 531	1 054 531	0
<i>Other issuers – banks</i>	c+e	603 830	603 830	0
<i>Other issuers – commercial companies</i>	d+e	765 139	765 139	18 639
Equities, shares and other variable-income securities		391 247	391 247	0
Derivatives		77 969	52 890	13 862
Financial guarantees issued		86 969	86 969	64 136

(in thousands of EUR)

30.09.2012

	COUNTERPARTY	CARRYING AMOUNT	CREDIT RISK	GUARANTEES
Loans and advances to credit institutions	a	206 597	206 597	6 001
Loans and advances to customers	b	2 101 884	2 101 884	1 331 168
Bonds and other fixed-income securities		2 418 752	2 418 752	18 968
<i>Public sector</i>	e	996 407	996 407	0
<i>Other issuers – banks</i>	c+e	622 000	622 000	0
<i>Other issuers – commercial companies</i>	d+e	800 344	800 344	18 968
Equities, shares and other variable-income securities		363 156	363 156	0
Derivatives		75 130	53 818	9 620
Financial guarantees issued		96 859	96 859	58 325

Credit risk takes account of the possibility of compensation for derivative positions with counterparties that have signed ISDA contracts.

The guarantees received are recorded at market value and are limited to the outstanding amount of the related loans.

Five separate credit categories can be identified within the group:

a) Limits for banking counterparties

The granting of limits, in particular for interbank deposits, is centralized at group level and is based on the granting and review of limits by the limits committee, which comprises senior management from Brussels and Luxembourg and meets on a monthly basis.

At 30 September 2014, loans to credit institutions comprise principally current accounts (EUR 140 million), and repurchase agreements (EUR 369 million).

b) Credits to non-banking counterparties

This category consists principally of guaranteed credits. Approximately 90% of the Bank's consolidated outstanding credit balances are covered by real guarantees (essentially diversified portfolios subject to fixed coverage ratios which are defined in function of the composition of the pledged portfolio and, to a lesser extent, unlisted securities and real estate).

c) Group's portfolio of investments with banking counterparties

This portfolio of investments was created in order to respond to the reinvestment requirements for treasury and represents approximately 20% of the total of the group's treasury that has been reinvested.

The portfolio consists principally of covered bonds with AAA ratings and, to a lesser extent, unsecured bonds with an average AA rating, issued primarily by banking counterparties in the European Union.

Analysis of bonds in portfolio of investments with banking counterparties, by rating:

(in %)	
Rating	Proportion
AAA	94%
AA	6%
A	0%
BBB	0%

d) The 'Corporate Portfolios' of Bank Degroef Brussels

This category comprises

- a) the 'Corporate Portfolio' of the credit department, which is a portfolio of floating-rate European securitizations, used to fulfil treasury management requirements. This portfolio is being run-off (the Bank no longer makes new purchases) and amounted to approximately EUR 31 million. The portfolio is depreciating rapidly, due both to the arrival at maturity of a series of positions, but also due to the depreciable nature of the large majority of the securities included in the portfolio.
- b) the portfolio of (short term) commercial paper which amounts to EUR 40 million. This portfolio is also being run-off (the Bank no longer makes new purchases).
- c) the investment portfolio, started in 2012, which invests in short-term corporate bonds (three to four year terms). The bonds are divided between an envelope of good quality issuers (average rating of A), which amounted to EUR 199 million, and a 'high yield' portfolio which amounted to EUR 198 million (of which EUR 30 million was in the Degroef Bonds Corporate EUR fund and EUR 10 million was in the II Belgian Credit Opp I Hedged Dis fund).

Analysis of bonds in the 'corporate portfolios', by rating (excluding funds and commercial paper):

(in %)	
Rating	Proportion
AAA	0%
AA	5%
A	41%
BBB	35%
< BBB ou sans rating	19%

e) Portfolio of sovereign and state-guaranteed bank debt

This category comprises Government debt and bank debt benefitting from guarantees by EU governments, primarily those of Belgium and of its neighboring countries.

Analysis of sovereign debt or Government guarantees, by rating:

(in %)	
Rating	Proportion
AAA	24%
AA	33%
A	12%
BBB	31%

5.4.3 Geographic exposure

On a geographic level, the Bank has limited exposure to 'emerging' countries and focusses its activities on the European Union.

5.4.4 Doubtful receivables

The losses incurred on the credit portfolio are limited, as indicated by the following table (which should be read cumulatively over the past ten years for files that remain open):

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Doubtful receivables	34 860	39 099	22 343
Impairments	(21 844)	(17 193)	(17 837)
Doubtful receivables after impairments	13 016	21 906	4 506
Average age of doubtful receivables not impaired	1 year	9 years	9 years

5.5 Asset management risk

Asset management risk is the financial risk deriving from a possible lack of consistency or excessive risk-taking in the asset management strategies pursued by the group as a whole.

This risk is monitored within each entity by the respective control departments, and also at a consolidated level using aggregated data. The checks performed focus on compliance with management constraints set by both the client and the group's executive committee¹, as well as on monitoring of performance. The risk management of the group ensures that the checks and the management principles are consistent from one subsidiary to another.

5.6 Capital management

The overriding objectives of capital management at Bank Degroof are to ensure that the Bank meets regulatory requirements and that it maintains a level of capitalization consistent with its level of activities and the risks that it takes on.

The method used for calculating regulatory capital adequacy requirements in accordance with European regulations concerning prudential requirements applicable to credit institutions (Basel III) has been used since 31 March 2014. As a reminder, the Bank has chosen the following options:

- the basic approach for evaluating capital adequacy requirements for operational risk;
- the standard approach based on external ratings for credit risk;
- the standard approach for market risk.

Regulatory capital:

	(in thousands of EUR)		
	30.09.2014	30.09.2013 ²	30.09.2012 ²
Tier 1 own funds	427 925	407 679	383 713
Tier 2 own funds	5 927	88 902	92 677
Weighted risk volume	2 838 056	3 046 436	3 041 444
CRD-ratio	15.29%	16.30%	15.66%
Tier 1-ratio	15.08%	13.38%	12.62%

¹ Particularly with respect to diversification, equity ratio and authorised management products.

² These figures have been determined on the basis of the Belgian transcription of the European Directive on capital requirements for credit institutions (Basel II)

The movements in regulatory capital compared to the previous financial year are characterized by the following:

- the risk profile of the Bank has reduced in the sense that the requirement for own funds has decreased slightly in spite of the increase in the total balance sheet; this is explained by the disposal of unquoted securities and quoted securities with limited liquidity, and investments in securities or agreements with very limited risk such as repurchase agreements on government debt;
- Tier 1 regulatory capital has increased primarily as a result of the appropriation of the result for the current financial year after deduction of the dividend which has been partially offset by the negative impact resulting from the application of IAS 19 revised, which required the recognition in shareholders' equity of actuarial gains and losses on our obligations relating to post-employment benefits for our personnel;
- Tier 2 regulatory capital has decreased significantly as a result of the exclusion from regulatory capital of the revaluation reserves on the 'available for sale' portfolio which had been required by transitional rules, and to a lesser extent as a result of the application of the rule of degressive recognition of subordinated loans.

The combination of these factors leads to a CRD ratio of 15.29%, and a Tier 1 ratio of 15.08%, which substantially exceeds regulatory requirements. This figure takes account of the planned dividend distribution.

In accordance with pillar 2 of Basel II, this administrative capital management is complemented by the economic management of capital by way of an ICAAP model. Using this model, the Bank checks the adequacy of its capital compared to the requirements resulting from the risks generated by its various activities. It ensures that the capital remains adequate for the coming three years under various scenarios, ranging from achieving its budgets to significant market crises. Detailed information on this subject is available on the Bank's website www.degroof.be.

6. CONSOLIDATION SCOPE

6.1 List of the principal subsidiaries of Bank Degroef

NAME	REGISTERED OFFICE	(in %) PERCENTAGE OF CAPITAL HELD	ACTIVITY
Aforge Degroef Capital Markets SA	Avenue Niel 86 – 75017 Paris	86,27	Other financial institution
Aforge Degroef Courtage SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Aforge Degroef Family Office SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Aforge Degroef Finance SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Aforge Degroef Lyon SA	Rue de la République 17 – 69002 Lyon	86,27	Other financial institution
Aforge Gestion SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Aforge Degroef Immobilier SARL	Rue de Lisbonne 44 – 75008 Paris	85,84	Other undertaking
Aforge Patrimoine SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Banque Degroef Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99,96	Credit institution
Banque Degroef France SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Credit institution
Banque Degroef Square Invest SA	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Compagnie Financière Degroef SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Cobimmo SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Degroef Asset Management Ltd	6/F Alexandra House 16 Chater Road Central Hong Kong	89,96	Other financial institution
Degroef Corporate Finance SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroef Finance SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroef Fund Management Company SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroef Gestion SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Degroef Gestion Institutionnelle Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99,96	Other financial institution
Degroef Holding Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	100	Other financial institution
Degroef Investissements SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Degroef Structured Finance SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
DS Lux SA	Rue Eugène Ruppert 14 – 2453 Luxembourg Cloche d'Or	99,96	Other financial institution
SA Fideuro NV	Rue Guimard 19 – 1040 Brussels	100	Other undertaking
Fitech Systems SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Guimard Investissements SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Imofig SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other undertaking
Industrie Invest SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Industrie Invest 2 SA/NV	Rue Guimard 18 – 1040 Brussels	100	Other financial institution
Investment Company of Luxembourg SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99,96	Other financial institution
Messine Holding SA	Rue de Lisbonne 44 – 75008 Paris	86,27	Other financial institution
Monceau M SA	Avenue de Messine 25 – 75008 Paris	100	Other financial institution
Overseas Investments Company SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99,96	Other financial institution
PrivatBank Degroef, S.A.U.	Avenida Diagonal 464 – 08006 Barcelona	100	Credit institution
PrivatBank Patrimonio, S.A.U., S.G.I.I.C	Avenida Diagonal 464 – 08006 Barcelona	100	Other financial institution
Promotion Partners SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99,96	Other financial institution
Société de Participations et d'Investissements Luxembourgeoise SA	Rue Eugène Ruppert 12 – 2453 Luxembourg Cloche d'Or	99,96	Other financial institution

6.2 List of the principal associates of Bank Degroof

NAME	REGISTERED OFFICE	(in %) PERCENTAGE OF CAPITAL HELD	ACTIVITY
Landolt & Cie SA	Chemin de Roseneck 6 – 1006 Lausanne	24.99	Credit institution
BDG & Associés	244, rue Saint-Jacques Ouest bureau 51 Montréal QC H2Y 1L9 – Canada	45	Other financial institution

6.3 Significant changes in the consolidation scope during the current financial year

During the current financial year, there has been no significant change in the consolidation scope. Certain small companies (with combined total assets of less than EUR 35 million) have been acquired and consolidated, with no goodwill being recorded due to the fact that the primary activity of these companies is the holding of securities.

6.4 Non-consolidated real estate affiliates

In the context of the diversification of its product offering, the Bank has created a real estate center of competence the objective of which is to invest in real estate financed primarily by the issuance of real estate certificates to private and institutional clients and, secondly, by way of loans granted by other financial institutions.

These operations were set up by creating real estate companies in which the Bank is either the majority shareholder, or a shareholder in the context of joint control (from a legal perspective). These companies are, accordingly, subsidiaries or joint ventures of the Bank, which is represented on the board of directors and on the management committee; these decision making bodies are largely responsible for the operational and administrative management of the companies.

The Bank receives remuneration for providing these services that is contractually fixed and independent of the performance of the companies.

It is, however, the holders of the real estate certificates who, during meetings, take the strategic decisions relating to the management of the real estate, and who receive the revenues generated by the rental and subsequent sale of the real estate. At the end of the financial period, the assets of these companies had a value of approximately EUR 200 million.

As the definition of control is based on the right to variable returns resulting from influence over the making of strategic decisions that impact on these returns, control over these companies is exercised exclusively by the holders of the real estate certificates, and not by the Bank. As a result, these entities are not consolidated by Bank Degroof.

At the end of the financial year, the financial investment of the Bank in these entities amounted to EUR 0.5 million.

6.5 Information by country

In accordance with the European Directive (CRD IV), the information required by country is as follows:

30.09.2014	BELGIUM	LUXEMBOURG	SPAIN	FRANCE	TOTAL
	(in thousands of EUR)				
Turnover	188 698	129 149	9 436	17 464	344 747
Number of employees	558	295	60	96	1 009
Profit (or loss) before tax	63 920	72 394	598	(35 069)	101 843
Tax on profit or loss	9 848	10 810	75	2 791	23 524
Public subsidies received	0	0	0	0	0

The differences between the column 'Total' and the consolidated statement of comprehensive income relate solely to the caption 'Share in the results from entities accounted for using the equity method', which does not need to be split by country under the terms of the above-mentioned Directive.

In order to reflect economic reality, the information is presented before the elimination of intra-group transactions.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 Cash, balances with central banks and other demand deposits

Cash, balances with central banks and other demand deposits comprise the following:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Carrying amount before impairments	285 657	439 319	375 191
Cash	2 655	2 471	2 551
Balances with central banks – Mandatory reserves ¹	143 332	259 933	180 749
Other demand deposits	139 670	176 915	191 891
Impairments	0	0	(50)
Total cash, balances with central banks and other demand deposits	285 657	439 319	375 141

Both cash and balances with central banks other than mandatory reserves are included in our definition of cash and cash equivalents in the consolidated cash flow statement.

Other demand deposits amounting to EUR 104.7 million at 30 September 2014 (EUR 151 million at 30 September 2013; EUR 180.7 million at 30 September 2012) are included in the bank's definition of cash and cash equivalents in the consolidated cash flow statement.

7.2 Financial assets held for trading

Financial assets held for trading comprise the following items:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
1. Financial assets held for trading	10 171	11 616	14 454
Fixed-income securities	7 535	11 528	13 334
<i>Treasury bills and government bonds</i>	0	304	9 398
<i>Bonds from other issuers</i>	7 535	11 187	3 936
<i>Other fixed income instruments</i>	0	37	0
Variable-income securities	2 636	88	1 120
<i>Equities</i>	113	23	5
<i>Other variable income securities</i>	2 523	65	1 115
2. Derivative financial instruments	148 361	77 969	75 130
Foreign exchange derivatives	110 619	26 100	43 633
Interest rate derivatives	10 738	13 790	9 437
Equity derivatives	26 994	38 028	21 865
Credit derivatives	10	51	195
Total assets held for trading	158 532	89 585	89 584

¹ Mandatory reserves: minimum reserves held by credit institutions with the ECB or other central banks.

7.3 Financial assets designated at fair value through profit or loss

Securities investments are designated, at their acquisition date, at fair value through profit or loss (fair value option) when they are associated with derivatives, when such designation eliminates or significantly reduces an accounting mismatch which would otherwise result, and when a risk exists of not meeting the requirements (or not satisfying the conditions) for hedge accounting.

More specifically, this designation is used in order to prevent any consecutive difference in the valuation of certain sovereign and bank debt that is almost entirely guaranteed by EU governments or by covering assets² (fair value recognized directly in shareholders' equity), purchased with the objective of supporting liquidity and linked, in accordance with the risk management strategy, to interest rate swaps (fair value through profit or loss). The fair value option is also applied to certain positions in equities that are economically hedged using an option structure.

The financial assets designated at fair value through profit or loss comprise:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Fixed income securities	998 007	889 235	1 096 031
<i>Treasury bills and government bonds</i>	514 460	475 504	716 583
<i>Bonds from other issuers</i>	483 547	413 731	379 448
Variable-income securities	43 346	37 458	42 841
<i>Equities</i>	43 346	37 458	42 841
Total financial assets designated at fair value through profit or loss	1 041 353	926 693	1 138 872

The financial assets designated at fair value through profit or loss include as at 30 September 2014 an amount of EUR 898.5 million for which the residual life exceeds 12 months (30 September 2013: EUR 719.5 million; 30 September 2012: EUR 769.8 million).

7.4 Available-for-sale financial assets

Available-for-sale financial assets represent investments in fixed or variable income securities, both listed and unlisted, and comprise the following:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Carrying amount before impairments	1 590 770	1 612 579	1 303 559
Fixed income securities	1 264 495	1 236 107	948 776
<i>Treasury bills and government bonds</i>	391 472	413 550	151 113
<i>Bonds from other issuers</i>	831 345	779 023	789 542
<i>Other fixed income instruments</i>	41 678	43 534	8 121
Variable-income securities	326 275	376 472	354 783
<i>Equities</i>	214 476	238 225	232 564
<i>Other variable income securities</i>	111 799	138 247	122 219
Impairments	(14 805)	(31 968)	(45 007)
Total available-for-sale financial assets	1 575 965	1 580 611	1 258 552

Available-for-sale financial assets include as at 30 September 2014 an amount of EUR 1 061.4 million the residual life of which exceeds 12 months (30 September 2013: EUR 575.4 million; 30 September 2012: EUR 509.2 million).

² Commonly known as "Covered bonds".

The table below details the movements relating to the impairment of available-for-sale financial assets:

	(in thousands of EUR)		
	FIXED INCOME SECURITIES	VARIABLE INCOME SECURITIES	TOTAL
Closing balance at 30.09.2011	(12 463)	(41 389)	(53 852)
Impairments	(57)	(14 414)	(14 471)
Impairment allowance used	3 265	20 246	23 511
Currency translation differences	(164)	0	(164)
Other	0	(31)	(31)
Closing balance at 30.09.2012	(9 419)	(35 588)	(45 007)
Impairments	0	(1 732)	(1 732)
Impairment allowance used	57	14 549	14 606
Currency translation differences	165	0	165
Closing balance at 30.09.2013	(9 197)	(22 771)	(31 968)
Impairments	0	(5 176)	(5 176)
Impairment allowance used	6 947	15 526	22 473
Currency translation differences	(134)	0	(134)
Closing balance at 30.09.2014	(2 384)	(12 421)	(14 805)

The table below details the changes in fair values of available-for-sale financial assets:

	(in thousands of EUR)		
	FIXED INCOME SECURITIES	VARIABLE INCOME SECURITIES	TOTAL
Closing balance at 30.09.2011	(11 957)	48 990	37 033
Increase (decrease) in unrealised revaluation gains ¹	7 968	(143)	7 825
Decrease (increase) in unrealised revaluation losses ¹	9 457	13 139	22 596
Impairment recognized in the income statement	57	7 956	8 013
Closing balance at 30.09.2012	5 525	69 942	75 467
Increase (decrease) in unrealised revaluation gains ¹	(1 325)	20 597	19 272
Decrease (increase) in unrealised revaluation losses ¹	3 236	5 607	8 843
Impairment recognized in the income statement	0	100	100
Closing balance at 30.09.2013	7 436	96 246	103 682
Increase (decrease) in unrealised revaluation gains ¹	8 203	(19 650)	(11 447)
Decrease (increase) in unrealised revaluation losses ¹	796	(4 821)	(4 025)
Impairment recognized in the income statement	0	370	370
Closing balance at 30.09.2014	16 435	72 145	88 580

¹ Including changes in unrealised gains and losses transferred from equity to the income statement as the result of the derecognition of these investments.

7.5 Loans and advances to credit institutions

Interbank loans and advances are as follows:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Carrying amount before impairments	511 515	30 499	14 756
Term loans	142 527	29 197	5 904
Reverse repurchase operations	368 981	0	6 001
Other	7	1 302	2 851
Impairments	0	0	0
Total loans and advances to credit institutions	511 515	30 499	14 756

The loans with initial terms of less than three months for an amount of EUR 506.3 million as at 30 September 2014 (at 30 September 2013: EUR 8.0 million; at 30 September 2012: EUR 7.3 million) are included in our definition of cash and cash equivalents in the consolidated cash flow statement.

7.6 Loans and advances to customers

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

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Carrying amount before impairments	1 628 387	1 769 850	1 981 923
Overdrafts	313 819	274 039	447 111
Trade bills	102	256	201
Mortgage loans	112 683	117 009	145 335
Term loans	1 109 128	1 170 471	1 166 061
Finance leases	29	184	374
Reverse repurchase agreements	16 799	51 060	53 247
Debt instruments	45 953	99 912	129 126
Subordinated loans	18 889	20 309	22 308
Other	10 985	36 610	18 160
Impairments	(22 619)	(26 140)	(26 622)
Total loans and advances to customers	1 605 768	1 743 710	1 955 301

Loans and advances to customers include as at 30 September 2014 an amount of EUR 333.7 million for which the residual life exceeds 12 months (30 September 2013: EUR 397.1 million; 30 September 2012: EUR 148.7 million).

The table below details the movements relating to the impairment of loans and advances to customers:

(in thousands of EUR)

	30.09.2014	30.09.2013	30.09.2012
Opening balance	(26 140)	(26 622)	(13 580)
Impairment loss recognized ¹	(8 195)	(5 068)	(12 986)
Reversal of impairment ²	1 805	37	28
Impairment allowance used ³	9 947	6 328	35
Changes in consolidation scope	0	97	0
Currency translation differences	(5)	3	(22)
Other	(31)	(915)	(97)
Closing balance	(22 619)	(26 140)	(26 622)

Impairment losses are only calculated on individual valuations and not on a collective basis (portfolio approach) which would not be appropriate in view of the credit activities of Bank Degroof.

The tables below set out supplementary information relating to available-for-sale financial assets that have been reclassified to loans and advances:

(in thousands of EUR)

	CARRYING AMOUNT	FAIR VALUE	REVALUATION RESERVES
Closing balance at 30 September 2014	27 315	24 820	(22)
Closing balance at 30 September 2013	65 065	56 545	(66)
Closing balance at 30 September 2012	94 481	78 718	(509)

(in thousands of EUR)

AMOUNTS RECOGNISED IN PROFIT OR LOSS OR IN EQUITY	PROFIT OR LOSS	EQUITY
At 30 September 2014		
Interest income	249	
Impairment	0	
Realised gains (losses)	(1 099)	
Amounts transferred from revaluation reserves to profit or loss		44
At 30 September 2013		
Interest income	387	
Impairment	(2 400)	
Realised gains (losses)	(188)	
Amounts transferred from revaluation reserves to profit or loss		443
At 30 September 2012		
Interest income	1 476	
Impairment	(7 549)	
Realised gains (losses)	7	
Amounts transferred from revaluation reserves to profit or loss		1 770

¹ Including an impairment of EUR 0 thousand on debt instruments (at 30 September 2013: EUR 2 400 thousand; at 30 September 2012: EUR 7 549 thousand).

² Including a write-offs of non-recoverable loans and advances of EUR 768 thousands on debt instruments.

³ Including an impairment allowance used of EUR 8 179 thousand in respect of debt instruments (30 September 2013: EUR 2 288 thousand).

The fair value losses or gains that would have been recognized in equity after the reclassification date, if the reclassification had not occurred, amount to an aggregate net gain of EUR 0.5 million (at 30 September 2013: net loss of EUR 4.2 million; at 30 September 2012: net loss of EUR 7.3 million).

7.7 Financial assets held to maturity

Financial assets held to maturity represent investments in fixed income securities, the split by nature of which is as follows:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Carrying amount before impairments	174 426	204 863	249 738
Fixed income securities	174 426	204 863	249 738
Treasury bills and government bonds	90 310	165 173	119 313
Bonds from other issuers	84 116	39 690	130 425
Impairments	0	0	0
Total financial assets held to maturity	174 426	204 863	249 738

Financial assets held to maturity with a maturity in excess of 12 months amount to EUR 132.5 million at 30 September 2014 (30 September 2013: EUR 172.8 million; 30 September 2012: EUR 146.2 million).

7.8 Property and equipment and investment property

Property and equipment comprise the following:

	(in thousands of EUR)				
	LAND AND BUILDINGS	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT	TOTAL
Net closing carrying amount at 30.09.2014	61 090	3 056	1 478	2 978	68 602
Acquisition cost	103 877	17 554	7 526	6 981	135 938
Accumulated depreciation and impairment	(42 787)	(14 498)	(6 048)	(4 003)	(67 336)
Net closing carrying amount at 30.09.2013	58 938	3 181	1 590	3 291	67 000
Acquisition cost	99 754	18 472	7 482	7 448	133 156
Accumulated depreciation and impairment	(40 816)	(15 291)	(5 892)	(4 157)	(66 156)
Net closing carrying amount at 30.09.2012	56 968	3 246	1 959	3 333	65 506
Acquisition cost	95 632	18 665	8 782	7 735	130 814
Accumulated depreciation and impairment	(38 664)	(15 419)	(6 823)	(4 402)	(65 308)

The movements in the net book value are as follows:

	(in thousands of EUR)			
	LAND AND BUILDINGS	IT EQUIPMENT	OFFICE EQUIPMENT	OTHER EQUIPMENT
Closing balance at 30.09.2011	59 321	2 147	1 722	3 379
Acquisitions	851	2 131	329	893
Changes in consolidation scope	110	0	293	145
Disposals	0	0	(1)	(317)
Depreciation	(3 378)	(1 023)	(470)	(767)
Impairment loss recognized	0	(12)	(1)	0
Currency translation differences	64	2	48	0
Other	0	1	39	0
Closing balance at 30.09.2012	56 968	3 246	1 959	3 333
Acquisitions	6 244	1 191	283	894
Changes in consolidation scope	(1 018)	(39)	(106)	(38)
Disposals	0	(11)	(2)	(286)
Depreciation	(3 181)	(1 323)	(361)	(612)
Impairment loss recognized	(32)	(8)	(34)	0
Currency translation differences	(43)	(1)	0	0
Other	0	126	(149)	0
Closing balance at 30.09.2013	58 938	3 181	1 590	3 291
Acquisitions	4 336	1 339	215	728
Disposals	0	(5)	0	(378)
Depreciation	(2 182)	(1 419)	(346)	(662)
Impairment loss recognized	0	(43)	(11)	0
Reversal of impairment	0	0	32	0
Other	(2)	3	(2)	(1)
Closing balance at 30.09.2014	61 090	3 056	1 478	2 978

The amounts disclosed under 'Other' relate mainly to transfers between categories of property and equipment.

With the exception of vehicles (disclosed under 'Other equipment'), the residual values are estimated at zero. As purchased cars are generally sold after four years, their average residual value has been estimated at 40% of the purchase price, excluding VAT.

The estimated fair value of property (accounted for at amortized cost) of Bank Degroef amounts to EUR 132.2 million at 30 September 2014 (30 September 2013: EUR 128.1 million; 30 September 2012: EUR 117.4 million). The estimated fair values of the majority of the properties have been obtained from valuation reports prepared by independent real estate experts. In view of the limited liquidity in the property market, the specific nature of these properties, and the difficulty in obtaining details of comparable transactions, the estimated values of these properties have been classed at level 3 in the hierarchy of fair values. The techniques used by the real estate experts were primarily the following: the rental capitalization method, the discounted cash flow method, and the comparative market analysis method (valuation based on the value of m² constructed). Where several valuation methods are used for one property, the estimated value represents the average of the values calculated.

Bank Degroef does not hold investment property.

Bank Degroef has commitments, in its capacity as lessee, in respect of operating lease contracts relating principally to real estate, IT equipment and vehicles.

The minimum amount of future payments under non-cancellable operating lease contracts amounted to:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Less than one year	2 055	1 729	3 415
Between one and five years	6 561	7 475	5 900
More than five years	24	127	305
Closing balance	8 640	9 331	9 620

The above-mentioned amounts do not take into account the possible future indexation of operating lease payments for real estate. The operating lease expense is set out in note 8.9.

7.9 Goodwill and other intangible assets

Goodwill and other intangible assets comprise the following:

	(in thousands of EUR)			
	GOODWILL	BUSINESS ACTIVITIES	SOFTWARE	TOTAL
Net closing carrying amount at 30.09.2014	44 523	17 638	3 539	65 700
Acquisition cost	114 430	50 283	24 958	189 671
Accumulated depreciation and impairment	(69 907)	(32 645)	(21 419)	(123 971)
Net closing carrying amount at 30.09.2013	69 986	19 390	2 235	91 611
Acquisition cost	114 430	50 283	22 632	187 345
Accumulated depreciation and impairment	(44 444)	(30 893)	(20 397)	(95 734)
Net closing carrying amount at 30.09.2012	70 189	28 297	2 550	101 036
Acquisition cost	114 633	50 283	23 732	188 648
Accumulated depreciation and impairment	(44 444)	(21 986)	(21 182)	(87 612)

The movements in the net book value are as follows:

	(in thousands of EUR)		
	GOODWILL	BUSINESS ACTIVITIES ¹	SOFTWARE
Closing balance at 30.09.2011	27 312	30 143	2 682
Acquisitions	42 865	0	1 224
Disposals	0	0	(33)
Changes in consolidation scope	0	0	32
Depreciation	0	(1 846)	(1 328)
Impairment loss recognized	0	0	(48)
Currency translation differences	12	0	21
Closing balance at 30.09.2012	70 189	28 297	2 550
Acquisitions	8 197	0	893
Disposals	(8 379)	0	0
Changes in consolidation scope	0	0	(55)
Depreciation	0	(1 846)	(1 153)
Impairment loss recognized	0	(7 061)	0
Currency translation differences	(21)	0	0
Closing balance at 30.09.2013	69 986	19 390	2 235
Acquisitions	0	0	2 432
Disposals	0	0	(13)
Depreciation	0	(1 365)	(1 115)
Impairment loss recognized	(25 463)	(387)	0
Closing balance at 30.09.2014	44 523	17 638	3 539

BUSINESS ACTIVITIES

In accordance with its accounting policies and principles, the Bank has performed an impairment test on all of its business activities, taking into account market conditions that were considered to be the objective indication of impairment. The recoverable value is determined as being the higher of the fair value and the value in use.

The fair value is obtained either by applying multiples to the net operating result, or on the basis of an estimate of the revalued net assets. The value in use is determined using the discounted free cash flow method which discounts all future cash flows that will be generated by the entity's activities.

The results of these impairment tests are similar or superior to the accounting value of the business activities, except in the case of the business activities in Luxembourg, in respect of which an impairment loss of EUR 0.3 million has been recorded.

The value in use has been used to estimate the value of the business activities of Banque Degroof France. The projected cash flows are based upon medium term plans drawn up by management covering the period 2015-20, extended by three years before applying a steady growth rate of 2% corresponding to the long-term inflation rate. The projected cash flows are discounted at the estimated cost of capital before taxes as at 30 September 2014 of 16.6%.

A sensitivity analysis has been performed which tests a scenario of lower growth (resulting in cash flows that are approximately 5% lower). The recoverable value that results from this sensitivity analysis was close to the accounting value.

¹ Of which EUR 12.8 million at 30 September 2014, to be amortized over the remaining useful life of 14 years, on the account of Banque Degroof France.

GOODWILL

In accordance with the accounting policies and methods, the Bank performs an impairment test on goodwill, as a minimum, at every financial year-end. In order to do this, the Bank has allocated goodwill to cash generating units which are currently defined at the level of the legal entities. The recoverable value of a cash generating unit is determined as being the higher of its fair value and its value in use.

The fair value is obtained either by applying reference multiples to the net operating result, or on the basis of an estimate of the revalued net assets. The value in use is determined using the discounted free cash flow method which discounts all future cash flows that will be generated by the entity's activities.

The results of these impairment tests are similar or superior to the accounting value of the goodwill, except in respect of the goodwill relating to the cash generating units of the Compagnie Financière Degroef group.

The value in use was used to estimate the recoverable value of the cash generating units of Compagnie Financière Degroef. The projected cash flows are based upon medium term plans drawn up by management covering the period 2015-19, extended by four years in respect of wealth management activities, before applying a steady growth rate of 2% corresponding to the long-term inflation rate. The projected cash flows are discounted at the estimated cost of capital before taxes as at 30 September 2014 of 16.6%.

The resultant value is lower than the carrying value due to a reduction in forecast results, which has resulted in the recognition of an impairment loss of EUR 25.5 million.

A sensitivity analysis has been performed which tests a scenario of lower growth (resulting in cash flows that are approximately 30% lower). The recoverable value that results from this sensitivity analysis is lower than the accounting value. Nevertheless, this scenario has not been retained because the medium term plan established by management appears to be reasonable and the discount rate used already reflects a certain level of risk about the realization of the forecasts.

Goodwill is analyzed below, by cash generating unit:

CASH GENERATING UNIT	CARRYING AMOUNT			METHOD USED FOR THE RECOVERABLE AMOUNT
	30.09.2014	30.09.2013	30.09.2012	
Banque Degroef Bruxelles SA/NV (ex – de Buck Banquiers)	9 625	9 625	9 625	Fair value ²
Banque Degroef Bruxelles SA/NV (ex – Bearbull Belgium)	3 700	3 700	3 700	Fair value ²
Banque Degroef Luxembourg SA	2 080	2 080	2 023	Fair value ²
Degroef Banque Privée SA	0	0	8 458	Fair value ²
Compagnie Financière Degroef SA	25 600	51 063	42 865	Value in use
PrivatBank Degroef S.A.U.	3 518	3 518	3 518	Fair value ²
Total	44 523	69 986	70 189	

² Level 3 in the hierarchy of fair values.

7.10 Investments in entities accounted for using the equity method

Investments in entities accounted for using the equity method are summarized in the table below:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Associates			
Landolt & Cie SA	13 295	14 622	0
BDG & Associés	(18)	0	0
Total	13 277	14 622	0

The investment in Landolt & Cie is valued on the basis of various criteria, comprising the application of a reference multiple to the net result and the estimation of revalued net assets by applying a reference goodwill coefficient to assets under management. On the basis of this valuation, the Bank recorded an impairment loss on its investment in Landolt & Cie at 30 September 2014.

7.11 Other assets

Other assets comprise the following items:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Accrued income and prepaid expenses	65 285	50 929	45 559
Miscellaneous debtors	27 691	12 262	9 802
Other assets	13 516	14 261	19 100
Total other assets	106 492	77 452	74 461

Miscellaneous debtors comprise invoices receivable and tax prepayments or recoverable taxes defined in accordance with national regulations.

7.12. Financial liabilities held for trading

Financial liabilities held for trading comprise the following:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
1. Financial liabilities held for trading	9	571	405
Fixed income	0	553	405
Variable income	9	18	0
2. Derivatives	159 481	110 673	116 823
Foreign exchange derivatives	83 240	31 468	48 829
Interest rate derivatives	51 055	40 377	49 528
Equity derivatives	24 743	37 612	16 501
Credit derivatives	443	1 216	1 965
Total financial liabilities held for trading	159 490	111 244	117 228

7.13 Deposits from credit institutions

Interbank deposits comprise the following:

		(in thousands of EUR)	
	30.09.2014	30.09.2013	30.09.2012
Sight deposits	91 904	126 632	47 411
Term deposits	73 325	100 287	86 801
Repurchase agreements	0	218 299	36 698
Other deposits	3 139	2 705	171
Total deposits from credit institutions	168 368	447 923	171 081

7.14 Deposits from customers

Deposits from customers are as follows:

		(in thousands of EUR)	
	30.09.2014	30.09.2013	30.09.2012
Sight deposits	3 936 858	3 152 258	2 828 397
Term deposits	460 712	681 699	1 060 867
Other deposits	16 296	20 560	358 132
Total deposits from customers	4 413 866	3 854 517	4 247 396

Deposits from customers include as at 30 September 2014 an amount of EUR 48.2 million for which the residual life exceeds 12 months (30 september 2013: EUR 7.6 million ; 30 september 2012: EUR 24.9 million).

7.15 Debt securities

Debt securities issued by the Degroof group amounted to EUR 3 million at 30 September 2014 (30 September 2013: EUR 13 million; 30 September 2012: EUR 13 million).

7.16 Subordinated debt

The subordinated debt of Bank Degroof takes the form of a non-convertible subordinated term loan. The loan was issued by Bank Degroof for an amount of EUR 50 million (of which EUR 10.5 million is held by a group entity) maturing on 1 July 2015 with a fixed annual interest rate of 4.245%.

7.17 Provisions

Provisions for employee benefits were EUR 39.8 million (30 September 2013: EUR 31.2 million; 30 September 2012: EUR 33.9 million), and are detailed in note 10.

The other provisions of the Bank relate principally to provisions for pending litigation with various counterparties.

The movements on other provisions are as follows:

	30.09.2014	30.09.2013	30.09.2012
	(in thousands of EUR)		
Opening balance	13 985	4 904	4 054
Allowances for provisions	1 567	9 760	1 222
Use of provisions	(5 657)	(351)	(347)
Reversal of unused provisions	(3 803)	(325)	(25)
Changes in consolidation scope	0	(3)	0
Closing balance	6 092	13 985	4 904

Due to the nature of its activities, the Bank is involved in a limited number of legal disputes. The Bank remains convinced that, in the cases concerned, it has acted in complete accordance with the requirements to which it is subject.

In view of the uncertainties inherent in any legal dispute, the process of estimating the risks is inevitably uncertain. A provision that covers a proportion of certain amounts claimed has been recorded in the financial statements as at 30 September 2014.

The use and reversal of provisions during the financial year relate notably to the closure of almost all of the files relating to losses on OPC transactions. It should be noted in this respect that all payments in excess of a threshold were covered by insurance. These reimbursements have been recorded in 'Other net operating results'.

In addition, Bank Degroof and several of its subsidiaries are the subject of a claw back procedure in the United States initiated by the liquidator of Bernard L. Madoff Investment Securities LLV (BLMIS). This procedure is taking place in the context of hundreds of legal cases launched by the liquidator of BLMIS (i) against investment funds that invested in BLMIS, in order to recover reimbursements made by BLMIS during the years preceding the bankruptcy of BLMIS, and (ii) against persons that invested in the aforementioned investment funds, in order to recover the reimbursements by these funds over the same period.

These legal cases are based in part on the provisions of the US Securities Investor Protection Act and the US Bankruptcy Code which, under certain conditions, allow the liquidator of a brokerage in financial instruments to recover amounts reimbursed by the brokerage before it was declared bankrupt.

The companies involved dispute that they owe these amounts and are represented in the context of the US legal case by an American lawyer who is of the view that the companies involved have strong arguments to contest the charges. As a result, no provision has been recorded in this respect at the end of the financial year.

7.18 Other liabilities

Other liabilities comprise the following items:

		(in thousands of EUR)	
	30.09.2014	30.09.2013	30.09.2012
Salaries and social charges	38 621	36 547	38 796
Accrued charges and deferred income	33 185	24 357	21 631
Miscellaneous creditors	21 098	16 009	13 391
Share-based payment liability	1 465	451	439
Other	4 551	1 692	6 794
Liabilities relating to the anticipated acquisition of minority interests	10 067	14 263	0
Total other liabilities	108 987	93 319	81 051

Miscellaneous creditors consist primarily of invoices payable as well as taxes payable other than taxes calculated on the profit for the year.

As the acquisition price for the minority interests is a variable price that depends on a number of factors and which will be paid in instalments between 2016 and 2024, the liabilities related to this planned acquisition have been valued on the basis of models, parameters and data described in note 7.9 relating to goodwill and other intangible assets.

7.19 Tax

The movements on deferred taxes are explained by:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Opening balance	5 596	5 811	8 210
Income (expense) in income statement	(2 570)	103	(403)
Items recorded directly in equity	(5 165)	(1 755)	(2 036)
Impact of change in income tax rate – income statement	0	(68)	0
Impact of change in income tax rate – equity	0	(16)	0
Changes in consolidation scope	0	1 506	49
Currency translation differences	0	15	(9)
Closing balance	(2 139)	5 596	5 811

Deferred taxes are calculated on the following temporary differences and are presented by class of temporary difference:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Deferred tax assets	15 843	17 171	20 915
Personnel benefits	12 418	11 540	13 789
Derivatives	3 287	2 365	4 071
Financial instruments at fair value through profit or loss	0	0	5
Available-for-sale financial assets	0	399	2
Losses carried forward	15	2 695	2 695
Other	123	172	353
Deferred tax liabilities	17 982	11 575	15 104
Tangible and intangible assets	4 527	4 623	4 536
Provisions for liabilities and charges	581	586	593
Financial instruments at fair value through profit or loss	2 656	1 183	2 656
Available-for-sale financial assets	8 481	2 639	1 967
Other	1 737	2 544	5 352
Net deferred taxes	(2 139)	5 596	5 811

Certain deferred tax assets have not been recognized to the extent that certain companies within the Degroof group are not certain that future taxable profits will be available within the relevant taxable entities against which the tax losses carried forward can be utilized.

Unrecognized deferred tax assets at 30 September 2014 amounted to EUR 27.1 million and related purely to recoverable tax losses with indefinite expiry dates (30 September 2013: EUR 19.2 million, 30 September 2012: EUR 14.8 million).

Deferred taxes amounting to EUR 3.0 million (30 September 2013: EUR 3.3 million; 30 September 2012: EUR 3.1 million) have not been recognized on timing differences relating to the distributable reserves of subsidiaries, as these differences are unlikely to reverse in the short term.

7.20 Shareholders' equity

The table below sets out the components of equity attributable to shareholders:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Issued capital	47 491	47 491	47 491
Share premium	153 921	184 392	182 877
Legal reserve	4 749	4 749	4 749
Untaxed reserve	22 881	22 881	22 881
Reserves available for distribution	50 000	50 000	50 000
Other reserves and retained earnings	262 176	250 468	243 828
Revaluation reserves	55 807	81 108	55 211
Treasury shares (-)	(55 008)	(78 195)	(68 232)
Net profit for the period	84 380	74 870	56 056
Total	626 397	637 764	594 861

The share capital of Bank Degroof is represented by 7 683 481 ordinary shares without nominal value. All shares are fully subscribed and paid. Movements on share capital are detailed below:

	30.09.2014		30.09.2013		30.09.2012	
	AMOUNT	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES
Opening balance	47 491	8 019 131	47 491	8 019 131	47 491	8 019 131
Destruction of own shares	0	(335 650)	0	0	0	0
Closing balance	47 491	7 683 481	47 491	8 019 131	47 491	8 019 131

If all options outstanding on Bank Degroof shares at 30 September 2014 were to be exercised, the number of shares would increase by 95 150, corresponding to an amount of EUR 570 900.

The reserves and retained earnings comprise the reserves of Bank Degroof, including the initial impact of the transition to international financial reporting standards (IFRS), the undistributed results of the group, as well as the difference between the acquisition or disposal price and the carrying value of shareholders' equity acquired or disposed of in the context of a change in the percentage shareholding of a subsidiary that did not result in a change in the scope of consolidation.

Revaluation reserves comprise, in part, unrealized gains and losses on available-for-sale financial assets (see note 7.4), deferred gains and losses on debt securities reclassified from 'Available-for-sale financial assets', and translation differences resulting from the consolidation of financial statements of entities prepared in a functional currency different from that used by Bank Degroof and, in part, actuarial gains and losses in respect of obligations and assets of pension schemes that result from differences between the assumptions used at the beginning of the financial period and the reality observed at the end of the financial period.

At 30 September 2014, the Degroof group held 333 360 shares in Bank Degroof SA/NV, representing 4.34% of the subscribed capital. These treasury shares are used, as a general rule, to cover staff incentive plans.

7.21 Fair values of financial instruments

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

(in thousands of EUR)

	30.09.2014		30.09.2013		30.09.2012	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets						
Cash, balances with central banks and other demand deposits	285 657	285 657	439 319	439 319	375 141	375 141
Loans and advances to credit institutions	511 515	511 602	30 499	31 139	14 756	14 769
Loans and advances to customers	1 605 768	1 611 448	1 743 710	1 745 479	1 955 301	1 955 469
Financial assets held for trading	158 532	158 532	89 585	89 585	89 584	89 584
Financial assets designated at fair value through profit or loss	1 041 353	1 041 353	926 693	926 693	1 138 872	1 138 872
Available-for-sale financial assets	1 575 965	1 575 965	1 580 611	1 580 611	1 258 552	1 258 552
Financial assets held to maturity	174 426	183 321	204 863	206 881	249 738	252 376
Total	5 353 216	5 367 878	5 015 280	5 019 707	5 081 944	5 084 763
Financial liabilities						
Financial liabilities held for trading	159 490	159 490	111 244	111 244	117 228	117 228
Financial assets at amortized cost	4 625 181	4 626 790	4 358 039	4 360 918	4 477 981	4 484 916
<i>Deposits from credit institutions</i>	<i>165 229</i>	<i>165 250</i>	<i>447 923</i>	<i>447 955</i>	<i>171 081</i>	<i>171 217</i>
<i>Deposits from customers</i>	<i>4 417 005</i>	<i>4 417 374</i>	<i>3 854 517</i>	<i>3 854 834</i>	<i>4 247 396</i>	<i>4 250 556</i>
<i>Subordinated liabilities</i>	<i>39 946</i>	<i>41 165</i>	<i>42 593</i>	<i>45 123</i>	<i>46 497</i>	<i>50 136</i>
<i>Debt securities</i>	<i>3 001</i>	<i>3 001</i>	<i>13 006</i>	<i>13 006</i>	<i>13 007</i>	<i>13 007</i>
Total	4 784 671	4 786 280	4 469 283	4 472 162	4 595 209	4 602 144

For those financial instruments that are not valued at fair value in the financial statements, the following methods and assumptions are used to determine their fair value:

- the carrying value of short term financial instruments and of financial instruments without fixed maturities corresponds to a reasonable approximation of their fair value;
- other loans and borrowings are revalued on the basis of the most recently observed price or by discounting their future cash flows based on the market interest rate trends at the year-end.

Bank Degroef uses a hierarchy of three levels of fair values, by reference to the source of data used to determine the fair value:

Level 1 – Published market value: this category comprises financial instruments for which the fair value is determined by direct reference to prices quoted on an active market.

Level 2 – Valuation technique based on observable market data: this category includes financial instruments for which the fair values are determined by reference to valuation techniques the parameters of which are derived from an active market or which are observable.

Level 3 – Valuation technique based on non-observable market data: this category includes financial instruments for which a significant part of the parameters used for the determination of the fair value are not derived from observable market data.

Bank Degroef accounts for transfers from one level to another level of the hierarchy of fair values at the end of the financial year during which the transfer takes place.

Financial instruments marked to fair value (excluding accrued interest) are analyzed as follows:

	(in thousands of EUR)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL

30.09.2014

Financial assets				
Derivatives	0	144 801	0	144 801
Financial assets held for trading	7 531	2 531	0	10 062
Financial assets designated at fair value through profit or loss	1 032 564	0	0	1 032 564
Available-for-sale financial assets ¹	1 313 313	145 735	103 500	1 562 548
Total	2 353 408	293 067	103 500	2 749 975

Financial liabilities				
Derivatives	0	148 237	0	148 237
Financial liabilities held for trading	5	4	0	9
Total	5	148 241	0	148 246

	(in thousands of EUR)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL

30.09.2013

Financial assets				
Derivatives	0	74 552	0	74 552
Financial assets held for trading	10 142	1 184	0	11 326
Financial assets designated at fair value through profit or loss	916 610	0	0	916 610
Available-for-sale financial assets ¹	1 234 544	238 171	94 705	1 567 420
Total	2 161 296	313 907	94 705	2 569 908

Financial liabilities				
Derivatives	0	98 700	0	98 700
Financial liabilities held for trading	552	18	0	570
Total	552	98 718	0	99 270

	(in thousands of EUR)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL

30.09.2012

Financial assets				
Derivatives	0	69 898	0	69 898
Financial assets held for trading	13 027	1 135	0	14 162
Financial assets designated at fair value through profit or loss	1 128 450	0	0	1 128 450
Available-for-sale financial assets ¹	972 225	184 869	91 975	1 249 069
Total	2 113 702	255 902	91 975	2 461 579

Financial liabilities				
Derivatives	0	104 276	0	104 276
Financial liabilities held for trading	391	0	0	391
Total	391	104 276	0	104 667

¹ Not including financial assets measured at cost.

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

(in thousands of EUR)

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Closing balance at 30.09.2011	96 122
Profits and losses recognised in the result for the current year ¹	2 935
Profits and losses recognised in shareholders' equity	(2 823)
Acquisitions	887
Issuances	75
Disposals	(5 221)
Transfers to level 3	0
Transfers from level 3	0
Changes to the scope of consolidation	0
Other	0
Closing balance at 30.09.2012	91 975
Profits and losses recognised in the result for the current year ¹	2 108
Profits and losses recognised in shareholders' equity	12 491
Acquisitions	776
Issuances	208
Disposals	(12 853)
Transfers to level 3	0
Transfers from level 3	0
Changes to the scope of consolidation	0
Other	0
Closing balance at 30.09.2013	94 705
Profits and losses recognised in the result for the current year ¹	23
Profits and losses recognised in shareholders' equity	(5 207)
Impairment	(675)
Acquisitions	5 512
Disposals	(114)
Issuances	0
Settlements	(495)
Transfers to level 3	9 573
Transfers from level 3	0
Changes to the scope of consolidation	178
Other	0
Closing balance at 30.09.2014	103 500

No gains or losses resulting from the level 3 assets included in the balance sheet have been included in the result for the current financial year.

The financial instruments valued using a level 3 model are principally unquoted shares.

The method that is generally used is based on stock market multiples for the most recently published consolidated results of comparable companies that are quoted. A discount for lack of liquidity is subsequently applied to the resultant values.

The valuations are performed by an independent department of the front office.

¹ Recorded under "Net result on financial instruments not designated at fair value through profit or loss" (note 8.6).

An alternative valuation, using hypotheses that are reasonably possible but generally less favorable, would result in the following changes to the valuation of the portfolio:

	VALUE	ALTERNATIVE VALUE	IMPACT ON RESULT	IMPACT ON EQUITY
(in thousands of EUR)				
30.09.2014				
Unquoted variable-income securities	103 500	83 052	0	(20 448)
30.09.2013				
Unquoted variable-income securities	94 705	74 904	0	(19 801)
30.09.2012				
Unquoted variable-income securities	91 975	74 604	0	(17 371)

The alternative hypotheses that are reasonably possible that were used include, depending on the values, the use of higher risk premiums for discounting (for the values calculated using a discounted cash flow model), the use of an alternative calculation based on stock market multiples of comparable companies, or the use of a higher discount for lack of liquidity.

The following table sets out the fair values of financial instruments (excluding accrued interest) which are not valued at fair value, by category of fair value:

	(in thousands of EUR)			
30.09.2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Cash, balances with central banks and other demand deposits	0	285 655	0	285 655
Loans and advances to credit institutions	0	510 576	0	510 576
Loans and advances to customers	0	1 487 415	117 501	1 604 916
Financial assets held to maturity	181 284	0	0	181 284
Total	181 284	2 283 646	117 501	2 582 431
Financial liabilities				
Deposits from credit institutions	0	165 147	0	165 147
Deposits from customers	0	4 413 371	0	4 413 371
Subordinated liabilities	0	40 718	0	40 718
Debt securities	0	3 000	0	3 000
Total	0	4 622 236	0	4 622 236

7.22 Transfers of financial assets

The financial assets that the Degroef group has transferred, but that have not been derecognized in accordance with IAS 39, comprise primarily securities that have been temporarily disposed of in the context of repo transactions or securities lending transactions. In general, the counterparty to these transactions is able to reuse the collateral received.

The table below provides an overview of the financial assets transferred and the related liabilities:

	SECURITIES LENDING		REPURCHASE AGREEMENTS	
	FIXED INCOME SECURITIES	VARIABLE- INCOME SECURITIES	FIXED INCOME SECURITIES	VARIABLE- INCOME SECURITIES
(in thousands of EUR)				
30.09.2014				
Transferred financial assets at carrying amount	643 257	490	0	0
Financial assets designated at fair value through profit or loss	147 779	0	0	0
Available-for-sale financial assets	440 915	490	0	0
Financial assets held to maturity	54 563	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n.a.	n.a.	0	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n.a.	n.a.	0	0
Fair value of associated liabilities	n.a.	n.a.	0	0
Net position	n.a.	n.a.	0	0
(in thousands of EUR)				
	SECURITIES LENDING		REPURCHASE AGREEMENTS	
	FIXED INCOME SECURITIES	VARIABLE- INCOME SECURITIES	FIXED INCOME SECURITIES	VARIABLE- INCOME SECURITIES
30.09.2013				
Transferred financial assets at carrying amount	201 090	1 273	219 102	0
Financial assets designated at fair value through profit or loss	58 581	0	219 102	0
Available-for-sale financial assets	65 041	1 273	0	0
Financial assets held to maturity	77 468	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n.a.	n.a.	218 299	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n.a.	n.a.	219 102	0
Fair value of associated liabilities	n.a.	n.a.	218 299	0
Net position	n.a.	n.a.	803	0

(in thousands of EUR)

	SECURITIES LENDING		REPURCHASE AGREEMENTS	
	FIXED INCOME SECURITIES	VARIABLE- INCOME SECURITIES	FIXED INCOME SECURITIES	VARIABLE- INCOME SECURITIES
30.09.2012				
Transferred financial assets at carrying amount	8 470	0	36 709	0
Financial assets designated at fair value through profit or loss	7 378	0	36 709	0
Available-for-sale financial assets	1 092	0	0	0
Associated financial liabilities at carrying amount				
Deposits from credit institutions	n.a.	n.a.	36 698	0
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	n.a.	n.a.	36 709	0
Fair value of associated liabilities	n.a.	n.a.	36 698	0
Net position	n.a.	n.a.	11	0

7.23 Offsetting financial assets and liabilities

The table below sets out the amounts of financial assets and liabilities before and after they are offset.

- As mentioned in the column 'Gross amount of offset recorded financial instruments', no amount can be offset under the criteria set out in IAS 32.
- The column 'Non-offset amounts in balance sheet – Financial instruments' details the amount of financial instruments that are the subject of a legally binding global offsetting agreement that does not meet the criteria set out in IAS 32. In this case, amounts can only be offset in the case of default by, or insolvency or bankruptcy of, the counterparty.
- Financial instruments received or given as a guarantee (the column 'Non-offset amounts in balance sheet – Cash guarantees' and 'Non-offset amounts in balance sheet – Guarantees in form of securities' can also only be offset in the case of default by, or insolvency or bankruptcy of, the counterparty.

	GROSS AMOUNT OF RECORDED FINANCIAL INSTRUMENTS	GROSS AMOUNT OF OFFSET RECORDED FINANCIAL INSTRUMENTS	NET AMOUNT OF FINANCIAL INSTRUMENTS RECORDED ON THE BALANCE SHEET
30.09.2014			
Financial assets			
Derivatives	148 361	0	148 361
Reverse repos, securities borrowed and similar arrangements	385 780	0	385 780
Reverse repos	385 780	0	385 780
Total	534 141	0	534 141
Financial liabilities			
Derivatives	159 481	0	159 481
Repos, securities lent and similar arrangements	0	0	0
Repos	0	0	0
Total	159 481	0	159 481

(in thousands of EUR)

NON-OFFSET AMOUNTS IN BALANCE SHEET

FINANCIAL INSTRUMENTS	CASH GUARANTEES	GUARANTEES IN FORM OF SECURITIES	NET AMOUNTS
37 228	7 491	0	103 642
0	0	385 668	112
0	0	385 668	112
37 228	7 491	385 668	103 754
37 228	42 104	1 863	78 286
0	0	0	0
0	0	0	0
37 228	42 104	1 863	78 286

30.09.2013	GROSS AMOUNT OF RECORDED FINANCIAL INSTRUMENTS	GROSS AMOUNT OF OFFSET RECORDED FINANCIAL INSTRUMENTS	NET AMOUNT OF FINANCIAL INSTRUMENTS RECORDED ON THE BALANCE SHEET
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Financial assets

Derivatives	77 969	0	77 969
Reverse repos, securities borrowed and similar arrangements	51 060	0	51 060
Reverse repos	51 060	0	51 060
Total	129 029	0	129 029

Financial liabilities

Derivatives	110 673		110 673
Repos, securities lent and similar arrangements	218 299	0	218 299
Repos	218 299	0	218 299
Total	328 972	0	328 972

30.09.2012	GROSS AMOUNT OF RECORDED FINANCIAL INSTRUMENTS	GROSS AMOUNT OF OFFSET RECORDED FINANCIAL INSTRUMENTS	NET AMOUNT OF FINANCIAL INSTRUMENTS RECORDED ON THE BALANCE SHEET
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Financial assets

Derivatives	75 130	0	75 130
Reverse repos, securities borrowed and similar arrangements	59 248	0	59 248
Reverse repos	59 248	0	59 248
Total	134 378	0	134 378

Financial liabilities

Derivatives	116 823	0	116 823
Repos, securities lent and similar arrangements	36 698	0	36 698
Repos	36 698	0	36 698
Total	153 521	0	153 521

(in thousands of EUR)

NON-OFFSET AMOUNTS IN BALANCE SHEET

FINANCIAL INSTRUMENTS	CASH GUARANTEES	GUARANTEES IN FORM OF SECURITIES	NET AMOUNTS
25 079	13 862	0	39 028
0	0	51 060	0
0	0	51 060	0
25 079	13 862	51 060	39 028
25 079	11 604	3 474	70 516
0	0	218 299	0
0	0	218 299	0
25 079	11 604	221 773	70 516

(in thousands of EUR)

NON-OFFSET AMOUNTS IN BALANCE SHEET

FINANCIAL INSTRUMENTS	CASH GUARANTEES	GUARANTEES IN FORM OF SECURITIES	NET AMOUNTS
21 312	9 620	0	44 198
0	0	59 248	0
0	0	59 248	0
21 312	9 620	59 248	44 198
21 312	12 177	3 293	80 041
0	0	36 698	0
0	0	36 698	0
21 312	12 177	39 991	80 041

8. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

8.1 Interest income and expense

Interest income and expense, by class of interest-bearing financial instrument, is as follows:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Interest income	65 950	73 608	97 749
<i>Financial assets held for trading</i>	419	373	222
<i>Financial assets at fair value through profit or loss</i>	15 839	23 330	29 520
Interest income on assets stated at fair value	16 258	23 703	29 742
<i>Loans and advances to credit institutions</i>	529	668	2 572
<i>Loans and advances to customers</i>	30 142	31 712	45 991
<i>Available-for-sale securities</i>	14 759	12 454	12 410
<i>Held to maturity securities</i>	4 255	5 068	6 919
<i>Interest on impaired assets</i>	0	0	112
<i>Other</i>	7	3	3
Interest income on assets not stated at fair value	49 692	49 905	68 007
Interest expenses	(9 630)	(11 952)	(25 078)
<i>Financial liabilities held for trading</i>	(21)	(10)	0
Interest expenses on assets stated at fair value	(21)	(10)	0
<i>Deposits from credit institutions</i>	(639)	(1 166)	(1 252)
<i>Deposits from customers</i>	(7 179)	(8 809)	(21 554)
<i>Debt securities</i>	(8)	(66)	(198)
<i>Subordinated liabilities</i>	(1 752)	(1 865)	(2 037)
<i>Other</i>	(31)	(36)	(37)
Interest expenses on liabilities not stated at fair value	(9 609)	(11 942)	(25 078)
Net interest income	56 320	61 656	72 671

8.2 Dividend income

Dividend income is detailed below, by category of financial asset:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Financial assets held for trading	96	42	87
Financial assets designated at fair value through profit or loss	3 070	3 271	2 885
Available-for-sale securities	8 287	7 189	6 098
Total	11 453	10 502	9 070

8.3 Fee and commission income and expense

Fee and commission income and expense is detailed below, by type of service:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Fee and commission income	301 841	282 310	264 905
Asset management	171 191	146 194	133 303
Issues and placements of securities	8 726	12 818	14 075
Custodian services	46 191	43 308	41 009
Other securities services	53 597	55 939	54 235
Cash related services	5 428	6 190	8 210
Financial engineering	13 531	13 696	11 415
Derivatives	3 177	4 165	2 658
Fee and commission expense	(93 517)	(87 188)	(71 335)
Asset management	(64 651)	(56 291)	(44 350)
Issues and placements of securities	(429)	(624)	(890)
Custodian services	(4 782)	(4 882)	(6 011)
Other securities services	(19 660)	(21 989)	(16 953)
Cash related services	(2 870)	(2 208)	(2 737)
Derivatives	(1 125)	(1 194)	(394)
Net commission income	208 324	195 122	193 570

8.4 Net result on financial instruments held for trading

The table below analyzes, by type of financial instrument, gains and losses on financial instruments held for trading:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Realized and unrealized gains (losses) on financial instruments held for trading	14 703	16 827	16 771
Fixed income securities	4 873	5 304	6 512
Variable income securities	665	723	968
Exchange activities	9 080	10 671	9 124
Other	85	129	167
Gains (losses) on derivatives	(31 539)	(7 674)	(27 179)
Foreign exchange derivatives	3 405	3 149	3 998
Interest rate derivatives	(29 702)	(2 863)	(27 225)
Equity derivatives	(6 102)	(8 784)	(9 025)
Other derivatives	860	824	5 073
Net result on financial instruments held for trading	(16 836)	9 153	(10 408)

With the exception of derivatives, all interest received and paid on financial instruments is recorded as interest income. Accordingly, the above-mentioned gains and losses on derivatives represent the impact of their revaluation to fair value including accrued interest, while the gains and losses on other financial instruments represent only the changes in their market values.

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

The table below analyzes, by type of financial instrument, realized and unrealized gains and losses on financial instruments designated at fair value through profit or loss:

	30.09.2014	30.09.2013	30.09.2012
	(in thousands of EUR)		
Fixed income securities	13 983	(15 054)	17 735
Variable income securities	4 406	4 708	5 547
Net result on financial instruments designated at fair value through profit or loss	18 389	(10 346)	23 282

All interest received and paid on financial instruments is recorded as interest income and expense. Accordingly, the above-mentioned gains and losses represent only the changes in the market values of these financial instruments.

8.6 Net result on financial instruments not designated at fair value through profit or loss

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

	30.09.2014	30.09.2013	30.09.2012
	(in thousands of EUR)		
Gains (losses) on available-for-sale financial assets	54 547	25 569	11 799
Fixed income securities – public debts	8 818	97	(1 701)
Fixed income securities – other debts	1 706	634	14
Variable income securities	44 023	24 838	13 486
Net result on sale of loans and advances	(1 881)	(178)	58
Gains on sale of loans and advances	11	85	236
Losses on sale of loans and advances	(1 892)	(263)	(178)
Gains (losses) on held to maturity financial assets	0	176	0
Fixed income securities – public debts	0	176	0
Net result on financial instruments not designated at fair value through profit or loss	52 666	25 567	11 857

Included in the gains and losses on the above-mentioned available-for-sale assets are the amounts transferred from equity as a result of the derecognition of financial instruments.

8.7 Other net operating results

Other net operating results are analyzed below:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Other operating income	16 213	14 057	9 048
Lease income	1 946	2 080	2 419
Realized capital gains on sales of tangible and intangible fixed assets	96	68	85
Realized capital gains on sales of investments	0	2 930	0
Reversals of provisions	3 803	325	25
Supply of services	4 207	4 079	3 581
Other	6 161	4 575	2 938
Other operating charges	(1 782)	(10 758)	(1 696)
Realized capital losses on sales of tangible and intangible fixed assets	(71)	(111)	(159)
Transfer to provisions	(1 567)	(9 760)	(1 222)
Other	(144)	(887)	(315)
Other net operating results	14 431	3 299	7 352

8.8 Personnel expenses

Personnel expenses comprise the following:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Wages and salaries	(105 018)	(99 094)	(104 932)
Social security, social insurance and extra-legal insurance	(17 513)	(18 324)	(19 116)
Pension costs	(6 498)	(6 644)	(4 860)
Share-based compensation	(2 297)	(1 776)	(977)
Other costs	(2 131)	(2 157)	(2 322)
Personnel expenses	(133 457)	(127 995)	(132 207)

Note 10 provides detailed information about post-employment benefits and share-based payments.

The number of personnel employed, expressed in full-time equivalents, is, by category:

	30.09.2014	30.09.2013	30.09.2012
(in units)			
FTE on			
Senior management	267	244	263
Employees	735	761	810
Workers	7	7	8
Total	1 009	1 012	1 081

8.9 General and administrative expenses

General and administrative expenses are analyzed below:

	30.09.2014	30.09.2013	30.09.2012
		(in thousands of EUR)	
Marketing, advertising and public relations	(2 741)	(2 668)	(3 065)
Professional fees	(14 054)	(11 048)	(8 666)
Operating leases	(8 034)	(8 724)	(8 911)
IT and telecommunications charges	(9 764)	(9 449)	(8 857)
Repairs and maintenance	(5 066)	(5 336)	(6 145)
Operational taxes	(6 378)	(6 188)	(6 074)
Other general and administrative expenses	(16 346)	(14 675)	(18 197)
General and administrative expenses	(62 383)	(58 088)	(59 915)

Operating lease expenses relate primarily to vehicles and buildings.

The other general and administrative expenses represent primarily entertainment and travel expenses, expenses for office supplies, training expenses, subscriptions, and insurance premiums other than those related to personnel.

8.10 Depreciation of property and equipment and amortization of intangible assets

During the year ended 30 September 2014, depreciation of property and equipment amounted to EUR 4.6 million (30 September 2013: EUR 5.5 million; 30 September 2012: EUR 5.6 million) and amortization of intangible assets amounted to EUR 2.5 million (30 September 2013: EUR 3.0 million; 30 September 2012: EUR 3.2 million).

An analysis of depreciation and amortization by category of property and equipment and of intangible asset is provided in notes 7.8 and 7.9.

8.11 Impairments

Movements in impairments, by category of asset, are as follows:

	30.09.2014	30.09.2013	30.09.2012
		(in thousands of EUR)	
Reversals of impairment losses	1 837	37	28
Loans and advances	1 805	37	28
Tangible assets	32	0	0
Allowance for impairments	(41 811)	(13 935)	(27 568)
Loans and advances	(8 195)	(5 068)	(13 036)
Available-for-sale financial assets	(5 176)	(1 732)	(14 471)
Tangible assets	(54)	(74)	(13)
Intangible assets	(25 850)	(7 061)	(48)
Investments in entities accounted for using the equity method	(2 536)	0	0
Net variation of impairment losses on assets	(39 974)	(13 898)	(27 540)

Details of the movements in impairments of tangible and intangible fixed assets are included in notes 7.8 and 7.9, by category of tangible and intangible fixed asset.

8.12 Income tax expense

The net income tax expense is explained by the following elements:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
Tax on current year result	(25 700)	(14 596)	(19 314)
Income tax for the period	(23 130)	(14 631)	(18 911)
Deferred tax	(2 570)	35	(403)
Other tax expense	2 176	404	(4 056)
Income tax on prior years	2 176	404	(3 934)
Other items	0	0	(122)
Net income tax expense	(23 524)	(14 192)	(23 370)

The table below reconciles the normal tax rate in Belgium (33.99%) to the effective tax rate of Bank Degroof:

	30.09.2014	30.09.2013	30.09.2012
(in thousands of EUR)			
<i>Profit before income tax</i>	<i>102 737</i>	<i>86 496</i>	<i>78 920</i>
<i>Income of entities accounted for using the equity method</i>	<i>(894)</i>	<i>0</i>	<i>0</i>
Tax base	101 843	86 496	78 920
Tax rate applicable at closing	33.99%	33.99%	33.99%
Theoretical income tax expense	(34 616)	(29 400)	(26 825)
Effect of tax rate differences in other jurisdictions	3 156	2 892	3 151
Tax impact of non-deductible expenses	(12 967)	(5 015)	(8 676)
Tax impact of non-taxable income	32 490	20 985	16 904
Impact of change in income tax rate on the temporary differences	0	(68)	0
Permanent differences	(9 139)	(2 304)	509
Effect of other items	2	500	119
Unrecognized deferred tax assets	(4 626)	(2 186)	(4 496)
Income tax for the period	(25 700)	(14 596)	(19 314)
Average effective tax rate	25.24%	16.87%	24.47%

The fiscal impact of non-taxable revenues relates principally to realized gains on shares and non-taxable dividends.

8.13 Other components of other comprehensive income

Details of other components of other comprehensive income are as follows:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Remeasurement gains (losses) related to post-employment benefit plans	(4 543)	3 312	(9 366)
Gross amount	(5 550)	4 275	(11 833)
Taxes recorded directly in reserves	1 007	(963)	2 467
Total other comprehensive income that may not be reclassified subsequently to net profit	(4 543)	3 312	(9 366)
Currency translation differences	202	(5 133)	881
Gross amount	202	(5 133)	881
Revaluation reserve – Available-for-sale-financial assets	(20 958)	28 506	31 377
Fixed income securities	5 753	2 352	10 598
Adjustment to fair value, before taxes	19 522	2 642	10 745
Transfer from the reserve to results, before taxes	(9 940)	804	4 775
Impairments	0	0	57
Losses (gains) on disposals	(10 524)	(731)	1 687
Prorata of the reserve for the revaluation of available-for-sale financial assets following their reclassification	584	1 535	3 031
Taxes recorded directly in reserves	(3 829)	(1 094)	(4 922)
Variable income securities	(26 711)	26 154	20 779
Adjustment to fair value, before taxes	19 551	51 042	26 482
Transfer from the reserve to results, before taxes	(43 653)	(24 738)	(5 530)
Impairments	370	100	7 956
Losses (gains) on disposals	(44 023)	(24 838)	(13 486)
Taxes recorded directly in reserves	(2 609)	(150)	(173)
Total other comprehensive income that may be reclassified subsequently to net profit	(20 756)	23 373	32 258
Total other comprehensive	(25 299)	26 685	22 892

9. RIGHTS AND COMMITMENTS

9.1 Assets in open custody

Assets in open custody are primarily marketable securities that have been placed in custody by clients, regardless of whether or not the control over the assets by the holder is restricted, or whether or not the assets are subject to a management contract with Bank Degroef.

These assets are measured at fair value. Assets in open custody with the Bank at 30 September 2014, 2013 and 2012 amounted to EUR 54.6 billion, EUR 53.3 billion and EUR 48.0 billion respectively.

9.2 Credit related rights and commitments

Bank Degroef has commitments under credit lines granted to clients, the unused portion of which at 30 September 2014 amounted to EUR 261.1 million (30 September 2013: EUR 194.6 million; 30 September 2012: EUR 266.9 million).

9.3 Guarantees given and received

Bank Degroef has pledged, for its own account and for those of its clients, financial instruments amounting to EUR 125.0 million at 30 September 2014 (30 September 2013: EUR 97.3 million; 30 September 2012: EUR 97.0 million).

Bank Degroef has received pledges of assets from its clients amounting to EUR 3 918.5 million at 30 September 2014 (30 September 2013: EUR 3 218.3 million; 30 September 2012: EUR 2 687.8 million). As a general rule, these pledges cannot be used by the Bank in the absence of a default by the owner of the pledge, except for those obtained in the context of repo operations, which amounted to EUR 385.8 million at 30 September 2014 (30 September 2013: EUR 51.1 million; 30 September 2012: EUR 59.2 million). Of the pledges obtained that can be used, none had been given as a guarantee for repo operations at 30 September 2014 (guarantees received and then given as guarantees at 30 September 2013: Nil; 30 September 2012: Nil).

10. EMPLOYEE BENEFITS AND OTHER REMUNERATION

10.1 Other long-term benefits

As from the current financial year, the application of national legislation relating to remuneration policies requires the deferral, for a period exceeding twelve months, of the payment of profit sharing bonuses to certain members of the personnel.

A provision is recorded in respect of the portion of the bonuses for which payment is deferred by more than one year, and amounted to EUR 1.4 million at 30 September 2014.

10.2 Post-employment benefits

Post-employment benefits comprise pension schemes and the partial payment of medical care insurance premiums following the retirement of employees.

The pension schemes include both defined contribution and defined benefit plans. The defined benefit plans comprise a defined benefit plan and a defined contribution plan with returns that are guaranteed in accordance with local obligations. The defined benefit plan was closed in December 2004.

The charge for the current financial year in respect of the defined contribution plans was EUR 1.5 million (30 September 2013: EUR 1.6 million; 30 September 2012: EUR 0.8 million). For the other plans, the table below details the Degroef group's commitments and the principal actuarial assumptions used:

	PENSION PLANS		
	30.09.2014	30.09.2013	30.09.2012
<i>Present value of the funded obligations</i>	59 420	50 390	48 546
<i>Fair value of plan assets</i>	38 006	32 353	27 902
A. Net liability (asset) of post-employment benefits	21 414	18 037	20 644
B. Change in defined benefit obligation			
Balance at beginning of year	50 390	48 546	36 468
Current service cost	3 287	3 267	2 757
Interest cost	1 492	1 366	1 702
Benefits paid during year	(1 079)	(1 850)	(775)
Administrative charges and taxes	(507)	(470)	(443)
Net transfers	57	59	39
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	99	1 213	0
b. Actuarial gains and losses from financial assumptions	6 511	(1 361)	8 584
c. Actuarial gains and losses from other assumptions	(830)	(380)	214
Balance at end of year	59 420	50 390	48 546

(in thousands of EUR)			
OTHER BENEFITS			
30.09.2014	30.09.2013	30.09.2012	
16 976	13 125	13 257	
0	0	0	
16 976	13 125	13 257	
13 125	13 257	7 828	
951	1 015	570	
392	383	369	
(80)	(88)	(85)	
0	0	0	
0	0	0	
1 206	(459)	0	
4 125	(361)	5 006	
(2 743)	(622)	(431)	
16 976	13 125	13 257	

	PENSION PLANS		
	30.09.2014	30.09.2013	30.09.2012
C. Change in fair value of plan assets			
Balance at beginning of year	32 353	27 902	23 058
Interest income	1 003	815	1 134
Employer contributions	3 361	3 592	3 350
Benefits paid during year	(1 079)	(1 850)	(775)
Administrative charges and taxes	(507)	(470)	(443)
Net transfers	57	59	39
Return on plan assets (other than interest income)	2 818	2 305	1 539
Balance at end of year	38 006	32 353	27 902
D. Components of cost			
Service cost	3 287	3 267	2 757
Charges / income (net of interest)	489	551	568
Net charges recorded in income	3 776	3 818	3 325
Revaluations:			
a. Actuarial gains and losses from demographic assumptions	99	1 213	0
b. Actuarial gains and losses from financial assumptions	6 511	(1 361)	8 584
c. Actuarial gains and losses from other assumptions	(830)	(380)	214
d. Return on assets (other than interest income)	(2 818)	(2 305)	(1 539)
Revaluations recorded in other elements of comprehensive income	2 962	(2 833)	7 259
E. Reconciliation of net obligations (assets) related to post-employment benefits			
Balance at beginning of year	18 037	20 644	194
Net charges recorded in income	3 776	3 818	3 325
Revaluations recorded in other elements of comprehensive income	2 962	(2 833)	7 259
Employer contributions	(3 361)	(3 592)	(3 350)
Gains and losses under IAS 19 revised in 2011	0	0	13 216
Balance at end of year	21 414	18 037	20 644
F.1 Principal actuarial assumptions to determine the defined benefit obligations			
Discount rate	2.00%	3.00%	2.90%
Future salary increase	3.00%	3.00%	3.25%
Inflation rate	2.00%	2.00%	2.25%
Mortality rate	MR/FR-5	MR/FR-3	MR/FR-3
F.2 Principal actuarial assumptions to determine net costs			
Discount rate	3.00%	2.90%	4.75%
Future salary increase	3.00%	3.25%	3.25%
Inflation rate	2.00%	2.25%	2.25%
Mortality rate	MR/FR-3	MR/FR-3	MR/FR-3
G. Plan assets			
Treasury	978	1 102	834
Equity securities	15 954	13 627	10 583
Debt securities	16 339	13 918	13 840
Real estate	4 735	3 706	2 645

(in thousands of EUR)			
OTHER BENEFITS			
30.09.2014	30.09.2013	30.09.2012	
0	0	0	
0	0	0	
80	88	85	
(80)	(88)	(85)	
0	0	0	
0	0	0	
0	0	0	
0	0	0	
951	1 015	570	
392	383	369	
1 343	1 398	939	
1 206	(459)	0	
4 125	(361)	5 006	
(2 743)	(622)	(431)	
0	0	0	
2 588	(1 442)	4 575	
13 125	13 257	5 008	
1 343	1 398	939	
2 588	(1 442)	4 575	
(80)	(88)	(85)	
0	0	2 820	
16 976	13 125	13 257	
2.00%	3.00%	2.90%	
n.a.	n.a.	n.a.	
5.25%	5.25%	5.25%	
MR/FR-5	MR/FR-3	MR/FR-3	
3.00%	2.90%	4.75%	
n.a.	n.a.	n.a.	
5.25%	5.25%	5.25%	
MR/FR-3	MR/FR-3	MR/FR-3	
n.a.	n.a.	n.a.	
n.a.	n.a.	n.a.	
n.a.	n.a.	n.a.	
n.a.	n.a.	n.a.	

(in thousands of EUR)

H. Sensitivity analysis on defined benefit obligations at year-end

Discount rate	1.75%	2.25%
Amount of obligation related to pension schemes	61 230	57 686
Amount of obligation related to other benefits	18 267	15 799
Rate of increase in medical costs	5.00%	5.50%
Amount of obligation related to other benefits	15 806	18 250

I. Cash flows forecast for next financial year**Employer contributions**

Contributions related to pension schemes	2 265
Contributions related to other benefits	91

Timing of payments of future benefits

Less than one year	1 952
Between one and two years	3 986
Between two and three years	1 210
Between three and four years	3 075
Between four and five years	1 155
Between five and ten years	12 484

10.3 Share-based payments

Bank Degroef has issued several share option plans in recent years for the benefit of its directors and senior management with the objective of ensuring their loyalty and aligning their personal interests with those of the Bank. These plans comply with local legal provisions. These option plans include both cash-settled plans and plans that are settled in shares. In both cases there is generally a two to four year vesting period. The share option plans which are settled by the delivery of shares are settled with either new shares or existing shares and can be exercised either quarterly or annually at the end of the vesting period.

These option plans are analyzed below, by maturity date, at 30 September 2014:

(in units; in EUR)

FINAL EXPIRY DATE	30.09.2014		30.09.2013		30.09.2012	
	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
30.09.2015	95 150	192.30	97 405	192.30	97 805	192.30
30.09.2017	102 345	166.49	103 070	166.49	103 595	166.49
30.09.2018	158 533	149.50	183 436	149.42	183 986	149.42
	356 028	165.82	383 911	164.88	385 386	164.89

The movements on share options are as follows:

	30.09.2014		30.09.2013		(in units; in EUR) 30.09.2012	
	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Opening balance	383 911	164.88	385 386	164.89	306 583	169.75
Opening balance	0	0	0	0	80 026	150.08
Options withdrawn	(3 700)	178.87	(1 475)	167.15	(1 223)	162.48
Options exercised	(24 183)	148.92	0	0	0	0
Options expired	0	0	0	0	0	0
Closing balance	356 028	165.82	383 911	164.88	385 386	164.89
of which exercisable	174 152	172.62	97 405	192.30	97 805	192.30

In respect of the above-mentioned plans and in accordance with IFRS 2, the Bank has recorded an expense of EUR 1.1 million in personnel expenses during the current financial year (30 September 2013: EUR 1.5 million; 30 September 2012: EUR 1.3 million). Until such time as these options are exercised, the recording of the expense does not have an impact on shareholders' equity as this balance is increased by an identical amount. Once the options are exercised, shareholders' equity will increase by an amount equal to the number of options exercised multiplied by the exercise price.

In order to determine the initial cost of the options to be expensed, the Bank uses a 'Black and Scholes' model with the following parameters at the grant date:

	30.09.2012
Options granted during the period at end of:	
Grant date	31 May 2012
Final maturity	31 March 2018
Spot market value (EUR)	150.08
Dividends (EUR)	37.50
Exercise price (EUR)	150.08
Volatility	22.00%
Interest rate	1.24%
Fair value of options granted (EUR)	15.78

In addition to the above-mentioned plans, there are three cash-settled option plans at 30 September 2014 plus a plan that matured during the financial year. The fair value of these options is calculated annually on the basis of the underlying value of the options.

The plan established in 2009 using a subsidiary (BD Square Invest), the sole activity of which was to hold shares in Bank Degroof financed by own funds and borrowings, arrived at maturity during the current financial year. The number of options granted at 10 June 2009 was 103 190 of which the 3 424 remaining options were cash-settled during the current financial year.

These options had a final exercise date of 15 March 2014 and an exercise price of EUR 60.60. A very limited expense was recorded in respect of this plan during the current financial year, further to a final valuation for the purposes of cash-settling the remaining options. This plan was valued using an internal arbitrage model that gave the issuer the option of covering its position. This model took into account the re-measured net asset value of the subsidiary, the financing cost for the remaining life of the option taking into account possible dividends paid out by the subsidiary, the cost of hedging the value of the subsidiary's assets and the option exercise price. This model made it possible to estimate the fair value of the option on the leveraged subsidiary, the volatility of which is too hazardous to estimate.

The first plan was established in 2013 using a subsidiary (Industrie Invest), the sole activity of which is the holding of shares in Bank Degroef, financed by own funds and borrowings. The number of options granted at 15 May 2013 was 79 870, of which 79 320 remain outstanding at 30 September 2014. These options have a final exercise date of 30 April 2021 and an exercise price of EUR 45. An expense of EUR 0.5 million was recorded in respect of this plan during the current financial year.

This plan is valued using a specific model based on 'Least Square Monte-Carlo' type simulations in order to take into account the possibility of early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroef shares (EUR 160.84), anticipated dividends (EUR 5.50 during the whole lifetime of the options), and the implied volatility (18.74% corresponding to the at the money implied volatility of Eurostoxx 50 until the first possible exercise date after three years).

The second plan was also established during 2013 using a subsidiary (PrivatBank Degroef), for the sole benefit of the directors of PrivatBank Degroef. The number of options granted at 25 September 2013 was 583 000 all of which remain outstanding at 30 September 2014.

These options have a final exercise date of 30 December 2019 and an exercise price that will vary in function of whether or not profits are recorded during the 2013 and 2014 financial years.

This plan generated an expense of EUR 0.6 million during the current financial year.

The third plan was established during 2014 using a subsidiary (Industrie Invest II) the sole activity of which is the holding of shares in Bank Degroef, financed by own funds and borrowings. The number of options granted at 1 August 2014 was 54 055 all of which remain outstanding at 30 September 2014. These options have a final exercise date of 30 April 2019 and an exercise price of EUR 160.84. This plan generated an expense of EUR 0.1 million during the current financial year. This plan is valued using a specific model based on 'Least Square Monte-Carlo' type simulations in order to take into account the possibility of early exercising of the options. The principal data for this model are: a Euro interest rate curve, the cash price for Bank Degroef shares (EUR 160.84), anticipated dividends (EUR 5.50 during the whole lifetime of the options), and the implied volatility (18.15% corresponding to the at the money implied volatility of Eurostoxx 50 until the first possible exercise date after two years).

11. RELATED PARTIES

For Bank Degroof, related parties include associates, joint ventures, pension funds, the members of the board of directors and executive committee of Bank Degroof Brussels, as well as the close family members of the above-mentioned persons and any company controlled or significantly influenced by one of the above-mentioned persons.

The tables below summarize, by type, the transactions entered into with related parties during the past three years:

30.09.2014

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Balance sheet					
Overdrafts	2 608	0	1 785	0	4 393
Term loans	6 822	5 172	47 029	0	59 023
Total assets	9 430	5 172	48 814	0	63 416
Deposits	16 561	21 666	19 466	731	58 424
Other	0	0	0	0	0
Other liabilities	38	657	0	21 414	22 109
Total liabilities	16 599	22 323	19 466	22 145	80 533
Guarantees given by the group	0	0	0	2 422	2 422
Guarantees received by the group	10 822	0	69 143	0	79 965
Commitments	878	0	3 773	0	4 651
Notional amount of derivatives	936	0	0	0	936

(in units)

Share options:

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Granted	1 200	0	4 800	0	6 000

30.09.2014

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Profit and loss					
Interest expenses	54	31	126	2	213
Loss on derivatives	0	0	0	3	3
Fees and commissions	0	1 357	0	0	1 357
Personnel expenses	0	0	0	3 513	3 513
Other	0	0	0	99	99
Total expenses	54	1 388	126	3 617	5 185
Interest income	251	205	936	0	1 392
Profit on derivatives	3	0	0	7	10
Fees and commissions	125	72	20	0	217
Total income	379	277	956	7	1 619

30.09.2013

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Balance sheet					
Overdrafts	212	0	102	0	314
Term loans	11 598	17 288	45 628	0	74 514
Other loans and advances	0	0	0	134	134
Variable-income securities	0	0	5	0	5
Other assets	15	30	0	0	45
Total assets	11 825	17 318	45 735	134	75 012
Deposits	10 043	26 542	8 707	863	46 155
Other	0	0	0	1 649	1 649
Other liabilities	0	405	0	0	405
Total liabilities	10 043	26 947	8 707	2 512	48 209
Guarantees received by the group	30 502	0	98 622	0	129 124
Commitments	141	0	2 196	0	2 337

(in units)

Share options:					
Granted	1 400	0	0	3 500	4 900

30.09.2013

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Profit and loss					
Interest expenses	59	37	99	2	197
Loss on derivatives	0	5	0	12	17
Fees and commissions	0	454	0	0	454
Personnel expenses	0	0	0	4 104	4 104
Other	0	0	0	105	105
Total expenses	59	496	99	4 223	4 877
Interest income	290	90	1 119	0	1 499
Profit on derivatives	0	0	0	5	5
Fees and commissions	60	72	5	2	139
Total income	350	162	1 124	7	1 643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30.09.2012

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Balance sheet					
Overdrafts	158	0	101	0	259
Term loans	16 184	0	36 337	0	52 521
Other loans and advances	0	0	0	155	155
Total assets	16 342	0	36 438	155	52 935
Deposits	9 401	0	10 148	1 026	20 575
Other	0	0	0	836	836
Other liabilities	0	0	77	1	78
Total liabilities	9 401	0	10 225	1 863	21 489
Guarantees received by the group	25 960	0	103 184	0	129 144
Commitments	150	0	1 000	0	1 150

(in units)

Share options:					
Granted	2 200	0	0	5 500	7 700
Exercised/sold	3 848	0	0	8 646	12 494

30.09.2012

(in thousands of EUR)

	ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INFLUENCE	ASSOCIATES	KEY MANAGEMENT	OTHER RELATED PARTIES	TOTAL
Profit and loss					
Interest expenses	87	0	97	11	195
Personnel expenses	0	0	0	3 576	3 576
Other	0	0	0	48	48
Total expenses	87	0	97	3 635	3 819
Interest income	952	0	2 293	0	3 245
Profit on derivatives	0	0	1	14	15
Fees and commissions	66	0	60	0	126
Total income	1 018	0	2 354	14	3 386

All transactions with the related parties set out in the tables above were entered into under normal market conditions.

The costs related to remuneration paid to the members of the executive committee, including directors' fees, and costs related to the granting of options to the members of the board of directors, are presented by category of benefit granted to personnel, as defined in IAS 19 and IFRS 2:

	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
Short-term benefits	6 612	7 223	6 298
Post-employment benefits	194	189	196
Other long-term employee benefits	1 386	0	0
Share-based payments	155	157	218
Total	8 347	7 569	6 712

12. POST BALANCE SHEET EVENTS

The meeting of the board of directors on 11 December 2014 decided to propose to the annual general shareholders meeting that a gross dividend of EUR 6.00 per share be distributed, giving rise to a distribution outside the group of EUR 44 100 726, and authorized the publication of the financial statements.

The ambition of the Bank is to continue to grow in those areas in which it is active. In this context, Bank Degroef, Petercam and their respective reference shareholders announced on 20 January 2015 that they had signed a draft merger agreement. Bank Degroef is convinced that this transaction is positive for its clients, personnel and shareholders and will continue negotiations in order to agree a definitive merger agreement.

AUDITOR'S FEES

(in thousands of EUR)
30.09.2014

Auditor's fees in the exercise of his mandate	262
Fees for exceptional services or special missions undertaken for the company by the auditor	24
Other attestation projects	4
Other missions outside the auditing missions	20
Fees paid to parties linked to the auditor in respect of an audit mandate undertaken at group level	401
Emoluments for exceptional services or specific projects completed within the company by parties related to the auditor	192
Other attestation projects	68
Tax consultancy missions	124

STATUTORY AUDITOR'S REPORT

Statutory auditor's report to the general meeting of Banque Degroof SA as of and for the year ended September 30, 2014

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended September 30, 2014, as defined below, as well as our report on other legal and regulatory requirements.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION

We have audited the consolidated financial statements of Banque Degroof SA ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at September 30, 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated balance sheet amounts to EUR 5 621 085(000) and the consolidated statement of comprehensive income shows a net profit for the year, attributable to shareholders of the parent company, of EUR 84 380(000).

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the Company's officials and the board of directors the explanations and information necessary for performing our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at September 30, 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and the content of the management report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify our opinion on the consolidated financial statements:

- The management report on the consolidated financial statements includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, January 15, 2015
KPMG Statutory Auditor
represented Peter Coox
Réviseur d'Entreprises /Bedrijfsrevisor

ABRIDGED COMPANY FINANCIAL STATEMENTS

The abridged non-consolidated statutory financial statements set out on the following pages are those of Bank Degroef Brussels, which has its registered office at rue de l'Industrie 44, 1040 Brussels.

These financial statements have been prepared in accordance with accounting policies generally accepted in Belgium. All amounts are stated in thousands of euros.

The statutory auditor has issued an unqualified opinion on the complete non-consolidated statutory financial statements, which will be filed with the National Bank of Belgium within the prescribed deadlines.

BALANCE SHEET AFTER PROFIT APPROPRIATION

(in thousands of EUR)			
ASSETS	30.09.2014	30.09.2013	30.09.2012
I Cash in hand, balances with central banks and post office banks	137 674	61 307	63 414
II Short-term government securities eligible for refinancing at the central bank	0	49 579	24 993
III Loans and advances to credit institutions	466 359	138 085	163 414
A Repayable on demand	35 488	54 719	131 235
B Other loans and advances (with agreed maturity dates or periods of notice)	430 871	83 366	32 179
IV Loans and advances to customers	1 175 314	1 292 781	1 470 394
V Debt securities including fixed-income securities	1 104 354	1 143 925	1 215 520
A Issued by public bodies	305 622	169 175	238 934
B Issued by other borrower	798 732	974 750	976 586
VI Shares and other variable-yield securities	105 060	70 840	61 814
VII Financial fixed assets	283 875	275 308	281 905
A Participating interests in affiliated enterprises	281 569	273 098	255 310
B Participating interests in other enterprises linked by participating interests	2 256	2 160	13 933
C Other financial fixed assets	50	50	3 162
D Subordinated receivables from affiliated enterprises and other enterprises linked by participating interests	0	0	9 500
VIII Formation expenses and intangible fixed assets	16 515	19 155	22 561
IX Tangible fixed assets	9 292	9 424	10 591
XI Other assets	5 889	9 788	16 573
XII Deferred charges and accrued income	57 546	42 703	46 335
Total assets	3 361 878	3 112 895	3 377 514

(in thousands of EUR)			
LIABILITIES	30.09.2014	30.09.2013	30.09.2012
Debts	2 923 256	2 643 053	2 933 342
I Amounts owed to credit institutions	553 997	565 994	517 949
A Repayable on demand	104 108	103 915	63 153
C Other debts (with agreed maturity dates or periods of notice)	449 889	462 079	454 796
II Amounts owed to customers	2 191 660	1 898 588	2 236 130
B Other debts	2 191 660	1 898 588	2 236 130
1 Repayable on demand	1 961 635	1 649 008	1 738 253
2 With agreed maturity dates or periods of notice	230 025	249 580	497 877
III Debt securities	3 000	13 000	13 000
A Bonds and debentures in circulation	3 000	13 000	13 000
IV Other liabilities	85 677	74 809	75 456
V Accrued charges and deferred income	27 283	24 206	29 249
VI Provisions and deferred taxes	1 539	6 356	1 458
A Provisions for liabilities and charges	1 273	6 079	1 170
3 Other liabilities and charges	1 273	6 079	1 170
B Deferred taxes	266	277	288
VII Fund for general banking risks	10 100	10 100	10 100
VIII Subordinated liabilities	50 000	50 000	50 000
Shareholders' equity	438 622	469 842	444 172
IX Capital	47 491	47 491	47 491
A Issued capital	47 491	47 491	47 491
X Share issue premiums	173 600	173 600	173 600
XII Reserves	78 147	78 167	78 188
A Legal reserve	4 749	4 749	4 749
C Untaxed reserves	23 398	23 418	23 439
D Reserves available for distribution	50 000	50 000	50 000
XIII Profit (loss(-)) brought forward	139 384	170 584	144 893
Total liabilities	3 361 878	3 112 895	3 377 514

OFF-BALANCE SHEET CAPTIONS		(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012	
I	Contingent liabilities	173 796	190 154	211 572
	B Guarantees serving as direct credit substitutes	76 155	105 656	136 389
	C Other guarantees	6 291	2 648	1 480
	E Assets charged as collateral security on behalf of third parties	91 350	81 850	73 703
II	Commitments which could give rise to a credit risk	420 169	206 406	607 341
	A Firm credit commitments	0	0	14 000
	B Commitments as a result of spot purchases of transferable or other securities	137 626	37 816	376 893
	C Undrawn margin on confirmed credit lines	282 543	168 590	216 448
III	Assets lodged with the credit institution	29 366 819	27 637 283	23 231 276
	B Safe custody and equivalent items	29 366 819	27 637 283	23 231 276

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INCOME STATEMENT

CHARGES	(in thousands of EUR)		
	30.09.2014	30.09.2013	30.09.2012
II Interest payable and similar charges	15 695	15 595	22 400
V Commissions payable	2 575	2 556	8 668
VI Loss on financial transactions	0	0	0
B Loss on disposal of investment securities	0	0	0
VII General administrative expenses	97 354	91 020	92 926
A Remuneration, social security costs and pensions	67 083	66 131	65 903
B Other administrative expenses	30 271	24 889	27 023
VIII Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	5 637	6 077	5 774
IX Increase in amounts written off receivables and in provisions for off-balance-sheet captions 'I Contingent liabilities' and 'II Commitments which could give rise to a credit risk'	2 481	2 958	1 355
X Amounts written off on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	7 024	0	7 843
XV Other operating charges	7 007	6 869	7 003
XVIII Extraordinary charges	48 856	8 597	667
A Depreciation and amounts written off formation expenses, intangible and tangible fixed assets	32	7	57
B Amounts written off financial fixed assets	48 440	1 445	300
C Provisions for extraordinary liabilities and charges: allowances	0	5 000	0
D Loss on disposal of fixed assets	13	1 872	8
E Other extraordinary charges	371	273	302
XX Income taxes	6 076	3 063	8 733
XXI Profit for the period	34 906	71 323	58 786
XXIII Profit for the period, available for appropriation	34 927	71 344	58 807

		(in thousands of EUR)		
INCOME		30.09.2014	30.09.2013	30.09.2012
I	Interest receivable and similar income	39 199	40 188	58 018
	including that from fixed-income securities	16 943	17 532	23 052
III	Income from variable-yield securities	75 919	59 364	61 437
	A From shares and other variable-yield securities	3 117	2 936	2 195
	B Participating interests in affiliated enterprises	72 661	56 215	58 827
	C From participating interests in other enterprises linked by participating interests	141	209	280
	D From other shares held as financial fixed assets	0	4	135
IV	Commissions receivable	78 886	75 954	75 607
	A Brokerage and related fees	20 102	22 253	21 004
	B Remuneration of asset management, investment advice and safekeeping services	14 960	13 808	13 936
	C Other fees received	43 824	39 893	40 667
VI	Profit on financial transactions	20 567	19 127	9 236
	A Profit on trading of securities and other financial instruments	2 816	4 210	7 898
	B Profit on disposal of investment securities	17 751	14 917	1 338
X	Adjustments in write-downs on the investment portfolio of debt securities, shares and other fixed-income or equity investment securities	0	3 293	0
XI	Utilisation and write-backs of provisions for liabilities and charges other than those included in the off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	0	91	0
XIV	Other operating income	6 930	8 815	8 592
XVII	Extraordinary income	3 589	964	901
	B Adjustments to amounts written off financial fixed assets	0	771	586
	C Adjustments to provisions for extraordinary liabilities and charges	851	0	25
	D Gain on disposal of fixed assets	118	100	99
	E Other extraordinary income	2 620	93	191
XIX Bis	B Transfers from deferred income taxes	11	11	11
XX	B Adjustments of income taxes and write-back of tax provisions	2 510	251	353
XXII	Transfers from untaxed reserves	21	21	21

		(in thousands of EUR)		
APPROPRIATION ACCOUNT		30.09.2014	30.09.2013	30.09.2012
A	Profit (loss (-)) to be appropriated	205 511	216 237	189 343
1	Profit (loss (-)) for the period, available for appropriation	34 927	71 344	58 807
2	Profit (loss (-)) brought forward	170 584	144 893	130 536
C	Appropriation to capital and reserves	(19 666)	0	0
3	To the other reserves	(19 666)	0	0
D	Profit (loss (-)) to be carried forward	139 384	170 584	144 893
F	Distribution of profit	(46 461)	(45 653)	(44 450)
1	Dividends	(46 101)	(45 308)	(44 105)
2	Directors' fees	(360)	(345)	(345)

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We would be pleased to welcome you to one of our offices.

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