

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 JUNE 2016**



**BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT
LUXEMBOURG**

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AS AT 30 JUNE 2016

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**BCEE GROUP MANAGEMENT REPORT BASED ON
THE INTERIM CONDENSED CONSOLIDATED INFORMATION AS AT 30 JUNE 2016**

Economic activity in Luxembourg remains quite robust. The European Central Bank's pursuit of its policy of monetary expansion and the resulting extremely low interest rates are nonetheless having an impact on net income in the financial sector in general and at the Bank in particular. Furthermore, the outcome of the Brexit referendum surprised the financial markets by exerting additional pressure on long-term interest rates.

Against this backdrop, the increase in the volume of loans granted and deposits taken by BCEE only partially offset the impact of low, if not negative, rates.

The BCEE Group thus reported net income of EUR 133.5 million, down 17.0% from first-half 2015.

Banking income fell by 12.4% from first-half 2015 to EUR 297.6 million, with trends varying according to revenue category.

Net interest margin declined 6.9% in a low, if not negative, rate environment that limited the Bank's investment and maturity-switching opportunities.

Income from variable-income securities rose 16.6% due to the acquisition of an interest in Enovos International S.A. and the higher dividends received from holdings of the parent company that are not included in the scope of consolidation.

Fee income was down 3.3% due to adverse stock market conditions for the asset management businesses and lower income from payment transactions.

Income from financial instruments fell by 27.3% compared with first-half 2015 to stand at EUR 28.0 million. This comprises income from the sale of securities in the Bank's own portfolio, both bonds and equities, as well as the value adjustment of derivatives held and income from foreign exchange transactions. The change in income in this item can primarily be attributed to the decrease in income from sales of securities in the Bank's own portfolio.

General expenses increased by 4.0% in the first half of the year, in line with budget forecasts, reflecting investments in strategic projects, expenses associated with increasing regulation and the Bank's annual contribution to the pension fund for its employees, calculated on an actuarial basis.

The BCEE Group's balance sheet total was up 5.2% from December 31, 2015. This increase came primarily from the increase in deposits from customers in the private and public sectors.

Outstanding loans and advances to customers rose by 2.4% compared with December 31, 2015. This sharp increase was driven by the development of the housing loan and investment loan businesses, thus illustrating the Bank's continuing desire to support the projects of individuals and businesses.

Private and public sector deposit volumes increased by 7.6% compared with December 31, 2015.

The new "19 Liberté" building was inaugurated on July 5, 2016 after a one-and-a-half-year renovation project to improve its energy efficiency and interior. The corporate and private banking departments, among others, now work out of these new facilities and strive to provide individualised and state-of-the-art service to customers.

In its investment funds business, BCEE completed the restructuring of its range of in-house "Lux funds" with the objective, on the one hand to clearly differentiate between investment policies and, on the other hand, to streamline the management and administration of the different types of funds.

On the regulatory front, the Bank participated in the 2016 Supervisory Review and Evaluation Process (SREP) stress test organised by the European Central Bank (ECB) to verify the ability of systemically important financial institutions to withstand adverse macroeconomic developments. The outcome of this exercise, which confirmed BCEE's soundness, will be considered in the ongoing assessment of BCEE's risks.

Ms Françoise Thoma was appointed Chief Executive Officer effective June 1, 2016. She succeeded Mr Jean-Claude Finck, who has retired. Mr Aly Kohll joined the Executive Committee following the retirement of Mr Gilbert Ernst.

Outlook for second-half 2016

The IMF raised its growth forecasts for the Eurozone slightly in July 2016 following the recovery in the financial and oil markets. The negative impacts of Brexit will dampen growth in the coming years but the magnitude of the effects remains difficult to estimate. Against this backdrop, the Bank of England decided to cut its key rate by 25 basis points to an all-time low of 0.25% and to increase its bond-buying programme to keep the UK economy from entering recession. The European Central Bank expects to maintain its key rates at current or lower levels for an extended period, far beyond the time frame set for asset purchases.

2016 growth forecasts for Luxembourg are unchanged at this time and economic activity remains robust despite the smaller contribution from financial activities.

No significant events, which could jeopardise the normal course of business of the BCEE Group, occurred after June 30, 2016.

Luxembourg, August 29, 2016

For the Executive Committee

Aly Kohll
Director,
Member of the Executive Committee

Guy Rosseljong
Director,
Member of the Executive Committee

Luxembourg, August 29, 2016

Statement on the compliance of the condensed interim consolidated financial statements and the management report in accordance with the provisions of article 4 of the Luxembourg transparency law ("Loi Transparence")

We hereby declare that to the best of our knowledge, the consolidated financial statements as at June 30, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) on interim financial reporting (IAS 34) as adopted by the European Union, and give a true and fair view of the assets and liabilities, the financial position and results, and that the interim management report is an accurate description of the information required pursuant to article 4 (4) of the Luxembourg Transparency Law.

For the Executive Committee

Aly Kohll
Director,
Member of the Executive Committee

Guy Rosseljong
Director,
Member of the Executive Committee



BANQUE ET CAISSE D'ÉPARGNE DE L'ÉTAT, LUXEMBOURG

**Head office:
1, Place de Metz, Luxembourg**

R.C.S. Luxembourg B 30775

Self-governing public institution, established pursuant to the law of 21 February 1856 (Memorandum 1, no. 6 of 10 March 1856) and governed by the constitutional law of 24 March 1989 (Memorandum A, no. 16 of 28 March 1989)

Interim condensed consolidated financial information as at June 30, 2016

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**BANQUE ET CAISSE D'EPARGNE DE L'ETAT,
LUXEMBOURG**

STATUTORY AUDITOR'S REPORT
June 30, 2016



Report on review of the interim condensed consolidated financial information

To the Executive Committee of the
Banque et Caisse d'Epargne de l'Etat, Luxembourg

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Banque et Caisse d'Epargne de l'Etat, Luxembourg and its subsidiaries (the "Group") as of June 30, 2016 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The Executive Committee is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union related to Interim Financial Information ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ("ISRE") 2410, "Review of interim financial information performed by the Réviseur d'entreprises agréé of the entity" as adopted for Luxembourg by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information do not give a true and fair view of the financial position of the Group as of June 30, 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, August 29, 2016

Roxane Haas

Only the French version of the present Report has been reviewed by the auditors. In case of differences between the French version and the translation, the French version should be retained.

**BANQUE ET CAISSE D'EPARGNE DE L'ETAT,
LUXEMBOURG**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**
June 30, 2016

Condensed consolidated balance sheet as at June 30, 2016

| ASSETS | | | | |
|------------------------------------------------------------------------------------------------|--------------|-----------------------|-----------------------|-----------------------|
| in euros | Notes | 30/06/2015 | 31/12/2015 | 30/06/2016 |
| Cash and sight accounts with central banks | 3.1. | 692.081.365 | 1.313.328.229 | 982.431.740 |
| Loans and receivables at amortised cost – Credit institutions | 3.10. | 6.760.734.910 | 5.597.608.197 | 7.071.229.079 |
| Loans and receivables at amortised cost – Customers | 3.11. | 19.320.283.984 | 19.224.838.123 | 19.680.070.240 |
| Financial instruments held for trading | 3.2.1./3.7. | 243.838.964 | 201.115.555 | 227.587.139 |
| Hedging derivatives | 3.7. | 136.383.529 | 77.502.528 | 62.834.574 |
| Financial assets designated at fair value through profit or loss | 3.8. | - | - | 88.044.209 |
| Available-for-sale securities – Fixed-income securities | 3.2.2. | 9.844.896.745 | 9.998.539.565 | 10.511.117.547 |
| Available-for-sale securities – Variable-income securities | 3.2.2. | 1.191.810.147 | 1.005.562.944 | 1.007.470.963 |
| Held-to-maturity securities | 3.3 | 4.502.041.694 | 4.683.501.426 | 4.623.440.660 |
| Investments in associates accounted for using the equity method | 3.4 | 302.554.501 | 324.853.964 | 337.933.199 |
| Change in fair value of a portfolio of financial instruments hedged against interest rate risk | 3.9. | 42.365.384 | 52.453.419 | 126.860.801 |
| Tangible assets for own use | 3.12. | 277.609.707 | 290.643.556 | 294.096.356 |
| Investment property | | 18.928.242 | 15.214.799 | 14.452.522 |
| Intangible assets | | 12.669.022 | 15.017.211 | 13.944.469 |
| Other assets | 3.13. | 10.981.383 | 11.292.644 | 17.177.552 |
| TOTAL ASSETS | | 43.357.179.577 | 42.811.472.160 | 45.058.691.050 |

| LIABILITIES | | | | |
|-------------------------------------------------------------------------------|--------------|-----------------------|-----------------------|-----------------------|
| in euros | Notes | 30/06/2015 | 31/12/2015 | 30/06/2016 |
| Deposits at amortised cost – Credit institutions | 3.15. | 5.010.744.114 | 4.439.629.040 | 4.713.025.498 |
| Deposits at amortised cost – Private customers and public sector | 3.16. | 25.852.314.668 | 26.923.488.031 | 28.956.629.827 |
| Financial instruments held for trading | 3.2.1./3.7. | 264.213.525 | 170.332.351 | 217.512.708 |
| Hedging derivatives | 3.7. | 888.495.210 | 892.476.947 | 1.161.279.979 |
| Financial liabilities designated at fair value through profit or loss | 3.17. | - | - | 153.449.438 |
| Issuance of debt securities | 3.18. | 6.668.213.529 | 5.791.365.039 | 5.346.154.103 |
| Provisions | 3.20. | 5.086.965 | 47.215.958 | 41.570.491 |
| Other liabilities | 3.21. | 74.508.423 | 29.644.261 | 71.206.630 |
| Current taxes | 3.14. | 88.160.556 | 100.111.672 | 67.337.590 |
| Deferred taxes | 3.14. | 118.500.543 | 86.149.649 | 36.139.610 |
| Net pension fund commitment | 3.19. | 115.767.527 | 179.190.062 | 309.282.039 |
| Sub-total of LIABILITIES (before equity capital) to be carried forward | | 39.086.005.060 | 38.659.603.010 | 41.073.587.913 |

Condensed consolidated balance sheet as at June 30, 2016 (continued)

| EQUITY | | | |
|--------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| in euros | 30/06/2015 | 31/12/2015 | 30/06/2016 |
| Sub-total of LIABILITIES (before equity capital) carried forward | 39.086.005.060 | 38.659.603.010 | 41.073.587.913 |
| Share capital | 173.525.467 | 173.525.467 | 173.525.467 |
| Revaluation reserve | 942.358.515 | 760.854.618 | 576.876.111 |
| • <i>Available-for-sale assets</i> | <i>944.427.066</i> | <i>760.720.239</i> | <i>578.815.064</i> |
| Consolidated reserves | 2.993.187.255 | 2.942.127.352 | 3.099.622.142 |
| ° <i>Equity method adjustment</i> | <i>237.061.465</i> | <i>247.189.320</i> | <i>277.412.855</i> |
| Income for the year/period | 160.818.421 | 273.161.115 | 133.547.891 |
| Sub-total of equity attributable to equity holders of the parent company | 4.269.889.658 | 4.149.668.552 | 3.983.571.611 |
| Minority interests | 1.284.859 | 2.200.598 | 1.531.526 |
| Total equity | 4.271.174.517 | 4.151.869.150 | 3.985.103.137 |
| TOTAL LIABILITIES, including EQUITY | 43.357.179.577 | 42.811.472.160 | 45.058.691.050 |

Condensed consolidated income statement as at June 30, 2016

| in euros | Notes | 30/06/2015 | 30/06/2016 |
|------------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| Interest income | 4.1. | 191.553.094 | 178.421.308 |
| Income from variable-income securities | 4.2. | 37.707.787 | 43.979.519 |
| Fee and commission income | 4.3. | 67.441.336 | 65.216.938 |
| INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS | | 296.702.217 | 287.617.765 |
| Income from financial instruments not recognised at fair value through profit or loss | 4.4. | 19.439.466 | 12.248.095 |
| Income from financial instruments held for trading | 4.5. | 9.129.006 | 11.904.486 |
| Income from financial instruments designated at fair value through profit or loss | 4.6. | - | 1.902.986 |
| Net income from hedging transactions | 4.7. | 3.282.961 | 267.147 |
| Exchange gains or losses | | 6.723.103 | 5.527.448 |
| Other operating income | 4.8. | 5.172.488 | 7.053.391 |
| Other operating expenditure | 4.8. | 719.247 | 25.164.471 |
| BANKING INCOME | | 339.729.994 | 297.550.875 |
| Personnel expenses | 4.9. | 97.820.406 | 99.826.227 |
| Other general and administrative expenses | 4.10. | 35.257.788 | 37.619.845 |
| Depreciation allowances for tangible and intangible assets | | 11.889.857 | 13.368.434 |
| INCOME AFTER GENERAL EXPENSES | | 194.761.943 | 146.736.369 |
| Net allowances for impairment of individual and collective credit risks | 4.11. | 4.436.587 | 12.190.700 |
| Provisions | 4.12. | 187.180 | 61.892 |
| Share in the profit of equity-accounted associates | | 10.732.196 | 5.343.336 |
| INCOME BEFORE TAXES AND NON-CURRENT ASSETS | | 200.870.372 | 164.208.513 |
| Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations | | - | 4.707 |
| Tax on income from continuing operations | 4.13. | 38.474.858 | 35.921.324 |
| Deferred taxes | 4.13. | 665.781 | 6.249.413 |
| INCOME FOR THE PERIOD | | 161.729.733 | 134.541.309 |
| OF WHICH: | | | |
| INCOME FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS | | 911.312 | 993.418 |
| INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | 160.818.421 | 133.547.891 |

Condensed consolidated statement of comprehensive income as at June 30, 2016
in euros

| | 30/06/2015 | 30/06/2016 |
|-----------------------------------------------------------------------------|---------------------|----------------------|
| INCOME FOR THE PERIOD | 161.729.733 | 134.541.309 |
| Items not reclassified in net income subsequently | 7.659.033 | - 60.762.740 |
| Actuarial gains/(losses) on the defined-benefit pension scheme | 24.598.543 | - 128.548.003 |
| Contribution of equity-accounted associates | - 9.751.815 | 30.223.536 |
| Impact of deferred taxes | - 7.187.695 | 37.561.726 |
| Items to be reclassified in net income subsequently | - 20.992.509 | - 183.978.507 |
| Available-for-sale assets | - 17.187.201 | - 187.248.144 |
| • <i>Variation in measurement results</i> | 2.128.205 | - 175.039.395 |
| • <i>Net reclassification to the income statement of realised net gains</i> | - 19.315.406 | - 12.208.749 |
| Cash flow hedges | - 10.905.720 | - 2.929.262 |
| Contribution of equity-accounted associates | - | - |
| Impact of deferred taxes | 7.100.412 | 6.198.899 |
| Total items of comprehensive income for the period - net of tax | - 13.333.476 | - 244.741.247 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 148.396.257 | - 110.199.938 |
| <i>share attributable to</i> | | |
| - <i>minority interests:</i> | 911.312 | 993.418 |
| - <i>equity holders of the parent company:</i> | 147.484.945 | - 111.193.356 |

For purposes of comparability, the half-year period ending June 30, 2015 has been restated in accordance with the amendment to IAS 1 §82A (b).

Condensed statement of changes in consolidated equity as at June 30, 2016
in euros

| | Share capital | Consolidated reserves | Revaluation reserve | Net income | Total equity - equity holders of the parent | Minority interests | Total equity |
|---------------------------------------------------------------------|--------------------|-----------------------|---------------------|--------------------|---------------------------------------------|--------------------|----------------------|
| As at January 1, 2016 | 173.525.467 | 2.942.127.352 | 760.854.618 | 273.161.115 | 4.149.668.552 | 2.200.598 | 4.151.869.150 |
| Appropriation of 2015 income | - | 273.161.115 | - | 273.161.115 | - | - | - |
| First-half 2016 net income | - | - | - | 133.547.891 | 133.547.891 | 993.418 | 134.541.309 |
| Distribution for FY 2015 | - | 40.000.000 | - | - | 40.000.000 | - | 40.000.000 |
| Actuarial gains/(losses) on pension fund | - | 90.986.276 | - | - | 90.986.276 | - | 90.986.276 |
| Net measurement results of available-for-sale financial instruments | - | - | 181.905.175 | - | 181.905.175 | - | 181.905.175 |
| Net measurement results of cash flow hedges | - | - | 2.073.332 | - | 2.073.332 | - | 2.073.332 |
| Other | - | 15.319.951 | - | - | 15.319.951 | 1.662.490 | 13.657.461 |
| As at June 30, 2016 | 173.525.467 | 3.099.622.142 | 576.876.111 | 133.547.891 | 3.983.571.610 | 1.531.526 | 3.985.103.136 |

| | Share capital | Consolidated reserves | Revaluation reserve | Net income | Total equity - equity holders of the parent | Minority interests | Total equity |
|---------------------------------------------------------------------|--------------------|-----------------------|---------------------|--------------------|---------------------------------------------|--------------------|----------------------|
| As at January 1, 2015 | 173.525.467 | 2.751.830.181 | 963.351.024 | 273.748.936 | 4.162.455.608 | 1.673.467 | 4.164.129.075 |
| Appropriation of 2014 income | - | 273.748.936 | - | 273.748.936 | - | - | - |
| First-half 2015 net income | - | - | - | 160.818.421 | 160.818.421 | 911.312 | 161.729.733 |
| Distribution for FY 2014 | - | 40.000.000 | - | - | 40.000.000 | - | 40.000.000 |
| Actuarial gains/(losses) on pension fund | - | 17.410.848 | - | - | 17.410.848 | - | 17.410.848 |
| Net measurement results of available-for-sale financial instruments | - | - | 13.273.441 | - | 13.273.441 | - | 13.273.441 |
| Net measurement results of cash flow hedges | - | - | 7.719.068 | - | 7.719.068 | - | 7.719.068 |
| Other | - | 9.802.710 | - | - | 9.802.710 | 1.299.920 | 11.102.630 |
| As at June 30, 2015 | 173.525.467 | 2.993.187.255 | 942.358.515 | 160.818.421 | 4.269.889.658 | 1.284.859 | 4.271.174.517 |

Condensed consolidated statement of cash flows as at June 30, 2016

| Cash and cash equivalents | | |
|---------------------------------------------------------------|----------------------|----------------------|
| in euros | 30/06/2015 | 30/06/2016 |
| Cash and sight accounts with central banks | 692.071.976 | 981.056.260 |
| Loans and receivables at amortised cost – Credit institutions | 2.448.002.823 | 4.126.353.504 |
| Loans and receivables at amortised cost – Customers | 1.658.513.248 | 2.261.361.429 |
| Total | 4.798.588.047 | 7.368.771.193 |

The statement of cash flows represents the inflow and outflow of cash. Cash and cash equivalents include cash on hand, deposits with central banks, and assets with an original maturity of 90 days or less.

The cash flow statement classifies the cash flows of the period into operating activities, investment activities and financing activities.

Cash flow from operating activities

- Cash flow from operating activities before changes in operating assets and liabilities:

| in euros | 30/06/2015 | 30/06/2016 |
|-------------------------------------------|--------------------|--------------------|
| Interest received | 442.370.017 | 429.398.525 |
| Interest paid | - 228.324.074 | - 225.891.908 |
| Income from variable-income securities | 37.707.787 | 43.979.519 |
| Fees and commissions received | 84.020.088 | 87.826.554 |
| Fees and commissions paid | - 16.578.752 | - 22.609.616 |
| Other operating income | 5.172.488 | 7.053.391 |
| Current taxes | - 38.474.858 | - 35.921.324 |
| Other general and administrative expenses | - 128.173.804 | - 130.966.243 |
| Other operating expenditure | - 521.499 | - 24.375.018 |
| Sub-total | 157.197.392 | 128.493.880 |

- Cash flow from changes in operating assets:

| Net changes | 30/06/2015 | 30/06/2016 |
|------------------------------------------------------------------|------------------------|----------------------|
| Financial instruments held for trading | 367.512 | 822.438 |
| Available-for-sale securities – Fixed-income securities | - 223.894.426 | - 426.540.188 |
| Available-for-sale securities – Variable-income securities | - 12.032.205 | - 6.542.624 |
| Financial assets designated at fair value through profit or loss | | - 85.611.587 |
| Loans and advances at amortised cost – Credit institutions | - 1.339.545.063 | 195.182.257 |
| Loans and advances at amortised cost – Customers | - 888.812.297 | - 43.278.264 |
| Hedging derivatives | 537.738 | 765.602 |
| Other assets | - 8.894.908 | - 11.102.779 |
| Sub-total | - 2.472.273.649 | - 376.305.145 |

- Cash flow from changes in operating liabilities:

| Net changes | 30/06/2015 | 30/06/2016 |
|-----------------------------------------------------------------------|----------------------|----------------------|
| Financial instruments held for trading | 942.123 | 3.653.883 |
| Financial liabilities designated at fair value through profit or loss | - | 148.367.957 |
| Deposits at amortised cost – Credit institutions | 866.488.256 | 255.075.397 |
| Deposits at amortised cost – Customers | 768.568.161 | 2.017.622.904 |
| Hedging derivatives | 11.844.824 | 31.547.177 |
| Other liabilities | 41.523.083 | 43.538.778 |
| Issuance of debt securities | 389.047.855 | - 424.390.522 |
| Sub-total | 2.078.414.302 | 2.075.415.574 |

| | | |
|--------------------------------------------|----------------------|----------------------|
| Cash flow from operating activities | - 236.661.955 | 1.827.604.310 |
|--------------------------------------------|----------------------|----------------------|

Cash flow from investment activities

| in euros | 30/06/2015 | 30/06/2016 |
|---------------------------------------------------------------------------|-------------------|----------------------|
| Acquisition of available-for-sale securities – Variable-income securities | - 16.342.313 | - 171.099.333 |
| Disposals of available-for-sale securities – Variable-income securities | 18.943.540 | 12.147.629 |
| Acquisition of held-to-maturity securities | - 627.443.438 | - 627.134.189 |
| Acquisition/redemption of held-to-maturity securities | 793.330.323 | 657.659.256 |
| Acquisitions/disposals of intangible and tangible assets | - 117.011.857 | - 14.106.156 |
| Cash flow from investment activities | 51.476.255 | - 142.532.793 |

Cash flow from financing activities

| in euros | 30/06/2015 | 30/06/2016 |
|--------------------------------------------|---------------------|----------------------|
| Proceeds from subordinated liabilities | - | 25.000.000 |
| Income distribution | - | - |
| Cash flow from financing activities | - | 25.000.000 |
| Net change | -185.185.700 | 1.660.071.516 |

The profit distribution for financial year 2015 was made to the Luxembourg state on July 1, 2016.

Change in cash and cash equivalents

| | 2015 | 2016 |
|-------------------------------------------------------|----------------------|----------------------|
| Position as at January 1 | 4.816.199.514 | 5.672.599.757 |
| Net change in cash | - 185.185.700 | 1.660.071.516 |
| Effect of exchange rates on cash and cash equivalents | 167.574.233 | 36.099.920 |
| Position as at June 30 | 4.798.588.047 | 7.368.771.193 |

**BANQUE ET CAISSE D'EPARGNE DE L'ETAT,
LUXEMBOURG**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
June 30, 2016**

1 GENERAL INFORMATION

Banque et Caisse d'Epargne de l'Etat, Luxembourg (hereinafter the "Group's parent company"), established by the law of 21 February 1856 and governed by the law of 24 March 1989, is a self-governing public law institution endowed with legal personality. Ultimate responsibility for the institution lies with the Government Minister with responsibility for the Treasury.

The Group's parent company's registered office is located at 1, place de Metz, L-2954 Luxembourg.

Within the limits set by the laws and regulations applicable to credit institutions, the objective of the Group's parent company is to perform all financial and banking activities, as well as all similar, related or ancillary operations.

On August 29, 2016, the Executive Committee of the Group's parent company authorised the publication of the interim condensed consolidated financial information as at June 30, 2016.

The Group had an average headcount as at June 30, 2016 of 1.812 (1.807 as at December 31, 2015).

The Group's business is not subject to seasonality.

The financial year coincides with the calendar year.

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2.1 Compliance with general principles

The Group's condensed consolidated financial information as at June 30, 2016 was prepared in accordance with IAS 34 *Interim Financial Reporting*. It should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2015, which were prepared under IFRS, as adopted by the European Union.

a) New or revised standards adopted by the Group

The following standards, whose application is compulsory in financial years beginning on or after January 1, 2016, were adopted by the Group's parent company and have had no material impact on the half-year financial statements:

- Amendment to IAS 1: Disclosure initiative,
- Amendment to IAS 19: Employee Contributions to Defined Benefit Plans,
- Improvements to IFRS, 2010-2012 cycle, which are a series of amendments to the existing standards,
- Improvements to IFRS, 2012-2014 cycle, which are a series of amendments to the existing standards,
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation,
- Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations,
- Amendment to IAS 27: Equity Method in Separate Financial Statements.

b) New and revised standards and interpretations relevant for the Group's parent company, which are not yet compulsory and which have not been adopted by the European Union:

- IFRS 9: Financial Instruments,
- IFRS 15 and amendments: Revenue from Contracts with Customers,
- Amendments to IFRS 10, IFRS 12, IAS 28: Investment Entities: Applying the Consolidation Exception,
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,
- IFRS 16: Leases,

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses,
- Amendments to IAS 7: Disclosure initiative,
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions.

2.2 Accounting principles and rules

With one exception, the accounting principles are the same as those applied to the consolidated financial statements as at December 31, 2015 and described therein. Effective January 1, 2016, the Group's parent company introduced a new measurement category for financial instruments provided for in IAS 39 for new acquisitions/issuances, namely the fair value option. This category covers financial asset and liability instruments including embedded derivatives not closely related and are consequently measured at fair value through profit or loss. These instruments are hedged by interest-rate swap- and cross-currency interest-rate swap-type derivatives, also measured at fair value through profit and loss, thereby offsetting an accounting mismatch at the profit and loss level.

2.2.1 Scope of consolidation

2.2.1.1 Fully consolidated subsidiaries

The scope of fully consolidated subsidiaries remained unchanged from December 31, 2015.

Subsidiaries included in the scope of consolidation:

| Name | % of voting rights held | |
|------------------------------------------------------|-------------------------|------------|
| | 31/12/2015 | 30/06/2016 |
| Lux-Fund Advisory S.A. | 89,16 | 88,58 |
| BCEE Asset Management S.A. | 90,00 | 90,00 |
| Bourbon Immobilière S.A. | 99,90 | 99,90 |
| Luxembourg State and Savings Bank Trust Company S.A. | 100,00 | 100,00 |
| Spuerkeess Ré S.A. | 100,00 | 100,00 |

2.2.1.2 Investments in associates

There has been no change in the scope of investments in associates since December 31, 2015.

The Group's investments in associates:

| Associates | % of capital held | |
|------------------------------------------------------|-------------------|------------|
| | 31/12/2015 | 30/06/2016 |
| Direct interests | | |
| Société Nationale de Circulation Automobile S.à r.l. | 20,00 | 20,00 |
| Luxair S.A. | 21,81 | 21,81 |
| Société de la Bourse de Luxembourg S.A. | 22,75 | 22,75 |
| Europay Luxembourg S.C. | 25,40 | 25,40 |
| FS-B S.à r.l. | 28,70 | 28,70 |
| FS-T S.à r.l. | 28,70 | 28,70 |
| Visalux S.C. | 36,26 | 36,26 |
| La Luxembourgeoise S.A. | 40,00 | 40,00 |
| La Luxembourgeoise-Vie S.A. | 40,00 | 40,00 |
| BioTechCube (BTC) Luxembourg S.A. | 50,00 | 50,00 |
| Indirect interests | | |
| Pecoma International S.A. | 33,33 | 33,33 |
| EFA Partners S.A. | 29,05 | 29,05 |

2.3 Foreign currency transactions

The following exchange rates were used for translation of the main currencies in the consolidated financial statements.

One euro is equal to:

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------|------------|------------|------------|
| CHF | 1,0403 | 1,0828 | 1,0872 |
| GBP | 0,7124 | 0,7368 | 0,8287 |
| JPY | 137,0700 | 131,4000 | 114,4700 |
| SEK | 9,2194 | 9,1796 | 9,4340 |
| USD | 1,1196 | 1,0916 | 1,1136 |

3 NOTES TO THE CONDENSED CONSOLIDATED BALANCE SHEET¹ (in euros)

3.1 Cash and sight accounts with central banks

Cash consists of cash and cash balances with central banks. The minimum reserve requirement with the Banque centrale du Luxembourg is entered under this heading. This is the minimum mandatory reserve to satisfy the reserve requirement imposed by the Luxembourg central bank. Hence, these funds are not available to finance the Group's ordinary operations.

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------------|--------------------|----------------------|--------------------|
| Cash | 51.109.353 | 81.173.833 | 57.055.827 |
| Reserve requirement | 629.425.677 | 1.022.181.472 | - |
| Deposits with central banks | 11.546.335 | 12.375.846 | 409.533.160 |
| Other sight deposits | - | 197.597.078 | 515.842.754 |
| Total | 692.081.365 | 1.313.328.229 | 982.431.740 |

Beginning with year-end 2015, the Group's parent company reclassified the "Loans and receivables at amortised cost – Credit institutions", "Interbank loans" sub-heading to "Cash and sight deposits with central banks" to comply with the requirements of the reporting methods defined by the EBA. This reclassification was not applied to the period ending June 30, 2015 and the corresponding amount of EUR 358.439.004 was still recognised under "Loans and receivables at amortised cost – Credit institutions".

¹ Minor differences between the figures in the notes to the financial statements and the figures in the different condensed consolidated statements are rounding differences only.

3.2 Financial instruments

3.2.1 Assets and liabilities held for trading

| Assets | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------------|--------------------|--------------------|--------------------|
| Non-derivative financial instruments | 303.521 | 417.765 | 205.554 |
| Derivative instruments (note 3.7.) | 243.535.443 | 200.697.791 | 227.381.586 |
| Total | 243.838.964 | 201.115.555 | 227.587.139 |

| Liabilities | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------------|--------------------|--------------------|--------------------|
| Non-derivative financial instruments | 811.820 | 785 | 1.299 |
| Derivative instruments (note 3.7.) | 263.401.703 | 170.331.566 | 217.511.410 |
| Total | 264.213.523 | 170.332.351 | 217.512.708 |

| Assets - Non-derivative financial instruments | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------------------------|-------------------|-------------------|-------------------|
| Debt instruments | 275.778 | 417.765 | 205.554 |
| <i>Public sector</i> | - | - | - |
| <i>Credit institutions</i> | 219.077 | 185.397 | 113.186 |
| <i>Corporate customers</i> | 56.701 | 232.368 | 92.368 |
| Equity instruments | 27.743 | - | - |
| Total | 303.521 | 417.765 | 205.554 |
| Unrealised profit/loss at the reporting date | 1.700 | 566 | 5.547 |

| Liabilities - Non-derivative financial instruments | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|
| Short sales | 811.820 | 785 | 1.299 |
| <i>Bonds</i> | 811.820 | 785 | - |
| <i>Shares</i> | - | - | 1.299 |
| Total | 811.820 | 785 | 1.299 |

3.2.2 Available-for-sale financial assets

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|----------------------------------------------|-----------------------|-----------------------|-----------------------|
| Debt instruments | 9.844.896.745 | 9.998.539.565 | 10.511.117.547 |
| <i>Public sector</i> | 2.727.331.730 | 2.652.669.817 | 2.698.295.554 |
| <i>Credit institutions</i> | 4.954.006.488 | 5.131.563.268 | 5.474.610.490 |
| <i>Corporate customers</i> | 2.163.558.527 | 2.214.306.480 | 2.338.211.503 |
| Equity instruments | 1.191.810.147 | 1.005.562.944 | 1.007.470.963 |
| <i>Credit institutions</i> | 4.121.495 | 4.312.411 | 4.269.122 |
| <i>Corporate customers</i> | 1.186.955.184 | 1.000.517.065 | 1.002.492.299 |
| <i>Other</i> | 733.468 | 733.468 | 709.542 |
| Total | 11.036.706.892 | 11.004.102.509 | 11.518.588.510 |
| Impairment of financial assets | - 62.808.669 | - 60.480.026 | - 47.495.620 |
| Unrealised profit/loss at the reporting date | 1.290.059.747 | 1.103.593.220 | 1.000.308.102 |

Impairment of available-for-sale financial assets:

| | Corporate customers | | Credit institutions | Total |
|-----------------------------------------|---------------------|-------------------|---------------------|-------------------|
| | ABS/MBS | Other | | |
| Position as at January 1, 2015 | 39.582.130 | 10.342.515 | 12.949.978 | 62.874.623 |
| Additions | - | - | 4 | 4 |
| Reversals | - 1.627.500 | - | - | 1.627.500 |
| Exchange gain or loss | 1.103.051 | 458.491 | - | 1.561.542 |
| Position as at June 30, 2015 | 39.057.681 | 10.801.006 | 12.949.982 | 62.808.669 |
| Position as at July 1, 2015 | 39.057.681 | 10.801.006 | 12.949.982 | 62.808.669 |
| Reclassification | - | 1.749.978 | - 1.749.978 | - |
| Additions | - | 3.002.020 | - | 3.002.020 |
| Reversals | - 5.419.150 | - | 4 | 5.419.154 |
| Write-off of receivables | - | - | - | - |
| Exchange gain or loss | - 60.423 | 148.917 | - | 88.495 |
| Position as at December 31, 2015 | 33.578.106 | 15.701.921 | 11.200.000 | 60.480.026 |
| Position as at January 1, 2016 | 33.578.106 | 15.701.921 | 11.200.000 | 60.480.026 |
| Additions | - | 4 | - | 4 |
| Reversals | - 1.651.510 | - 2.013 | - 581.861 | 2.235.384 |
| Write-off of receivables | - | - | - 9.868.139 | 9.868.139 |
| Exchange gain or loss | - 763.250 | - 117.637 | - | 880.887 |
| Position as at June 30, 2016 | 31.163.346 | 15.582.276 | 750.000 | 47.495.620 |
| Outstanding amount at June 30, 2016 | 57.669.141 | 25.832.285 | 1.500.000 | 85.001.426 |

Unrealised profit/loss on available-for-sale financial assets:

The unrealised profit/loss as at the reporting date breaks down as follows:

o **Debt instruments**

Debt instruments include variable-rate bonds, fixed-rate bonds and structured bonds. Fixed-rate and structured bonds are converted into variable-rate bonds using derivatives (asset swaps). The Group applies fair value hedge accounting to these transactions. The prospective and retrospective efficiencies are close to 100%.

| 30/06/2016 | Fair value adjustments of debt instruments | | Fair value adjustment of the swap leg hedging the asset | |
|---------------------------------------|----------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|-------------------------------|
| | Changes in unhedged risk ("credit and liquidity spread") | Changes in hedged risk (interest rate and price) | Changes in hedge risk | Retrospective efficiency rate |
| Fixed-rate bonds and structured bonds | 25.614.798 | 417.751.861 | -417.687.173 | 99,98% |
| Variable-rate bonds | 97.871 | | | |

| 31/12/2015 | Fair value adjustments of debt instruments | | Fair value adjustment of the swap leg hedging the asset | |
|---------------------------------------|----------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|-------------------------------|
| | Changes in unhedged risk ("credit and liquidity spread") | Changes in hedged risk (interest rate and price) | Changes in hedge risk | Retrospective efficiency rate |
| Fixed-rate bonds and structured bonds | 34.350.120 | 333.788.834 | -333.788.834 | 100,00% |
| Variable-rate bonds | 2.476.449 | | | |

| 30/06/2015 | Fair value adjustments of debt instruments | | Fair value adjustment of the swap leg hedging the asset | |
|---------------------------------------|----------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------|-------------------------------|
| | Changes in unhedged risk ("credit and liquidity spread") | Changes in hedged risk (interest rate and price) | Changes in hedge risk | Retrospective efficiency rate |
| Fixed-rate bonds and structured bonds | 43.322.786 | 329.416.180 | -329.416.180 | 100,00% |
| Variable-rate bonds | 6.769.329 | | | |

o **Equity instruments**

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|----------------------------------------------|----------------------|----------------------|----------------------|
| Equity instruments | 1.191.810.147 | 1.005.562.944 | 1.007.470.963 |
| Total | 1.191.810.147 | 1.005.562.944 | 1.007.470.963 |
| Impairment of financial assets | - 10.801.005 | - 10.949.922 | - 10.832.285 |
| Unrealised profit/loss at the reporting date | 910.551.454 | 732.977.818 | 557.039.314 |

3.3 Securities held to maturity

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------|----------------------|----------------------|----------------------|
| Debt instruments | | | |
| Public sector | 823.250.320 | 965.748.275 | 939.225.842 |
| Credit institutions | 2.840.107.479 | 2.808.587.211 | 2.785.206.294 |
| Corporate customers | 838.683.895 | 909.165.940 | 899.008.524 |
| Total | 4.502.041.694 | 4.683.501.426 | 4.623.440.660 |
| Impairment of financial assets | - | - | - |

3.4 Investments in associates accounted for using the equity method

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-------------------------------------|-------------------|-------------------|-------------------|
| Acquisition value as at January 1 | 54.227.635 | 54.227.635 | 54.227.635 |
| Establishment | - | - | - |
| Disposals | - | - | - |
| Total (as acquisition value) | 54.227.635 | 54.227.635 | 54.227.635 |

List of associates:

| Associates | Fraction of capital held (%) | Acquisition value | Equity-accounted value 30/06/2016 |
|------------------------------------------------------|------------------------------|-------------------|-----------------------------------|
| Société Nationale de Circulation Automobile S.à r.l. | 20,00 | 24.789 | 7.032.365 |
| Luxair S.A. | 21,81 | 14.830.609 | 91.962.559 |
| Société de la Bourse de Luxembourg S.A. | 22,75 | 128.678 | 23.171.253 |
| Europay Luxembourg S.C. | 25,40 | 96.279 | 401.171 |
| FS-B S.à.r.l. | 28,70 | 3.003.694 | 3.651.155 |
| FS-T S.à.r.l. | 28,70 | 1.104.793 | 1.074.161 |
| Visalux S.C. | 36,26 | 412.506 | 419.233 |
| La Luxembourgeoise S.A. | 40,00 | 16.856.760 | 122.776.877 |
| La Luxembourgeoise-Vie S.A. | 40,00 | 12.047.625 | 85.891.108 |
| BioTechCube (BTC) Luxembourg S.A. | 50,00 | 5.000.000 | 756.837 |
| Sub-total direct holdings in associates | | 53.505.735 | 337.136.721 |
| Pecoma International S.A. | 33,33 | 170.000 | 197.056 |
| EFA Partners S.A. | 29,05 | 551.900 | 599.422 |
| Sub-total indirect holdings in associates | | 721.900 | 796.478 |
| Total | | 54.227.635 | 337.933.199 |

| Associates | Fraction of capital held (%) | Acquisition value | Equity-accounted value 30/06/2015 |
|------------------------------------------------------|------------------------------|-------------------|-----------------------------------|
| Société Nationale de Circulation Automobile S.à r.l. | 20,00 | 24.789 | 5.373.703 |
| Luxair S.A. | 21,81 | 14.830.609 | 88.497.795 |
| Société de la Bourse de Luxembourg S.A. | 22,75 | 128.678 | 21.990.998 |
| Europay Luxembourg S.C. | 25,40 | 96.279 | 384.060 |
| FS-B S.à.r.l. | 28,70 | 3.003.694 | 3.584.848 |
| FS-T S.à.r.l. | 28,70 | 1.104.793 | 1.055.370 |
| Visalux S.C. | 36,26 | 412.506 | 520.317 |
| La Luxembourgeoise S.A. | 40,00 | 16.856.760 | 98.950.441 |
| La Luxembourgeoise-Vie S.A. | 40,00 | 12.047.625 | 80.611.526 |
| BioTechCube (BTC) Luxembourg S.A. | 50,00 | 5.000.000 | 766.842 |
| Sub-total direct holdings in associates | | 53.505.735 | 301.735.900 |
| Pecoma International S.A. | 33,33 | 170.000 | 217.706 |
| EFA Partners S.A. | 29,05 | 551.900 | 600.894 |
| Sub-total indirect holdings in associates | | 721.900 | 818.600 |
| Total | | 54.227.635 | 302.554.500 |

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

| Associates | 30/06/2016 | | | |
|------------------------------------------------------|---------------------------------------|---------------------------------------------------|-------------------------------------|----------------------------|
| | Net income from continuing operations | Net income after tax from discontinued operations | Other items of comprehensive income | Total comprehensive income |
| Direct interests | | | | |
| Société Nationale de Circulation Automobile S.à r.l. | 55.751 | - | 141.574 | 197.325 |
| Luxair S.A. | - 1.282.214 | - | 7.977.210 | 6.694.996 |
| Société de la Bourse de Luxembourg S.A. | 1.888.418 | - | 1.852.974 | 3.741.392 |
| Europay Luxembourg S.C. | 8.614 | - | 17.229 | 25.843 |
| FS-B S.à.r.l. | 35.061 | - | 65.179 | 100.240 |
| FS-T S.à.r.l. | 9.635 | - | 18.450 | 28.085 |
| Visalux S.C. | - 35.699 | - | 71.399 | - 107.098 |
| La Luxembourgeoise S.A. | 6.489.651 | - | 13.173.012 | 19.662.663 |
| La Luxembourgeoise-Vie S.A. | - 861.245 | - | 7.079.834 | 6.218.589 |
| BioTechCube (BTC) Luxembourg S.A. | - 4.632 | - | 9.264 | - 13.896 |
| Indirect interests | | | | |
| Pecoma International S.A. | - 9.446 | - | 18.892 | - 28.338 |
| EFA Partners S.A. | - 1.185 | - | 2.371 | - 3.556 |

| Associates | 30/06/2015 | | | |
|------------------------------------------------------|---------------------------------------|---------------------------------------------------|-------------------------------------|----------------------------|
| | Net income from continuing operations | Net income after tax from discontinued operations | Other items of comprehensive income | Total comprehensive income |
| Direct interests | | | | |
| Société Nationale de Circulation Automobile S.à r.l. | 61.494 | - | 146.107 | 207.601 |
| Luxair S.A. | - 295.376 | - | 3.461.667 | 3.166.291 |
| Société de la Bourse de Luxembourg S.A. | 2.186.824 | - | 51.426 | 2.238.250 |
| Europay Luxembourg S.C. | 29.399 | - | 111.357 | 81.958 |
| FS-B S.à.r.l. | 33.933 | - | 49.479 | 83.412 |
| FS-T S.à.r.l. | 9.293 | - | 13.033 | 22.326 |
| Visalux S.C. | 18.160 | - | 362.470 | 344.310 |
| La Luxembourgeoise S.A. | 7.020.810 | - | 3.052.244 | 3.968.566 |
| La Luxembourgeoise-Vie S.A. | 2.214.528 | - | 5.981.983 | 3.767.455 |
| BioTechCube (BTC) Luxembourg S.A. | - 3.891 | - | 3.945.931 | - 3.949.822 |
| Indirect interests | | | | |
| Pecoma International S.A. | - 7.688 | - | 15.375 | - 23.063 |
| EFA Partners S.A. | - 2.084 | - | 4.167 | - 6.251 |

The table as at June 30, 2015 has been restated to facilitate the comparison with the new table format as at June 30, 2016.

3.5 Securities collateralised

Securities collateralised in the framework of repurchase agreements

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------------------|--------------------|--------------------|--------------------|
| Debt instruments issued by the public sector | 355.276.955 | 250.169.147 | 221.302.451 |
| Debt instruments issued by credit institutions | 35.021.631 | 136.080.118 | 53.431.383 |
| Debt instruments issued - other | 180.000.000 | 11.496.150 | - |
| Equity instruments | 4.806.009 | 13.457.516 | - |
| Total | 575.104.595 | 411.202.931 | 274.733.834 |

Debt instruments issued are primarily available-for-sale and held-to-maturity assets. The decrease in debt instruments stems from the reduced use of this type of secured contract.

Securities lent and other collateral

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------------------|-------------------|--------------------|--------------------|
| Securities lending | | | |
| Debt instruments issued by the public sector | 14,465,647 | 177,989,435 | 174,529,192 |
| Debt instruments issued by credit institutions | 2,228,145 | 22,376,369 | - |
| Debt instruments issued - other | 934,862 | - | - |
| Other collateral | | | |
| Debt instruments issued by the public sector | 37,094,720 | 37,184,960 | 36,232,800 |
| Total | 54,723,373 | 237,550,764 | 210,761,992 |

3.6 Convertible bonds included in the different portfolios

The Group has no convertible bond positions in its different portfolios.

3.7 Derivative instruments

| Headings | Assets | Liabilities | Notional |
|----------------------------------------------------------|---------------------------|--------------------|-----------------------|
| Balances as at 30/06/2016 | | | |
| Derivative financial instruments held for trading | 227.381.586 | 217.511.410 | 21.422.290.423 |
| Operations linked to exchange rates | 154.395.060 | 121.509.773 | 16.157.332.303 |
| - Foreign exchange swaps and forward exchange contracts | 153.111.039 | 121.495.613 | 15.961.485.682 |
| - CCIS economic hedge (FVO) | 1.269.862 | - | 3.763.000 |
| - other | 14.159 | 14.159 | 192.083.621 |
| Operations linked to interest rates | 70.408.060 | 93.421.209 | 2.059.244.455 |
| - IRS | 62.831.105 | 87.192.677 | 1.632.979.093 |
| - IRS economic hedge (FVO) | 5.671.667 | 3.995.459 | 225.535.000 |
| - other | 1.905.288 | 2.233.074 | 200.730.362 |
| Operations linked to equity | 2.578.465 | 2.580.428 | 3.205.713.666 |
| - Equity and index options | 2.578.465 | 2.580.428 | 3.205.713.666 |
| Fair value hedges (micro) | 48.793.478 | 992.928.907 | 9.773.175.949 |
| Operations linked to exchange rates | 36.235.376 | 306.131.456 | 2.275.018.197 |
| - CCIS | 36.235.376 | 306.131.456 | 2.275.018.197 |
| Operations linked to interest rates | 9.652.358 | 580.293.000 | 6.279.491.828 |
| - IRS (interest rate) | 9.652.358 | 580.293.000 | 6.279.491.828 |
| Operations linked to other indices | 2.905.745 | 106.504.451 | 1.218.665.925 |
| - IRS (other indices) | 2.905.745 | 106.504.451 | 1.218.665.925 |
| Fair value hedges (macro) | 34.354 | 155.279.704 | 959.271.188 |
| Operations linked to interest rates | 34.354 | 155.279.704 | 959.271.188 |
| - IRS (interest rate) | 34.354 | 155.279.704 | 959.271.188 |
| Cash flow hedges | 14.006.742 | 13.071.369 | 481.997.378 |
| Operations linked to exchange rates | 7.071.795 | 13.071.369 | 439.797.378 |
| - CCIS | 7.071.795 | 13.071.369 | 439.797.378 |
| Operations linked to interest rates | 6.934.947 | - | 42.200.000 |
| - IRS | 6.934.947 | - | 42.200.000 |
| Headings | Balances as at 31/12/2015 | | |
| Derivative financial instruments held for trading | 200.697.791 | 170.331.566 | 19.516.887.031 |
| Operations linked to exchange rates | 145.598.727 | 93.731.726 | 13.104.220.860 |
| - Foreign exchange swaps and forward exchange contracts | 145.578.609 | 93.711.640 | 12.909.650.578 |
| - other | 20.117 | 20.086 | 194.570.282 |
| Operations linked to interest rates | 49.904.951 | 71.403.808 | 1.855.947.923 |
| - IRS | 48.339.956 | 69.532.422 | 1.647.953.336 |
| - other | 1.564.995 | 1.871.386 | 207.994.587 |
| Operations linked to equity | 5.194.113 | 5.194.113 | 4.533.816.085 |
| - Equity and index options | 5.194.113 | 5.194.113 | 4.533.816.085 |
| Operations linked to credit risk | - | 1.918 | 22.902.162 |
| - Credit derivatives (CDS) | - | 1.918 | 22.902.162 |
| Fair value hedges (micro) | 56.524.246 | 801.865.324 | 9.984.086.409 |
| Operations linked to exchange rates | 43.647.665 | 201.534.710 | 2.655.377.634 |
| - CCIS | 43.647.665 | 201.534.710 | 2.655.377.634 |
| Operations linked to interest rates | 5.863.014 | 519.786.850 | 6.024.570.165 |
| - IRS (interest rate) | 5.863.014 | 519.786.850 | 6.024.570.165 |
| Operations linked to other indices | 7.013.567 | 80.543.765 | 1.304.138.610 |
| - IRS (other indices) | 7.013.567 | 80.543.765 | 1.304.138.610 |
| Fair value hedges (macro) | 7.569.597 | 87.942.227 | 866.183.649 |
| Operations linked to interest rates | 7.569.597 | 87.942.227 | 866.183.649 |
| - IRS (interest rate) | 7.569.597 | 87.942.227 | 866.183.649 |
| Cash flow hedges | 13.408.685 | 2.669.396 | 375.105.385 |
| Operations linked to exchange rates | 6.870.920 | 2.669.396 | 330.305.385 |
| - CCIS | 6.870.920 | 2.669.396 | 330.305.385 |
| Operations linked to interest rates | 6.537.765 | - | 44.800.000 |
| - IRS | 6.537.765 | - | 44.800.000 |

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG
Notes to the interim condensed consolidated financial information
as at June 30, 2016

| Headings | Assets | Liabilities | Notional |
|----------------------------------------------------------|---------------------------|--------------------|-----------------------|
| | Balances as at 30/06/2015 | | |
| Derivative financial instruments held for trading | 243.535.444 | 263.401.704 | 19.130.643.853 |
| Operations linked to exchange rates | 190.641.446 | 179.501.026 | 13.128.573.322 |
| - Foreign exchange swaps and forward exchange contracts | 190.618.162 | 179.477.790 | 12.937.150.922 |
| - other | 23.284 | 23.236 | 191.422.401 |
| Operations linked to interest rates | 51.274.145 | 82.270.127 | 2.185.118.295 |
| - IRS | 49.610.451 | 80.334.297 | 1.972.459.576 |
| - other | 1.663.693 | 1.935.830 | 212.658.719 |
| Operations linked to equity | 1.619.853 | 1.619.853 | 3.794.622.832 |
| - Equity and index options | 1.619.853 | 1.619.853 | 3.794.622.832 |
| Operations linked to credit risk | - | 10.698 | 22.329.403 |
| - Credit derivatives (CDS) | - | 10.698 | 22.329.403 |
| Fair value hedges (micro) | 118.444.787 | 794.192.219 | 9.558.155.739 |
| Operations linked to exchange rates | 100.558.583 | 184.479.506 | 2.323.197.211 |
| - CCIS | 100.558.583 | 184.479.506 | 2.323.197.211 |
| Operations linked to interest rates | 9.749.884 | 525.462.375 | 6.002.337.761 |
| - IRS (interest rate) | 9.749.884 | 525.462.375 | 6.002.337.761 |
| Operations linked to other indices | 8.136.320 | 84.250.338 | 1.232.620.767 |
| - IRS (other indices) | 8.136.320 | 84.250.338 | 1.232.620.767 |
| Fair value hedges (macro) | 10.440.869 | 79.239.118 | 747.980.931 |
| Operations linked to interest rates | 10.440.869 | 79.239.118 | 747.980.931 |
| - IRS (interest rate) | 10.440.869 | 79.239.118 | 747.980.931 |
| Cash flow hedges | 7.497.873 | 15.063.873 | 383.435.933 |
| Operations linked to exchange rates | 815.863 | 15.063.873 | 335.935.933 |
| - CCIS | 815.863 | 15.063.873 | 335.935.933 |
| Operations linked to interest rates | 6.682.010 | - | 47.500.000 |
| - IRS | 6.682.010 | - | 47.500.000 |

3.8 Financial assets designated at fair value through profit or loss

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|----------------------------------------------|------------|------------|-------------------|
| Debt instruments | | | |
| Credit institutions | - | - | 88.044.209 |
| Total | - | - | 88.044.209 |
| Unrealised profit/loss at the reporting date | - | - | 2.403.893 |

This item includes financial instruments which, depending on their characteristics, include embedded derivative not closely related and are therefore not eligible for measurement at fair value through the revaluation reserve.

3.9 Change in fair value of a portfolio of financial instruments hedged against interest rate risk

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------|
| Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk | 42.365.384 | 52.453.419 | 126.860.801 |
| Total | 42.365.384 | 52.453.419 | 126.860.801 |

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

The significant change in this item between 2015 and 2016 is due primarily to the twofold impact of the change in the interest-rate curves used to determine fair value and the volume effect for this type of hedging transaction.

3.10 Loans and receivables at amortised cost – Credit institutions

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2015 |
|--------------------------------|----------------------|----------------------|----------------------|
| Interbank loans | 4.496.749.430 | 3.302.384.031 | 3.338.962.067 |
| Reverse repos | 2.132.529.725 | 1.982.015.984 | 3.182.436.374 |
| Roll-over loans | 41.415.149 | 41.725.378 | 50.820.710 |
| Finance leases | 325.948 | 234.067 | 793.492 |
| Fixed-income securities | 26.584.389 | 212.661.878 | 466.395.211 |
| Other | 63.130.270 | 58.586.858 | 31.821.225 |
| Sub-total | 6.760.734.911 | 5.597.608.197 | 7.071.229.079 |
| Undrawn confirmed credits | 530.193.346 | 414.589.158 | 1.225.270.287 |
| Impairment of financial assets | - 2.019 | - | - |

In the case of reverse repurchase transactions, the Group becomes the legal owner of the securities received as collateral and has the right to sell or collateralise these securities. No security received as collateral was sold or collateralised as at June 30, 2016.

Beginning with year-end 2015, the Group's parent company reclassified the “Loans and receivables at amortised cost – Credit institutions”, “Interbank loans” sub-heading to “Cash and sight deposits with central banks” to comply with the requirements of the reporting methods defined by the EBA. This reclassification was not applied to the period ending June 30, 2015 and the corresponding amount of EUR 358.439.004 was still recognised under “Loans and receivables at amortised cost – Credit institutions”.

Impairment of loans and receivables – Credit institutions:

| | Credit institutions |
|-----------------------------------------|----------------------------|
| Position as at January 1, 2015 | 48.631 |
| Additions | - |
| Reversals | - 46.612 |
| Write-off of receivables | - |
| Exchange gain or loss | - |
| Position as at June 30, 2015 | 2.019 |
| Position as at July 1, 2015 | 2.019 |
| Reclassification | - 2.019 |
| Additions | - |
| Reversals | - |
| Write-off of receivables | - |
| Exchange gain or loss | - |
| Position as at December 31, 2015 | - |
| Position as at January 1, 2015 | - |
| Additions | - |
| Reversals | - |
| Write-off of receivables | - |
| Exchange gain or loss | - |
| Position as at June 20, 2016 | - |

According to the European Banking Authority's (EBA) definition, the Group does not include in this heading any outstanding loans considered as forborne.

3.11 Loans and receivables at amortised cost – Customers

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| Retail customers | 11.807.496.492 | 12.103.625.359 | 12.529.070.152 |
| Corporate customers | 5.256.321.806 | 4.754.935.565 | 4.674.174.226 |
| Public sector | 2.256.465.684 | 2.366.277.199 | 2.476.825.862 |
| Sub-total | 19.320.283.982 | 19.224.838.123 | 19.680.070.240 |
| Undrawn confirmed credits | 3.843.666.322 | 4.540.799.967 | 4.599.478.099 |
| Impairment of financial assets | - 119.757.961 | - 95.013.749 | - 84.959.742 |

Of which finance leases:

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------|--------------------|--------------------|--------------------|
| Finance leases | 103.128.385 | 106.764.908 | 106.879.746 |
| Total | 103.128.385 | 106.764.908 | 106.879.746 |

Impairment of loans and receivables:

| | Retail customers | Corporate | Total |
|-----------------------------------------|-------------------|-------------------|--------------------|
| Position as at January 1, 2015 | 31.890.072 | 81.087.521 | 112.977.593 |
| Additions | 4.917.013 | 11.548.331 | 16.465.344 |
| Reversals | - 4.765.595 | - 5.589.055 | - 10.354.649 |
| Exchange gain or loss | - | 669.674 | 669.674 |
| Position as at June 30, 2015 | 32.041.490 | 87.716.471 | 119.757.961 |
| Impairment of assets - individual risk | 16.369.158 | 87.716.471 | 104.085.629 |
| Impairment of assets - collective risk | 15.672.332 | - | 15.672.332 |
| Total | 32.041.490 | 87.716.471 | 119.757.961 |
| Position as at July 1, 2015 | 32.041.490 | 87.716.471 | 119.757.961 |
| Additions | 1.367.898 | 370.814 | 1.738.712 |
| Reversals | - 2.296.060 | - 22.294.080 | - 24.590.140 |
| Write-off of receivables (*) | - 524.497 | - 970.380 | - 1.494.877 |
| Exchange gain or loss | - | - 397.908 | - 397.908 |
| Position as at December 31, 2015 | 30.588.831 | 64.424.918 | 95.013.749 |
| Impairment of assets - individual risk | 16.741.289 | 64.424.918 | 81.166.207 |
| Impairment of assets - collective risk | 13.847.542 | - | 13.847.542 |
| Total | 30.588.831 | 64.424.918 | 95.013.749 |
| Position as at January 1, 2016 | 30.588.831 | 64.424.918 | 95.013.749 |
| Additions | 6.563.055 | 3.517.312 | 10.080.367 |
| Reversals | - 2.360.738 | - 17.672.939 | - 20.033.677 |
| Exchange gain or loss | - | - 100.697 | - 100.697 |
| Position as at June 30, 2016 | 34.791.148 | 50.168.594 | 84.959.742 |
| Impairment of assets - individual risk | 18.714.360 | 50.168.594 | 68.882.954 |
| Impairment of assets - collective risk | 16.076.788 | - | 16.076.788 |
| Total | 34.791.148 | 50.168.594 | 84.959.742 |

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

Outstanding amounts of impaired loans: EUR 193.654.140 as at June 30, 2016 compared with EUR 225.673.254 as at December 31, 2015 and EUR 317.909.784 as at June 30, 2015.

Value adjustments cover the principal and interest.

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

| as at 30/06/2015 | Unimpaired restructured loans | Impaired restructured loans | | | Total restructured loans |
|---------------------|-------------------------------|-----------------------------|---------------------|-------------------|--------------------------|
| | | Outstanding | Impairment | Total | |
| Retail customers | 53.174.942 | 9.226.221 | - 1.010.360 | 8.215.860 | 61.390.803 |
| Corporate customers | 150.941.111 | 113.379.350 | - 35.967.527 | 77.411.823 | 228.352.933 |
| Total | 204.116.053 | 122.605.570 | - 36.977.887 | 85.627.683 | 289.743.736 |

| as at 31/12/2015 | Unimpaired restructured loans | Impaired restructured loans | | | Total restructured loans |
|---------------------|-------------------------------|-----------------------------|---------------------|-------------------|--------------------------|
| | | Outstanding | Impairment | Total | |
| Retail customers | 47.512.488 | 10.102.172 | - 1.233.884 | 8.868.288 | 56.380.776 |
| Corporate customers | 199.238.006 | 36.725.200 | - 20.834.492 | 15.890.708 | 215.128.714 |
| Total | 246.750.494 | 46.827.372 | - 22.068.376 | 24.758.996 | 271.509.490 |

| as at 30/06/2016 | Unimpaired restructured loans | Impaired restructured loans | | | Total restructured loans |
|---------------------|-------------------------------|-----------------------------|---------------------|-------------------|--------------------------|
| | | Outstanding | Impairment | Total | |
| Retail customers | 41.036.693 | 8.750.423 | - 1.531.142 | 7.219.280 | 48.255.973 |
| Corporate customers | 176.849.754 | 24.072.535 | - 13.936.700 | 10.135.835 | 186.985.589 |
| Total | 217.886.447 | 32.822.958 | - 15.467.842 | 17.355.115 | 235.241.562 |

3.12 Tangible assets for own use

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------------|-------------|-------------|-------------|
| Tangible assets for own use | 277.609.707 | 290.643.556 | 294.096.356 |

3.13 Other assets

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|---------------------------|-------------------|-------------------|-------------------|
| Miscellaneous debtors (1) | 4.482 | - | - |
| Other (2) | 10.976.901 | 11.292.644 | 17.177.553 |
| Total | 10.981.383 | 11.292.644 | 17.177.553 |

(1) Primarily operations on securities and coupons

(2) Primarily amounts due from third parties totalling EUR 9.060.204 and prepayments totalling EUR 5.805.668.

3.14 Taxes: Tax assets and liabilities

Whereas current tax is a current liability, deferred taxes are the amounts of income taxes that may be payable in the future in respect of taxable temporary differences.

As no new tax law incorporating IFRS standards has been passed in Luxembourg, the Group calculates the tax liability payable based on the increase in net assets of the balance sheet items valued through the income statement.

As at June 30, 2016, the Group posted a deferred tax asset of EUR 137.908.707 and a deferred tax liability of EUR 174.048.317.

3.14.1 Tax assets

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-------------------|-------------------|-------------------|--------------------|
| Deferred taxes | 69.218.791 | 91.996.961 | 137.908.707 |
| Tax assets | 69.218.791 | 91.996.961 | 137.908.707 |

Breakdown of deferred tax assets according to origin:

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------------------|-------------------|-------------------|--------------------|
| Derivative instruments - cash flow hedge | 2.805.059 | 1.853.467 | 2.825.528 |
| Debt instruments - application of fair value | 10.945.787 | 9.028.872 | 13.756.395 |
| Equity instruments - application of fair value | 527.522 | 1.192.634 | 1.989.761 |
| Pension funds - actuarial gain or loss | 54.940.423 | 79.921.988 | 119.337.023 |
| Deferred tax assets | 69.218.791 | 91.996.961 | 137.908.707 |

3.14.2 Tax liabilities

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-------------------------------|--------------------|--------------------|--------------------|
| Tax payable | 88.160.556 | 100.111.672 | 67.337.590 |
| <i>Income tax</i> | 53.975.999 | 59.015.599 | 42.045.576 |
| <i>Municipal business tax</i> | 34.163.157 | 41.074.673 | 25.270.614 |
| <i>Wealth tax</i> | 21.400 | 21.400 | 21.400 |
| Deferred taxes | 187.719.334 | 178.146.610 | 174.048.317 |
| Tax liabilities | 275.879.890 | 278.258.282 | 241.385.907 |

Breakdown of deferred tax liabilities according to origin:

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|----------------------------------------------------|--------------------|--------------------|--------------------|
| Derivative instruments - application of fair value | 1.951.102 | 1.908.942 | 2.025.073 |
| Debt instruments - application of fair value | 25.582.703 | 19.789.596 | 21.212.441 |
| Equity instruments - application of fair value | 6.633.789 | 4.042.739 | 2.801.575 |
| Pension funds - fair value gain/loss | 5.360.308 | 5.102.392 | 6.955.701 |
| Regulatory and other provisions | 148.191.432 | 147.302.941 | 141.053.527 |
| Deferred tax liabilities | 187.719.334 | 178.146.610 | 174.048.317 |

The table below gives a breakdown of the changes to deferred tax assets and liabilities, depending on whether the changes relate to items that are charged or credited to equity, or relate to items that are charged or credited to the income statement.

| Deferred tax assets/liabilities | 01/01/2015 | Movements in equity | Movements in income statement | 30/06/2015 |
|----------------------------------------------------|----------------------|---------------------|-------------------------------|----------------------|
| Deferred tax assets | 67.991.244 | 1.227.547 | - | 69.218.791 |
| Deferred tax liabilities | - 185.738.723 | - 1.314.830 | - 665.781 | - 187.719.334 |
| Net deferred tax assets (+)/liabilities (-) | - 117.747.479 | - 87.283 | - 665.781 | - 118.500.543 |

| Deferred tax assets/liabilities | 01/07/2015 | Movements in equity | Movements in income statement | 31/12/2015 |
|----------------------------------------------------|----------------------|---------------------|-------------------------------|---------------------|
| Deferred tax assets | 69.218.791 | 22.778.170 | - | 91.996.961 |
| Deferred tax liabilities | - 187.719.334 | 8.684.232 | 888.492 | - 178.146.610 |
| Net deferred tax assets (+)/liabilities (-) | - 118.500.543 | 31.462.402 | 888.492 | - 86.149.649 |

| Deferred tax assets/liabilities | 01/01/2016 | Movements in equity | Movements in income statement | 30/06/2016 |
|----------------------------------------------------|---------------------|---------------------|-------------------------------|---------------------|
| Deferred tax assets | 91.996.961 | 45.911.746 | - | 137.908.707 |
| Deferred tax liabilities | - 178.146.610 | - 2.151.121 | 6.249.413 | - 174.048.318 |
| Net deferred tax assets (+)/liabilities (-) | - 86.149.649 | 43.760.625 | 6.249.413 | - 36.139.611 |

3.15 Deposits at amortised cost – Credit institutions

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------|----------------------|----------------------|----------------------|
| Inter-bank deposits | 4.387.254.665 | 4.052.868.890 | 4.469.787.878 |
| Repurchase agreements | 623.489.449 | 386.760.150 | 243.237.620 |
| Total | 5.010.744.114 | 4.439.629.039 | 4.713.025.498 |

3.16 Deposits at amortised cost – Private customers and public sector

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| Private customers | 22.084.388.545 | 22.237.361.247 | 23.148.004.695 |
| - Demand deposit and notice accounts | 6.985.284.458 | 6.886.156.912 | 7.001.826.711 |
| - Time deposit accounts | 4.833.204.677 | 4.870.866.600 | 4.510.948.649 |
| - Savings | 10.260.610.251 | 10.453.520.746 | 11.606.134.080 |
| - Repurchase agreements | 5.289.159 | 26.816.989 | 29.095.255 |
| Public sector | 3.767.926.123 | 4.686.126.784 | 5.808.625.132 |
| Total | 25.852.314.668 | 26.923.488.031 | 28.956.629.827 |

3.17 Financial liabilities designated at fair value through profit or loss

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|----------------------------------------------|------------|------------|--------------------|
| Unsubordinated notes | - | - | 153,449,438 |
| Total | - | - | 153,449,438 |
| Unrealised profit/loss at the reporting date | - | - | 4,306,879 |

This item includes financial instruments which, depending on their characteristics, include embedded derivative not closely related and are therefore not eligible for measurement at fair value through the revaluation reserve.

3.18 Issuance of debt securities

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------------------------------|----------------------|----------------------|----------------------|
| Cash certificates | 516.359.170 | 406.535.551 | 323.500.943 |
| Commercial paper | 4.673.485.761 | 3.760.296.156 | 3.875.523.068 |
| Medium Term Notes and other securities issued | 1.478.368.598 | 1.624.533.332 | 1.147.130.093 |
| Total | 6.668.213.529 | 5.791.365.039 | 5.346.154.103 |

of which:

| | | | |
|----------------------|-------------|-------------|-------------|
| - subordinated notes | 151.918.598 | 127.711.752 | 101.753.823 |
|----------------------|-------------|-------------|-------------|

The Bank issued Euro Medium-Term Notes (EMTNs) for a nominal amount of EUR 166.120.000 in the first half of 2016, as against EUR 593.189.861 in the first half of the previous year.

| New issues in | First-half 2015 | First-half 2016 |
|-------------------------|------------------------|------------------------|
| maturing in < 2 years | 522.267.102 | - |
| maturing in 2 - 5 years | - | 25.000.000 |
| maturing in > 5 years | 70.922.759 | 141.120.000 |
| Total | 593.189.861 | 166.120.000 |

of which:

| | | |
|-------------------------------------|-------------|---|
| - Structured notes (at issue value) | 522.004.572 | - |
|-------------------------------------|-------------|---|

The main structured notes issued were in the plain vanilla category.

Securities issued which have come to maturity and have been reimbursed prior to maturity in first-half 2015 and first-half 2016:

| | First-half 2015 | First-half 2016 |
|-----------------------|------------------------|------------------------|
| Maturities/repayments | 949.923.880 | 517.934.473 |
| Total | 949.923.880 | 517.934.473 |

of which:

| | | |
|---------------------------------------|-------------|-------------|
| - Subordinated notes (at issue value) | - | 25.000.000 |
| - Structured notes (at issue value) | 940.703.880 | 153.783.252 |

The Group did not buy back any of its own issues during first-half 2016, compared with EUR 460.000 in first-half 2015.

3.19 Pension funds - Defined-benefit pension plan

Main estimates used to determine pension commitments:

| Variables | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------------|------------|------------|------------|
| Discount rate for active employees | 2,30% | 2,20% | 1,20% |
| Discount rate for beneficiaries | 1,85% | 1,80% | 0,80% |
| Salary increases (including indexation) | 3,50% | 3,25% | 3,25% |
| Pension increases (including indexation) | 2,50% | 2,25% | 2,25% |
| Induced yield | 1,75% | 1,98% | 1,98% |

Under revised IAS 19, the induced yield for 2016 corresponds to the weighted-average discount rate at end-2015. This rate is applied to the difference between the pension commitment and the pension fund's assets as at December 31, 2015.

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

| Components | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|----------------------|------------------|------------------|------------------|
| Current service cost | 3.682.390 | 7.364.779 | 4.709.006 |
| Net interest | 1.222.000 | 2.444.000 | 1.770.824 |
| <i>Interest cost</i> | <i>4.348.304</i> | <i>8.696.608</i> | <i>5.525.806</i> |
| <i>Induced yield</i> | <i>3.126.304</i> | <i>6.252.608</i> | <i>3.754.982</i> |
| Total | 4.904.390 | 9.808.779 | 6.479.829 |

Pension commitments:

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|---------------------------------------|--------------------|--------------------|--------------------|
| Commitments at start of period | 495.752.808 | 468.159.662 | 559.157.615 |
| Current service cost | 3.682.390 | 3.682.389 | 4.709.006 |
| Interest cost | 4.348.304 | 4.348.304 | 5.525.806 |
| Benefits paid and payable | - 9.204.868 | - 2.527.484 | - 9.300.784 |
| Actuarial gains or losses | - 26.418.972 | 85.494.745 | 134.890.607 |
| Commitments at end of month | 468.159.662 | 559.157.615 | 694.982.249 |

Pension plan assets:

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------|--------------------|--------------------|--------------------|
| Start of period | 356.431.857 | 352.392.135 | 379.967.554 |
| Pension payments | - 9.204.868 | - 2.527.484 | - 9.300.784 |
| Contribution | 3.859.271 | 27.859.270 | 4.935.855 |
| Induced yield | 3.126.304 | 3.126.304 | 3.754.982 |
| Fair value gain/loss | - 1.820.429 | - 882.670 | 6.342.603 |
| Total | 352.392.135 | 379.967.554 | 385.700.210 |

Net pension commitments under IAS 19:

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------|--------------------|--------------------|--------------------|
| Pension commitments | 468.159.662 | 559.157.616 | 694.982.249 |
| Plan assets measured at fair value | - 352.392.135 | - 379.967.554 | - 385.700.210 |
| Unfunded liability | 115.767.527 | 179.190.061 | 309.282.039 |

The increase in the unfunded liability stems from the 100-basis-point decrease in the discount rates compared with December 31, 2015.

3.20 Provisions

Movements:

| | |
|-----------------------------------------|-------------------|
| Position as at January 1, 2015 | 4.899.785 |
| Additions | 995.600 |
| Reversals | - 808.421 |
| Application | - |
| Position as at June 30, 2015 | 5.086.964 |
| Position as at July 1, 2015 | 5.086.964 |
| Additions | 42.205.994 |
| Reversals | - |
| Application | - 77.000 |
| Position as at December 31, 2015 | 47.215.958 |
| Position as at January 1, 2016 | 47.215.958 |
| Additions | 78.647 |
| Reversals | - 16.755 |
| Application | - 5.707.359 |
| Position as at June 30, 2016 | 41.570.490 |

The "Provisions" line includes provisions for risks which are liabilities of uncertain timing or amount.

3.21 Other liabilities

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------------------|-------------------|-------------------|-------------------|
| Short-term payables (1) | 62.622.751 | 5.607.869 | 57.941.857 |
| Preferential or secured creditors | 11.885.672 | 24.036.392 | 13.264.773 |
| Total | 74.508.423 | 29.644.261 | 71.206.630 |

(1) Short-term payables are mainly amounts to be paid by the Group acting as service provider in relation to cheques, coupons, securities, bank transfers, etc.

3.22 Related-party transactions

The related parties of the Group's parent company are the consolidated companies, associates, governmental institutions and the Group's key management personnel.

All transactions with related parties are completed under market conditions.

3.22.1 Government institutions

The Group's parent company, established by the law of 21 February 1856 and governed by the organic law of 24 March 1989, is a self-governing public law institution endowed with legal personality. Ultimate responsibility for the institution lies with the Government Minister with responsibility for the Treasury.

Therefore, the Luxembourg Government controls the Group and, as a result, must comply with the requirements of IAS 24.

The Group makes the following disclosures concerning its commercial relationship with the Luxembourg State and other governmental institutions.

| in euros | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|-----------------------------------------|---------------|---------------|---------------|
| ASSETS (mainly loans at amortised cost) | 2.833.750.614 | 3.596.212.235 | 3.721.951.508 |

| in euros | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|------------------------------------------|---------------|---------------|---------------|
| LIABILITIES (deposits at amortised cost) | 2.828.691.769 | 3.160.746.884 | 4.217.639.795 |

3.22.2 Compensation paid to the members of the management and administrative bodies

Compensation paid to the members of the Group's governing bodies breaks down as follows:

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|---------------------------------------------------------------------------------------------------|----------------|------------------|----------------|
| Board of Directors (nine members) | 59.150 | 120.450 | 58.650 |
| Executive Committee (five members as at 30/06/2015 and 31/12/2015; four members as at 30/06/2016) | 456.267 | 1.014.106 | 416.772 |
| Total | 515.417 | 1.134.556 | 475.422 |

Like all civil servants, the members of the Executive Committee participate in the Luxembourg civil service pension scheme. These government pensions are paid out by the pension fund of the Group's parent company.

3.22.3 Loans and advances granted to members of the Group's management and administrative bodies

Loans and advances granted to members of the Group's management and administrative bodies are as follows:

| | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|---------------------------------------------------------------------------------------------------|------------------|------------------|------------------|
| Board of Directors (nine members) | 2.769.808 | 2.594.592 | 2.593.868 |
| Executive Committee (five members as at 30/06/2015 and 31/12/2015; four members as at 30/06/2016) | 1.863.221 | 1.773.559 | 539.317 |
| Total | 4.633.029 | 4.368.151 | 3.133.185 |

3.23 Off-balance sheet items

Type of guarantees issued:

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|---------------------|--------------------|--------------------|--------------------|
| Completion bonds | 312.869.987 | 323.133.147 | 349.781.252 |
| Letters of credit | 40.192.926 | 41.223.892 | 53.879.310 |
| Counter-guarantees | 376.325.341 | 408.246.517 | 378.350.178 |
| Documentary credits | 15.664.318 | 13.191.609 | 13.331.681 |
| Other | 10.252.732 | 6.406.041 | 5.198.509 |
| Total | 755.305.304 | 792.201.205 | 800.540.930 |

Commitments:

| Headings | 30/06/2015 | 31/12/2015 | 30/06/2016 |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies | 10.253.882 | 9.993.882 | 9.493.882 |
| Undrawn confirmed credits | 4.373.859.668 | 4.955.389.125 | 5.824.748.386 |
| <i>Financing</i> | <i>1.732.814.356</i> | <i>2.289.688.993</i> | <i>2.424.472.032</i> |
| <i>Current accounts</i> | <i>1.785.621.147</i> | <i>1.737.325.997</i> | <i>1.872.227.152</i> |
| <i>Money-market contracts</i> | <i>476.184.304</i> | <i>471.196.867</i> | <i>1.101.056.303</i> |
| <i>Other</i> | <i>379.239.860</i> | <i>457.177.269</i> | <i>426.992.899</i> |
| Other | 34.622.990 | 160.680.424 | 50.848.538 |
| Total | 4.418.736.540 | 5.126.063.431 | 5.885.090.806 |

Management of third-party assets:

The Group provides management and representation services to third parties, particularly wealth management services, custody and administration of securities, hire of safe deposit boxes, fiduciary representation and agent functions.

4 NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT² (in euros)

4.1 Interest income

| Interest received and similar income | 30/06/2015 | 30/06/2016 |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Assets repayable on demand | 52.017 | 43.754 |
| Financial assets held for trading | 28.271.331 | 48.275.113 |
| Financial assets designated at fair value through profit or loss | - | 93.816 |
| Available-for-sale financial assets | 109.413.935 | 106.280.330 |
| Receivables at amortised cost - Debt instruments | 19.371 | 440.015 |
| Receivables at amortised cost - Loans and advances | 197.322.372 | 190.359.533 |
| Investments held to maturity at amortised cost | 39.526.093 | 33.520.826 |
| Derivatives - Hedge accounting, interest rate risk | 75.804.409 | 53.320.369 |
| Other assets | 82.265 | 2.881.438 |
| Total | 450.491.793 | 435.215.194 |
| | | |
| Interest paid and similar expenses | 30/06/2015 | 30/06/2016 |
| Financial liabilities held for trading | - 9.483.272 | - 13.992.176 |
| Financial liabilities designated at fair value through profit or loss | - | - 833.493 |
| Liabilities at amortised cost - Deposits | - 32.943.373 | - 38.172.758 |
| Liabilities at amortised cost - Debt certificates | - 20.684.461 | - 17.464.276 |
| Liabilities at amortised cost - Subordinated loans | - 551.856 | - 252.787 |
| Derivatives - Hedge accounting, interest rate risk | - 194.350.758 | - 178.694.473 |
| Other liabilities | - 924.979 | - 7.383.923 |
| Total | - 258.938.699 | - 256.793.886 |
| | | |
| Net interest income | 191.553.094 | 178.421.308 |
| <i>Total interest received and similar income not generated by instruments recognised at fair value through profit or loss</i> | <i>346.416.053</i> | <i>333.619.712</i> |
| <i>Total interest paid and similar expenses not generated by instruments recognised at fair value through profit or loss</i> | <i>- 55.104.669</i> | <i>- 64.107.237</i> |

Net interest income decreased by 6,9% to EUR 178,4 million as at June 30, 2016 compared with EUR 191,6 million in the previous year.

² Minor differences between the figures in the notes to the financial statements and the figures in the different condensed consolidated statements are rounding differences only.

4.2 Income from variable-income securities

| Headings | 30/06/2015 | 30/06/2016 |
|-----------------------------------------------|-------------------|-------------------|
| Available-for-sale financial assets | 37.707.787 | 43.979.519 |
| Income from variable-income securities | 37.707.787 | 43.979.519 |

4.3 Fee and commission income

| Headings | 30/06/2015 | 30/06/2016 |
|------------------------------------------------|-------------------|-------------------|
| Loan activities | 19.348.548 | 19.264.324 |
| Asset management | 12.382.984 | 9.831.850 |
| Investment fund activities | 18.644.520 | 19.583.376 |
| Demand deposit accounts and related activities | 11.623.689 | 11.181.923 |
| Insurance premiums | 1.905.583 | 1.911.969 |
| Other | 3.536.012 | 3.443.496 |
| Commissions received and paid | 67.441.336 | 65.216.938 |

4.4 Income from financial instruments not recognised at fair value through profit or loss

| Headings | 30/06/2015 | 30/06/2016 |
|------------------------------------------|-------------------|-------------------|
| Available-for-sale financial instruments | 19.315.406 | 12.208.749 |
| Loans and advances (at amortised cost) | 61.918 | 39.346 |
| Financial liabilities at amortised cost | 62.142 | - |
| Total | 19.439.466 | 12.248.095 |

4.5 Income from financial instruments held for trading

| Headings | 30/06/2015 | 30/06/2016 |
|------------------------------------------------------|------------------|-------------------|
| Equity instruments and related derivatives | 2.329.191 | 2.235.757 |
| Foreign exchange instruments and related derivatives | - 2.862.158 | 871.601 |
| Interest rate instruments and related derivatives | 10.591.928 | 8.794.825 |
| Credit derivatives | 21.589 | 2.303 |
| Commodities and related derivatives | - 951.544 | - |
| Total | 9.129.006 | 11.904.486 |

4.6 Income from financial instruments designated at fair value through profit or loss

| Headings | 30/06/2015 | 30/06/2016 |
|------------------------------------------------|------------|--------------------|
| Financial assets designated at fair value | - | 2.403.893 |
| Financial liabilities designated at fair value | - | - 4.306.879 |
| Total | - | - 1.902.986 |

4.7 Net income from hedging transactions

| Headings | 30/06/2015 | 30/06/2016 |
|-------------------------------------------------|------------------|----------------|
| Fair value hedge | | |
| Debt instruments (assets) hedged by derivatives | 1.750.511 | 296.718 |
| Debt issues hedged by derivatives | 21.941 | 20.660 |
| Loans hedged by derivatives | 1.510.509 | - 50.231 |
| Total | 3.282.961 | 267.147 |
| Value adjustment on hedged instruments | - 165.360.183 | 174.031.408 |
| Value adjustment on hedging instruments | 168.643.144 | - 173.764.261 |
| Total | 3.282.961 | 267.147 |

Market risk hedging operations are highly efficient.

4.8 Other net operating income

| Headings | 30/06/2015 | 30/06/2016 |
|-----------------------------------|------------------|---------------------|
| Other operating income | 5.172.488 | 7.053.391 |
| Other operating expenditure | - 719.247 | - 25.164.471 |
| Other net operating income | 4.453.241 | - 18.111.080 |

“Other operating income and expenditure” mainly includes:

- the rent from property rented and miscellaneous advances from tenants;
- VAT repayments relating to previous financial years;
- income on amortised loans;
- new contributions, as at June 30, 2016, to the *Fonds de garantie des dépôts Luxembourg* (FGDL, Luxembourg deposit guarantee fund) and to the *Fonds de résolution Luxembourg* (FRL, Luxembourg resolution fund).

4.9 Personnel expenses

| Headings | 30/06/2015 | 30/06/2016 |
|-------------------------------|-------------------|-------------------|
| Compensation | 81.816.357 | 82.007.136 |
| Social security charges | 3.941.372 | 4.188.604 |
| Pensions and similar expenses | 5.263.271 | 5.285.695 |
| Pension fund expense | 4.904.390 | 6.479.829 |
| Other personnel expenses | 1.895.016 | 1.864.963 |
| Total | 97.820.406 | 99.826.227 |

4.10 Other general and administrative expenses

| Headings | 30/06/2015 | 30/06/2016 |
|-------------------------------------------------------|-------------------|-------------------|
| Expenses related to property and furniture | 9.019.986 | 10.598.755 |
| Rents and maintenance of software | 7.972.582 | 8.316.607 |
| Operating expenditure related to the banking business | 12.003.517 | 12.252.095 |
| Other | 6.261.703 | 6.452.388 |
| Total | 35.257.788 | 37.619.845 |

4.11 Allowances for impairment of individual and collective credit risks

| | 30/06/2015 | | | 30/06/2016 | | |
|---------------------------------------|--------------|------------|-------------|--------------|------------|-------------|
| | Additions | Reversals | Total | Additions | Reversals | Total |
| Available-for-sale securities | - 4 | 1.627.500 | 1.627.496 | - 4 | 2.235.382 | 2.235.378 |
| Loans and receivables | - 16.465.345 | 10.401.262 | - 6.064.083 | - 10.080.365 | 20.035.688 | 9.955.323 |
| <i>of which individual impairment</i> | - 14.333.534 | 10.391.846 | - 3.941.688 | - 7.837.991 | 20.022.558 | 12.184.567 |
| <i>of which collective impairment</i> | - 2.131.811 | 9.416 | - 2.122.395 | - 2.242.373 | 13.130 | - 2.229.243 |
| Total | - 16.465.349 | 12.028.762 | - 4.436.587 | - 10.080.369 | 22.271.070 | 12.190.700 |

4.12 Provisions and reversal of provisions

| Headings | 30/06/2015 | 30/06/2016 |
|------------------------|------------|------------|
| Provisions | - 995.600 | - 78.647 |
| Reversal of provisions | 808.420 | 16.755 |
| Total | - 187.180 | - 61.892 |

4.13 Tax expense

| Headings | 30/06/2015 | 30/06/2016 |
|--------------------------------------------|---------------------|---------------------|
| Tax on income from continuing operations | - 38.474.858 | - 35.921.324 |
| Deferred taxes | - 665.781 | 6.249.413 |
| Tax on profit/(loss) for the period | - 39.140.639 | - 29.671.911 |

The tax expense was calculated on the basis of the June 30, 2016 figures, on a same-methodology basis.

5 HIERARCHY OF FINANCIAL INSTRUMENTS AT FAIR VALUE

5.1 Methodologies used

The Group uses valuation techniques based on observable and non-observable market data to determine fair value:

- observable data reflect market variations collected from independent sources and representing real transactions (e.g. a three-year swap rate);
- non-observable data reflect estimates and internal assumptions adopted by the Bank relating to market variations (e.g. an estimation of the payment plan of an MBS).

A fair value hierarchy was established according to the type of observable and non-observable data:

- Level 1 fair value: Level 1 inputs are essentially quoted prices in active markets for identical financial instruments. This level includes equity securities and debt instruments listed on stock exchanges, as well as derivatives traded on a regulated market. Financial instruments not listed on a market but that were recently involved in a transaction are also included in Level 1.
- Level 2 fair value: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the financial instruments, either directly or indirectly, i.e. derived from observable prices, such as implied volatilities of a share derived from observable prices of option contracts on this share. This level includes the majority of over-the-counter derivative instruments and structured debt securities issued. These inputs, such as “EURIBOR” yield curves or credit spreads, are initially provided by specialised financial data providers.
- Level 3 fair value: Level 3 inputs are mainly unobservable inputs for the asset or liability on a market. This level includes equity instruments or debt securities for which significant parameters used in the valuation models are based on internal estimations and assumptions.

To determine the fair value hierarchy, the Group reviewed all financial instruments measured at fair value to assess the importance of observable data directly or indirectly on the markets.

Observable market data include:

- credit spread curves based on CDS prices,
- interbank interest rates or swap rate,
- foreign exchange rates,
- stock indices,
- counterparty credit spreads.

5.2 Levels of hierarchy of financial instruments at fair value

Assets and liabilities at fair value:

| Categories as at June 30, 2016 | Level 1 | Level 2 | Level 3 | total |
|-----------------------------------------------------------------------|----------------------|----------------------|--------------------|-----------------------|
| Financial assets | | | | |
| Financial assets held for trading | 205.554 | 227.381.586 | - | 227.587.140 |
| - <i>Debt instruments</i> | 205.554 | - | - | 205.554 |
| - <i>Equity instruments</i> | - | - | - | - |
| - <i>Derivative instruments</i> | - | 227.381.586 | - | 227.381.586 |
| Available-for-sale financial assets | 7.996.886.558 | 3.218.658.984 | 303.042.966 | 11.518.588.510 |
| - <i>Debt instruments</i> | 7.678.497.126 | 2.681.871.487 | 150.748.934 | 10.511.117.547 |
| - <i>Equity instruments</i> | 318.389.432 | 536.787.497 | 152.294.032 | 1.007.470.963 |
| Financial assets designated at fair value through profit or loss | - | 88.044.209 | - | 88.044.209 |
| - <i>Debt instruments</i> | - | 88.044.209 | - | 88.044.209 |
| Hedging derivatives | - | 62.834.573 | - | 62.834.573 |
| TOTAL | 7.997.092.112 | 3.596.919.352 | 303.042.966 | 11.897.054.432 |
| Financial liabilities | | | | |
| Financial liabilities held for trading | 1.299 | 217.511.410 | - | 217.512.709 |
| - <i>Debt instruments</i> | 1.299 | - | - | 1.299 |
| - <i>Derivative instruments</i> | - | 217.511.410 | - | 217.511.410 |
| Financial liabilities designated at fair value through profit or loss | - | 153.449.438 | - | 153.449.438 |
| Hedging derivatives | - | 1.161.279.979 | - | 1.161.279.979 |
| TOTAL | 1.299 | 1.532.240.827 | - | 1.532.242.126 |

| Categories as at June 30, 2015 | Level 1 | Level 2 | Level 3 | total |
|----------------------------------------|----------------------|----------------------|--------------------|-----------------------|
| Financial assets | | | | |
| Financial assets held for trading | 303.521 | 243.535.443 | - | 243.838.964 |
| - <i>Debt instruments</i> | 275.778 | - | - | 275.778 |
| - <i>Equity instruments</i> | 27.743 | - | - | 27.743 |
| - <i>Derivative instruments</i> | - | 243.535.443 | - | 243.535.443 |
| Available-for-sale financial assets | 7.119.781.656 | 3.556.613.485 | 360.311.748 | 11.036.706.889 |
| - <i>Debt instruments</i> | 6.837.595.681 | 2.814.062.975 | 193.238.090 | 9.844.896.746 |
| - <i>Equity instruments</i> | 282.185.975 | 742.550.510 | 167.073.658 | 1.191.810.143 |
| Hedging derivatives | - | 136.383.529 | - | 136.383.529 |
| TOTAL | 7.120.085.177 | 3.936.532.457 | 360.311.748 | 11.416.929.382 |
| Financial liabilities | | | | |
| Financial liabilities held for trading | 811.820 | 263.401.703 | - | 264.213.523 |
| - <i>Debt instruments</i> | 811.820 | - | - | 811.820 |
| - <i>Derivative instruments</i> | - | 263.401.703 | - | 263.401.703 |
| Hedging derivatives | - | 888.495.211 | - | 888.495.211 |
| TOTAL | 811.820 | 1.151.896.914 | - | 1.152.708.734 |

Year to date changes in financial assets' value in the table above are primarily the result of an increase in debt instruments' investments and the decrease of equity instruments' carrying amount during the first half of 2016.

However, a comparison of financial assets' breakdown across the various levels of fair value in first-half 2016 and first-half 2015 reveals no significant change: 67,2% of financial assets are classed as Level 1 (versus 62,4% in 2015), 30,2% as Level 2 (vs. 34,5% in 2015) and 2,6% as Level 3 (vs. 3,2% in 2015).

The Group's parent company used measurement models based on market data to calculate the fair value of Level 2 positions and measurement models based on estimates and market data to calculate the value of Level 3 positions as at June 30, 2016.

Level 3 breakdown:

| | Available-for-sale financial assets | | | Total financial assets | Financial liabilities | | Total financial liabilities |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------|---------------------|------------------------|--------------------------|---------------------|-----------------------------|
| | Debt instruments | Equity instruments | Hedging derivatives | | Debt securities in issue | Hedging derivatives | |
| Total as at January 1, 2016 | 170.634.299 | 134.201.738 | - | 304.836.037 | - | - | - |
| Total gains / losses | 1.118.103 | 18.092.419 | - | 19.210.522 | - | - | - |
| - <i>Income statement</i> | <i>1.545.127</i> | <i>- 953.318</i> | - | <i>591.809</i> | - | - | - |
| - <i>Revaluation reserve</i> | <i>- 427.024</i> | <i>19.045.737</i> | - | <i>18.618.713</i> | - | - | - |
| Purchases | 18.603.550 | - | - | 18.603.550 | - | - | - |
| Issues | - | - | - | - | - | - | - |
| Reimbursements/sales | - 39.607.017 | - 125 | - | - 39.607.142 | - | - | - |
| Transfers from or to Level 3 | - | - | - | - | - | - | - |
| Total as at June 30, 2016 | 150.748.935 | 152.294.032 | - | 303.042.966 | - | - | - |
| Total gains / losses for the period included in the income statement for financial assets and liabilities held as at June 30, 2016 | 1.545.127 | - 953.318 | - | 591.809 | - | - | - |

| | Available-for-sale financial assets | | | Total financial assets | Financial liabilities | | Total financial liabilities |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------|---------------------|------------------------|--------------------------|---------------------|-----------------------------|
| | Debt instruments | Equity instruments | Hedging derivatives | | Debt securities in issue | Hedging derivatives | |
| Total as at January 1, 2015 | 206.544.431 | 140.014.417 | - | 346.558.848 | - | - | - |
| Total gains / losses | 455.573 | - 5.468.728 | - | - 5.013.155 | - | - | - |
| - <i>Income statement</i> | <i>561.258</i> | <i>- 458.491</i> | - | <i>102.767</i> | - | - | - |
| - <i>Revaluation reserve</i> | <i>- 105.686</i> | <i>- 5.010.237</i> | - | <i>- 5.115.923</i> | - | - | - |
| Purchases | 1.486.943 | 30.123.874 | - | 31.610.817 | - | - | - |
| Issues | - | - | - | - | - | - | - |
| Reimbursements/sales | - 30.210.143 | - | - | - 30.210.143 | - | - | - |
| Transfers from or to Level 3 | 14.961.285 | 2.404.095 | - | 17.365.380 | - | - | - |
| Total as at June 30, 2015 | 193.238.089 | 167.073.658 | - | 360.311.747 | - | - | - |
| Total gains / losses for the period included in the income statement for financial assets and liabilities held as at June 30, 2015 | 561.258 | - 458.491 | - | 102.767 | - | - | - |

The total volume of Level 3 financial assets corresponds to 2,6% of total financial assets measured at fair value as at June 30, 2016, compared with 3,2% at June 30, 2015.

Methods used for the Level 3 valuation:

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

Level 3 financial instruments' sensitivity analysis:

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

| Category | Fair value as at 30/06/2016 | Sensitivity to a one-basis-point increase in credit risk |
|------------------|-----------------------------|----------------------------------------------------------|
| Debt instruments | 150.748.935 | -35.105 |

| Category | Fair value as at 31/12/2015 | Sensitivity to a one-basis-point increase in credit risk |
|------------------|-----------------------------|----------------------------------------------------------|
| Debt instruments | 170.634.299 | - 36.404 |

| Category | Fair value as at 30/06/2015 | Sensitivity to a one-basis-point increase in credit risk |
|------------------|-----------------------------|----------------------------------------------------------|
| Debt instruments | 193.238.090 | -41.712 |

6 FINANCIAL INSTRUMENTS' FAIR VALUE ANALYSIS

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

| Categories as at 30/06/2016 | Carrying amount | Fair value | Unrealised valuation |
|-----------------------------------------------------------------------|-----------------------|-----------------------|----------------------|
| Financial assets | | | |
| Cash and sight accounts with central banks | 982.431.740 | 982.431.740 | - |
| Loans and receivables at amortised cost – Credit institutions | 7.071.229.079 | 7.071.856.987 | 627.908 |
| Loans and receivables at amortised cost – Customers | 19.680.070.240 | 22.181.829.449 | 2.501.759.209 |
| <i>of which measured at fair value for hedging purposes</i> | <i>1.769.350.528</i> | <i>1.769.350.528</i> | - |
| Financial instruments held for trading | 227.587.139 | 227.587.139 | - |
| Hedging derivatives | 62.834.574 | 62.834.574 | - |
| Financial assets designated at fair value through profit or loss | 88.044.209 | 88.044.209 | - |
| Available-for-sale securities – Fixed-income securities | 10.511.117.547 | 10.511.117.547 | - |
| Available-for-sale securities – Variable-income securities | 1.007.470.963 | 1.007.470.963 | - |
| Held-to-maturity securities | 4.623.440.660 | 4.827.472.202 | 204.031.542 |
| TOTAL | 44.254.226.151 | 46.960.644.810 | 2.706.418.659 |
| Financial liabilities | | | |
| Deposits at amortised cost – Credit institutions | 4.713.025.498 | 4.713.025.498 | - |
| Deposits at amortised cost – Private customers and public sector | 28.956.629.827 | 29.302.578.571 | 345.948.744 |
| Financial instruments held for trading | 217.512.708 | 217.512.708 | - |
| Hedging derivatives | 1.161.279.979 | 1.161.279.979 | - |
| Financial liabilities designated at fair value through profit or loss | 153.449.438 | 153.449.438 | - |
| Issuance of debt securities | 5.346.154.103 | 5.346.154.103 | - |
| <i>of which measured at fair value for hedging purposes</i> | <i>1.147.130.093</i> | <i>1.147.130.093</i> | - |
| TOTAL | 40.548.051.553 | 40.894.000.297 | 345.948.744 |

| Categories as at 31/12/2015 | Carrying amount | Fair value | Unrealised valuation |
|------------------------------------------------------------------|-----------------------|-----------------------|----------------------|
| Financial assets | | | |
| Cash and sight accounts with central banks | 1.313.328.229 | 1.313.328.229 | - |
| Loans and receivables at amortised cost – Credit institutions | 5.597.608.197 | 5.597.016.193 | - 592.004 |
| Loans and receivables at amortised cost – Customers | 19.224.838.123 | 21.534.677.192 | 2.309.839.069 |
| <i>of which measured at fair value for hedging purposes</i> | <i>2.054.732.187</i> | <i>2.054.732.187</i> | - |
| Financial instruments held for trading | 201.115.555 | 201.115.555 | - |
| Hedging derivatives | 77.502.528 | 77.502.528 | - |
| Available-for-sale securities – Fixed-income securities | 9.998.539.565 | 9.998.539.565 | - |
| Available-for-sale securities – Variable-income securities | 1.005.562.944 | 1.005.562.944 | - |
| Held-to-maturity securities | 4.683.501.426 | 4.858.421.747 | 174.920.321 |
| TOTAL | 42.101.996.567 | 44.586.163.953 | 2.484.167.386 |
| Financial liabilities | | | |
| Deposits at amortised cost – Credit institutions | 4.439.629.040 | 4.439.629.040 | - |
| Deposits at amortised cost – Private customers and public sector | 26.923.488.031 | 27.197.078.625 | 273.590.594 |
| Financial instruments held for trading | 170.332.351 | 170.332.351 | - |
| Hedging derivatives | 892.476.947 | 892.476.947 | - |
| Debt securities in issue | 5.791.365.039 | 5.791.390.508 | 25.469 |
| <i>of which measured at fair value for hedging purposes</i> | <i>1.522.505.195</i> | <i>1.522.505.195</i> | - |
| TOTAL | 38.217.291.408 | 38.490.907.471 | 273.616.063 |

7 SEGMENT REPORTING

In accordance with IFRS 8, segment reporting is presented in line with the Group's organisation by department and its internal reporting system (management approach).

| In euros 30/06/2016 | Retail, Professional, Corporate and Public Sector Banking | Financial Markets and Investment Funds | Other | Reconciliation | Total |
|------------------------|-----------------------------------------------------------------------|----------------------------------------------|--------------|----------------|-------------|
| Banking income | 146.203.562 | 87.543.819 | 82.687.385 | - 772.811 | 315.661.955 |
| Income before tax | 74.720.108 | 73.299.859 | 15.972.647 | - 772.811 | 163.219.802 |
| Income/(loss) | 74.720.108 | 73.299.859 | - 13.699.264 | - 772.811 | 133.547.891 |

| In euros 30/06/2015 | Retail, Professional, Corporate and Public Sector Banking | Financial Markets and Investment Funds | Other | Reconciliation | Total |
|------------------------|-----------------------------------------------------------------------|----------------------------------------------|------------|----------------|-------------|
| Banking income | 154.441.102 | 106.521.066 | 74.484.107 | - 169.521 | 335.276.754 |
| Income before tax | 66.596.195 | 93.110.239 | 40.422.148 | - 169.521 | 199.959.061 |
| Income/(loss) | 66.596.195 | 93.110.239 | 1.281.509 | - 169.521 | 160.818.422 |

The difference between the figures for the different segments and the figures in the consolidated balance sheet results from interest margin.

The main divergence stems from the methodology used for rates of internal transfers.

As at June 30, 2016, the difference in interest margin due to methodology amounted to EUR -0,8 million.



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