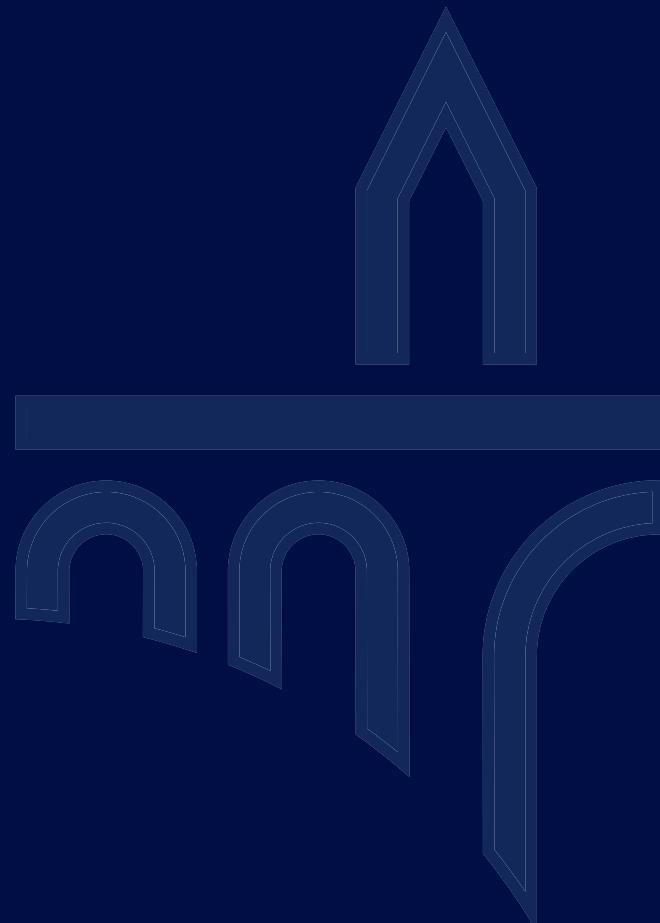


**CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 JUNE 2017**



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

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AS AT 30 JUNE 2017

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**BCEE GROUP MANAGEMENT REPORT BASED ON
THE INTERIM CONDENSED CONSOLIDATED INFORMATION AS AT 30 JUNE 2017**

In Luxembourg, strong economic growth, the rise in stock markets and favourable developments in the area of investment funds benefited the finance sector.

Against this backdrop, the BCEE Group reported net income of EUR 150,2 million, up 12,4% compared with first-half 2016.

Banking income, driven by strong sales momentum in all business lines, recorded an increase of 6,6% compared with first-half 2016 to stand at EUR 317,3 million.

Net interest margin was up 1,5% thanks to growth in the loans to the domestic economy activities and the slight increase in medium- and long-term interest rates versus the previous year.

Income from securities rose by 6,4% due to the higher dividends received for 2016 from parent company's strategic holdings that are not included in the scope of consolidation.

Fee income was up 10,4%, driven by the continued growth in traditional loan activities as well as fees from security transactions.

Income from financial instruments was up 43,3% compared with first-half 2016 to stand at EUR 40,2 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.

Expenses increased by 7,8% in the first half of the year, in line with budget forecasts, reflecting investments in strategic projects, the opening of the "19 Liberté" building, expenses associated with increasing regulation and payroll expenses.

The cost of risk decreased following the resolutions of certain credit files and the related write-back of allowances for impairment during first-half 2017.

Outstanding loans and claims to customers rose by 3,7% compared with 31 December 2016. 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.

Customer deposit volumes increased by 8,7% compared with 31 December 2016.

The Bank began to market the new "Zebra" and "Zebra Premium" banking packages, offering a wide selection of banking products and services adapted to the needs of private customers as well as a specific offer aimed at expatriates in Luxembourg.

Our prestigious new “19 Liberté” banking centre was the site of several conferences organised for private customers and companies, focusing on a variety of current topics.

In electronic banking services, the launch of a new version of S-net with a modern design in line with that of S-net Mobile was a resounding success with our customers.

Mr Romain Wehles joined the Executive Committee on 1 February 2017.

Outlook for second-half 2017

The IMF raised its growth forecasts for the eurozone in July 2017 and these new projections confirm the momentum generated a year ago when the recovery strengthened. However, debt levels remain very high in certain eurozone countries. These countries will have to continue their efforts to implement structural reforms to improve their government debt ratio and restore their financial flexibility.

Growth forecasts for Luxembourg for 2017 have also been raised due to sustained domestic demand and increased financial sector activity. Based on the most recent forecasts, the unemployment rate is expected to continue to fall through the end of the year, due mainly to the implementation of a new programme to combat long-term unemployment.

No significant events occurred after the 30 June 2017 reporting date that could impact the normal course of the BCEE Group's business.

Luxembourg, 30 August 2017

For the Executive Committee

Aly Kohll
Director,
Member of the Executive Committee

Guy Rosseljong
Director,
Member of the Executive Committee

Luxembourg, August 30, 2017

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, 2017 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

Company registration: 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 law of 24 March 1989 (Memorandum A, no. 16 of 28 March 1989)

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

**STATUTORY AUDITOR'S REPORT
30 June 2017**



Report on review of condensed interim consolidated financial information

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

We have reviewed the accompanying condensed interim consolidated financial information of Banque et Caisse d'Epargne de l'Etat, Luxembourg and its subsidiaries (the "Group"), which comprise the statement of financial position as at June 30, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Executive Committee's responsibility for the condensed interim consolidated financial information

The Executive Committee is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Executive Committee determines is necessary to enable the preparation of the condensed interim consolidated financial information that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

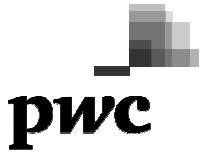
Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity") as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the condensed interim consolidated financial information, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed interim consolidated financial information in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Group, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this condensed interim consolidated financial information..

.....
PricewaterhouseCoopers Société coopérative, 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T: +352 494848 1, F: +352 494848 2900, www.pwc.lu

Approved audit firm. Public accountants (government authorisation no. 10028256)
Company registration: Luxembourg B 65 477 - VAT LU25482518



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers,Société coopérative
Represented by

Luxembourg, August 30, 2017

Julie Batsch

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
30 June 2017**

Condensed consolidated balance sheet as at 30 June 2017

ASSETS	Notes	30/06/2016	31/12/2016	30/06/2017
Cash and sight accounts with central banks	3.1.	982.431.740	2.687.924.387	6.531.617.616
Loans and receivables at amortised cost - Credit institutions	3.2.	7.071.229.079	4.105.231.598	4.274.805.851
Loans and receivables at amortised cost - Customers	3.3.	19.680.070.240	19.815.745.830	20.555.015.422
Financial instruments held for trading	3.4.1	227.587.139	294.544.201	95.629.461
Hedging derivative financial instruments	3.5.	62.834.574	67.895.956	73.435.784
Financial assets designated at fair value through profit or loss	3.6.	88.044.209	262.150.671	432.534.699
Available-for-sale securities – Fixed-income securities	3.4.2	10.511.117.547	9.805.099.257	9.402.766.617
Available-for-sale securities – Variable-income securities	3.4.2	1.007.470.963	1.074.144.424	1.042.455.324
Held-to-maturity securities	3.7.	4.623.440.660	4.572.783.470	4.178.669.301
Investments in associates accounted for using the equity method	3.8.	337.933.199	363.912.298	365.081.337
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	3.11.	126.860.801	80.022.997	42.383.945
Tangible assets for own use	3.12.	294.096.356	298.615.576	287.393.500
Investment property		14.452.522	14.311.053	17.272.004
Intangible assets		13.944.469	16.519.157	15.844.292
Other assets	3.13.	17.177.552	9.724.260	18.160.964
TOTAL ASSETS		45.058.691.050	43.468.625.135	47.333.066.116

LIABILITIES	Notes	30/06/2016	31/12/2016	30/06/2017
Deposits at amortised cost – Credit institutions	3.15.	4.713.025.498	4.741.710.246	5.372.224.198
Deposits at amortised cost – Customers	3.16.	28.956.629.827	28.115.936.115	30.571.520.427
Financial instruments held for trading	3.4.1	217.512.708	156.434.838	409.034.350
Hedging derivative financial instruments	3.5.	1.161.279.979	894.844.009	722.196.613
Financial liabilities designated at fair value through profit or loss	3.17.	153.449.438	148.612.880	144.079.665
Issuance of debt securities	3.18.	5.346.154.103	4.769.621.682	5.368.135.364
Provisions	3.19.	41.570.491	4.883.234	4.512.158
Other liabilities	3.20.	71.206.630	58.188.728	67.904.643
Current taxes	3.14.	67.337.590	58.954.065	64.565.813
Deferred taxes	3.14.	36.139.610	58.327.625	62.622.012
Pension fund	3.21.	309.282.039	229.496.232	194.028.050
Sub-total of LIABILITIES (before equity capital) to be carried forward		41.073.587.913	39.237.009.654	42.980.823.293

Condensed consolidated balance sheet as at 30 June 2017 (continued)

EQUITY	30/06/2016	31/12/2016	30/06/2017
Sub-total of LIABILITIES (before equity capital) carried forward	41.073.587.913	39.237.009.654	42.980.823.293
Share capital	173.525.467	173.525.467	173.525.467
Revaluation reserve	576.876.111	661.775.701	652.065.070
• Available-for-sale assets	578.815.064	661.880.411	652.899.167
Consolidated reserves	3.099.622.142	3.133.980.137	3.374.743.289
° Equity method adjustment	277.412.855	278.196.348	297.562.289
Income for the year/period	133.547.891	259.792.789	150.165.824
Sub-total of equity attributable to the equity holder of the parent company	3.983.571.611	4.229.074.094	4.350.499.650
Minority interests	1.531.526	2.541.387	1.743.173
Total equity	3.985.103.137	4.231.615.481	4.352.242.823
TOTAL LIABILITIES, including EQUITY	45.058.691.050	43.468.625.135	47.333.066.116

Condensed consolidated income statement as at 30 June 2017

in euros	Notes	30/06/2016	30/06/2017
Interest income	4.1.	178.421.308	181.094.596
Income from variable-income securities	4.2.	43.979.519	46.795.076
Fee and commission income	4.3.	65.216.938	71.984.752
INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSIONS		287.617.765	299.874.424
Income from financial instruments not recognised at fair value through profit or loss	4.4.	12.248.095	23.581.890
Income from financial instruments held for trading	4.5.	11.904.486	4.488.417
Income from financial instruments designated at fair value through profit or loss	4.6.	-1.902.986	4.475.240
Income from hedging transactions	4.7.	267.147	2.229.487
Exchange gains or losses		5.527.448	5.418.362
Other operating income	4.8.	7.053.391	11.033.468
Other operating expenditure	4.8.	-25.164.471	-33.840.004
BANKING INCOME		297.550.875	317.261.284
Personnel expenses	4.9.	-99.826.227	-105.829.350
Other general and administrative expenses	4.10.	-37.619.845	-40.577.964
Depreciation allowances for tangible and intangible assets		-13.368.434	-16.209.976
INCOME AFTER GENERAL EXPENSES		146.736.369	154.643.994
Net allowances for impairment of individual and collective credit risks	4.11.	12.190.700	6.441.311
Provisions	4.12.	-61.892	371.074
Share in the profit of equity-accounted associates		5.343.336	11.868.505
INCOME BEFORE TAXES AND NON-CURRENT ASSETS		164.208.513	173.324.884
Profit from non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations		4.707	508.885
Tax on income from continuing operations	4.13.	-35.921.324	-35.643.826
Deferred taxes	4.13.	6.249.413	13.059.956
INCOME FOR THE PERIOD		134.541.309	151.249.899
<i>OF WHICH INCOME FOR THE PERIOD ATTRIBUTABLE TO</i>			
<i>- MINORITY INTERESTS</i>		<i>993.418</i>	<i>1.084.075</i>
<i>- EQUITY HOLDERS OF THE PARENT</i>		<i>133.547.891</i>	<i>150.165.824</i>

Condensed consolidated statement of comprehensive income as at 30 June 2017

in euros	30/06/2016	30/06/2017
INCOME FOR THE PERIOD	134.541.309	151.249.899
Items not reclassified in net income subsequently	-60.762.741	12.467.028
Actuarial gains/(losses) on the defined-benefit pension scheme	-128.548.003	37.966.262
Contribution of equity-accounted associates	30.223.536	-12.122.374
Impact of deferred taxes	37.561.726	-13.376.860
Items to be reclassified in net income subsequently	-183.978.507	-9.710.631
Available-for-sale assets	-187.248.144	-4.749.433
° Variation in measurement results	-175.039.395	18.720.259
° Net reclassification to the income statement of realised net gains	-12.208.749	-23.469.692
Cash flow hedges	-2.929.262	-983.715
Impact of deferred taxes	6.198.899	-3.977.483
Total items of comprehensive income for the period - net of tax	-244.741.248	2.756.397
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-110.199.939	154.006.296
<i>share attributable to</i>		
- <i>minority interests:</i>	993.418	1.084.075
- <i>equity holders of the parent company:</i>	-111.193.357	152.922.221

Condensed statement of changes in consolidated equity as at 30 June 2017

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity holders of the parent	Minority interests	Total equity
As at 1 January 2017	173.525.467	3.133.980.137	661.775.701	259.792.789	4.229.074.094	2.541.387	4.231.615.481
Appropriation of 2016 income	-	259.792.789	-	-259.792.789	-	-	-
First-half 2017 net income	-	-	-	150.165.824	150.165.824	1.084.075	151.249.899
Distribution for FY 2016	-	-40.000.000	-	-	-40.000.000	-	-40.000.000
Actuarial gains/(losses) on pension fund	-	24.589.402	-	-	24.589.402	-	24.589.402
Net measurement results of available-for-sale financial instruments	-	-	-8.981.244	-	-8.981.244	-	-8.981.244
Net measurement results of cash flow hedges	-	-	-729.387	-	-729.387	-	-729.387
Other	-	-3.619.039	-	-	-3.619.039	-1.882.289	-5.501.328
As at 30 June 2017	173.525.467	3.374.743.289	652.065.070	150.165.824	4.350.499.650	1.743.173	4.352.242.823

in euros	Share capital	Consolidated reserves	Revaluation reserve	Net income	Total equity holders of the parent	Minority interests	Total equity
As at 1 January 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 30 June 2016	173.525.467	3.099.622.142	576.876.111	133.547.891	3.983.571.611	1.531.526	3.985.103.137

Condensed consolidated statement of cash flows as at 30 June 2017

in euros	30/06/2016	30/06/2017
Cash and cash equivalents		
Cash and sight accounts with central banks	981.056.260	6.533.485.177
Loans and receivables at amortised cost – Credit institutions	4.126.353.504	1.364.355.915
Loans and receivables at amortised cost – Customers	2.261.361.429	1.855.322.155
Financial instruments held for trading	-	-
Held-to-maturity securities	-	-
Total	7.368.771.193	9.753.163.247

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	30/06/2016	30/06/2017
Interest received	429.398.525	444.231.579
Interest paid	-225.891.908	-254.501.018
Income from variable-income securities	43.979.519	46.795.076
Fees and commissions received	87.826.554	93.736.717
Fees and commissions paid	-22.609.616	-21.751.965
Other operating income	7.053.391	11.032.550
Other operating expenditure	-24.375.018	-33.329.936
Current taxes	-35.921.324	-35.643.826
Other general and administrative expenses	-130.966.243	-139.422.081
Sub-total	128.493.880	111.147.096

- Cash flow from changes in operating assets:

Net changes in euros	30/06/2016	30/06/2017
Financial instruments held for trading	822.438	198.731
Available-for-sale securities – Fixed-income securities	-426.540.188	318.394.124
Available-for-sale securities – Variable-income securities	-6.542.624	5.939.792
Financial assets designated at fair value through profit or loss	-85.611.587	-170.284.323
Loans and advances at amortised cost – Credit institutions	195.182.257	4.078.159
Loans and advances at amortised cost – Customers	-43.278.264	-582.449.601
Hedging derivative financial instruments	765.602	473.567
Other assets	-11.102.779	-12.120.555
Sub-total	-376.305.145	-435.770.107

- Cash flow from changes in operating liabilities:

Net change	30/06/2016	30/06/2017
Financial instruments held for trading	3.653.883	-613.598
Financial liabilities designated at fair value through profit or loss	148.367.957	-142.288
Deposits at amortised cost – Credit institutions	255.075.397	632.423.858
Deposits at amortised cost – Customers	2.017.622.904	2.446.525.855
Hedging derivative financial instruments	31.547.177	25.527.171
Other liabilities	43.538.778	11.042.641
Issuance of debt securities	-424.390.522	601.681.745
Sub-total	2.075.415.574	3.716.445.384
Cash flow from operating activities	1.827.604.310	3.391.822.373

Cash flow from investment activities

in euros	30/06/2016	30/06/2017
Acquisition of available-for-sale securities – Variable-income securities	-171.099.333	-1.100.000
Disposals of available-for-sale securities – Variable-income securities	12.147.629	22.745.408
Acquisition of held-to-maturity securities	-627.134.189	-617.501.910
Acquisition/redemption of held-to-maturity securities	657.659.256	1.006.956.997
Acquisitions/disposals of intangible and tangible assets	-14.106.156	-6.770.677
Cash flow from investment activities	-142.532.793	404.329.818

Cash flow from financing activities

in euros	30/06/2016	30/06/2017
Proceeds from subordinated liabilities	-25.000.000	-
Income distribution	-	-
Cash flow from financing activities	-25.000.000	-
Net change	1.660.071.516	3.796.152.191

The profit distribution for financial year 2016 was made to the Luxembourg state on 3 July 2017.

Change in cash and cash equivalents

	2016	2017
Position as at 1 January	5.672.599.757	5.558.882.703
Net change in cash	1.660.071.516	3.796.152.191
Effect of exchange rates on cash and cash equivalents	36.099.920	398.128.354
Position as at 30 June	7.368.771.193	9.753.163.248

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
30 June 2017**

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 30 August 2017, the Executive Committee of the Group's parent company authorised the publication of the interim condensed consolidated financial information as at 30 June 2017.

The Group had an average headcount as at 30 June 2017 of 1.834 (1.818 as at 31 December 2016).

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 30 June 2017 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 31 December 2016, which were prepared under IFRS, as adopted by the European Union.

- a) New or revised standards adopted by the Group:

The Group is not aware of any new standards to be applied in financial years beginning on or after 1 January 2017.

- b) New and revised standards and interpretations relevant for the Group's parent company, which are not yet compulsory:

- IFRS 15 and amendments: Revenue from Contracts with Customers,
- IFRS 9: Financial Instruments.

IFRS 9, which was adopted by the European Parliament on 22 November 2016, introduces new requirements for classifying and measuring financial instruments, defines new concepts for the impairment of financial instruments at origination and amends the hedge accounting regulations.

The Group's parent company provides the following overview of the status of its analytical and implementation work ahead of effective application of IFRS 9 in financial years beginning on or after 1 January 2018:

Phase 1: Classification and measurement

For the purposes of this phase, the Group's parent company reviewed all its portfolios of financial asset instruments so they could be grouped together based on a business-model assessment and subjected to the "solely payment of principal and interest" (SPPI) test. Implementation is underway and the first transfers of positions that did not pass the SPPI test were made in the second quarter. Many of the positions currently measured at fair value

through the revaluation reserve satisfy the conditions of the SPPI test and will therefore be eligible for measurement at amortised cost. The parent company's business models meet the conditions of the general "hold to collect" business model. There are currently no plans to use the "hold to collect and sell" model.

For positions in financial assets held as shares, measured under IAS 39 at fair value through the revaluation reserve with realised gains or losses reclassified through profit or loss, the Group's parent company has opted to continue to use this measurement method under IFRS 9, which, in the future, will no longer allow realised gains or losses to be reclassified through profit or loss. One exception is UCITS financial instruments that do not meet the criteria for equity instruments as defined in IAS 32 Financial Instruments: Presentation, which requires the Group's parent company to subject them to the SPPI test. These financial instruments, whose policy is to invest primarily in equity instruments, are not subject to pass the test and will therefore be classified as debt instruments measured at fair value through profit or loss.

The real impact on the Group of the transposition of changes in classification and measurement under IFRS 9 will depend primarily on the financial instruments held on the effective date for implementation of IFRS 9. Monitoring and analysis will therefore continue throughout the second half of 2017.

Phase 2: Impairment

IFRS 9 requires that an impairment model be applied to all positions measured at amortised cost or at fair value through the revaluation reserve in equity and to credit and guarantee commitments recognised as off-balance sheet items, excluding equity instruments.

Implementation of IFRS 9 involves a shift from the current incurred loss-based impairment model as required under IAS 39 to a forward-looking expected credit loss-based model, which comprises three levels.

The Group's parent company's business model requires that all positions and commitments to which IFRS 9 applies be allocated initially to Level 1 impairment.

Where the credit risk is stable or has varied only minimally since the origination or acquisition of the contract, the Group's parent company applies an impairment model based on the probability of default within the next 12 months.

Where the credit risk has increased significantly since the origination or acquisition of the contract, the Group's parent company applies an impairment model based on the probability of default measured over the entire remaining life of the contract with determination of the resulting expected credit loss at maturity. The contract then migrates from Level 1 impairment to Level 2 impairment, which represents an increased credit risk, or to Level 3 impairment, in the event of default.

The Group's parent company has defined the procedures for migrating positions and commitments between the three levels of impairment provided for in IFRS 9. These procedures consider, among others, changes in the internal rating of the counterparty as well as the status of each credit commitment itself. This status may be as follows:

- “performing”: a commitment that is in compliance with its repayment schedule;
- “past due”: a commitment on which payment is more than 30 days past due, with application of certain materiality thresholds;
- “non performing”: a commitment for which certain qualitative criteria used in the loan application have deteriorated or on which payment is more than 90 days past due, with application of certain materiality thresholds (caps);
- “in forbearance”: a restructured commitment or a commitment that has been deferred due to the customer's financial difficulties;
- “default”: a commitment with a high unlikelihood to pay based on changes in the customer's financial position or on which payments are more than 90 days past due, with application of certain materiality thresholds (floors). This definition is consistent with Article 178 of the CRR (EU regulation 575/2013).

“Performing” commitments are classified as Level 1 impairment.

“Past due”, “non performing” and “in forbearance” commitments and those where the internal rating of the counterparty has deteriorated significantly are migrated to Level 2 impairment.

Commitments in default are migrated to Level 3 impairment.

The Bank expects a significant increase in credit impairments for impairment levels 1 and 2, determined in accordance with the expected loss model based on the following three key inputs:

- Probability of default (PD), which takes into account macroeconomic forecasts based on three probabilistic scenarios for trends in economic conditions;
- Loss given default (LGD), which takes into account the realisation of guarantees and collateral;
- Exposure at default (EAD), which includes outstanding balance sheet amounts and undrawn credit facilities.

Phase 3: Hedge accounting

Application of this phase of IFRS 9 relates to the principles of hedge accounting. However, implementation is not compulsory in financial years beginning on or after 1 January 2018. The standard-setter is allowing entities to continue to apply the relevant principles of IAS 39 until the macro-hedging project is completed. The Group's parent company has not yet made a final decision. No matter what it decides, the Group's parent company will make the disclosure changes required under IFRS 9 and included in IFRS 7 Financial Instruments: Disclosure Initiative.

- c) 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:
 - Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions,
 - IFRS 16: Leases,
 - Improvements to IFRS, 2014-2016 cycle, which are a series of amendments to the existing standards,
 - Amendment to IAS 7: Disclosure Initiative,
 - Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses,
 - Amendment to IAS 40: Transfers of Investment Property,
 - IFRIC 22: Foreign Currency Transactions and Advance Consideration,
 - IFRIC 23: Uncertainty over Income Tax Treatments.

2.2 Accounting principles and rules

The accounting principles are the same as those applied to the consolidated financial statements as at 31 December 2016 and described therein.

2.2.1 Scope of consolidation

2.2.1.1 Fully consolidated subsidiaries

The scope of fully consolidated subsidiaries remained unchanged from 31 December 2016.

Subsidiaries included in the scope of consolidation:

Name	% of voting rights held	
	31/12/2016	30/06/2017
Lux-Fund Advisory S.A.	88,58	88,69
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

The scope of investments in associates has changed since 31 December 2016. Following the internal restructuring of La Luxembourgeoise group, the shares held by the group's parent company in La Luxembourgeoise S.A. and La Luxembourgeoise Vie S.A. were contributed in kind to LALUX Group S.A. while maintaining the share of capital held.

The Group's investments in associates:

Associates	% of capital held	
	31/12/2016	30/06/2017
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
LALUX Group S.A.	-	40,00
La Luxembourgeoise S.A.	40,00	-
La Luxembourgeoise-Vie S.A.	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:

Currency	30/06/2016	31/12/2016	30/06/2017
CHF	1,0872	1,0747	1,0931
GBP	0,8287	0,8578	0,8787
JPY	114,4700	123,2500	127,7300
SEK	9,4340	9,5720	9,6386
USD	1,1136	1,0547	1,1403

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

3.1 Cash and sight accounts with central banks

Cash consists of cash, cash balances with central banks and other sight deposits with credit institutions. The minimum reserve requirement with the Banque centrale du Luxembourg is entered under “Deposits with central banks”. 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	30/06/2016	31/12/2016	30/06/2017
Cash	57.055.827	65.263.697	64.414.041
Deposits with central banks	409.533.160	2.444.190.562	6.086.814.850
Other sight deposits	515.842.754	178.470.127	380.388.725
Total	982.431.740	2.687.924.387	6.531.617.616

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 Loans and receivables at amortised cost – Credit institutions

Headings	30/06/2016	31/12/2016	30/06/2017
Interbank loans	3.338.962.067	2.739.646.926	2.606.483.079
Reverse repurchase/Repurchase agreements	3.182.436.374	887.762.601	1.195.344.281
Roll-over loans	50.820.710	52.298.755	49.474.746
Finance leases	793.492	663.599	462.683
Fixed-income securities	466.395.211	414.487.544	378.293.802
Other	31.821.225	10.372.173	44.747.260
Sub-total	7.071.229.079	4.105.231.598	4.274.805.851
Undrawn confirmed loans	1.225.270.287	133.073.006	1.035.839.729
Impairment of financial assets	-	-	-

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 30 June 2017.

The Group does not include in this category of loans and receivables impaired loans or outstanding loans that are defined as restructured loans according to the European Banking Authority (EBA).

3.3 Loans and receivables at amortised cost – Customers

Headings	30/06/2016	31/12/2016	30/06/2017
Retail customers	12.529.070.152	12.869.500.525	13.304.551.328
Corporate customers	4.674.174.226	4.862.537.972	5.330.524.386
Public sector	2.476.825.862	2.083.707.332	1.919.939.708
Sub-total	19.680.070.240	19.815.745.830	20.555.015.422
Undrawn confirmed loans	4.599.478.099	4.443.842.905	5.223.436.292
Impairment of financial assets	-84.959.742	-99.947.678	-97.422.010

Of which finance leases:

Headings	30/06/2016	31/12/2016	30/06/2017
Finance leases	106.879.746	106.734.007	115.171.845
Total	106.879.746	106.734.007	115.171.845

Impairment of loans and receivables:

	Retail	Corporate	Total
Position as at 1 January 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
Write-off (*)	-	-	-
Exchange gain or loss	-	-100.697	-100.697
Position as at 30 June 2016	34.791.148	50.168.594	84.959.741
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
Position as at 1 July 2016	34.791.148	50.168.594	84.959.741
Additions	-	22.700.092	22.700.092
Reversals	-2.946.930	-1.713.784	-4.660.714
Write-off (*)	-227.588	-2.275.323	-2.502.911
Exchange gain or loss	-	-548.529	-548.529
Position as at 31 December 2016	31.616.628	68.331.050	99.947.678
Impairment of assets - individual risk	18.013.531	68.331.050	86.344.581
Impairment of assets - collective risk	13.603.097	-	13.603.097
Total	31.616.628	68.331.050	99.947.678
Position as at 1 January 2017	31.616.628	68.331.050	99.947.678
Additions	5.029.520	3.660.475	8.689.995
Reversals	-2.337.919	-8.877.744	-11.215.664
Write-off (*)	-	-	-
Exchange gain or loss	-	-	-
Position as at 30 June 2017	34.308.229	63.113.781	97.422.010
Impairment of assets - individual risk	18.735.435	63.113.781	81.849.216
Impairment of assets - collective risk	15.572.794	-	15.572.794
Total	34.308.229	63.113.781	97.422.010

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

Outstanding amounts of impaired loans: EUR 260.904.922 as at 30 June 2017 compared with EUR 262.049.637 as at 31 December 2016 and EUR 193.654.140 as at 30 June 2016.

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 below restructured “forbearance” loans by type of customer. Financial restructurings follow the EBA's definition and are characterised by a deterioration in the customer's position due to its financial difficulties and the fact that financing conditions are granted to the customer that go beyond the concessions the Group would have been willing to accept for a customer under normal circumstances. Included in these new financing conditions are an extension of the final maturity by more than six months or a partial or total deferment of payment.

as at 30/06/2017	Unimpaired restructured loans	Impaired restructured loans			Total restructured loans
		Carrying amount	Impairment	Total	
Retail customers	22.113.797	14.463.132	2.899.832	11.563.300	33.677.097
Corporate customers	104.675.944	121.996.803	34.102.744	87.894.059	192.570.003
Total	126.789.741	136.459.935	37.002.575	99.457.359	226.247.100

as at 31/12/2016	Unimpaired restructured loans	Impaired restructured loans			Total restructured loans
		Carrying amount	Impairment	Total	
Retail customers	33.725.865	13.073.834	1.953.561	11.120.273	44.846.138
Corporate customers	102.620.861	95.606.685	36.583.649	59.023.036	161.643.898
Total	136.346.727	108.680.519	38.537.210	70.143.309	206.490.036

as at 30/06/2016	Unimpaired restructured loans	Impaired restructured loans			Total restructured loans
		Carrying amount	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

3.4 Financial instruments

3.4.1 Assets and liabilities held for trading

Assets	30/06/2016	31/12/2016	30/06/2017
Non-derivative financial instruments	205.554	749.011	2.557.788
Derivative financial instruments (note 3.5.)	227.381.586	293.795.190	93.071.673
Total	227.587.139	294.544.201	95.629.461
Liabilities	30/06/2016	31/12/2016	30/06/2017
Non-derivative financial instruments	1.299	388.083	99.100
Derivative financial instruments (note 3.5.)	217.511.410	156.046.755	408.935.250
Total	217.512.708	156.434.838	409.034.350
Assets - Non-derivative financial instruments	30/06/2016	31/12/2016	30/06/2017
Debt instruments	205.554	749.011	2.557.788
<i>Public sector</i>	-	-	233.939
<i>Credit institutions</i>	113.186	160.607	-
<i>Corporate customers</i>	92.368	588.405	2.323.849
Equity instruments	-	-	-
Total	205.554	749.011	2.557.788
Unrealised profit/loss at the reporting date	5.547	7.436	8.271
Liabilities - Non-derivative financial instruments	30/06/2016	31/12/2016	30/06/2017
Short sales	1.299	388.083	99.100
<i>Bonds</i>	-	388.083	99.100
<i>Shares</i>	1.299	-	-
Total	1.299	388.083	99.100

3.4.2 Available-for-sale financial assets

Headings	30/06/2016	31/12/2016	30/06/2017
Debt instruments	10.511.117.547	9.805.099.257	9.402.766.616
Public sector	2.698.295.554	2.265.555.229	2.181.826.336
Credit institutions	5.474.610.490	5.002.746.252	4.668.559.639
Corporate customers	2.338.211.503	2.536.797.776	2.552.380.641
Equity instruments	1.007.470.963	1.074.144.424	1.042.455.324
Credit institutions	4.269.122	3.487.377	4.260.048
Corporate customers	1.002.492.299	1.069.758.547	1.038.195.276
Other	709.542	898.500	-
Total	11.518.588.510	10.879.243.680	10.445.221.940
Impairment of financial assets	-47.495.620	-43.713.804	-38.596.748
Unrealised profit/loss at the reporting date	1.000.308.102	969.009.764	891.508.730

Impairment of available-for-sale financial assets:

	Corporate		Credit Institutions	Total
	ABS/MBS	Other		
Position as at 1 January 2016	33.578.106	15.701.922	11.200.000	60.480.026
Additions		4	-	4
Reversals	-1.651.510	-	2.013	-581.861
Write-off of receivables*	-	-	-	-9.868.139
Exchange gain or loss	-763.250	-	-117.637	-
Position as at 30 June 2016	31.163.346	15.582.276	750.000	47.495.620
Position as at 1 July 2016	31.163.346	15.582.276	750.000	47.495.620
Additions	-	5	-	5
Reversals	-3.611.380	-	-	-750.000
Write-off of receivables*	-	-	-	-
Exchange gain or loss	253.593	-	325.966	-
Position as at 31 December 2016	27.805.559	15.908.247	-	43.713.804
Position as at 1 January 2017	27.805.559	15.908.247	-	43.713.804
Additions	-	4	-	4
Reversals	-915.647	-	-3.000.000	-
Write-off of receivables*	-	-	-	-3.915.647
Exchange gain or loss	-738.780	-	-462.636	-
Position as at 30 June 2017	26.151.133	12.445.616	-	38.596.748

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

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

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

- **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 derivative financial instruments (asset swaps). The Group applies fair value hedge accounting to these transactions. The prospective and retrospective efficiencies are close to 100%.

30/06/2017	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	66.623.550	220.466.790	-220.466.790	100,00%
Variable-rate bonds	11.660.342			
31/12/2016	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	52.750.909	293.218.390	-293.218.390	100,00%
Variable-rate bonds	6.664.132			
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			

- **Equity instruments**

Headings	30/06/2016	31/12/2016	30/06/2017
Equity instruments	1.007.470.963	1.074.144.424	1.042.455.324
Total	1.007.470.963	1.074.144.424	1.042.455.324
Impairment of financial assets	-10.832.285	-11.158.250	-10.695.614
Unrealised profit/loss at the reporting date	557.039.314	616.376.333	592.758.047

BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG
 Notes to the interim condensed consolidated financial information
 as at 30 June 2017

3.5 Derivatives

Categories as at 30/06/2017	Assets	Liabilities	Notional
Derivative financial instruments held for trading	93.071.673	408.935.250	16.086.893.220
Operations linked to exchange rates	55.688.823	337.484.820	14.530.975.989
- <i>Foreign exchange swaps and forward exchange contracts</i>	54.672.757	337.484.691	14.334.510.533
- <i>CCIS economic hedge (FVO)</i>	687.377	-	3.763.000
- <i>other</i>	328.689	129	192.702.456
Operations linked to interest rates	37.067.635	71.135.216	1.530.729.523
- <i>IRS</i>	34.099.295	47.180.293	829.381.343
- <i>IRS economic hedge (FVO)</i>	1.631.083	22.296.243	560.598.500
- <i>other</i>	1.337.257	1.658.680	140.749.680
Operations linked to equity	315.215	315.215	25.187.708
- <i>Equity and index options</i>	315.215	315.215	25.187.708
Fair value hedges (micro)	38.188.933	618.835.689	8.622.297.488
Operations linked to exchange rates	18.247.600	126.154.869	1.422.875.961
- <i>CCIS</i>	18.247.600	126.154.869	1.422.875.961
Operations linked to interest rates	18.116.506	449.210.566	6.194.692.450
- <i>IRS (interest rate)</i>	18.116.506	449.210.566	6.194.692.450
Operations linked to other indices	1.824.827	43.470.254	1.004.729.077
- <i>IRS (other indices)</i>	1.824.827	43.470.254	1.004.729.077
Fair value hedges (macro)	18.862.219	91.567.595	1.348.298.371
Operations linked to interest rates	18.862.219	91.567.595	1.348.298.371
- <i>IRS (interest rate)</i>	18.862.219	91.567.595	1.348.298.371
Cash flow hedges	16.384.632	11.793.329	567.649.312
Operations linked to exchange rates	11.512.267	11.793.329	530.649.312
- <i>CCIS</i>	11.512.267	11.793.329	530.649.312
Operations linked to interest rates	4.872.365	-	37.000.000
- <i>IRS</i>	4.872.365	-	37.000.000
Categories as at 31/12/2016	Assets	Liabilities	Notional
Derivative financial instruments held for trading	293.795.190	156.046.755	15.456.350.456
Operations linked to exchange rates	240.877.112	73.222.832	13.498.790.756
- <i>Foreign exchange swaps and forward exchange contracts</i>	240.126.534	73.013.627	13.292.261.196
- <i>CCIS economic hedge (FVO)</i>	743.144	-	3.763.000
- <i>other</i>	7.434	209.204	202.766.559
Operations linked to interest rates	49.838.662	79.744.508	1.801.183.947
- <i>IRS</i>	47.565.808	61.793.370	1.245.011.854
- <i>IRS economic hedge (FVO)</i>	654.722	16.010.539	390.407.000
- <i>other</i>	1.618.133	1.940.600	165.765.093
Operations linked to equity	3.079.415	3.079.415	156.375.753
- <i>Equity and index options</i>	3.079.415	3.079.415	156.375.753
Fair value hedges (micro)	50.612.290	762.595.111	8.872.933.993
Operations linked to exchange rates	37.766.679	181.160.462	1.498.702.420
- <i>CCIS</i>	37.766.679	181.160.462	1.498.702.420
Operations linked to interest rates	10.473.198	533.520.886	6.325.921.922
- <i>IRS (interest rate)</i>	10.473.198	533.520.886	6.325.921.922
Operations linked to other indices	2.372.413	47.913.762	1.048.309.651
- <i>IRS (other indices)</i>	2.372.413	47.913.762	1.048.309.651
Fair value hedges (macro)	7.027.110	116.582.787	1.127.307.347
Operations linked to interest rates	7.027.110	116.582.787	1.127.307.347
- <i>IRS (interest rate)</i>	7.027.110	116.582.787	1.127.307.347
Cash flow hedges	10.256.556	15.666.111	493.003.125
Operations linked to exchange rates	4.432.589	15.666.111	453.403.125
- <i>CCIS</i>	4.432.589	15.666.111	453.403.125
Operations linked to interest rates	5.823.967	-	39.600.000
- <i>IRS</i>	5.823.967	-	39.600.000

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Categories as at 30/06/2016	Assets	Liabilities	Notional
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
- <i>Foreign exchange swaps and forward exchange contracts</i>	153.111.039	121.495.613	15.961.485.682
- <i>CCIS economic hedge (FVO)</i>	1.269.862	-	3.763.000
- <i>other</i>	14.159	14.159	192.083.621
Operations linked to interest rates	70.408.060	93.421.209	2.059.244.455
- <i>IRS</i>	62.831.105	87.192.677	1.632.979.093
- <i>IRS economic hedge (FVO)</i>	5.671.667	3.995.459	225.535.000
- <i>other</i>	1.905.288	2.233.074	200.730.362
Operations linked to equity	2.578.465	2.580.428	3.205.713.666
- <i>Equity and index options</i>	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
- <i>CCIS</i>	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
- <i>IRS (interest rate)</i>	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
- <i>IRS (other indices)</i>	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
- <i>IRS (interest rate)</i>	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
- <i>CCIS</i>	7.071.795	13.071.369	439.797.378
Operations linked to interest rates	6.934.947	-	42.200.000
- <i>IRS</i>	6.934.947	-	42.200.000

3.6 Financial assets designated at fair value through profit or loss

Headings	30/06/2016	31/12/2016	30/06/2017
Debt instruments			
Credit institutions	88.044.209	174.490.246	253.508.498
Corporate customers	-	87.660.425	179.026.201
Total	88.044.209	262.150.671	432.534.699
<i>Unrealised profit/loss at the reporting date</i>	2.403.893	689.762	584.780

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

3.7 Securities held to maturity

Headings	30/06/2016	31/12/2016	30/06/2017
Debt instruments			
Public sector	939.225.842	777.935.349	731.508.068
Credit institutions	2.785.206.294	2.831.912.342	2.643.648.893
Corporate customers	899.008.524	962.935.780	803.512.340
Total	4.623.440.660	4.572.783.470	4.178.669.301
Impairment of financial assets	-	-	-

3.8 Investments in associates accounted for using the equity method

	30/06/2016	31/12/2016	30/06/2017
Acquisition value as at 1 January	54.227.635	54.227.635	54.227.635
Establishment	-	-	4
Disposals	-	-	-
Total (as acquisition value)	54.227.635	54.227.635	54.227.639

List of associates:

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 30/06/2017
Société Nationale de Circulation Automobile S.à r. l.	20,00	24.789	6.434.477
Luxair S.A.	21,81	14.830.609	93.810.504
Société de la Bourse de Luxembourg S.A.	22,75	128.678	23.737.471
Europay Luxembourg S.C.	25,40	96.280	4.932.289
FS-B S.à.r.l.	28,70	3.003.694	3.319.911
FS-T S.à.r.l.	28,70	1.104.793	1.027.290
Visalux S.C.	36,26	412.509	9.673.171
Lalux Group S.A.	40,00	28.904.385	220.506.677
BioTechCube (BTC) Luxembourg S.A.	50,00	5.000.000	750.975
Sub-total direct holdings in associates	53.505.739	364.192.767	
EFA Partners S.A.	29,05	551.900	653.224
Pecoma International S.A.	33,33	170.000	235.346
Sous-total participations indirectes	721.900	888.570	
Total	54.227.639	365.081.337	

Associates	Fraction of capital held (%)	Acquisition value	Equity-accounted value 31/12/2016
Société Nationale de Circulation Automobile S.à r. l.	20,00	24.789	7.212.095
Luxair S.A.	21,81	14.830.609	98.195.329
Société de la Bourse de Luxembourg S.A.	22,75	128.678	23.771.577
Europay Luxembourg S.C.	25,40	96.279	3.342.696
FS-B S.à r.l.	28,70	3.003.694	3.686.819
FS-T S.à r.l.	28,70	1.104.793	1.083.292
Visalux S.C.	36,26	412.506	8.706.031
La Luxembourgeoise S.A.	40,00	16.856.760	128.413.431
La Luxembourgeoise-Vie S.A.	40,00	12.047.625	87.962.975
BioTechCube (BTC) Luxembourg S.A.	50,00	5.000.000	752.205
Sub-total direct holdings in associates	53.505.735	363.126.451	
EFA Partners S.A.	29,05	551.900	598.236
Pecoma International S.A.	33,33	170.000	187.610
Sub-total indirect holdings in associates	721.900	785.846	
Total	54.227.635	363.912.297	

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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
EFA Partners S.A.	29,05	551.900	599.422
Pecoma International S.A.	33,33	170.000	197.056
Sub-total indirect holdings in associates	721.900		796.478
Total		54.227.635	337.933.199

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	30/06/2017			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
Direct interests	13.235.832	-	-12.169.521	1.066.311
Société Nationale de Circulation Automobile S.à r. l.	269.815	-	-1.047.433	-777.618
Luxair S.A.	-2.414.463	-	-1.970.362	-4.384.825
Société de la Bourse de Luxembourg S.A.	1.624.745	-	-1.658.851	-34.106
Europay Luxembourg S.C.	1.106.876	-	482.716	1.589.592
FS-B S.à.r.l.	34.878	-	-401.786	-366.908
FS-T S.à.r.l.	10.006	-	-66.008	-56.002
Visalux S.C.	-195.334	-	1.162.471	967.137
Lalux Group S.A.	12.804.556	-	-8.674.285	4.130.271
BioTechCube (BTC) Luxembourg S.A.	-5.247	-	4.017	-1.230
Indirect interests	55.577	-	47.147	102.724
EFA Partners S.A.	45.962	-	9.026	54.988
Pecoma International S.A.	9.615	-	38.121	47.736
Total	13.291.409	-	-12.122.374	1.169.035

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Associates	31/12/2016			
	Net income from continuing operations	Net income after tax from discontinued operations	Other items of comprehensive income	Total comprehensive income
Direct interests	31.509.578	-	7.573.221	39.082.799
Société Nationale de Circulation Automobile S.à r. l.	111.502	-	142.566	254.068
Luxair S.A.	433.284	-	8.849.345	9.282.629
Société de la Bourse de Luxembourg S.A.	2.965.194	-	-1.583.258	1.381.936
Europay Luxembourg S.C.	132.738	-	2.817.401	2.950.139
FS-B S.à.r.l.	70.725	-	-	70.725
FS-T S.à.r.l.	18.766	-	-	18.766
Visalux S.C.	8.391.645	-	-140.547	8.251.098
La Luxembourgeoise S.A.	13.214.457	-	-2.529.316	10.685.141
La Luxembourgeoise-Vie S.A.	6.180.531	-	17.030	6.197.561
BioTechCube (BTC) Luxembourg S.A.	-9.264	-	-	-9.264
Indirect interests	-21.263	-	-	-21.263
EFA Partners S.A.	-2.371	-	-	-2.371
Pecoma International S.A.	-18.892	-	-	-18.892
Total	31.488.315	-	7.573.221	39.061.536

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	6.303.340	-	30.244.799	36.548.139
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	-10.631	-	-21.263	-31.894
EFA Partners S.A.	-1.185	-	-2.371	-3.556
Pecoma International S.A.	-9.446	-	-18.892	-28.338
Total	6.292.709	-	30.223.536	36.516.245

3.9 Securities collateralised

Securities collateralised in the framework of repurchase agreements, including contracts offset against reverse repurchase agreements

Headings	30/06/2016	31/12/2016	30/06/2017
Debt instruments issued by the public sector	221.302.451	382.035.302	1.418.291.938
Debt instruments issued by credit institutions	53.431.383	4.522.630	419.693.192
Debt instruments issued - others	-	1.897.074	-
Equity instruments	-	-	-
Total	274.733.834	388.455.006	1.837.985.130

Debt instruments issued are primarily available-for-sale and held-to-maturity assets. The increase in debt instruments can be attributed to the use of bilateral netting agreements for repurchase agreements and reverse repurchase agreements in the first half of 2017.

Securities lent and other collateral

Headings	30/06/2016	31/12/2016	30/06/2017
Securities lending			
Debt instruments issued by the public sector	174.529.192	275.591.249	465.202.362
Debt instruments issued by credit institutions	-	153.128.809	159.651.738
Debt instruments issued - others	-	37.545.163	110.155.500
Other collateral			
Debt instruments issued by the public sector	36.232.800	11.220.393	-
Total	210.761.992	477.485.614	735.009.600

The increase observed in debt instruments stems from greater use of securities lending.

3.10 Convertible bonds included in the different portfolios

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

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

Headings	30/06/2016	31/12/2016	30/06/2017
Assets: Change in fair value of a portfolio of financial instruments hedged against interest rate risk	126.860.801	80.022.997	42.383.945
Total	126.860.801	80.022.997	42.383.945

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 portfolio of fixed-rate loans hedged by IRS derivative financial instruments.

The significant change in this item between 2016 and 2017 is due primarily to the impact of the change in the interest-rate curves used to determine fair value.

3.12 Tangible assets for own use

Headings	30/06/2016	31/12/2016	30/06/2017
Tangible assets for own use	294.096.356	298.615.576	287.393.500
Total	294.096.356	298.615.576	287.393.500

3.13 Other assets

Headings	30/06/2016	31/12/2016	30/06/2017
Operational outstandings	12.626.898	5.743.579	11.789.919
Preferential or secured debtors	3.336.288	3.536.490	4.673.425
Other	1.214.367	444.191	1.697.620
Total	17.177.553	9.724.260	18.160.964

“Operational outstandings” includes settlement accounts for transactions in financial instruments as well as other accrued income.

The figures as at 30 June 2016 have been restated for comparison purposes.

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 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 30 June 2017, the Group posted a deferred tax asset of EUR 88.770.018, and a deferred tax liability of EUR 151.392.030.

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.

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Headings	01/01/2017	Movements in equity	Movements in income statement	30/06/2017
Deferred tax assets	104.323.210	-15.553.192	-	88.770.018
Deferred tax liabilities	-162.650.834	-1.801.152	13.059.956	-151.392.030
Net deferred tax assets/liabilities	-58.327.624	-17.354.344	13.059.956	-62.622.012
Headings	01/07/2016	Movements in equity	Movements in income statement	31/12/2016
Deferred tax assets	137.908.707	-33.585.497	-	104.323.210
Deferred tax liabilities	-174.048.318	-1.101.291	12.498.774	-162.650.834
Net deferred tax assets/liabilities	-36.139.611	-34.686.788	12.498.774	-58.327.624
Headings	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

3.14.1 Tax assets

Headings	30/06/2016	31/12/2016	30/06/2017
Deferred taxes	137.908.707	104.323.210	88.770.018
Tax assets	137.908.707	104.323.210	88.770.018

Breakdown of deferred tax assets according to origin:

Headings	30/06/2016	31/12/2016	30/06/2017
Derivative instruments - application of fair value	2.825.528	1.614.763	1.559.473
Debt instruments - application of fair value	13.756.395	6.718.311	3.370.200
Equity instruments - application of fair value	1.989.761	1.971.568	2.704.103
Pension funds - actuarial gain or loss	119.337.023	94.018.568	81.136.242
Deferred tax assets	137.908.707	104.323.210	88.770.018

3.14.2 Tax liabilities

Headings	30/06/2016	31/12/2016	30/06/2017
Current tax	67.337.590	58.954.065	64.565.813
<i>Income tax</i>	<i>42.045.576</i>	<i>35.472.913</i>	<i>39.901.476</i>
<i>Municipal business tax</i>	<i>25.270.614</i>	<i>23.459.752</i>	<i>24.642.937</i>
<i>Wealth tax</i>	<i>21.400</i>	<i>21.400</i>	<i>21.400</i>
Deferred taxes	174.048.317	162.650.834	151.392.030
Tax liabilities	241.385.907	221.604.899	215.957.843

Breakdown of deferred tax liabilities according to origin:

Headings	30/06/2016	31/12/2016	30/06/2017
Derivative instruments - application of fair value	2.025.073	1.575.878	1.266.260
Debt instruments - application of fair value	21.212.441	22.807.904	23.731.839
Equity instruments - application of fair value	2.801.575	4.319.620	5.011.922
Pension funds - fair value gain/loss	6.955.701	5.392.679	5.887.213
Regulatory and other provisions	141.053.527	128.554.753	115.494.796
Deferred tax liabilities	174.048.317	162.650.834	151.392.030

3.15 Deposits at amortised cost – Credit institutions

Headings	30/06/2016	31/12/2016	30/06/2017
Inter-bank deposits	4.469.787.878	4.721.469.279	5.123.400.360
Repurchase agreements	243.237.620	20.240.967	248.823.838
Total	4.713.025.498	4.741.710.246	5.372.224.198

3.16 Deposits at amortised cost – Private customers and public sector

Headings	30/06/2016	31/12/2016	30/06/2017
Private sector	23.148.004.695	23.024.388.020	24.620.489.084
- Demand deposit and notice accounts	7.001.826.711	7.090.126.964	7.972.973.623
- Time deposit accounts	4.510.948.649	3.935.988.764	3.917.941.821
- Savings	11.606.134.080	11.998.272.293	12.474.224.285
- Repurchase agreements	29.095.255	-	255.349.355
Public sector	5.808.625.132	5.091.548.095	5.951.031.343
Total	28.956.629.827	28.115.936.115	30.571.520.427

3.17 Financial liabilities designated at fair value through profit or loss

Headings	30/06/2016	31/12/2016	30/06/2017
Unsubordinated notes	153.449.438	148.612.880	144.079.665
Total	153.449.438	148.612.880	144.079.665
<i>Unrealised profit/loss at the reporting date</i>	<i>4.306.879</i>	<i>1.679.451</i>	<i>-6.259.674</i>

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

3.18 Issuance of debt securities

Headings	30/06/2016	31/12/2016	30/06/2017
Cash certificates	323.500.943	237.680.296	197.341.682
Commercial paper	3.875.523.068	4.041.253.629	4.707.503.507
Medium Term Notes and other securities issued	1.147.130.093	490.687.756	463.290.175
Total	5.346.154.103	4.769.621.682	5.368.135.364
<i>of which:</i>			
- <i>subordinated notes</i>	101.753.823	101.479.685	101.224.882

The Bank did not issue any Euro Medium-Term Notes (EMTNs) in the first half of 2017, as against new issues of EUR 166.120.000 in the first half of the previous year.

New issues in	First-half 2016	First-half 2017
maturing in < 2 years	-	-
maturing in 2 - 5 years	25.000.000	-
maturing in > 5 years	141.120.000	-
Total	166.120.000	-

of which:

- *Structured notes (at issue value)*

Securities issued which have come to maturity and have been reimbursed prior to maturity in first-half 2016 and first-half 2017:

	First-half 2016	First-half 2017
Maturities/repayments	517.934.473	16.287.181
Total	517.934.473	16.287.181
<i>of which:</i>		
- <i>Subordinated notes (at issue value)</i>	25.000.000	-
- <i>Structured notes (at issue value)</i>	153.783.252	16.242.181

In first-half 2017, the Group bought back EUR 60.000 of its own issues, whereas it made no such buybacks in first-half 2016.

3.19 Provisions

Movements:

Position as at 1 January 2016	47.215.958
Additions	78.647
Reversals	-16.755
Application	-5.707.359
Position as at 30 June 2016	41.570.490
Position as at 1 July 2016	41.570.490
Additions	23.119
Reversals	-11.287.158
Application	-25.423.218
Position as at 31 December 2016	4.883.234
Position as at 1 January 2017	4.883.234
Additions	18.967
Reversals	-390.042
Application	-
Position as at 30 June 2017	4.512.159

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

3.20 Other liabilities

Headings	30/06/2016	31/12/2016	30/06/2017
Operational outstandings	46.467.940	28.982.559	45.937.148
Preferential or secured creditors	13.264.772	26.042.764	10.352.397
Other	11.473.917	3.163.405	11.615.098
Total	71.206.629	58.188.728	67.904.643

“Operational outstandings” includes settlement accounts for transactions in financial instruments as well as other accrued expenses.

The figures as at 30 June 2016 have been restated for comparison purposes.

3.21 Pension funds - Defined-benefit pension plan

Main estimates used to determine pension commitments:

Variables	30/06/2016	31/12/2016	30/06/2017
Discount rate for active employees	1,20%	1,65%	1,90%
Discount rate for beneficiaries	0,80%	1,20%	1,40%
Salary increases (including indexation)	3,25%	3,25%	3,25%
Pension increases (including indexation)	2,25%	2,25%	2,25%
Induced yield	1,98%	1,40%	1,40%

Under IAS 19 revised, the induced yield for 2017 corresponds to the weighted-average discount rate at end-2016.

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

Components	30/06/2016	31/12/2016	30/06/2017
Current service cost	4.709.006	9.418.011	5.382.861
Interest cost	5.525.806	11.051.611	4.478.520
Induced yield	-3.754.982	-7.509.964	-2.876.148
Total	6.479.829	12.959.658	6.985.233

Pension commitments:

	30/06/2016	31/12/2016	30/06/2017
Commitments at the beginning of the period	559.157.615	694.982.249	641.426.257
Current service cost	4.709.006	4.709.006	5.382.861
Interest cost	5.525.806	5.525.806	4.478.520
Benefits paid or payable	-9.300.784	-2.570.312	-2.670.862
Actuarial gains or losses	134.890.607	-61.220.490	-35.245.721
Commitments on the last day of the month	694.982.249	641.426.257	613.371.055

The reason for the significant decrease in benefits paid or payable relative to 30 June 2016 is that civil servants' pensions for 2016 have not yet been repaid to the Luxembourg State.

Pension plan assets:

	30/06/2016	31/12/2016	30/06/2017
Position at the beginning of the period	379.967.554	385.700.210	411.930.026
Pension payments	-9.300.784	-2.570.312	-2.670.862
Contribution	4.935.855	28.935.854	4.487.153
Induced yield	3.754.982	3.754.982	2.876.148
Fair value gain / loss	6.342.603	-3.890.707	2.720.541
Total	385.700.210	411.930.026	419.343.006

The reason for the significant decrease in pension payments relative to 30 June 2016 is that civil servants' pensions for 2016 have not yet been repaid to the Luxembourg State.

Net pension commitments under IAS 19:

	30/06/2016	31/12/2016	30/06/2017
Pension commitments	694.982.249	641.426.257	613.371.055
Plan assets measured at fair value	-385.700.210	-411.930.026	-419.343.006
Unfunded liabilities/overfunding	309.282.038	229.496.231	194.028.049

The decrease in the unfunded liability stems from an increase in the discount rates compared with 31 December 2016.

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, 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	30/06/2016	31/12/2016	30/06/2017
ASSETS (mainly loans at amortised cost)	3.721.951.508	3.304.634.344	3.163.428.535
<hr/>			
in euros	30/06/2016	31/12/2016	30/06/2017
LIABILITIES (deposits at amortised cost)	4.217.639.795	4.129.756.087	5.020.552.110

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:

	30/06/2016	31/12/2016	30/06/2017
Board of Directors (nine members)	58.650	357.000	186.000
Executive Committee (four members at 30/06/2016 and 31/12/2016; five members at 30/06/2017)	416.772	867.143	506.593
Total	475.422	1.224.143	692.593

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:

	30/06/2016	31/12/2016	30/06/2017
Board of Directors (nine members)	2.593.868	2.530.234	2.474.240
Executive Committee (four members at 30/06/2016 and 31/12/2016; five members at 30/06/2017)	539.317	472.512	429.444
Total	3.133.185	3.002.746	2.903.684

3.23 Off-balance sheet items

Type of guarantees issued:

Headings	30/06/2016	31/12/2016	30/06/2017
Completion bonds	349.781.252	367.502.011	365.943.321
Letters of credit	53.879.310	56.906.464	105.252.344
Counter-guarantees	378.350.178	362.821.031	355.451.425
Documentary credits	13.331.681	-	-
Other	5.198.509	25.762.576	26.853.791
Total	800.540.930	812.992.082	853.500.880

As from 31 December 2016, the Group has reclassified documentary credits from "Type of guarantees issued" to the "Other" subheading under "Commitments", to comply with the requirements of the reporting methods defined by the EBA.

Commitments:

Headings	30/06/2016	31/12/2016	30/06/2017
Amounts subscribed and unpaid on securities, equity interests and shares in affiliated companies	9.493.882	6.640.000	6.640.000
Undrawn confirmed loans	5.824.748.386	4.576.915.911	6.259.276.021
<i>Financing</i>	<i>2.424.472.032</i>	<i>1.878.365.528</i>	<i>2.781.886.864</i>
<i>Current accounts</i>	<i>1.872.227.152</i>	<i>2.250.906.966</i>	<i>2.002.689.281</i>
<i>Money-market contracts</i>	<i>1.101.056.303</i>	-	<i>1.018.461.694</i>
<i>Other</i>	<i>426.992.899</i>	<i>447.643.417</i>	<i>456.238.181</i>
Other	50.848.538	13.344.619	13.326.256
Total	5.885.090.806	4.596.900.530	6.279.242.277

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	30/06/2016	30/06/2017
Assets repayable on demand	43.754	-
Financial assets held for trading	48.275.113	87.927.014
Financial assets designated at fair value through profit or loss	93.816	3.364.226
Available-for-sale financial assets	106.280.330	84.541.169
Receivables at amortised cost	190.799.548	195.578.742
Investments held to maturity at amortised cost	33.520.826	25.307.861
Derivatives - Hedge accounting, interest rate risk	53.320.369	44.949.708
Other assets	2.881.438	7.064.732
Total	435.215.194	448.733.452
Interest paid and similar expenses	30/06/2016	30/06/2017
Financial liabilities held for trading	-13.992.176	-19.126.185
Financial liabilities designated at fair value through profit or loss	-833.493	-3.062.010
Liabilities at amortised cost - Deposits	-38.172.758	-51.951.944
Liabilities at amortised cost - Debt certificates	-17.464.276	-30.760.932
Liabilities at amortised cost - Subordinated loans	-252.787	-70.249
Derivatives - Hedge accounting, interest rate risk	-178.694.473	-155.594.067
Other liabilities	-7.383.923	-7.073.469
Total	-256.793.886	-267.638.856
Interest income	178.421.308	181.094.596
Total interest received and similar income not recognised at fair value through the income statement	333.619.712	315.856.730
Total interest paid and similar expenses not recognised at fair value through the income statement	-64.107.237	-92.918.604

Net interest income increased by 1,5% to EUR 181,1 million as at 30 June 2017 compared with EUR 178,4 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	30/06/2016	30/06/2017
Available-for-sale financial assets	43.979.519	46.795.076
Income from variable-income securities	43.979.519	46.795.076

4.3 Fee and commission income

Headings	30/06/2016	30/06/2017
Loan activities	20.232.371	24.108.194
Asset management	19.092.161	18.698.705
Investment fund activities	25.106.098	27.074.492
Demand deposit accounts and related activities	14.952.239	16.545.672
Insurance premiums	1.911.969	2.391.171
Other (*)	6.531.716	4.918.483
Total commissions received	87.826.554	93.736.717
Loan activities	-968.047	-1.211.753
Asset management	-9.260.311	-8.622.775
Investment fund activities	-5.522.722	-5.882.240
Demand deposit accounts and related activities	-3.770.316	-3.828.285
Other (*)	-3.088.220	-2.206.912
Total commissions paid	-22.609.616	-21.751.965
Total commissions	65.216.938	71.984.752

(*) mostly fees on derivative financial instruments

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

Headings	30/06/2016	30/06/2017
Available-for-sale financial instruments	12.208.749	23.469.692
Loans and advances (at amortised cost)	39.346	112.198
Financial liabilities at amortised cost	-	-
Total	12.248.095	23.581.890

4.5 Income from financial instruments held for trading

Headings	30/06/2016	30/06/2017
Equity instruments and related derivatives	2.235.757	1.611.205
Foreign exchange instruments and related derivatives	871.601	150.012
Interest rate instruments and related derivatives	8.794.825	2.727.200
Commodities and related derivatives	2.303	-
Total	11.904.486	4.488.417

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

Headings	30/06/2016	30/06/2017
Assets designated at fair value	2.403.893	-104.983
Liabilities designated at fair value	-4.306.879	4.580.223
Total	-1.902.986	4.475.240

4.7 Net income from hedging transactions

Headings	30/06/2016	30/06/2017
Fair value hedge		
Debt instruments (assets) hedged by derivatives	296.718	-49.796
Debt issues hedged by derivatives	20.660	-1.233
Loans hedged by derivatives	-50.231	2.280.516
Total	267.147	2.229.487
Value adjustment on hedged instruments		
Value adjustment on hedging instruments	-174.031.408	-138.135.006
Total	-173.764.261	140.364.493

Market risk hedging operations are highly efficient.

4.8 Other net operating income

Headings	30/06/2016	30/06/2017
Other operating income	7.053.391	11.033.468
Other operating expenditure	-25.164.471	-33.840.004
Other net operating income	-18.111.080	-22.806.536

“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;
- contributions 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	30/06/2016	30/06/2017
Compensation	82.007.136	87.239.691
Social security charges	4.188.604	3.820.923
Pensions and similar expenses	5.285.695	5.637.790
Pension fund expense	6.479.829	6.985.233
Other personnel expenses	1.864.963	2.145.713
Total	99.826.227	105.829.350

4.10 Other general and administrative expenses

Headings	30/06/2016	30/06/2017
Expenses related to property and furniture	10.598.755	11.939.455
Rents and maintenance of software	8.316.607	9.054.828
Operating expenditure related to the banking business	12.252.095	13.909.809
Other	6.452.388	5.673.872
Total	37.619.845	40.577.964

4.11 Allowances for impairment of individual and collective credit risks

	30/06/2016			30/06/2017		
	Additions	Reversals	Total	Additions	Reversals	Total
Available-for-sale securities	-4	2.235.382	2.235.378	-4	3.915.647	3.915.643
Loans and advances	-10.080.365	20.035.688	9.955.323	-8.689.995	11.215.663	2.525.668
<i>of which individual impairment</i>	<i>-7.837.991</i>	<i>20.022.558</i>	<i>12.184.567</i>	<i>-6.703.428</i>	<i>11.198.794</i>	<i>4.495.366</i>
<i>of which collective impairment</i>	<i>-2.242.373</i>	<i>13.130</i>	<i>-2.229.243</i>	<i>-1.986.567</i>	<i>16.869</i>	<i>-1.969.698</i>
Total	-10.080.369	22.271.070	12.190.700	-8.689.999	15.131.310	6.441.311

4.12 Provisions and reversal of provisions

Headings	30/06/2016	30/06/2017
Provisions	-78.647	-18.967
Reversal of provisions	16.755	390.042
Total	-61.892	371.075

4.13 Tax expense

Headings	30/06/2016	30/06/2017
Tax on income from continuing operations	-35.921.324	-35.643.826
Deferred taxes	6.249.413	13.059.956
Tax on profit/(loss) for the period	-29.671.911	-22.583.870

The tax expense was calculated on the basis of the 30 June 2017 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 derivative financial instruments 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 financial 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 30 June 2017	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading	2.557.788	93.071.673	-	95.629.461
- Debt instruments	2.557.788	-	-	2.557.788
- Equity instruments	-	-	-	-
- Derivative financial instruments	-	93.071.673	-	93.071.673
Available-for-sale financial assets	6.372.922.452	3.678.029.394	394.270.095	10.445.221.941
- Debt instruments	6.188.454.683	3.112.144.038	102.167.895	9.402.766.617
- Equity instruments	184.467.768	565.885.356	292.102.200	1.042.455.324
Financial assets designated at fair value through profit or loss	-	432.534.699	-	432.534.699
- Debt instruments	-	432.534.699	-	432.534.699
Hedging derivative financial instruments	-	73.435.784	-	73.435.784
TOTAL	6.375.480.240	4.277.071.549	394.270.095	11.046.821.884
Financial liabilities				
Financial instruments held for trading	99.100	-	-	99.100
Derivative financial instruments held for trading	-	408.935.250	-	408.935.250
Financial liabilities designated at fair value through profit or loss	-	144.079.665	-	144.079.665
Hedging derivative financial instruments	-	722.196.613	-	722.196.613
TOTAL	99.100	1.275.211.528	-	1.275.310.628

Categories as at 30 June 2016	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading	205.554	227.381.586	-	227.587.140
- Debt instruments	205.554	-	-	205.554
- Equity instruments	-	-	-	-
- Derivative financial instruments	-	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
- Debt instruments	7.678.497.126	2.681.871.487	150.748.934	10.511.117.547
- Equity instruments	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
- Debt instruments	-	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 instruments held for trading	1.299	-	-	1.299
Derivative financial instruments held for trading	-	217.511.410	-	217.511.410
Financial liabilities designated at fair value through profit or loss	-	153.449.438	-	153.449.438
Hedging derivative financial instruments	-	1.161.279.979	-	1.161.279.979
TOTAL	1.299	1.532.240.827	-	1.532.242.126

The changes in value of the financial assets in the table above from one year to the next are primarily the result of the decrease in investments in debt instruments for Level 1, an increase in the carrying amount of equity instruments for Level 3, and an increase in financial assets designated at fair value through profit or loss for Level 2, in the first half of 2017.

A comparison of the breakdown of financial assets across the various levels of fair value in first-half 2017 and first-half 2016 reveals no significant change: 57,7% of financial assets are classed as Level 1 (versus 67,2% in 2016), 38,7% as Level 2 (vs. 30,2% in 2016) and 3,6% as Level 3 (vs. 2,6% in 2016).

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 30 June 2017.

Level 3 breakdown:

	Available-for-sale financial assets		Hedging derivative financial asset instruments	Total financial assets	Financial liabilities		Total financial liabilities
	Debt instruments	Equity instruments			Debt securities in issue	Hedging derivative financial instruments	
Total as at 1 January 2017	109.801.099	164.738.391	-	274.539.490	-	-	-
Total gains / losses	4.517.591	3.008.455	-	7.526.046	-	-	-
- Income statement	4.571.968	-3.286.522	-	1.285.446	-	-	-
- Revaluation reserve	-54.376	6.294.977	-	6.240.600	-	-	-
Purchases	7.401.049	2.108.649	-	9.509.698	-	-	-
Reimbursements/sales	-19.551.844	-462.636	-	-20.014.480	-	-	-
Transfers from Level 1 to Level 3	-	-	-	-	-	-	-
Transfers from Level 2 to Level 3	-	122.709.341	-	122.709.341	-	-	-
Transfers from Level 3	-	-	-	-	-	-	-
Total as at 30 June 2017	102.167.895	292.102.200	-	394.270.095	-	-	-
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2017	4.571.968	-3.286.522		1.285.446			
	Available-for-sale financial assets		Hedging derivative financial asset instruments	Total financial assets	Financial liabilities		Total financial liabilities
	Debt instruments	Equity instruments			Debt securities in issue	Hedging derivative financial instruments	
Total as at 1 January 2016	170.634.299	134.201.738	-	304.836.037	-	-	-
Total gains / losses	1.118.103	18.092.419	-	19.210.522	-	-	-
- Income statement	1.545.127	-953.318	-	591.809	-	-	-
- Revaluation reserve	-427.024	19.045.737	-	18.618.713	-	-	-
Purchases	18.603.550	-	-	18.603.550	-	-	-
Reimbursements/sales	-39.607.017	-125	-	-39.607.142	-	-	-
Transfers from Level 1 to Level 3	-	-	-	-	-	-	-
Transfers from Level 2 to Level 3	-	-	-	-	-	-	-
Transfers from Level 3	-	-	-	-	-	-	-
Total as at 30 June 2017	150.748.935	152.294.032	-	303.042.967	-	-	-
Total gains/losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2016	1.545.127	-953.318	-	591.809			

The total volume of Level 3 financial assets corresponds to 3,6% of total financial assets measured at fair value as at 30 June 2017, compared with 2,6% as at 30 June 2016. The increase in Level 3 as at 30 June 2017 stems mainly from an unlisted holding in the energy sector, which was transferred from Level 2.

Methods used for the Level 3 valuation:

Category	Method
- Debt instruments	For securitisations, the fair value measurement is based on an estimate of future flows 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 Bank applies an impairment to the position in question.

Sensitivity analysis of Level 3 financial instruments:

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 30/06/2017	Sensitivity to a one- basis-point increase in credit risk
Debt instruments	102.167.895	-28.710
<hr/>		
Category	Fair value as at 31/12/2016	Sensitivity to a one- basis-point increase in credit risk
Debt instruments	109.801.099	-28.306
<hr/>		
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

6 ANALYSIS OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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 30/06/2017	Carrying amount	Fair value	Unrealised valuation
Financial assets			
Cash and sight accounts with central banks	6.531.617.616	6.531.617.616	-
Loans and receivables at amortised cost – Credit institutions	4.274.805.851	4.277.311.025	2.505.174
Loans and receivables at amortised cost – Customers	20.555.015.422	22.876.110.523	2.321.095.101
<i>of which measured at fair value for hedging purposes</i>	1.512.336.552	1.512.336.552	-
Financial instruments held for trading	95.629.461	95.629.461	-
Hedging derivative financial instruments	73.435.784	73.435.784	-
Financial assets designated at fair value through profit or loss	432.534.699	432.534.699	-
Available-for-sale securities – Fixed-income securities	9.402.766.617	9.402.766.617	-
Available-for-sale securities – Variable-income securities	1.042.455.324	1.042.455.324	-
Held-to-maturity securities	4.178.669.301	4.311.849.918	133.180.617
Investments in associates accounted for using the equity method	365.081.337	365.081.337	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	42.383.945	42.383.945	-
TOTAL	46.994.395.357	49.451.176.249	2.456.780.892
Financial liabilities			
Deposits at amortised cost – Credit institutions	5.372.224.198	5.372.224.198	-
Deposits at amortised cost – Customers	30.571.520.427	30.942.682.929	371.162.502
Financial instruments held for trading	409.034.350	409.034.350	-
Hedging derivative financial instruments	722.196.613	722.196.613	-
Financial liabilities designated at fair value through profit or loss	144.079.665	144.079.665	-
Debt securities in issue	5.368.135.364	5.372.752.766	4.617.402
<i>of which measured at fair value for hedging purposes</i>	463.290.175	463.290.175	-
TOTAL	42.587.190.617	42.962.970.521	375.779.904
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>	1.769.350.528	1.769.350.528	-
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
Investments in associates accounted for using the equity method	337.933.199	337.933.199	-
Change in fair value of a portfolio of financial instruments hedged against interest rate risk	126.860.801	126.860.801	-
TOTAL	44.719.020.151	47.425.438.810	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>	1.147.130.093	1.147.130.093	-
TOTAL	40.548.051.553	40.894.000.297	345.948.744

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 30/06/2017	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Investment Funds	Other	Reconciliation	Total
Banking income	151.548.504	100.294.546	85.755.276	2.469.494	340.067.820
Income before tax	65.709.189	84.793.787	19.777.223	2.469.494	172.749.694
Income/(loss)	65.709.189	84.793.787	-2.806.647	2.469.494	150.165.824

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	163.219.803
Income/(loss)	74.720.108	73.299.859	-13.699.264	-772.811	133.547.892

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 30 June 2017, the difference in interest margin due to methodology was EUR 2,5 million.



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