

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION
AS AT 30 JUNE 2014**



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

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MANAGEMENT REPORT FOR BCEE GROUP BASED ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

In the eurozone, the slow economic recovery and uncertain outlooks led the European Central Bank to drop its key rates during June and announce a series of measures aimed at boosting credit, growth and inflation, which is considered to be too low compared with the objective of 2%. In Luxembourg, the improvement in the economic climate that began in 2013 has continued during the first half of 2014.

On the financial front, BCEE Group posted net income of €169.5 million as at 30 June 2014, up 16.1% compared with the first half of 2013.

Banking income dropped 2.9% compared with the first half of 2013 to reach €320.9 million, with the different categories of revenue seeing mixed results.

Interest income was down 2.5% as a result of the continued cuts of interest rates on the money market, penalising investment opportunities as well as the Bank's opportunities for transformation of maturities.

Income from securities dropped 11.9% compared with the previous year. Excluding an exceptional dividend received in the first half of 2013 arising from an investment held by the parent company, income from securities advanced 8.2%.

Income from fees rose 3.2%.

Income from financial instruments increased from €36.0 million as at 30 June 2013 to €35.2 million as at 30 June 2014. More volatile by nature, this revenue item includes income from securities and derivatives trading, the disposal of available-for-sale financial assets, fair value hedging transactions and forex transactions.

The rigorous budget management policy curbed the increase in general expenses to 2.0%, at the same time as allowing continued investment in strategic projects and expenditure linked to increasing regulatory requirements.

The improvement in the economic climate enabled the Group parent company to reverse impairments on individual credit risks.

The sum of BCEE Group's balance sheet is up 5.8% over that of 31 December 2013. This increase can be attributed to the activity of the Group parent company in the area of debt securities issuance. At the request of a specific institutional client base, the Group parent company issued commercial paper with a maturity of less than one year.

The volume of client deposits is down 3.0% compared with 31 December 2013. This change can be explained by the fact that deposits held by the public sector increased temporarily at the end of 2013, as well as by a reduction in deposits held by individuals in the wake of the transition to the system of automatic exchange of information on financial assets between European countries.

Outstanding loans and advances to customers increased 5.2% compared with 31 December 2013. This advance is due, among other factors, to the progress made in housing loans taken out by individual clients.

Under shareholders' equity, the revaluation reserve amounts to €886.1 million as at 30 June 2014, up €228.7 million or 34.8% compared with 30 June 2013. This is the result of the continued advance of the stock markets after the statement in July 2012 by the Chairman of the European Central Bank (ECB) that the bank was prepared to do everything necessary to ensure the sustainability of the euro, and the actions that followed this announcement. Total shareholders' equity rose from €3,552.6 million as at 30 June 2013 to €3,983.2 million as at 30 June 2014, representing an increase of 12.1% and demonstrating the Group's growing financial strength.

Since January 1, 2014, the parent company has been subject to the new European directive on capital requirements (the CRR, or Capital Requirements Regulation), and now complies with solvency and liquidity ratios that are stricter than provided for by the directive.

As part of the single supervisory mechanism established by the European Central Bank, effective from November of this year, the parent company is currently undergoing an asset quality review and a stress test, aiming to determine its ability to stand up to a crisis scenario developed by the European Systemic Risk Board (ESRB). The Group parent company remains confident with respect to the expected outcome of this review.

The Common Equity Tier 1 solvency ratio (CET1) amounts to 18.7% as at 30 June 2014 according to a calculation based on the acquisition value of investments, subject to clarification of EU directive no. 575/2013 on this point by the European Banking Authority (EBA), compared with 16.6% as at 31 December 2013 under the Basel II regulation; this is testament to the continued reinforcement of BCEE Group's shareholders' equity and its exceptionally good solvency levels. The reduction in the total solvency ratio from 24.8% in December 2013 to 19.6% as at 30 June 2014 can be attributed to methodological changes provided for in the CRR.

On the commercial front, the BCEE Group parent company has extended its range of service offerings with the "Fit4Future" savings account; this account builds a start-up capital sum for young people to use in the future, offering a higher level of remuneration compared with a traditional savings account. In addition, the bank launched the new "axcess 30" savings account, designed especially for clients aged between 18 and 30.

The range of products targeted at businesses was also extended with the addition of a 35-day notice account.

The development of the concept of "Personal Reserves", which combines credit and savings in a single account, allows clients to access funds at any time in the event of unforeseen expenses.

Outlook for the second half of 2014

Economic forecasts for the second half-year are lacking in optimism after the publication of stagnating growth indicators in the second quarter for the major economies in the eurozone (Germany, France and Italy). Most observers expect only modest growth in Europe based on domestic demand, accompanied by low inflation and a stabilising employment market. Uncertainties around the realisation of these growth forecasts are chiefly due to tensions and blockades linked to the crisis in Ukraine and other geopolitical crises.

In Luxembourg, growth forecasts for 2014 are slightly better thanks to an increase in exports and a gradual return of confidence on the financial markets.

No significant events occurred after the close on 30 June 2014 that might affect the normal course of BCEE Group's business.

Luxembourg, August 28, 2014

For the Executive Committee

Michel Birel
Deputy Chief Executive
Officer

Jean-Claude Finck
Chief Executive
Officer

Luxembourg, 28th August 2014

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 30 June 2014 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

Michel Birel
Deputy Chief Executive Officer

Jean-Claude Finck
Chief Executive Officer



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

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

Luxembourg Trade and Companies Register (R.C.S.) No. B 30775

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

Condensed consolidated interim financial statements as at 30 June 2014

SYNOPSIS

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

STATUTORY AUDITOR'S REPORT
30 June 2014



Report on the Condensed Consolidated Interim Financial Statements

To the Executive Committee of the
Banque et Caisse d'Épargne de l'État, Luxembourg

Introduction

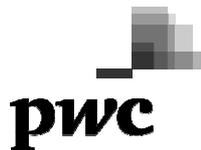
We have reviewed the condensed consolidated balance sheet of the Banque et Caisse d'Épargne de l'État, Luxembourg and its subsidiaries (the "Group") as at 30 June 2014, as well as the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flow for the six-month period ending on that date, as well as the appendix containing a summary of the principal accounting methods and other explanatory notes. The Executive Committee is responsible for the preparation and fair presentation of these interim financial statements in accordance with the International Financial Reporting Standards relating to Interim Financial Statements as adopted by the European Union ("IAS 34"). It is our responsibility to issue a report on these condensed consolidated interim financial statements based on our review.

Scope of the review

We have conducted our review in accordance with the international standard relating to review engagements, ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted by the Institute of Statutory Auditors. A review of the interim financial statements consists in obtaining the required information, primarily from persons responsible for financial and accounting matters, and applying analytical and other appropriate review procedures. A review is substantially less in scope than an audit conducted in accordance with international audit standards and consequently does not enable us to obtain assurance that we have identified all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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*Approved audit firm. Public accountants (government authorisation no. 10028256)
Company registration: Luxembourg B 65 477 — Share capital EUR 516,950 - VAT LU 17564447*



Conclusion

Based on our review, we are not aware of any facts that lead us to believe that the attached condensed consolidated interim financial statements do not give a true and fair view of the Group's financial position as at 30 June 2014 or the results for the six-month period ending on this date in accordance with the International Financial Reporting Standards relating to Interim Financial Statements as adopted by the European Union ("IAS 34").

PricewaterhouseCoopers Société coopérative
Represented by

Luxembourg, 28 August 2014

Pierre Krier

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**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
30 June 2014**

Condensed consolidated balance sheet as at 30 June 2014

ASSETS				
in euros	Notes	30/06/2013	31/12/2013	30/06/2014
Cash and cash balances with central banks	3.1.	367,504,087	585,014,333	525,072,403
Loans and advances at amortised cost – Credit institutions	3.9.	6,298,796,340	7,227,843,403	8,347,512,066
Loans and advances at amortised cost – Customers	3.10.	16,710,953,202	17,003,930,051	17,889,672,861
Financial instruments held for trading	3.2.1./3.8.	129,546,268	79,976,733	107,205,079
Hedging derivatives	3.8.	102,866,577	132,425,965	88,221,114
Available-for-sale securities – Fixed-income securities	3.2.2	8,532,063,991	9,286,093,904	9,583,457,555
Available-for-sale securities – Variable-income securities	3.2.2	919,301,161	1,002,400,913	1,084,718,441
Held-to-maturity securities	3.4.	4,935,765,107	4,785,557,990	4,887,680,868
Investments in associates accounted for using the equity method	3.3.	269,149,816	277,133,236	291,918,088
Change in fair value of a portfolio of financial instruments hedged against interest rate risk		-	-	37,172,992
Property, plant and equipment for own use		174,932,422	175,009,307	170,748,246
Investment property		16,911,258	16,699,095	16,365,694
Intangible assets		11,910,288	12,259,092	11,226,750
Other assets	3.11.	45,682,747	129,760,273	48,860,920
TOTAL ASSETS		38,515,383,264	40,714,104,295	43,089,833,077

LIABILITIES				
in euros	Notes	30/06/2013	31/12/2013	30/06/2014
Deposits at amortised cost – Credit institutions	3.14.	3,555,342,293	5,381,166,797	5,641,438,051
Deposits at amortised cost – Private customers and public sector	3.15.	23,699,836,610	25,073,954,961	24,315,452,457
Financial instruments held for trading	3.2.1./3.8.	241,164,489	230,835,090	119,255,144
Hedging derivatives	3.8.	759,666,740	798,822,107	878,950,240
Debt securities in issue	3.13.	6,355,003,015	5,177,826,072	7,763,565,373
Change in fair value of a portfolio of financial instruments hedged against interest rate risk		-	4,621,034	-
Provisions	3.17.	4,362,077	5,945,558	3,397,612
Other liabilities	3.18.	105,493,919	69,524,913	93,309,943
Current taxes	3.12.	87,677,272	53,322,986	62,409,197
Deferred tax liabilities	3.12.	85,537,477	106,870,508	117,821,774
Net pension commitment	3.16.	68,677,051	91,548,527	111,016,580
Sub-total of LIABILITIES (before equity capital) to be carried forward		34,962,760,943	36,994,438,553	39,106,616,371

The notes that feature in the appendix from pages 16 to 51 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated balance sheet as at 30 June 2014 (continued)

EQUITY			
in euros	30/06/2013	31/12/2013	30/06/2014
Sub-total of LIABILITIES (before equity capital) carried forward	34,962,760,943	36,994,438,553	39,106,616,371
Share capital	173,525,467	173,525,467	173,525,467
Revaluation reserve	657,346,753	752,895,901	886,066,303
○ <i>Available-for-sale assets</i>	<i>652,570,895</i>	<i>748,680,299</i>	<i>880,856,805</i>
Consolidated reserves	2,574,965,723	2,554,079,320	2,753,792,490
○ <i>Equity method adjustment</i>	<i>204,458,393</i>	<i>202,089,328</i>	<i>228,549,879</i>
Income for the financial year	145,286,822	238,346,448	168,822,055
Sub-total of equity attributable to the owner of the parent company	3,551,124,765	3,718,847,135	3,982,206,315
Minority interests	1,497,556	818,607	1,010,391
Total equity	3,552,622,321	3,719,665,743	3,983,216,706
TOTAL LIABILITIES including EQUITY CAPITAL	38,515,383,264	40,714,104,295	43,089,833,077

The notes that feature in the appendix from pages 16 to 51 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated income statement as at 30 June 2014

in euros	Notes	30/06/2013	30/06/2014
Interest income	4.1.	193,001,289	188,208,554
Income from variable-income securities	4.2.	40,415,403	35,622,678
Fee and commission income	4.3.	57,859,915	59,717,680
INCOME FROM INTEREST, DIVIDENDS AND FEES AND COMMISSION		291,276,607	283,548,912
Income from financial instruments not recognised at fair value through profit or loss	4.4.	697,725	21,831,084
Income from financial instruments held for trading	4.5.	35,040,268	4,079,574
Net income from hedging transactions	4.6.	-4,100,098	6,120,379
Exchange gains or losses		4,313,493	3,153,296
Other operating income	4.7.	3,488,286	2,952,752
Other operating expenditure	4.7.	-281,009	-739,903
BANKING INCOME		330,435,272	320,946,094
Personnel expenses	4.8.	-91,460,859	-94,197,244
Other general and administrative expenses	4.9.	-34,934,674	-35,013,326
Depreciation allowances for tangible and intangible assets		-11,973,812	-11,924,134
INCOME AFTER GENERAL EXPENSES		192,065,927	179,811,390
Net allowances for impairment of individual and collective credit risks	4.10.	-14,587,291	7,961,737
Provisions	4.11.	-161,708	847,946
Share in the profit of equity-accounted associates		10,659,378	8,689,611
INCOME BEFORE TAXES AND NON-CURRENT ASSETS		187,976,306	197,310,684
Tax on income from continuing operations	4.12.	-41,566,064	-20,798,616
Deferred taxes	4.12.	-437,891	-7,014,212
INCOME FOR THE PERIOD		145,972,351	169,497,856
<i>OF WHICH:</i>			
INCOME FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS		685,529	675,801
INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNER OF THE PARENT COMPANY		145,286,822	168,822,055

The notes that feature in the appendix from pages 16 to 51 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income as at 30 June 2014
in euros

	30/06/2013	30/06/2014
INCOME FOR THE PERIOD	145,972,351	169,497,856
Items not reclassified in net income subsequently	13,601,563	-13,972,603
Actuarial gains/(losses) on the defined-benefit pension scheme	19,216,676	-19,740,891
Impact of deferred taxes	-5,615,113	5,768,288
Items to be reclassified in net income subsequently	47,478,868	133,170,400
Available-for-sale assets	65,544,340	141,471,539
• <i>Variation in measurement results</i>	66,159,771	163,219,799
• <i>Net reclassification to the income statement of realised net gains</i>	-615,431	-21,748,260
Cash flow hedges	-2,012,252	1,404,204
Impact of deferred taxes	-16,053,220	-9,705,343
Total items of comprehensive income for the period - net of tax	61,080,431	119,197,797
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	207,052,782	288,695,653
<i>share attributable to</i>		
- <i>minority interests:</i>	-284,468	675,801
- <i>owners of the parent company:</i>	207,337,250	288,019,852

The notes that feature in the appendix from pages 16 to 51 form an integral part of the condensed consolidated interim financial statements.

Consolidated statement of changes in equity as at 30 June 2014
in euros

	Share capital	Consolidated reserves	Revaluation reserves	Net income	Total equity holders of the parent	Minority interests	Total shareholders' equity
As at 1st January 2014	173,525,467	2,554,079,320	752,895,903	238,346,447	3,718,847,135	818,607	3,719,665,742
Appropriation of 2013 income	-	238,346,447	-	-238,346,447	-	-	-
2014 semi-annual result	-	-	-	168,822,055	168,822,055	675,801	169,497,856
Distribution for FY 2013	-	-40,000,000	-	-	-40,000,000	-	-40,000,000
Actuarial gains/(losses) on pension fund	-	-13,972,603	-	-	-13,972,603	-	-13,972,603
Net measurement results of available-for-sale financial instruments	-	-	132,176,505	-	132,176,505	-	132,176,505
Net measurement results of cash flow hedges	-	-	993,895	-	993,895	-	993,895
Other	-	15,339,326	-	-	15,339,326	-484,017	14,855,309
As at 30 June 2014	173,525,467	2,753,792,490	886,066,303	168,822,055	3,982,206,315	1,010,391	3,983,216,706

	Share capital	Consolidated reserves	Revaluation reserves	Net income	Total equity holders of the parent	Minority interests	Total shareholders' equity
As at 1st January 2013	173,525,467	2,386,960,748	609,867,885	227,499,362	3,397,853,462	1,782,024	3,399,635,486
Appropriation of 2012 income	-	227,499,362	-	-227,499,362	-	-	-
2013 semi-annual result	-	-	-	145,286,822	145,286,822	685,529	145,972,351
Distribution for FY 2012	-	-40,000,000	-	-	-40,000,000	-	-40,000,000
Actuarial gains/(losses) on pension fund	-	13,601,563	-	-	13,601,563	-	13,601,563
Net measurement results of available-for-sale financial instruments	-	-	48,903,140	-	48,903,140	-	48,903,140
Net measurement results of cash flow hedges	-	-	-1,424,272	-	-1,424,272	-	-1,424,272
Other	-	-13,095,950	-	-	-13,095,950	-969,997	-14,065,947
As at 30 June 2013	173,525,467	2,574,965,723	657,346,753	145,286,822	3,551,124,765	1,497,556	3,552,622,321

The notes that feature in the appendix from pages 16 to 51 form an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of cash flow as at 30 June 2014

Cash and cash equivalents		
in euros	30/06/2013	30/06/2014
Cash and cash balances with central banks	367,509,996	525,070,851
Loans and advances at amortised cost – Credit institutions	2,885,106,529	4,712,417,887
Loans and advances at amortised cost – Customers	1,549,968,308	1,131,413,168
Total	4,802,584,833	6,368,901,906

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.

At the end of 2013, the Group applied the recommendations of the International Financial Reporting Interpretations Committee (IFRIC) regarding assets with an original maturity of 90 days or less. The figures as at 30 June 2013 have been restated as a result.

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	30/06/2013	30/06/2014
Interest received	490,754,524	481,362,990
Interest paid	-276,424,674	-261,699,939
Income from variable-income securities	40,415,403	35,622,678
Fees and commission received	71,963,641	80,994,672
Fees and commission paid	-14,103,726	-21,276,992
Other operating income	3,488,286	2,952,752
Current taxes	-41,566,064	-20,798,616
Other general and administrative expenses	-122,094,215	-124,660,031
Other operating expenditure	-281,009	-488,741
Sub-total	152,152,166	172,008,773

- Cash flow from changes in operating assets:

Net variations	30/06/2013	30/06/2014
Financial instruments held for trading	-11,086,591	4,270,270
Available-for-sale securities – Fixed-income securities	-79,715,752	-168,855,332
Available-for-sale securities – Variable-income securities	-9,912,169	22,845,061
Loans and advances at amortised cost – Credit institutions	1,284,309,330	-772,568,630
Loans and advances at amortised cost – Customers	53,254,270	-1,072,641,710
Hedging derivatives	410,001	699,515
Other assets	35,224,328	81,411,391
Sub-total	1,272,483,416	-1,904,839,435

- Cash flow from changes in operating liabilities:

Net variations	30/06/2013	30/06/2014
Financial instruments held for trading	11,538,533	-10,835,814
Deposits at amortised cost – Credit institutions	-231,157,670	260,846,939
Deposits at amortised cost – Customers	-821,422,238	-783,283,636
Hedging derivatives	13,542,124	-13,224,111
Other liabilities	38,833,778	34,118,620
Debt securities in issue	-994,843,271	2,604,071,206
Sub-total	-1,983,508,744	2,091,693,204

Cash flow from operating activities	-558,873,162	358,862,542
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Cash flow from investment activities

in euros	30/06/2013	30/06/2014
Acquisition of available-for-sale securities – Variable-income securities	-180,160	-14,115,855
Disposals of available-for-sale securities – Variable-income securities	360,420	22,454,867
Acquisition of held-to-maturity securities	-915,642,478	-1,019,374,678
Acquisition/redemption of held-to-maturity securities	1,012,583,802	883,756,330
Acquisitions/disposals of intangible and tangible assets	14,260,049	11,491,551
Cash flow from investment activities	111,381,633	-115,787,786

Cash flow from financing activities

in euros	30/06/2013	30/06/2014
Proceeds from subordinated liabilities	-43,974,595	-19,892,000
Income distribution	-	-
Cash flow from financing activities	-43,974,595	-19,892,000
Net change	-491,466,124	223,182,756

The distribution of earnings to the Luxembourg government with respect to the financial year 2013 was made on July 2, 2014.

Change in cash and cash equivalents

	30/06/2013	30/06/2014
Position at 1 January	5,277,601,341	6,290,410,253
Net change in cash	-491,466,124	223,182,756
Effect of exchange rates on cash and cash equivalents	16,449,616	-144,691,103
Position as at 30 June	4,802,584,833	6,368,901,906

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

30 June 2014

1 GENERAL INFORMATION

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

The Group'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 parent company is to perform all financial and banking activities, as well as all similar, related or ancillary operations.

The condensed consolidated interim financial statements as at 30 June 2014 were approved for publication by the Executive Committee of the Group parent company on 28 August 2014.

The average workforce of the Group as at 30 June 2014 numbered 1,803 persons (1,803 persons as at 31 December 2013).

The Group's activity is not subject to seasonal variations.

The financial year coincides with the calendar year.

2 PRINCIPLES OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 Compliance with general accounting principles

The condensed consolidated interim financial statements of the Group as at 30 June 2014 were prepared in accordance with IAS 34, "Interim Financial Statements". It should be read in conjunction with the Group's consolidated annual financial statements as at 31 December 2013, which were prepared under IFRS as adopted by the European Union.

a) New or revised standards adopted by the Bank

The following standards, application of which is compulsory with respect to financial years beginning on or after 1 January 2014, were adopted by the Bank and have had no material impact on the semi-annual financial statements: These standards are:

- IFRS 10: "Consolidated Financial Statements";
- IFRS 11: "Joint Arrangements";
- IFRS 12: "Disclosure of Interests in Other Entities". This standard will affect the presentation of the notes to the Group's consolidated annual financial statements;
- IAS 27: "Separate Financial Statements";
- IAS 28: "Investments in Associates and Joint Ventures";
- Amendment to IAS 32: "Financial Instruments: Presentation/Offsetting Financial Assets and Financial Liabilities";
- Amendment to IAS 36: "Recoverable Amount Disclosures for Non-Financial Assets";
- Amendment to IAS 39: "Novation of Derivatives and Continuation of Hedge Accounting";
- Interpretation IFRIC 21 "Taxes levied by a public authority";

b) New and revised standards and interpretations relevant for the Bank, which are not yet compulsory and which have not been adopted by the European Union:

- IFRS 14: "Regulatory Deferral Accounts";
- IFRS 15: "Revenue From Contracts With Customers";
- Amendment to IAS 19: "Defined Benefit Plans: Employee Contributions";
- Amendment to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation";
- Amendment to IFRS 11: "Accounting for Acquisition of an Interest in a Joint Operation";
- Improvements to IFRS, 2010-2012 cycle, which are a series of amendments to the existing standards.
- Improvements to IFRS, 2011-2013 cycle, which are a series of amendments to the existing standards.

2.2 **Accounting principles and methods**

The accounting principles are identical to those applied to the consolidated financial statements as at 31 December 2013 and described therein.

2.2.1 **Scope of consolidation**

2.2.1.1 *Fully consolidated subsidiaries*

The scope of the fully consolidated subsidiaries remains unchanged compared with 31 December 2013; however, some percentages of the rights to vote have changed, although these changes are not material.

Subsidiaries included in the scope of consolidation:

Name	Rights to vote held in %
Lux-Fund Advisory S.A.	89.73
BCEE Asset Management S.A.	90.00
Bourbon Immobilière S.A.	99.90
Luxembourg State and Savings Bank Trust Company S.A.	100.00
Spuerkeess Ré S.A.	100.00

2.2.1.2 *Associated companies accounted for using the equity method*

The scope of associated companies accounted for using the equity method was modified with effect from 31 December 2013.

In addition, one percent of voting rights has changed, but not materially; the companies FS-B S.à r.l. et FS-T S.à r.l. have been consolidated.

The Group's associated companies:

Associates	% of capital held
Direct interests	
Société Nationale de Circulation Automobile S.à r.l.	20.00
Luxair S.A.	21.81
Société de la Bourse de Luxembourg S.A.	22.75
Europay Luxembourg S.C.	25.40
FS-B S.à r.l.	28.70
FS-T S.à r.l.	28.70
Visalux S.C.	36.26
La Luxembourgeoise S.A.	40.00
La Luxembourgeoise-Vie S.A.	40.00
BioTechCube (BTC) Luxembourg S.A.	50.00
Indirect interests	
Pecoma International S.A.	33.33
EFA Partners S.A.	29.05

2.3 Foreign currency transaction

The following exchange rates were used for translation of the consolidated accounts.

One euro is equal to:

	30/06/2013	31/12/2013	30/06/2014
CHF	1.2348	1.2269	1.2154
GBP	0.8569	0.8331	0.8026
JPY	129.2600	144.5600	138.4600
SEK	8.7958	8.8311	9.1789
USD	1.3058	1.3764	1.3657

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

3.1 Cash and cash balances with central banks

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

Headings	30/06/2013	31/12/2013	30/06/2014
Cash	61,732,984	73,276,359	52,704,716
Reserve requirement	303,675,441	511,524,874	469,939,915
Deposits with central banks	2,095,662	213,101	2,427,772
Total	367,504,087	585,014,333	525,072,403

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

3.2 Financial instruments

3.2.1 Assets and liabilities held for trading

Assets	30/06/2013	31/12/2013	30/06/2014
Non-derivative financial instruments	2,917,965	640,708	702,037
Derivative instruments (note 3.8.)	126,628,303	79,336,025	106,503,042
Total	129,546,268	79,976,733	107,205,079

Liabilities	30/06/2013	31/12/2013	30/06/2014
Non-derivative financial instruments	479,689	13,304	1,179
Derivative instruments (note 3.8.)	240,684,800	230,821,786	119,253,965
Total	241,164,489	230,835,090	119,255,144

Assets - Non-derivative financial instruments	30/06/2013	31/12/2013	30/06/2014
Debt instruments	2,901,437	624,213	702,037
<i>Public sector</i>	1,965,693	1,347	-
<i>Credit institutions</i>	670,441	445,149	599,922
<i>Corporate customers</i>	265,303	177,717	102,115
Equity instruments	16,528	16,495	-
Total	2,917,965	640,708	702,037
Unrealised profit/loss at the reporting date	80,871	17,589	1,601

Liabilities - Non-derivative financial instruments	30/06/2013	31/12/2013	30/06/2014
Short sales	479,689	13,304	1,179
<i>Bonds</i>	479,689	13,304	1,179
<i>Shares</i>	-	-	-
Total	479,689	13,304	1,179

3.2.2 Available-for-sale financial assets

Headings	30/06/2013	31/12/2013	30/06/2014
Debt instruments	8,532,063,991	9,286,093,904	9,583,457,555
<i>Public sector</i>	2,184,301,350	2,414,201,878	2,580,797,283
<i>Credit institutions</i>	4,226,965,077	4,369,917,788	4,835,793,003
<i>Corporate customers</i>	2,120,797,564	2,501,974,238	2,166,867,269
Equity instruments	919,301,161	1,002,400,913	1,084,718,441
<i>Credit institutions</i>	2,645,108	2,760,600	2,963,700
<i>Corporate customers</i>	916,312,641	999,296,902	1,081,411,329
<i>Other</i>	343,412	343,412	343,412
Total	9,451,365,152	10,288,494,817	10,668,175,996
Impairment of financial assets	-75,446,679	-72,155,654	-61,981,415
Unrealised profit/loss at the reporting date	985,173,672	1,100,200,444	1,318,124,975

Impairment of available-for-sale financial assets:

	Corporate customers		Credit institutions	Total
	ABS/MBS	Other		
Position at 1 January 2013	45,946,014	10,076,212	11,200,000	67,222,228
Additions	9,899,380	-	-	9,899,380
Reversals	- 1,550,317	-	-	- 1,550,317
Exchange gain or loss	- 176,295	51,683	-	- 124,612
Position as at 30 June 2013	54,118,784	10,127,895	11,200,000	75,446,679
Position as at 1 July 2013	54,118,784	10,127,895	11,200,000	75,446,679
Additions	1,390,849	-	2,499,884	3,890,733
Reversals	- 5,828,676	- 154,744	-	- 5,983,420
Write-off of receivables	- 571,090	-	-	- 571,090
Exchange gain or loss	- 371,921	- 255,325	-	- 627,246
Position as at 31 December 2013	48,737,944	9,717,826	13,699,884	72,155,656
Position as at 1 January 2014	48,737,944	9,717,826	13,699,884	72,155,656
Additions	-	-	-	-
Reversals	- 7,965,056	-	- 2,499,884	- 10,464,940
Write-off of receivables	-	-	-	-
Exchange gain or loss	253,701	37,000	-	290,701
Position as at 30 June 2014	41,026,589	9,754,826	11,200,000	61,981,417

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

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

o **Debt instruments**

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

30/06/2014	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	46,025,762	409,352,079	-410,254,616	100.22%
Variable-rate bonds	600,555			

31/12/2013	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	-955,773	-332,899,089	332,906,377	100.00%
Variable-rate bonds	4,191,215			

30/06/2013	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	48,592,674	-336,724,456	337,680,999	100.28%
Variable-rate bonds	-6,401,679			

○ **Equity instruments**

Headings	30/06/2013	31/12/2013	30/06/2014
Equity instruments	919,301,161	1,002,400,913	1,084,718,441
Total	919,301,161	1,002,400,913	1,084,718,441
Impairment of financial assets	-10,127,895	-9,717,824	-9,754,824
Unrealised profit/loss at the reporting date	690,640,211	770,536,798	862,146,579

3.3 Investments in associates accounted for using the equity method

	31/12/2013	30/06/2014
Acquisition value on 1 January	50,116,790	50,102,635
Acquisitions	18,849	4,108,487
Disposals	-33,004	-
Total as at 30 June (acquisition value)	50,102,635	54,211,122

List of associated companies:

Associates	Fraction of capital held (%)	Acquisition value 2014	Equity-accounted value 2014
Société Nationale de Circulation Automobile S.à r.l.	20.00	24,789	5,281,931
Luxair S.A.	21.81	14,830,609	81,795,416
Société de la Bourse de Luxembourg S.A.	22.75	112,166	21,232,154
Europay Luxembourg S.C.	25.40	96,279	637,455
Visalux S.C.	36.26	412,506	867,174
FS-B S.à r.l.	28.70	3,003,694	3,527,564
FS-T S.à r.l.	28.70	1,104,793	1,041,178
La Luxembourgeoise S.A.	40.00	16,856,760	96,598,583
La Luxembourgeoise-Vie S.A.	40.00	12,047,625	79,310,963
BioTechCube (BTC) Luxembourg S.A.	50.00	5,000,000	770,688
Sub-total direct holdings in associates		53,489,222	291,063,107
Pecoma International S.A.	33.33	170,000	248,337
EFA Partners S.A.	29.05	551,900	606,643
Sub-total indirect holdings in associates		721,900	854,980
Total		54,211,122	291,918,087

Associates	Fraction of capital held (%)	Acquisition value 2013	Equity-accounted value 2013
Société Nationale de Circulation Automobile S.à r.l.	20.00	24,789	5,015,012
Luxair S.A.	21.81	14,830,609	81,505,441
Société de la Bourse de Luxembourg S.A.	22.74	112,166	19,780,899
Europay Luxembourg S.C.	25.40	96,279	463,569
Visalux S.C.	36.26	412,506	864,627
La Luxembourgeoise S.A.	40.00	16,856,760	91,631,425
La Luxembourgeoise-Vie S.A.	40.00	12,047,625	70,620,149
BioTechCube (BTC) Luxembourg S.A.	50.00	5,000,000	779,011
Sub-total direct holdings in associates		49,380,735	270,660,134
Pecoma International S.A.	33.33	170,000	207,801
EFA Partners S.A.	29.05	551,900	687,175
Sub-total indirect holdings in associates		721,900	894,976
Difference due to equity-accounted partial disposals		-	5,578,126
Total		50,102,635	277,133,236

3.4 Securities held to maturity

Headings	30/06/2013	31/12/2013	30/06/2014
Debt instruments			
Public sector	436,306,389	332,443,691	535,868,255
Credit institutions	3,522,892,375	3,389,059,502	3,439,385,844
Corporate customers	976,566,343	1,064,054,796	912,426,769
Total	4,935,765,107	4,785,557,990	4,887,680,868
Impairment of financial assets	-	-	-5,000,000

3.5 Securities pledged under repurchase agreements

Headings	30/06/2013	31/12/2013	30/06/2014
Debt instruments issued by the public sector	-	453,801,650	495,346,497
Debt instruments issued - others	4,136,186	18,558,725	1,187,645,878
Equity instruments	3,115,650	359,590	-
Total	7,251,836	472,719,965	1,682,992,375

Debt instruments issued are primarily available-for-sale and held-to-maturity assets. The increase in debt instruments can be explained by intensive use of this type of secured contract.

3.6 Convertible bonds included in the different portfolios

Headings	30/06/2013	31/12/2013	30/06/2014
Convertible bonds	17,285,481	12,766,188	7,992,516

3.7 Sovereign bonds included in the different portfolios

In light of the European sovereign debt crisis, the Group parent company discloses its exposure to the following European sovereign states as at 30 June 2014:

Nominal amount by country and year of maturity:

Country	2014	2015	2016	2017	2018	2019	2042	Total
Spain	-	-	-	-	-	65,000,000	-	65,000,000
Greece	-	-	-	-	-	-	409,500	409,500
Italy	154,333,381	132,622,418	305,000,000	250,000,000	90,000,000	25,000,000	-	956,955,800
Portugal	15,000,000	100,000,000	-	-	-	25,000,000	-	140,000,000
Total	169,333,381	232,622,418	305,000,000	250,000,000	90,000,000	115,000,000	409,500	1,162,365,300

Book value by asset class:

Country	31/12/2013			30/06/2014		
	Available-for-sale assets	Held-to-maturity securities	Total	Available-for-sale assets	Held-to-maturity securities	Total
Spain	64,224,247	5,010,701	69,234,947	70,581,977	5,119,511	75,701,488
Greece	24,150	-	24,150	30,784	-	30,784
Italy	1,048,251,786	-	1,048,251,786	1,061,015,135	-	1,061,015,135
Portugal	178,128,716	15,113,392	193,242,107	133,818,852	15,382,433	149,201,285
Total	1,290,628,898	20,124,092	1,310,752,991	1,265,446,748	20,501,944	1,285,948,692

Fair value by asset class:

Country	31/12/2013			30/06/2014		
	Available-for-sale assets	Held-to-maturity securities	Total	Available-for-sale assets	Held-to-maturity securities	Total
Spain	64,224,247	5,365,746	69,589,993	70,581,977	5,740,250	76,322,227
Greece	24,150	-	24,150	30,784	-	30,784
Italy	1,048,251,786	-	1,048,251,786	1,061,015,135	-	1,061,015,135
Portugal	178,128,716	15,302,222	193,430,938	133,818,852	15,147,000	148,965,852
Total	1,290,628,898	20,667,968	1,311,296,866	1,265,446,748	20,887,250	1,286,333,998

The Bank has no exposure to Irish or Cypriot sovereign debt.

3.8 Derivative instruments

Headings	Assets	Liabilities	Notional
Balances as at 30/06/2014			
Derivative financial instruments held for trading	106,503,042	119,253,966	12,194,689,585
Operations linked to exchange rates	54,894,923	16,612,168	8,815,501,576
- <i>Foreign exchange swaps and forward exchange contracts</i>	54,493,090	16,391,327	8,531,497,528
- <i>others</i>	401,833	220,841	284,004,048
Operations linked to interest rates	51,200,761	102,140,292	2,625,653,600
- <i>IRS</i>	48,849,021	99,651,448	2,404,394,313
- <i>others</i>	2,351,740	2,488,843	221,259,287
Transactions linked to equity	407,358	407,358	735,228,779
- <i>Options on shares and indices</i>	407,358	407,358	735,228,779
Operations linked to credit risk	-	94,148	18,305,631
- <i>Credit derivatives (CDS)</i>	-	94,148	18,305,631
Fair value hedge (micro):	80,856,031	816,454,455	9,602,620,886
Operations linked to exchange rates	63,748,752	78,895,013	1,870,866,152
- <i>CCIS</i>	63,748,752	78,895,013	1,870,866,152
Operations linked to interest rates	4,255,252	593,803,913	6,171,322,194
- <i>IRS (interest rate)</i>	4,255,252	593,803,913	6,171,322,194
Operations linked to other indices	12,852,027	143,755,528	1,560,432,540
- <i>IRS (other indices)</i>	12,852,027	143,755,528	1,560,432,540
Fair value hedge (macro):	-	62,495,785	533,617,563
Operations linked to interest rates	-	62,495,785	533,617,563
- <i>IRS (interest rate)</i>	-	62,495,785	533,617,563
Cash flow hedges	7,365,082	-	53,100,000
Operations linked to interest rates	7,365,082	-	53,100,000
- <i>IRS</i>	7,365,082	-	53,100,000
Headings	Balances as at 31/12/2013		
Derivative financial instruments held for trading	79,336,025	230,821,786	10,308,275,825
Operations linked to exchange rates	45,100,967	136,485,735	7,515,895,311
- <i>Foreign exchange swaps and forward exchange contracts</i>	20,911,432	113,172,177	6,922,654,560
- <i>others</i>	24,189,536	23,313,559	593,240,751
Operations linked to interest rates	33,909,647	93,879,164	2,520,754,511
- <i>IRS</i>	31,539,553	91,460,439	2,296,410,919
- <i>others</i>	2,370,094	2,418,725	224,343,592
Transactions linked to equity	325,411	325,411	253,462,679
- <i>Options on shares and indices</i>	325,411	325,411	253,462,679
Operations linked to credit risk	-	131,475	18,163,325
- <i>Credit derivatives (CDS)</i>	-	131,475	18,163,325
Fair value hedge (micro):	117,170,097	765,035,975	9,066,922,654
Operations linked to exchange rates	82,689,239	46,856,628	1,277,075,141
- <i>CCIS</i>	82,689,239	46,856,628	1,277,075,141
Operations linked to interest rates	18,461,830	563,858,117	6,255,974,495
- <i>IRS (interest rate)</i>	18,461,830	563,858,117	6,255,974,495
Operations linked to other indices	16,019,028	154,321,229	1,533,873,019
- <i>IRS (other indices)</i>	16,019,028	154,321,229	1,533,873,019
Fair value hedge (macro):	9,295,310	33,786,132	666,870,537
Operations linked to interest rates	9,295,310	33,786,132	666,870,537
- <i>IRS (interest rate)</i>	9,295,310	33,786,132	666,870,537
Cash flow hedges	5,960,559	-	56,000,000
Operations linked to interest rates	5,960,559	-	56,000,000
- <i>IRS</i>	5,960,559	-	56,000,000

Headings	Balances as at 30/06/2013		
Derivative instruments held for trading	126,628,303	240,684,798	14,282,529,082
Operations linked to exchange rates	84,268,450	97,164,571	11,197,175,575
- <i>Foreign exchange swaps and forward exchange contracts</i>	51,532,833	64,091,053	10,599,650,392
- <i>others</i>	32,735,617	33,073,519	597,525,183
Operations linked to interest rates	42,359,854	143,346,624	3,066,208,156
- <i>IRS</i>	39,196,796	140,119,639	2,854,784,419
- <i>others</i>	3,163,058	3,226,985	211,423,737
Operations linked to credit risk	-	173,602	19,145,352
- <i>Credit derivatives (CDS)</i>	-	173,602	19,145,352
Fair value hedge	96,114,362	759,666,740	8,549,461,700
Operations linked to exchange rates	66,764,017	29,433,073	1,170,816,481
- <i>CCIS</i>	66,764,017	29,433,073	1,170,816,481
Operations linked to interest rates	14,181,628	585,709,073	5,833,905,179
- <i>IRS (interest rate)</i>	14,181,628	585,709,073	5,833,905,179
Operations linked to other indices	15,168,717	144,524,595	1,544,740,040
- <i>IRS (other indices)</i>	15,168,717	144,524,595	1,544,740,040
Cash flow hedges	6,752,215	-	58,900,000
Operations linked to interest rates	6,752,215	-	58,900,000
- <i>IRS</i>	6,752,215	-	58,900,000

3.9 Loans and advances at amortised cost – Credit institutions

Headings	30/06/2013	31/12/2013	30/06/2014
Interbank loans	4,244,503,225	4,159,275,297	4,158,467,436
Reverse repos	2,050,850,767	3,065,912,502	4,186,483,492
Roll-over loans	3,069,048	2,183,559	2,200,478
Finance leases	373,300	472,045	360,660
Sub-total	<b style="text-align: right;">6,298,796,340	<b style="text-align: right;">7,227,843,403	<b style="text-align: right;">8,347,512,066
Undrawn confirmed loans	634,965,100	1,253,043,680	1,400,720,015
Impairment of financial assets	-492,303	-514,429	-56,834

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 was sold or collateralised as at 30 June 2014.

Impairment of loans and advances – Credit institutions:

	Credit institutions
Position at 1 January 2013	516,190
Additions	-
Reversals	-23,887
Write-off of receivables	-
Exchange gain or loss	-
Position as at 30 June 2013	492,303
Position as at 1 July 2013	492,303
Additions	22,126
Reversals	-
Write-off of receivables	-
Exchange gain or loss	-
Position as at 31 December 2013	514,429
Position as at 1 January 2014	514,429
Additions	8,786
Reversals	-
Write-off of receivables	-466,381
Exchange gain or loss	-
Position as at 30 June 2014	56,834

Outstanding amounts of impaired loans: €113,669 as at 30 June 2014 versus €562,477 as at 31 December 2013 and €518,226 as at 30 June 2013.

For this category of loans and advances, the Group does not include outstanding debts falling under the European Banking Authority's (EBA) definition of restructured debts.

3.10 Loans and advances at amortised cost – Customers

Headings	30/06/2013	31/12/2013	30/06/2014
Retail customers	10,384,923,426	10,571,165,561	10,996,533,770
Corporate customers	4,325,421,326	4,388,153,750	4,702,189,579
Public sector	2,000,608,450	2,044,610,741	2,190,949,512
Sub-total	16,710,953,202	17,003,930,052	17,889,672,861
Undrawn confirmed loans	3,206,393,472	3,272,394,874	3,020,448,496
Impairment of financial assets	-85,315,433	-106,432,537	-104,693,607

Of which finance leases:

Headings	30/06/2013	31/12/2013	30/06/2014
Finance leases	97,935,609	93,342,181	95,141,025
Total	97,935,609	93,342,181	95,141,025

Impairment of value on loans and advances

	Retail customers	Corporate	Public sector	Total
Position at 1 January 2013	25,428,061	52,253,356	1,317,399	78,998,816
Reclassification	1,314,519	-	- 1,314,519	-
Additions	4,281,948	15,109,622	-	19,391,570
Reversals	- 6,606,625	- 6,519,952	- 2,880	- 13,129,457
Exchange gain or loss	-	54,504	-	54,504
Position as at 30 June 2013	24,417,903	60,897,530	-	85,315,433
Impairment of assets - individual risk	14,108,527	60,897,530	-	75,006,057
Impairment of assets - collective risk	10,309,376	-	-	10,309,376
Total	24,417,903	60,897,530	-	85,315,433
Position as at 1 July 2013	24,417,903	60,897,530	-	85,315,433
Additions	3,170,936	25,060,120	-	28,231,056
Reversals	- 1,044,136	- 1,638,004	-	- 2,682,140
Write-off of receivables (*)	- 1,609,516	- 2,573,054	-	- 4,182,571
Exchange gain or loss	-	- 249,242	-	- 249,242
Position as at 31 December 2013	24,935,186	81,497,349	-	106,432,536
Impairment of assets - individual risk	13,209,372	81,497,349	-	94,706,722
Impairment of assets - collective risk	11,725,814	-	-	11,725,814
Total	24,935,186	81,497,349	-	106,432,536
Position as at 1 January 2014	24,935,186	81,497,349	-	106,432,536
Additions	6,451,662	9,701,501	-	16,153,163
Reversals	- 2,115,195	- 15,815,227	-	- 17,930,423
Exchange gain or loss	-	38,331	-	38,331
Position as at 30 June 2014	29,271,653	75,421,954	-	104,693,607
Impairment of assets - individual risk	14,775,666	75,421,954	-	90,197,620
Impairment of assets - collective risk	14,495,987	-	-	14,495,987
Total	29,271,653	75,421,954	-	104,693,607

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

Outstanding amounts of impaired loans: €306,166,965 as at 30 June 2014 versus €367,229,536 as at 31 December 2013 and €246,643,362 as at 30 June 2013.

Value adjustments cover the principal and interest.

The impaired loans item as at 30 June 2014 amounting to €104.7 million does not take into account a specific impairment of €27.7 million linked to the integration into the consolidated financial statements of a loss on three Icelandic banks compensated via the Luxembourg Deposit Guarantee Scheme (Association pour la Garantie des Dépôts à Luxembourg - AGDL) in 2008/2009. As at 30 June 2013, this impairment amounted to €29.2 million and as at 31 December 2013 it amounted to €28.4 million.

In addition to the item on impairment of value of loans and advances to customers at amortised cost, the Group breaks down restructured outstanding debt per type of client. Financial restructuring is defined in accordance with the EBA's definition and is characterised by a deterioration of the financial situation of a client as a result of financial difficulties and the fact that new financing conditions are granted to the client, including in the form of an extension of the final maturity of the loan beyond six months, or a partial or total suspension of payment over and above the concessions that the Group would have been willing to accept for a client under normal circumstances.

as at 30/06/2014	restructured outstanding debts unimpaired	impaired restructured outstanding debts		
		outstanding debts	impairment	total
Retail customers	27,857,124	1,658,186	342,186	1,315,999
Corporate customers	150,623,733	111,284,217	32,860,047	78,424,171
Total	178,480,857	112,942,403	33,202,233	79,740,170

as at 31/12/2013	restructured outstanding debts unimpaired	impaired restructured outstanding debts		
		outstanding debts	impairment	total
Retail customers	50,801,116	-	-	-
Corporate customers	214,577,891	173,613,221	38,422,848	135,190,373
Total	265,379,007	173,613,221	38,422,848	135,190,373

The significant reduction in impaired restructured outstanding debts from €135.2 million to €79.7 million can be explained essentially by repayments during the first half of 2014.

3.11 Other assets

Headings	30/06/2013	31/12/2013	30/06/2014
Miscellaneous debtors (1)	3,333,564	78,925,173	19,300,317
Other short-term receivables (2)	21,694,255	27,229,024	788,121
Other	20,654,928	23,606,076	28,772,482
Total	45,682,747	129,760,273	48,860,920

- (1) Primarily operations on securities and coupons
(2) Primarily operations on credit cards and cheques.

3.12 Taxes: tax assets and liabilities

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

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

As at 30 June 2014, the Group posted a deferred tax asset of €58,426,739 and a deferred tax liability of €176,248,513.

3.12.1 Tax assets

Headings	30/06/2013	31/12/2013	30/06/2014
Deferred taxes	59,744,100	59,832,877	58,426,739
Tax assets	59,744,100	59,832,877	58,426,739

Breakdown of deferred tax assets according to origin:

Headings	30/06/2013	31/12/2013	30/06/2014
Debt instruments - application of fair value	20,080,474	16,854,780	6,590,307
Equity instruments - application of fair value	4,756,426	328,837	279,785
Pension funds - actuarial gain or loss	34,907,200	42,649,260	51,556,647
Deferred tax assets	59,744,100	59,832,877	58,426,739

3.12.2 Tax liabilities

Headings	30/06/2013	31/12/2013	30/06/2014
Tax due	87,677,272	53,322,986	62,409,197
<i>Income tax</i>	62,811,288	34,247,001	38,675,105
<i>Municipal business tax</i>	24,865,984	19,075,985	23,734,092
Deferred taxes	145,281,577	166,703,384	176,248,513
Tax liabilities	232,958,849	220,026,370	238,657,710

Breakdown of deferred tax liabilities according to origin:

Headings	30/06/2013	31/12/2013	30/06/2014
Derivative instruments - application of fair value	1,971,610	1,740,321	2,150,630
Debt instruments - application of fair value	7,752,266	15,909,383	20,214,517
Equity instruments - application of fair value	12,962,953	19,895,290	14,571,665
Pension fund	320,487	-	3,139,098
Regulatory and other provisions	122,274,261	129,258,390	136,172,603
Deferred tax liabilities	145,281,577	166,803,384	176,248,513

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

Deferred tax assets / liabilities	01/01/2014	Movements in equity	Movements in income statement	30/06/2014
Deferred tax assets	59,832,877	-1,406,138	-	58,426,739
Deferred tax liabilities	-166,703,385	-2,530,915	-7,014,212	-176,248,513
Net deferred tax assets (+) / liabilities (-)	-106,870,508	-3,937,053	-7,014,212	-117,821,774

Deferred tax assets / liabilities	01/07/2013	Movements in equity	Movements in income statement	31/12/2013
Deferred tax assets	59,744,100	88,777	-	59,832,877
Deferred tax liabilities	-145,281,577	-14,537,680	-6,884,128	-166,703,385
Net deferred tax assets (+) / liabilities (-)	-85,537,477	-14,448,903	-6,884,128	-106,870,508

Deferred tax assets / liabilities	01/01/2013	Movements in equity	Movements in income statement	30/06/2013
Deferred tax assets	78,162,674	-18,418,574	-	59,744,100
Deferred tax liabilities	-141,593,928	-3,249,758	-437,891	-145,281,577
Net deferred tax assets (+) / liabilities (-)	-63,431,254	-21,668,332	-437,891	-85,537,477

3.13 Debt securities in issue

Headings	30/06/2013	31/12/2013	30/06/2014
Certificates of deposit	807,870,495	739,413,154	669,334,687
Commercial paper	4,595,959,623	3,424,562,206	5,776,252,433
Medium Term Notes and other securities issued	951,172,897	1,013,850,711	1,317,978,255
Total	6,355,003,015	5,177,826,072	7,763,565,373

of which:

- subordinated notes	174,935,659	175,265,801	153,351,337
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The Group issued Euro Medium Term Notes (EMTNs) for a nominal amount of €766,084,471 during the first half of 2014, compared with €264,324,885 for the first half of the previous year.

New issues are essentially linked to a request from a specific institutional client base.

New issues during the	1st half of 2013	1st half of 2014
maturing in < 2 years	233,399,463	617,056,317
maturing in 2 - 5 years	17,000,000	57,500,000
maturing in > 5 years	13,925,422	91,528,154
Total	264,324,885	766,084,471

of which:

- Structured notes (at issue value)	264,324,885	751,084,471
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The principal structured debts issued were of the interest-linked notes variety.

Issues maturing and redeemed early during the first half of 2014 and 2013 respectively:

	1st half of 2013	1st half of 2014
Maturities/repayments	677,136,441	477,188,429
Total	677,136,441	477,188,429

of which:

- Structured notes (at issue value)	607,001,588	457,188,429
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During the first half of 2014, the Group bought back its own issues in the amount of €750,000 vs. €450,000 during the first half of 2013.

3.14 Deposits at amortised cost – Credit institutions

Headings	30/06/2013	31/12/2013	30/06/2014
Inter-bank deposits	3,549,076,095	4,628,441,475	3,950,565,734
Repurchase agreements	6,266,198	752,725,322	1,690,872,317
Total	3,555,342,293	5,381,166,797	5,641,438,051

3.15 Deposits at amortised cost – Private customers and public sector

Headings	30/06/2013	31/12/2013	30/06/2014
Private customers	20,585,357,807	21,262,088,457	20,831,822,449
- Demand deposit and notice accounts	5,478,301,227	5,716,437,442	5,820,086,667
- Time deposit accounts	4,678,530,597	4,830,859,260	4,566,789,629
- Savings	10,427,396,740	10,479,413,186	10,444,946,153
- Repurchase agreements	1,129,243	235,378,569	-
Public sector	3,114,478,803	3,811,866,505	3,483,630,008
Total	23,699,836,610	25,073,954,962	24,315,452,457

3.16 Pension funds - Defined-benefit pension plan

Main estimates used to determine pension commitments:

Variables	30/06/2013	31/12/2013	30/06/2014
Discount rate for active employees	3.50%	3.20%	2.85%
Discount rate for beneficiaries	3.00%	2.80%	2.30%
Salary increases (including indexation)	3.50%	3.50%	3.50%
Pension increases (including indexation)	2.50%	2.50%	2.50%
Induced yield	2.86%	2.86%	2.96%

Pursuant to IAS 19 revised, the return for 2014 corresponds to the weighted average discount rate at the end of 2013. This rate is applied to the difference between the pension commitment and the pension fund asset as at 31 December 2013.

Net pension fund allowance entered under “Personnel expenses” in the income statement:

Components	30/06/2013	31/12/2013	30/06/2014
Current service cost	3,038,847	6,077,693	3,196,818
Net interest	1,262,472	2,524,943	1,353,722
<i>Interest cost</i>	<i>5,904,607</i>	<i>11,809,214</i>	<i>6,212,339</i>
<i>Induced yield</i>	<i>-4,642,136</i>	<i>-9,284,271</i>	<i>-4,858,617</i>
Total	4,301,318	8,602,636	4,550,539

Pension commitments:

	30/06/2013	31/12/2013	30/06/2014
Situation of commitments at start	412,582,715	387,224,268	420,123,658
Current service cost	3,038,847	3,038,847	3,196,818
Interest cost	5,904,607	5,904,607	6,212,339
Benefits paid and to be paid	-8,899,517	-2,478,874	-9,176,312
Actuarial gains or losses	-25,402,384	26,434,812	30,544,815
Situation of commitments on the last day of the month	387,224,268	420,123,658	450,901,317

Pension plan assets:

	30/06/2013	31/12/2013	30/06/2014
Situation at end	324,367,897	318,547,216	328,575,131
Pension payments	-8,899,517	-2,478,874	-9,176,312
Contribution	4,622,406	9,022,406	4,823,378
Induced yield	4,642,136	4,642,136	4,858,617
Fair value gain / loss	-6,185,706	-1,157,752	10,803,922
Total	318,547,216	328,575,131	339,884,737

Net commitments/overfunding on pension schemes in accordance with IAS 19

	30/06/2013	31/12/2013	30/06/2014
Pension commitments	387,224,267	420,123,658	450,901,317
Plan assets measured at fair value	-318,547,216	-328,575,131	-339,884,737
Unfunded/overfunded commitments	68,677,051	91,548,527	111,016,580

3.17 Provisions

Movements:

Position as at 31 December 2012	4,200,369
Position at 1 January 2013	4,200,369
Additions	422,714
Reversals	-261,006
Application	-
Position as at 30 June 2013	4,362,077
Position as at 1 July 2013	4,362,077
Additions	2,666,705
Reversals	-968,030
Application	-115,194
Position as at 31 December 2013	5,945,558
Position at 1 January 2013	5,945,558
Additions	72,699
Reversals	-920,645
Application	-1,700,000
Position as at 30 June 2014	3,397,612

The item "Provisions" includes provisions for risks that are liabilities of uncertain timing or amount.

3.18 Other liabilities

Headings	30/06/2013	31/12/2013	30/06/2014
Short-term payables (1)	89,433,115	38,688,690	82,345,816
Preferential or secured creditors	16,060,804	30,836,222	10,964,127
Total	105,493,919	69,524,912	93,309,943

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

3.19 Transactions with related parties

The related parties of Banque et Caisse d'Epargne de l'Etat, Luxembourg are the consolidated companies, associated companies accounted for using the equity method, government institutions and the Group's key management personnel.

All transactions with related parties are completed under market conditions.

3.19.1 Government institutions

The Group parent company, established by the law of 21 February 1856 and governed by the organic law of March 24, 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.

Consequently, the Luxembourg Government controls the Group, which must therefore comply with the requirements of IAS 24.

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

in euros	30/06/2013	31/12/2013	30/06/2014
ASSETS (mainly loans at amortised cost)	3,039,843,806	3,226,805,251	3,501,398,110

in euros	30/06/2013	31/12/2013	30/06/2014
LIABILITIES (deposits at amortised cost)	2,657,956,176	3,132,054,651	2,815,403,425

3.19.2 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:

	30/06/2013	31/12/2013	30/06/2014
Board of Directors (nine members)	61,150	119,150	57,900
Executive Board (five members)	430,442	973,170	440,973
Total	491,592	1,092,320	498,873

Members of the management body are eligible for benefits associated with the defined-benefit pension plan in the same way as employees of the bank.

3.19.3 Loans and advances granted to members of the Group parent company's management and administrative bodies

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

	30/06/2013	31/12/2013	30/06/2014
Board of Directors (nine members)	3,877,161	3,548,233	2,650,818
Executive Board (five members)	942,835	1,410,427	1,290,393
Total	4,819,996	4,958,660	3,941,210

3.20 Off-balance sheet items

Type of guarantees issued

Headings	30/06/2013	31/12/2013	30/06/2014
Completion bonds	325,904,901	297,549,929	292,450,647
Letters of credit	45,948,844	43,591,979	40,272,388
Counter-guarantees	355,360,737	362,810,650	392,890,587
Documentary credits	18,231,948	17,301,900	20,813,339
Other	20,442,224	6,968,486	31,076,586
Total	765,888,653	728,222,944	777,503,546

Commitments:

Headings	30/06/2013	31/12/2013	30/06/2014
Amounts subscribed and unpaid on securities, equity interests and shares in related companies	3,083,482	2,833,482	10,382,603
Undrawn confirmed loans	3,841,358,572	4,525,438,555	4,421,168,511
Other	23,469,615	21,369,615	31,658,871
Total	3,867,911,669	4,549,641,652	4,463,209,985

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	30/06/2013	30/06/2014
Assets repayable on demand	1,035,617	359,278
Financial assets held for trading	22,222,312	8,126,365
Available-for-sale financial assets	127,757,350	135,961,626
Receivables at amortised cost - Debt instruments	11,145,295	-
Receivables at amortised cost - Loans and advances	188,918,586	198,126,042
Investments held to maturity at amortised cost	59,318,056	48,521,205
Derivatives - Hedge accounting, interest rate risk	84,809,248	98,919,794
Other assets	406,579	433,357
Total	495,613,043	490,447,667
Interest paid and similar expenses	30/06/2013	30/06/2014
Financial liabilities held for trading	-8,729,052	-3,833,306
Liabilities at amortised cost - Deposits	-57,609,451	-48,498,819
Liabilities at amortised cost - Debt certificates	-14,533,317	-12,254,775
Liabilities at amortised cost - Subordinated loans	-1,132,808	-1,037,271
Derivatives - Hedge accounting, interest rate risk	-219,568,630	-236,068,922
Other liabilities	-1,038,496	-546,020
Total	-302,611,754	-302,239,113
Net interest income	193,001,289	188,208,554
Total interest received and similar income not recognised at fair value through the income statement	473,390,731	482,321,302
Total interest paid and similar expenses not recognised at fair value through the income statement	-293,882,702	-298,405,807

Net interest income at 30 June 2014 stood at €188.2 million, down 2.5% from €193.0 million the previous year.

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

4.2 Income from variable-income securities

Headings	30/06/2013	30/06/2014
Available-for-sale financial assets	40,415,403	35,622,678
Income from variable-income securities	40,415,403	35,622,678

4.3 Fee and commission income

Headings	30/06/2013	30/06/2014
Loan activities	14,989,389	15,442,730
Asset management	11,792,950	10,875,961
Investment fund activities	14,786,796	15,650,481
Demand deposit accounts and related activities	10,660,673	11,247,071
Insurance premiums	1,900,941	1,905,866
Other	3,729,166	4,595,571
Commissions received and paid	57,859,915	59,717,680

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

Headings	30/06/2013	30/06/2014
Available-for-sale financial instruments	613,031	21,748,260
Loans and advances (at amortised cost)	85,583	70,071
Financial liabilities at amortised cost	-889	12,753
Total	697,725	21,831,084

The profit shown in this item has increased significantly following the partial sale of a position from the available-for-sale equity instruments' portfolio.

4.5 Income from financial instruments held for trading

Headings	30/06/2013	30/06/2014
Equity instruments and related derivatives	1,180,359	989,151
Foreign exchange instruments and related derivatives	-1,360,778	-4,923,679
Interest rate instruments and related derivatives	34,404,299	7,410,616
Credit derivatives	126,033	37,353
Commodities and related derivatives	690,355	566,133
Total	35,040,268	4,079,574

The significant variation in this item is primarily due to the implementation of a macro-hedge strategy on fixed-rate loans at the end of the first half of 2013; on implementation of the macro-hedge, the long yield

curves used for the evaluation of interest rate swaps posted a net increase of 33 to 46 basis points after 1 January 2013.

4.6 Net income from hedging transactions

Headings	30/06/2013	30/06/2014
Fair value hedge		
Debt instruments (assets) hedged by derivatives	550,266	288,683
Debt issues hedged by derivatives	96,663	-276,391
Loans hedged by derivatives	-4,747,027	6,108,087
Total	-4,100,098	6,120,379
Value adjustment on hedged instruments	-80,634,202	116,700,502
Value adjustment on hedging instruments	76,534,104	-110,580,123
Total	-4,100,098	6,120,379

Market risk hedging operations are highly efficient.

4.7 Other net operating income

Headings	30/06/2013	30/06/2014
Other operating income	3,488,286	2,952,752
Other operating expenditure	-281,009	-739,903
Other net operating income	3,207,277	2,212,849

"Other operating income and expenses" mainly include:

- rent from property rented and miscellaneous advances from tenants,
- VAT repayments relating to previous financial years,
- income on amortised loans.

4.8 Personnel expenses

Headings	30/06/2013	30/06/2014
Compensation	76,161,461	78,600,983
Social security charges	3,812,520	3,814,893
Pensions and similar expenses	4,982,164	5,142,385
Pension fund expense	4,301,318	4,550,539
Other personnel expenses	2,203,396	2,088,444
Total	91,460,859	94,197,244

4.9 Other general and administrative expenses

Headings	30/06/2013	30/06/2014
Expenses related to property and furniture	9,052,803	8,871,034
Rents and maintenance of software	6,758,486	7,817,457
Operating expenditure related to the banking business	12,477,327	11,871,141
Other	6,646,058	6,453,694
Total	34,934,674	35,013,326

4.10 Net allowances for impairment of individual and collective credit risks

	30/06/2013			30/06/2014		
	Additions	Reversals	Total	Additions	Reversals	Total
Available-for-sale securities	-9,899,380	1,550,317	-8,349,063	-	10,464,940	10,464,940
Held-to-maturity securities	-	-	-	-5,000,000	-	-5,000,000
Loans and advances	-19,391,571	13,153,343	-6,238,228	-16,161,949	18,658,746	2,496,797
<i>o/w Individual impairment</i>	<i>-18,795,473</i>	<i>13,097,696</i>	<i>-5,697,777</i>	<i>-13,361,313</i>	<i>18,628,283</i>	<i>5,266,970</i>
<i>o/w Collective impairment</i>	<i>-596,098</i>	<i>55,647</i>	<i>-540,451</i>	<i>-2,800,636</i>	<i>30,463</i>	<i>-2,770,173</i>
Total	-29,290,951	14,703,660	-14,587,291	-21,161,949	29,123,686	7,961,737

4.11 Provisions and reversal of provisions

Headings	30/06/2013	30/06/2014
Provisions	-422,713	-72,699
Reversal of provisions	261,005	920,645
Total	-161,708	847,946

4.12 Tax expense

Headings	30/06/2013	30/06/2014
Tax on income from continuing operations	-41,566,064	-20,798,616
Deferred taxes	-437,891	-7,014,212
Tax on profit/(loss) for the period	-42,003,955	-27,812,828

Tax liability has been calculated based on figures as at 30 June 2014, using a constant methodology.

5 HIERARCHY OF FINANCIAL INSTRUMENTS AT FAIR VALUE

5.1 Methodologies applied

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

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

- Level 1 fair value: level 1 inputs are essentially quoted prices in active markets for identical financial instruments. This level includes equity securities and debt instruments listed on stock exchanges, as well as derivatives traded on a regulated market.
- 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 derivatives 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 measured at fair value

Assets and liabilities at fair value:

Categories as at 30 June 2014	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading	702,037	106,503,042	-	107,205,080
- <i>Debt instruments</i>	702,037	-	-	702,037
- <i>Equity instruments</i>	-	-	-	-
- <i>Derivative instruments</i>	-	106,503,042	-	106,503,042
Loans and advances hedged at fair value	-	1,961,919,460	-	1,961,919,460
Available-for-sale financial assets	6,736,397,709	3,539,322,789	392,455,498	10,668,175,996
- <i>Debt instruments</i>	6,404,235,102	2,928,927,627	250,294,826	9,583,457,555
- <i>Equity instruments</i>	332,162,607	610,395,162	142,160,672	1,084,718,441
Hedging derivatives	-	88,221,114	-	88,221,114
TOTAL	6,737,099,746	5,695,966,406	392,455,498	12,825,521,651
Financial liabilities				
Financial instruments held for trading	1,179	-	-	1,179
Derivative financial instruments held for trading	-	119,253,965	-	119,253,965
Debt securities in issue	-	1,191,290,810	-	1,191,290,810
Hedging derivatives	-	878,950,240	-	878,950,240
TOTAL	1,179	2,189,495,014	-	2,189,496,193

Categories as at 31 December 2013	Level 1	Level 2	Level 3	total
Financial assets				
Financial assets held for trading	640,708	79,336,025	-	79,976,734
- <i>Debt instruments</i>	624,213	-	-	624,213
- <i>Equity instruments</i>	16,495	-	-	16,495
- <i>Derivative instruments</i>	-	79,336,025	-	79,336,025
Loans and advances hedged at fair value	-	1,777,080,241	-	1,777,080,241
Available-for-sale financial assets	7,277,784,055	2,758,830,179	251,880,583	10,288,494,817
- <i>Debt instruments</i>	6,411,828,242	2,758,830,179	115,435,483	9,286,093,904
- <i>Equity instruments</i>	865,955,813	-	136,445,100	1,002,400,913
Hedging derivatives	-	132,425,780	185	132,425,965
TOTAL	7,278,424,763	4,747,672,226	251,880,768	12,277,977,757
Financial liabilities				
Financial instruments held for trading	13,304	-	-	13,304
Derivative financial instruments held for trading	-	230,821,786	-	230,821,786
Debt securities in issue	-	860,166,276	6,750,642	866,916,918
Hedging derivatives	-	798,822,107	-	798,822,107
TOTAL	13,304	1,889,810,169	6,750,642	1,896,574,115

The changes in value of the financial assets in the table above are chiefly attributable to an increase in book value following the continued recovery on the financial markets during the first half of 2014. A comparison of the breakdown of financial assets between the end of 2013 and the first half of 2014 reveals no significant change: 52.5% of financial assets are classed as level 1 (versus 59.3% in 2013), 44.4% as level 2 (versus 38.6% in 2013) and 3.1% as level 3 (versus 2.1% in 2013).

For financial liabilities measured at fair value, the level 1 and 2 instruments amount to 100.0% at the end of the first half of 2014 versus 99.6% at the end of the financial year 2013.

The Group 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 2014.

For debt instruments such as asset backed securities (ABS) and mortgage backed securities (MBS), the most significant entries at level 3 were posted following a requalification of the active/inactive market criteria.

For equity instruments, the most significant transfers from level 1 to level 2 are linked to positions on which the valuation was fixed indirectly in relation to an active market price.

Level 3 breakdown:

	Available-for-sale financial assets			Total financial assets	Financial liabilities		Total financial liabilities
	Debt instruments	Equity instruments	Hedging derivatives		Debt securities in issue	Hedging derivatives	
Total as at 1 January 2014	115,435,483	136,445,100	185	251,880,768	6,750,642	-	6,750,642
Total gains / losses	2,568,150	- 10,234,157	- 185	- 7,666,192	- 642	-	- 642
- <i>Income statement</i>	10,300,769	- 37,000	- 185	10,263,584	- 642	-	- 642
- <i>Revaluation reserve</i>	-7,732,619	-10,197,158	-	- 17,929,776	-	-	-
Purchases	-	16,697,778	-	16,697,778	-	-	-
Issues	-	-	-	-	-	-	-
Reimbursements/sales	-49,292,256	- 748,049	-	- 50,040,305	-	-	-
Transfers from or to level 3	181,583,449	-	-	181,583,449	- 6,750,000	-	- 6,750,000
Total as at 30 June 2014	250,294,826	142,160,672	-	392,455,497	-	-	-
Total gains / losses for the period included in the income statement for financial assets and liabilities held as at 30 June 2014	10,300,769	- 37,000	- 185	10,263,584	- 642	-	- 642

	Available-for-sale financial assets			Total financial assets	Financial liabilities		Total financial liabilities
	Debt instruments	Equity instruments	Hedging derivatives		Debt securities in issue	Hedging derivatives	
Total as at 1st January 2013	174,104,938	135,007,815	-	309,112,753	-	-	-
Total gains / losses	2,714,181	- 278,350	185	2,436,016	642	-	642
- <i>Income statement</i>	- 5,977,381	-	185	- 5,977,196	642	-	642
- <i>Revaluation reserve</i>	8,691,562	- 278,350	-	8,413,212	-	-	-
Purchases	-	250,000	-	250,000	-	-	-
Issues	-	-	-	-	6,750,000	-	6,750,000
Reimbursements/sales	- 92,556,047	- 903,779	-	- 93,459,825	-	-	-
Transfers from or to level 3	31,172,411	2,369,414	-	33,541,825	-	-	-
Total as at 31 December 2013	115,435,483	136,445,100	185	251,880,768	6,750,642	-	6,750,642
Total gains / losses for the period included in the income statement for financial assets and liabilities held as at 31 December 2013	- 5,977,381	-	185	- 5,977,196	642	-	642

The Group parent company performs stress tests for the different categories of financial instruments, although without specifically focusing on level 3 instruments. The results of these stress tests are reported every month to the Group parent company's senior management. A sensitivity analysis of the assumptions used for the measurement of financial instruments classed in level 3 would have a significant impact on the fair value of these level 3 financial instruments; however they represent only 3.1% of the total volume of financial assets.

In view of this low percentage of the total volume of financial assets and considering that it is not relevant to proceed to a change in the straight-line assumptions for instruments with heterogeneous characteristics, the Group parent company did not conduct such a specific sensitivity analysis for level 3 instruments.

Note that, as at 30 June 2014, the Group no longer discloses level 3 financial liabilities measured at fair value; in 2013 this figure amounted to 0.4%.

6 SEGMENT INFORMATION

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

In euros 30/06/2014	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Investment Funds	Other	Reconciliation	Total
Banking income	145,005,869	91,408,553	80,511,853	1,806,970	318,733,245
Income before tax	68,922,343	82,958,340	42,947,230	1,806,970	196,634,883
Income/(loss)	68,922,343	82,958,340	15,134,402	1,806,970	168,822,055

In euros 30/06/2013	Retail, Professional, Corporate and Public Sector Banking	Financial Markets and Investment Funds	Other	Reconciliation	Total
Banking income	133,511,511	127,170,771	68,107,830	-1,562,126	327,227,986
Income before tax	50,128,126	104,528,856	34,195,922	-1,562,126	187,290,777
Income/(loss)	50,128,126	104,528,856	-7,808,033	-1,562,126	145,286,822

The differential recorded between the figures relating to the different segments and those on the consolidated balance sheet arises from the interest margin.

The principal variation arises from the methodology linked to the transfer price rates.

As at 30 June 2014, the methodological gap recorded on the interest margin amounted to €1.8 million.



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